Annual Financial Report
June 30, 2019

San Francisco Community College District

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SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
San Francisco Community College District
San Francisco, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of San Francisco Community College District (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the 2018-2019 *Contracted District Audit Manual*, issued by the California Community Colleges Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the District as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming that the District will continue as a going concern. As discussed in Note 16 to the financial statements, the District has suffered recurring deficit spending and does not meet minimum fund balance requirements. These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 16. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis on pages 5 through 14 and other required supplementary schedules on pages 74 through 79 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information listed in the Table of Contents, including the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Eide Bailly LLP

Rancho Cucamonga, California
December 27, 2019

The following section, Management's Discussion and Analysis (MD&A), of the San Francisco Community College District's (the District) Annual Financial Report, is management's narrative overview and analysis of the financial condition and activities of the District for the fiscal year ended June 30, 2019. The District's financial statements are presented based on the Government Accounting Standards Board (GASB) Codification Section (Cod. Sec.) 2200-101 and Code Sec 5 business-type activities model.

DISTRICT OVERVIEW

San Francisco Community College District's financial statements are presented in accordance with GASB Cod. Sec. 2200-101 and Cod. Sec. Co5. These statements allow for the presentation of financial activity and results of operations focusing on the District as a whole. The government-wide financial statements present the overall results of operations whereby all of the District's activities are consolidated into one total versus the presentation by fund type.

The focus of the Statement of Net Position is on assets, deferred outflows or resources, liabilities, deferred inflows of resources, and the difference between these measurement groups and is reported as of June 30, 2019. This statement combines and consolidates current financial resources with capital assets and long-term obligations.

The Statement of Revenues, Expenses, and Changes in Net Position focuses on the costs of the District's operational activities with revenues and expense categorized as operating and nonoperating, and expenses reported by natural classification for fiscal period July 1, 2018 and through June 30, 2019. The Statement of Cash Flows provides an analysis of the sources and uses of cash within the operations of the District for the fiscal period July 1, 2018 through June 30, 2019.

ANALYSIS OF NET POSITION – FISCAL YEAR 2019

The Statement of Net Position can serve as a useful indicator of a government agency's financial position. The comparative Statement of Net Position schedule compares the past two years and is based on the business-type activities model.

Table 1

ASSETS	2019	2018	Increase (Decrease)	Percent Change
Current Assets				
Cash and short-term receivables	$ 106,741,143	$ 192,548,044	$ (85,806,901)	-44.6%
Prepaid expenses and other assets	1,329,445	1,642,683	(313,238)	-19.1%
Total Current Assets	108,070,588	194,190,727	(86,120,139)	-44.3%
Noncurrent Assets				
Other noncurrent assets	8,866,667	9,022,222	(155,555)	-1.7%
Capital assets, net of depreciation	319,603,565	328,684,032	(9,080,467)	-2.8%
Total Noncurrent Assets	328,470,232	337,706,254	(9,236,022)	-2.7%
Total Assets	436,540,820	531,896,981	(95,356,161)	-17.9%
DEFERRED OUTFLOWS OF RESOURCES	79,271,562	87,962,822	(8,691,260)	-9.9%
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities	17,835,080	54,940,432	(37,105,352)	-67.5%
Unearned revenue	15,477,368	21,746,089	(6,268,721)	-28.8%
Long-term liabilities - current portion	22,485,475	19,813,927	2,671,548	13.5%
Total Current Liabilities	55,797,923	96,500,448	(40,702,525)	-42.2%
Noncurrent Liabilities				
Long-term liabilities	599,452,536	633,682,754	(34,230,218)	-5.4%
Total Liabilities	655,250,459	730,183,202	(74,932,743)	-10.3%
DEFERRED INFLOWS OF RESOURCES	40,925,019	28,771,316	12,153,703	42.2%
NET POSITION				
Net investment in capital assets	132,333,158	132,357,317	(24,159)	0.0%
Restricted	22,645,095	43,044,778	(20,399,683)	-47.4%
Unrestricted deficit	(335,341,349)	(314,496,810)	(20,844,539)	-6.6%
Total Net Position	$ (180,363,096)	$ (139,094,715)	$ (41,268,381)	-29.7%

Total current assets decreased $86.1 million from the prior year. Cash and short-term receivables decreased from the prior year by $85.8 million, or 44.6 percent. Individual component changes are as follows: Cash and investments decreased from the prior year by $90.8 million while State and local accounts receivables increased by $7.6 million.

Noncurrent assets decreased $9.2 million or 2.7 percent from the prior year, primarily due to a $9.0 million decrease in capital assets, non-depreciable and depreciable, as a result of depreciation of $22.6 million on existing assets, offset by asset additions as a result of existing site improvements.

Total current liabilities decreased by $40.7 million or 42.2 percent. Accounts payable and accrued liabilities decreased by $37.1 million or 67.5 percent, primarily due to the property taxes payable offset by $42.1 million of Educational Revenue Augmentation Fund (ERAF) overpayments from City and County of San Francisco in the current fiscal year. Unearned revenue decreased by $6.2 million mainly due to timing of $4.5 million in Federal and State grant expenditures. The remaining current portion of long-term liabilities, which are amounts due within the next fiscal year, increased $2.7 million or 13.5 percent.

Noncurrent liabilities decreased $34.2 million or 5.4 percent. Aggregate net pension obligations resulted in a net $20.8 million decrease while General Obligation Bonds payable decreased $19.9 million as a result of scheduled payments funded through property taxes. Aggregate net OPEB liabilities increased by $2.2 million.

The District's net position for net investment in capital assets and restricted net position decreased by $0.1 million and $20.4 million or 47.4 percent over the prior year, respectively, while unrestricted net position decreased $20.8 million or 6.6 percent. Total net position, which combines invested in capital assets, restricted, and unrestricted categories, experienced a net decrease of $41.3 million or 29.7 percent.

ANALYSIS OF STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The following comparative Statement of Revenues, Expenses, and Changes in Net Position presents the operating results of the District, as well as the nonoperating revenues and expenses. Annual State appropriations (apportionments), while budgeted for operations, are considered nonoperating revenues according to generally accepted accounting principles.

Operating Results for the Year

The results of this year's operations for the District as a whole are reported in the *Statement of Revenues, Expenses, and Changes in Net Position* on page 16.

Table 2

Operating Revenues	2019	2018	Increase (Decrease)	Percent Change
Tuition and fees	$ 21,918,599	$ 22,120,047	$ (201,448)	-0.9%
Federal, State, and local grants and contracts	51,761,440	47,053,276	4,708,164	10.0%
Total Operating Revenues	73,680,039	69,173,323	4,506,716	6.5%
Operating Expenses				
Salaries and benefits	245,134,455	189,415,024	55,719,431	29.4%
Supplies and maintenance	36,125,816	34,357,133	1,768,683	5.1%
Student financial aid	19,927,016	19,429,829	497,187	2.6%
Depreciation	22,647,532	23,814,941	(1,167,409)	-4.9%
Total Operating Expenses	323,834,819	267,016,927	56,817,892	21.3%
OPERATING LOSS	(250,154,780)	(197,843,604)	(52,311,176)	-26.4%
NONOPERATING REVENUES AND (EXPENSES)				
State apportionments	96,394,334	62,764,880	33,629,454	53.6%
Local property taxes	26,467,079	53,941,275	(27,474,196)	-50.9%
Taxes levied for debt service	27,017,007	30,268,594	(3,251,587)	-10.7%
Taxes levied for other specific purposes	20,190,456	19,000,394	1,190,062	6.3%
Local sales tax	15,285,632	14,421,447	864,185	6.0%
Federal and State financial aid grants	17,780,031	17,772,672	7,359	0.0%
Other State revenue	5,981,031	4,425,978	1,555,053	35.1%
Investment income	3,465,806	1,338,926	2,126,880	158.8%
Interest expense on capital related debt	(9,215,566)	(9,915,701)	700,135	7.1%
Transfer to fiduciary funds	(65,280)	(93,340)	28,060	30.1%
Transfer from fiduciary funds	-	520	(520)	-100.0%
Other nonoperating revenues	1,814,212	8,546,095	(6,731,883)	-78.8%
Total Nonoperating Revenues and (Expenses)	205,114,742	202,471,740	2,643,002	1.3%
Income (loss) before other revenues and (expenses)	(45,040,038)	4,628,136	(49,668,174)	-1073.2%
OTHER REVENUES				
State grant and contracts	3,189,272	2,008,426	1,180,846	58.8%
Local property taxes and revenues	582,385	-	582,385	N/A
Total Other Revenues	3,771,657	2,008,426	1,763,231	87.8%
Change in Net Position	$ (41,268,381)	$ 6,636,562	$ (47,904,943)	-721.8%

Tuition and fees, net of scholarships and allowances, decreased $0.2 million or 0.9 percent from the prior year due to lower enrollment. Federal, State, and local grants and contracts increased $4.7 million or 10.0 percent from prior year.

Consolidated operating expenses increased by $56.8 million or 21.3 percent from the prior year. This is primarily due to increases in salaries and benefits of $55.7 million, or 29.4 percent, over the prior year including Supplemental Early Retirement Plan (SERP) payouts at the end of fiscal year 2019. Depreciation, a noncash expense, decreased $1.2 million or 4.9 percent due to lower depreciable assets as a result of prior year disposals. Supplies and maintenance expense increased $1.8 million from prior year.

Total nonoperating revenues and expenses increased by $2.6 million, or 1.3 percent, over the prior year. During the fiscal year 2019, the District earned $96.4 million in State Apportionment, an increase of $33.6 million from prior year, an offset resulting from an adjustment in the Total Computational Revenue (TCR) calculation, which included $21.1 million in Education Protection Act (EPA) Funds. Local property taxes for general purposes decreased by $27.5 million, or 50.9 percent, mainly due to an offset of FY 2016-17 ERAF overpayments from City and County of San Francisco. Taxes levied for debt service and for other specific purposes (parcel tax Measure B) increased by $1.2 million, or 6.3 percent, mainly due to the collection of delinquent parcel taxes from the prior year. Other State revenue increased $1.6 million, or 35.1 percent, over the prior year. Interest expense on capital asset-related debt decreased $0.7 million primarily due to higher deferred refunding charges in the prior year on the 2015 General Obligation Refunding Bonds.

Other revenues increased by $1.8 million, or 87.8 percent, primarily due to the following: an increase of $1.2 million, or 58.8 percent, in State grant and contracts because of two additional State funded construction projects and an addition of $0.6 million from Local property taxes (AB1290) for the redevelopment project during the year.

Functional Expenses

In accordance with requirements set forth by the California Community Colleges Chancellor's Office, the District reports operating expenses by object code. Operating expenses by functional classification are as follows:

	Salaries and Benefits	Supplies, Material, and Other Expenses and Services	Student Financial Aid	Depreciation	Total
Instructional activities	$ 116,368,969	$ 3,338,842	$ 28,033	$ -	$ 119,735,844
Academic support	12,523,813	432,929	-	-	12,956,742
Student services	45,094,176	1,693,622	9,826,943	-	56,614,741
Plant operations and maintenance	6,377,064	2,926,160	-	-	9,303,224
Instructional support services	52,202,879	13,579,055	-	-	65,781,934
Community services and economic development	7,809,739	2,818,785	-	-	10,628,524
Auxiliary services and auxiliary operations	4,284,954	1,090,187	-	-	5,375,141
Student aid	-	-	10,072,040	-	10,072,040
Physical Property and related acquisitions	472,861	10,246,236	-	-	10,719,097
Depreciation expense	-	-	-	22,647,532	22,647,532
Total Expenses	$ 245,134,455	$ 36,125,816	$ 19,927,016	$ 22,647,532	$ 323,834,819

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The capital assets of the District as of June 30, 2019, amounted to a total of $723.0 million. Of this amount, the nondepreciable portion, composed of land and construction in progress, was $37.7 million or 5.2 percent of total book value. Depreciable capital assets totaled $685.4 million or 94.8 percent of total book value. Total accumulated depreciation was $403.4 million, resulting in net depreciable capital assets of $319.6 million.

Note 7 to the financial statements provides additional information on capital assets. A summary of capital assets is presented below:

	Balance, July 1, 2018	Additions	Deletions	Balance, June 30, 2019
Land and construction in progress	$ 29,211,619	$ 12,233,471	$ 3,791,501	$ 37,653,589
Buildings and improvements	643,225,985	3,038,319	-	646,264,304
Equipment and vehicles	37,024,484	2,086,776	-	39,111,260
Subtotal	709,462,088	17,358,566	3,791,501	723,029,153
Accumulated depreciation	(380,778,056)	(22,647,532)	-	(403,425,588)
	$ 328,684,032	$ (5,288,966)	$ 3,791,501	$ 319,603,565

The District calculates depreciation using the straight-line method and the mid-year convention. The District participates in a physical asset count every three years. Depreciation expense amounted to $22.6 million for the year.

Obligations

Changes for the District's long-term obligations include a decrease in general obligations bonds payable of $19.3 million due to annual payments, a net increase of the aggregate net OPEB liability of $0.8 million, and a net decrease of $20.8 million of aggregate net pension obligation. Additionally, other long-term obligations increased $6.3 million primarily due to stability funding repayment related to Distance Education course funding, along with changes in compensated absences, load banking liability, and Supplemental Employee Retirement Plan liability.

Note 11 to the financial statements provides additional information on long-term obligations. A summary of long-term obligations is presented below:

	Balance, July 1, 2018	Additions	Deletions	Balance, June 30, 2019
General obligation bonds	$ 266,919,369	$ -	$ 19,295,783	$ 247,623,586
Aggregate net OPEB liability	127,887,856	16,183,346	15,408,383	128,662,819
Aggregate net pension obligation	225,070,408	-	20,757,423	204,312,985
Other long-term obligations	35,019,048	12,874,822	6,555,249	41,338,621
Total Long-Term Debt	$ 654,896,681	$ 29,058,168	$ 62,016,838	$ 621,938,011
Amount due within one year				$ 22,485,475

DEBT FINANCING

The District participates in external financing activities to cover both long-term and short-term cash flows needs. As a governmental unit, the District's financing activities and choices are bounded by Federal and State restrictions.

A Citizens' Oversight Committee consisting of members from key constituencies of the community services as an advisory committee to the District's Board of Trustees. These constituencies include the San Francisco Taxpayers Association, the San Francisco Chamber of Commerce, senior citizens groups, City College students, and the Foundation of the San Francisco Community College District. The Citizens' Oversight Committee is responsible for monitoring the spending of the 2001 and 2005 Proposition A Bond funds. The District successfully qualified for matching funds available from Statewide School Facilities Bonds for several Proposition A projects.

In November 2001, San Francisco taxpayers approved $195.0 million in Proposition A Education Facilities Improvement Bonds. In November 2005, San Francisco taxpayers approved an additional $246.3 million authorization in Proposition A Bonds. As of June 30, 2014, the entire $195.0 million of the 2001 authorization and $246.3 million of the 2005 authorization had been sold and the proceeds are being used to fund approved projects.

In November 2005, San Francisco voters approved for the District an additional $246.3 million authorization to issue Proposition A General Obligation Bonds for Educational Facilities improvements. This award combined with the November 2001 approval, brought the District's Proposition A authorization up to $441.3 million. The first sale of Proposition A Bonds (Series A) occurred on March 13, 2002, and netted proceeds of $38.0 million. For this first sale, Moody's Investor Services assigned an underlying rating for these bonds of Aa3 and Fitch assigned an AA-rating. The insured ratings assigned for these same bonds by Moody's Investor Services and Fitch are Aaa and AAA, respectively.

On September 14, 2004, the District sold an additional $110.0 million. For the second sale that occurred on September 14, 2004, Moody's Investor Services assigned an underlying rating for these bonds of Aa3 and Standard & Poor's assigned an AA rating. The insured ratings assigned for these same bonds by Moody's Investor Services and Standard & Poor's are Aaa and AAA, respectively. The underlying rating is an improvement over the previous rating.

On June 20, 2006, the District sold $137.0 million of General Obligation Bonds; the remaining authorization of 2001 (Series C) in the amount of $47.0 million and the first part of its 2005 authorization (Series A) in the amount of $90.0 million. Ratings assigned by Moody's Investor Services and Standard & Poor's remained the same as those assigned to the September 14, 2004, sale referred to in the previous paragraph.

On December 5, 2007, the District sold $110.0 million of General Obligation Bonds. This was the second sale of the November 2005 authorization (2005 authorization, Series B). The insured ratings assigned for this bond by Moody's Investor Services and Standard & Poor's are Aaa and AAA, respectively.

On April 2010, the District sold the remaining $46.3 million General Obligation bonds. This was the third and final sale of the November 2005 authorization (2005 authorization, Series C and Series D). The insured ratings assigned for both bonds by Moody's Investor Services and Standard & Poor's were Aa3 and AA, respectively.

On September 10, 2012, Moody's Investor Service downgraded the District's General Obligation bond rating from A1 to A1- and assigned the rating a negative outlook. Then, on November 15, 2012, Fitch Ratings issued a revised rating which took into account the successful passage statewide of Proposition 30 and locally in San Francisco the parcel tax. Fitch modified its rating for the District's General Obligation debt from A to A- and moved the District from its "negative watch" category to a "negative outlook" category. On March 27, 2013, Fitch Ratings downgraded the District's General Obligation Bonds of the $28.1 million 2002 GO bonds (election of 2001, series A) from A- to BBB+. The downgrade to 'BBB+' reflects the District's accreditation status. Through June 30, 2019, the District has maintained these respective ratings.

The District's ratings were raised to Aa3 and A/Stable for Moody's, S&P, and Fitch, respectively, the highest level since 2011, with Moody's valuing the College's bonds in the coveted Prime-1 Investment Grade range. The improved ratings mean more than just a grade for City College. The newly minted status has allowed the District to refinance outstanding bond debt and save San Francisco property taxpayers $48.7 million. On April 9, 2015, the District refinanced $241,290,000 of general obligation bonds from the 2001 series A, B, and C and 2005 series A and B bonds.

ECONOMIC FACTORS AFFECTING THE FUTURE OF SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

- The economic position of San Francisco Community College District is closely tied to that of the State of California, as State apportionments and property taxes allocated to the District's Unrestricted General fund represent approximately 74 percent of the total unrestricted revenues received by the District. Accordingly, the State economy plays a major factor in State appropriations for both higher education in general, and to the District in particular. The balance of District unrestricted revenues comes primarily from local sales taxes, 9 percent; tuitions, 11 percent; lottery, 3 percent; and other revenues, 3 percent.

- The District adopted a balanced budget for the 2019-2020 fiscal year. The budget reflects a reduction in personnel costs, supplies, and services. The District actively monitors both revenues and expenditures to ensure that prompt actions are taken in response to developments as they occur. The District offered a SERP to all class of employees at the end of the 2018-2019 fiscal year to reduce personnel costs during the 2019-2020 fiscal year and beyond.

- In November 2012 voters passed the State Proposition 30 ballot initiative. Additionally, San Francisco voters passed a local parcel tax, Measure A. The value of Proposition 30 funds in the 2016-2017 budget year are $23.0 million. The value of Measure A funding is estimated by the City Controller to generate approximately $15.2 million annually in each of eight consecutive years. Both Proposition 30 and Measure A funding will make it possible for the District to rebuild its Board designated reserves and address its employer share of postemployment benefits liabilities during the currently Board approved eight year budget plan. In November 2016, the local voters passed Proposition B, which extends the parcel tax fifteen years and increases the amount per parcel to $99, a $20 per parcel increase. It is anticipated that this will translate into additional parcel tax revenue of $3.8 million per year bringing anticipated approximate annual revenue to $19.0 million per year. Additionally, Proposition 55 was passed statewide, which extends the income tax portion of the 2012 Proposition 30 measure for twelve additional years.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact San Francisco Community College District, Associate Vice Chancellor of Financial Services, 50 Frida Kahlo Way, Smith Hall SH106, San Francisco, CA 94112.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET POSITION - PRIMARY GOVERNMENT
JUNE 30, 2019

ASSETS	
Current Assets	
Cash and cash equivalents	$ 13,707,607
Investments	63,155,545
Accounts receivable	24,067,546
Student receivable, net	5,810,445
Prepaid expenses	1,289,932
Inventories	39,513
Total Current Assets	108,070,588
Noncurrent Assets	
Prepaid expenses - noncurrent portion	8,866,667
Nondepreciable capital assets	37,653,589
Depreciable capital assets, net of depreciation	281,949,976
Total Noncurrent Assets	328,470,232
TOTAL ASSETS	436,540,820
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on refunding	7,207,918
Deferred outflows of resources related to OPEB	12,029,185
Deferred outflows of resources related to pensions	60,034,459
Total Deferred Outflows of Resources	79,271,562
LIABILITIES	
Current Liabilities	
Accounts payable	17,393,479
Accrued interest payable	441,601
Unearned revenue	15,477,368
Long-term obligations - current portion	22,485,475
Total Current Liabilities	55,797,923
Noncurrent Liabilities	
Aggregate net other postemployment benefits (OPEB) liability	128,662,819
Aggregate net pension obligation	204,312,985
Other long-term obligations	266,476,732
Total Noncurrent Liabilities	599,452,536
TOTAL LIABILITIES	655,250,459
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to OPEB	1,001,622
Deferred inflows of resources related to pensions	39,923,397
Total Deferred Inflows of Resources	40,925,019
NET POSITION	
Net investments in capital assets	132,333,158
Restricted for:	
Debt service	6,823,368
Capital projects	7,116,160
Educational programs	5,854,173
Other activities	2,851,394
Unrestricted deficit	(335,341,349)
TOTAL NET POSITION	$ (180,363,096)

The accompanying notes are an integral part of these financial statements.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – PRIMARY GOVERNMENT
FOR THE YEAR ENDED JUNE 30, 2019

OPERATING REVENUES	
Student Tuition and Fees	$ 30,364,268
Less: Scholarship discount and allowance	(8,445,669)
Net tuition and fees	21,918,599
Grants and Contracts, Noncapital	
Federal	4,249,550
State	42,388,443
Local	5,123,447
Total grants and contracts, noncapital	51,761,440
TOTAL OPERATING REVENUES	73,680,039
OPERATING EXPENSES	
Salaries	163,623,302
Employee benefits	81,511,153
Supplies, materials, and other operating expenses and services	31,974,804
Student financial aid	19,927,016
Equipment, maintenance, and repairs	4,151,012
Depreciation	22,647,532
TOTAL OPERATING EXPENSES	323,834,819
OPERATING LOSS	(250,154,780)
NONOPERATING REVENUES (EXPENSES)	
State apportionments, noncapital	96,394,334
Local property taxes, levied for general purposes	26,467,079
Taxes levied for debt service	27,017,007
Taxes levied for other specific purposes	20,190,456
Local sales tax	15,285,632
Federal financial aid grants, noncapital	16,504,501
State financial aid grants, noncapital	1,275,530
State taxes and other revenues	5,981,031
Investment income	3,465,806
Interest expense on capital related debt	(9,215,566)
Transfer to fiduciary funds	(65,280)
Other nonoperating revenue	1,814,212
TOTAL NONOPERATING REVENUES (EXPENSES)	205,114,742
LOSS BEFORE OTHER REVENUES	(45,040,038)
OTHER REVENUES	
State revenues, capital	3,189,272
Local revenues, capital	582,385
TOTAL OTHER REVENUES	3,771,657
CHANGE IN NET POSITION	(41,268,381)
NET POSITION, BEGINNING OF YEAR	(139,094,715)
NET POSITION, END OF YEAR	$ (180,363,096)

The accompanying notes are an integral part of these financial statements.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT
FOR THE YEAR ENDED JUNE 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	$ 22,086,201
Federal, State, and local grants and contracts	43,601,957
Payments to vendors for supplies and services	(35,794,536)
Payments to or on behalf of employees	(233,627,745)
Payments to students for scholarships and grants	(19,927,016)
Net Cash Flows From Operating Activities	(223,661,139)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State apportionments	98,668,977
Federal and State financial aid grants	17,780,031
Property taxes - nondebt related	(373,835)
State taxes and other revenues	4,856,776
Other nonoperating revenues (expenses)	(6,229,722)
Net Cash Flows From Noncapital Financing Activities	114,702,227
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Purchase of capital assets	(9,404,214)
State revenue, capital projects	3,189,272
Local revenue, capital projects	582,385
Property taxes - related to capital debt	47,207,463
Principal paid on capital debt	(19,322,484)
Interest paid on capital debt	(8,634,773)
Net Cash Flows From Capital Financing Activities	13,617,649
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received from investments	4,500,976
NET CHANGE IN CASH AND CASH EQUIVALENTS	(90,840,287)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	167,703,439
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 76,863,152

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT, Continued
FOR THE YEAR ENDED JUNE 30, 2019

RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES	
Operating Loss	$ (250,154,780)
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities:	
Depreciation	22,647,532
Changes in Assets, Deferred Outflows, Liabilities, and Deferred Inflows	
Accounts receivable	(4,087,369)
Student loans receivable, net	2,608,760
Inventories	(6,027)
Prepaid expenses	319,265
Deferred outflows of resources related to OPEB	1,907,592
Deferred outflows of resources related to pensions	6,170,228
Accounts payable	2,446,545
Unearned revenue	(6,513,272)
Compensated absences and load banking	(329,662)
Supplemental early retirement plan	9,515,134
Claims payable	(356,328)
Aggregate net OPEB liability	774,963
Aggregate net pension obligation	(20,757,423)
Deferred inflows of resources related to OPEB	1,001,622
Deferred inflows of resources related to pensions	11,152,081
Total Adjustments	26,493,641
Net Cash Flows From Operating Activities	$ (223,661,139)
CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:	
Cash in banks	$ 13,707,607
Cash in county treasury	63,155,545
Total Cash and Cash Equivalents	$ 76,863,152
NONCASH TRANSACTIONS	
On behalf payments for benefits	$ 12,350,558

The accompanying notes are an integral part of these financial statements.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2019

	Retiree OPEB Trust	Other Trust Funds
ASSETS		
Cash and cash equivalents	$ 59,419	$ -
Investments	23,903,792	9,403,383
Accounts receivable	-	33,776
Student receivables	-	207,895
Prepaid expenses	-	1,220
Depreciable capital assets, net of depreciation	-	1,775
Total Assets	23,963,211	9,648,049
LIABILITIES		
Accounts payable	-	20,895
Unearned revenue	-	98,667
Total Liabilities	-	119,562
NET POSITION		
Restricted for postemployment benefits other than pensions	23,963,211	-
Unrestricted	-	9,528,487
Total Net Position	$ 23,963,211	$ 9,528,487

The accompanying notes are an integral part of these financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019

	Retiree OPEB Trust	Other Trust Funds
ADDITIONS		
Federal revenues	$ -	$ 21,600
State revenues	-	92,862
District contributions	12,187,894	-
Net investment income	1,759,071	-
Local revenues	-	2,246,613
Total Additions	13,946,965	2,361,075
DEDUCTIONS		
Classified salaries	-	135,646
Employee benefits	8,900,749	520
Books and supplies	-	216,837
Services and operating expenditures	37,145	416,421
Capital outlay	-	65,125
Total Deductions	8,937,894	834,549
OTHER FINANCING SOURCES (USES)		
Transfer from primary government	-	65,280
Other uses - Other student payments	-	(1,179,511)
Total Other Financing Sources (Uses)	-	(1,114,231)
CHANGE IN NET POSITION	5,009,071	412,295
NET POSITION, BEGINNING OF YEAR	18,954,140	9,116,192
NET POSITION, END OF YEAR	$ 23,963,211	$ 9,528,487

The accompanying notes are an integral part of these financial statements.

NOTE 1 - ORGANIZATION

San Francisco Community College District (the District) was established in 1935 as a political subdivision of the State of California and is a comprehensive, public, two-year institution offering educational services to residents of the surrounding area. The District operates under a locally elected seven-member Board of Trustees form of government, which establishes the policies and procedures by which the District operates. The Board must approve the annual budgets for the General Fund, special revenue funds, and capital project funds, but these budgets are managed at the department level. Currently, the District operates 10 campuses located within the City of San Francisco, California. While the District is a political subdivision of the State of California, it is legally separate and is independent of other State and local governments, and it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 39.

Financial Reporting Entity

The District has adopted GASB Statement No. 61, *Determining Whether Certain Organizations are Component Units*. This statement amends GASB Statement No. 14, *The Financial Reporting Entity*, to provide additional guidance to determine whether certain organizations, for which the District is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the District. The three components used to determine the presentation are: providing a "direct benefit", the "environment and ability to access/influence reporting", and the "significance" criterion. As defined by accounting principles generally accepted in the United States of America and established by the Governmental Accounting Standards Board, the financial reporting entity consists of the primary government. The District has identified no component units.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB Statements No. 34 and No. 35 as amended by GASB Statements No. 37, No. 38, and No. 39. This presentation provides a comprehensive government-wide perspective of the District's assets, liabilities, activities, and cash flows and replaces the fund group perspective previously required. Fiduciary activities, with the exception of the Student Financial Aid Fund, are excluded from the basic financial statements. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. The significant accounting policies followed by the District in preparing these financial statements are in accordance with accounting principles generally accepted in the United States of America as prescribed by GASB. Additionally, the District's policies comply with the California Community Colleges Chancellor's Office *Budget and Accounting Manual*. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All material intra-agency and intra-fund transactions have been eliminated.

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are classified as operating revenues. These transactions are recorded on the accrual basis when the exchange takes place. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, operating revenues consist primarily of student fees and noncapital grants and contracts.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, Federal and State financial aid grants, entitlements, and donations. Property tax revenue is recognized in the fiscal year received. State apportionment revenue is earned based upon criteria set forth from the Community Colleges Chancellor's Office and includes reporting of full-time equivalent student (FTES) attendance. The corresponding apportionment revenue is recognized in the period the FTES are generated. Revenue from Federal and State financial aid grants are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements may include time and/or purpose requirements.

Operating expenses are costs incurred to provide instructional services including support costs, auxiliary services, and depreciation of capital assets. All other expenses not meeting this definition are reported as nonoperating. Expenses are recorded on the accrual basis as they are incurred, when goods are received, or services are rendered.

The financial statements are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments,* and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities,* as amended by GASB Statements No. 37, No. 38, No. 39, and No. 61. The business-type activities model followed by the District requires the following components of the District's financial statements:

- Management's Discussion and Analysis
- Basic Financial Statements for the District as a whole including:
  - Statements of Net Position - Primary Government
  - Statements of Revenues, Expenses, and Changes in Net Position - Primary Government
  - Statements of Cash Flows - Primary Government
  - Financial Statements for the Fiduciary Funds including:
    - Statements of Fiduciary Net Position
    - Statements of Changes in Fiduciary Net Position
- Notes to the Financial Statements

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be unrestricted cash on hand, demand deposits, and short-term unrestricted investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include unrestricted cash with county treasury balances for purposes of the statement of cash flows.

Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments held at June 30, 2019, are stated at fair value. Fair value is estimated based on quoted market prices at year end. Short-term investments have an original maturity date greater than three months, but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

Accounts Receivable

Accounts receivable include amounts due from the Federal, State and/or local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of California. The District provides for an allowance for uncollectible accounts as an estimation of amounts that may not be received. This allowance is based upon management's estimates and analysis. The allowance was estimated at $18,462,016 for the year ended June 30, 2019.

Prepaid Expenses

Prepaid expenses represent payments made to vendors and others for services that will benefit periods beyond June 30.

Inventories

Inventories consist primarily of bookstore merchandise and cafeteria food and supplies held for resale to the students and faculty of the colleges. Inventories are stated at cost, utilizing the weighted average method. The cost is recorded as an expense as the inventory is consumed.

Capital Assets and Depreciation

Capital assets are long-lived assets of the District as a whole and include land, construction-in-progress, buildings, leasehold improvements, and equipment. The District maintains an initial unit cost capitalization threshold of $5,000 and an estimated useful life greater than one year. Assets are recorded at historical cost, or estimated historical cost, when purchased or constructed. The District does not possess any infrastructure. Donated capital assets are recorded at estimated fair market value at the date of donation. Improvements to buildings and land that significantly increase the value or extend the useful life of the asset are capitalized; the costs of routine maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are charged as an operating expense in the year in which the expense was incurred. Major outlays for capital improvements are capitalized as construction-in-progress as the projects are constructed.

Depreciation of capital assets is computed and recorded utilizing the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 25 to 50 years; improvements, 10 to 15 years; equipment, 5 to 10 years; vehicles, 3 years.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

Deferred Charges on Refunding

Deferred charges on refunding is amortized using the straight-line method over the remaining life of the old debt or the life of the new debt, whichever is shorter.

Debt Premiums

Debt premiums are amortized over the life of the bonds using the straight line method.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Financial Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for deferred charges on refunding of general obligation bonds and for OPEB and pension related items.

In addition to liabilities, the Statement of Financial Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for OPEB and pension related items.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of the California State Teachers' Retirement System (CalSTRS), the City and County of San Francisco Employees' Retirement System (SFERS), and the California Public Employees' Retirement System (CalPERS) Miscellaneous Risk Pool (the Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS, SFERS, and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's Plan and the CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the District's Plan and MPP's fiduciary net position have been determined on the same basis as they are reported by the District's Plan and MPP. For this purpose, the District's Plan and MPP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. The current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignation and retirements that occur prior to year end that have not yet been paid within the fund from which the employees who have accumulated the leave are paid. The District also participates in "load banking" with eligible academic employees whereby the employee may teach extra courses in one period in exchange for time off in another period. The liability for this benefit is reported on the government-wide financial statements.

Sick leave is accumulated without limit for each employee based upon negotiated contracts. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, retirement credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Retirement credit for unused sick leave is applicable to all academic employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full time.

Unearned Revenue

Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized. Unearned revenues include (1) amounts received for tuition and fees prior to the end of the fiscal year that are related to the subsequent fiscal year and (2) amounts received from Federal and State grants received before the eligibility requirements are met.

Noncurrent Liabilities

Noncurrent liabilities include general obligation bonds, compensated absences, load banking, claims liability, capital leases, supplemental early retirement plan, aggregate net OPEB liability, aggregate net pension obligations, and other long-term liabilities with maturities greater than one year.

Net Position

GASB Statements No. 34 and No. 35 report equity as "Net Position" and represent the difference between assets and liabilities. Net assets are classified according to imposed restrictions or availability of assets for satisfaction of District obligations according to the following net asset categories:

Net Investments in Capital Assets: Capital Assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. To the extent debt has been incurred, but not yet expended for capital assets, such accounts are not included as a component invested in capital assets.

Restricted: Net position is reported as restricted when there are limitations imposed on their use, either through enabling legislation adopted by the District, or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

Unrestricted: Net position that is not subject to externally imposed constraints. Unrestricted net position may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed. The government-wide financial statements report $22,645,095 of restricted net position.

Operating Revenues and Expenses

Classification of Revenues - The District has classified its revenues as either operating or nonoperating. Certain significant revenue streams relied upon for operation are classified as nonoperating as defined by GASB Statements No. 34 and No. 35. Classifications are as follows:

Operating revenues - Operating revenues include activities that have the characteristics of exchange transactions such as student tuition and fees, net of scholarship discounts and allowances, Federal, State, and local grants and contracts.

Nonoperating revenues - Nonoperating revenues include activities that have the characteristics of nonexchange transactions such as State apportionments, property taxes, investment income, gifts and contributions, and other revenue sources defined in GASB Statements No. 34 and No. 35.

Classification of Expenses - Nearly all of the District's expenses are from exchange transactions and are classified as either operating or nonoperating according to the following criteria:

Operating expenses - Operating expenses are necessary costs to provide the services of the District and include employee salaries and benefits, supplies, operating expenses, and student financial aid.

Nonoperating expenses - Nonoperating expenses include interest expense and other expenses not directly related to the services of the District.

State Apportionments

Certain current year apportionments from the State are based on financial and statistical information of the previous year. Any corrections due to the recalculation of the apportionment are made in February of the subsequent year. When known and measurable, these recalculations and corrections are accrued in the year in which the FTES are generated.

Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. The County Assessor is responsible for assessment of all taxable real property. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The City/County of San Francisco bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

The voters of the District passed General Obligation Bonds in 2001 and 2005 for the acquisition, construction, and remodeling of certain District property. As a result of the passage of the Bond, property taxes are assessed on the property within the District specifically for the repayment of the debt incurred. The taxes are billed and collected as noted above and remitted to the District when collected.

The voters of the District passed a Parcel Tax in 2012 for the general revenues of the District. The Parcel tax levies $99 per parcel for 8 years to provide for core academic programs, training, and education of student attending the District and transferring to university. The taxes are assessed, billed, and collected as noted above, and remitted to the District when collected.

Scholarships, Discounts, and Allowances

Student tuition and fee revenue is reported net of scholarships, discounts, and allowances. Fee waivers approved by the Board of Governors are included within the scholarships, discounts, and allowances in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship discounts and allowances represent the difference between stated charges for enrollment fees and the amount that is paid by students or third parties making payments on the students' behalf.

Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, Federal Supplemental Educational Opportunity Grants (FSEOG), and Federal Work-Study programs, as well as other programs funded by the Federal government. Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to students in the form of reduced tuition. These programs are audited in accordance with Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Interfund Activity

Interfund transfers and interfund receivables and payables are eliminated during the consolidation process in the Primary Government and Fiduciary Funds' financial statements, respectively.

Change in Accounting Principles

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

The District has implemented the provisions of this Statement as of June 30, 2019.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The District has implemented the provisions of this Statement as of June 30, 2019.

New Accounting Pronouncements

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all State and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2018. Early implementation is encouraged.

In June 2017, the GASB issued Statement No. 87, ***Leases.*** The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 60*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

A conduit debt obligation is defined as a debt instrument having all of the following characteristics:

- There are at least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply:

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.
- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.
- If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer, at the inception of the arrangement, should recognize the entire capital asset and a deferred inflow of resources. The deferred inflow of resources should be reduced, and an inflow recognized, in a systematic and rational manner over the term of the arrangement.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2020. Early implementation is encouraged.

NOTE 3 - DEPOSITS AND INVESTMENTS

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section (ECS) 41001). The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Authorized Under Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements rather than general provisions of the California Government Code. These provisions allow for the acquisition of investment agreements with maturities of up to 30 years.

Summary of Deposits and Investments

Deposits and investments as of June 30, 2019, consist of the following:

Primary Government	$ 76,863,152
Fiduciary funds	33,366,594
Total Deposits and Investments	$ 110,229,746
Cash on hand and in banks	$ 13,707,607
Cash with fiscal agent	59,419
Investments	96,462,720
Total Deposits and Investments	$ 110,229,746

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rate. The District manages its exposure to interest rate risk by primarily investing in the City and County of San Francisco Investment Pool, San Francisco Retiree Health Care Trust Fund Investment Pool, and Certificates of Deposit.

Specific Identification

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investments by maturity:

Investment Type	Book Value	Fair Value	Weighted Average Days to Maturity
City and County of San Francisco Investment Pool	$ 71,358,928	$ 71,634,648	466
San Francisco Retiree Health Care Trust Fund Investment Pool	23,903,792	23,903,792	No maturity
Certificates of Deposits	1,200,000	1,187,827	1,131
Total	$ 96,462,720	$ 96,726,267	

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the City and County of San Francisco Investment Pool, San Francisco Retiree Health Care Trust Fund Investment Pool, and Certificates of Deposits are not required to be rated, nor have they been rated as of June 30, 2019.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2019, approximately $13.9 million of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

NOTE 4 - FAIR VALUE MEASUREMENTS

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs, other than Level 1 prices, such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the City and County of San Francisco Investment Pool and San Francisco Retiree Health Care Trust Fund Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at $1.00 net asset value per share.

The District's fair value measurements are as follows at June 30, 2019:

Investment Type	Fair Value	Level 1 Inputs	Uncategorized
City and County of San Francisco Investment Pool	$ 71,634,648	$ -	$ 71,634,648
San Francisco Retiree Health Care Trust Fund Investment Pool	23,903,792	-	23,903,792
Certificates of Deposits	1,187,827	1,187,827	-
Total	$ 96,726,267	$ 1,187,827	$ 95,538,440

All assets have been valued using a market approach, with quoted market prices.

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2019, consisted primarily of intergovernmental grants, entitlements, interest, and other local sources.

The accounts receivable are as follows:

	Primary Government	Fiduciary Funds
Federal Government		
Categorical aid	$ 2,002,432	$ -
State Government		
Categorical aid	5,602,468	-
Lottery	1,124,255	-
Other State sources	44,410	-
Local Sources		
Free City billings	8,215,836	-
Contract education	105,515	-
Sales tax	1,200,354	-
Interest	321,590	33,776
Other local revenues	5,450,686	-
Total	$ 24,067,546	$ 33,776
Student receivables	$ 24,272,461	$ 207,895
Less allowance for bad debt	(18,462,016)	-
Student receivables, net	$ 5,810,445	$ 207,895

NOTE 6 - PREPAID EXPENSES

In 2003, the District entered into a 75 year operating contract with San Francisco Unified School District to lease real property located at 106 Bartlett Street, San Francisco, California with a lump sum payment of $7,500,000. This amount was recorded as prepaid expenses and is being amortized as annual operating lease expense of $100,000 over the 75 year period. On June 9, 2006, the District entered into a second lease agreement with San Francisco Unified School District for additional property at 106 Bartlett Street with a lump sum payment of $4,000,000. This amount was recorded as prepaid expense and is being amortized as annual operating lease expense of $155,556 over the remaining life of the original lease. As of June 30, 2019, the prepaid expenses were as follows:

	Primary Government	Fiduciary Funds
Prepaid rent	$ 9,223,872	$ -
Prepaid other	932,727	1,220
Total	$ 10,156,599	$ 1,220

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2019, was as follows:

	Balance, July 1, 2018	Additions	Deletions	Balance, June 30, 2019	Fiduciary Activities
Capital Assets Not Being Depreciated					
Land	$ 29,211,619	$ -	$ -	$ 29,211,619	$ -
Construction in progress	-	12,233,471	3,791,501	8,441,970	-
Total Capital Assets Not Being Depreciated	29,211,619	12,233,471	3,791,501	37,653,589	-
Capital Assets Being Depreciated					
Land improvements	157,623,932	-	-	157,623,932	-
Buildings and improvements	485,602,053	3,038,319	-	488,640,372	11,645
Furniture and equipment	36,124,263	2,002,971	-	38,127,234	155,020
Vehicles	900,221	83,805	-	984,026	-
Total Capital Assets Being Depreciated	680,250,469	5,125,095	-	685,375,564	166,665
Total Capital Assets	709,462,088	17,358,566	3,791,501	723,029,153	166,665
Less Accumulated Depreciation					
Land improvements	144,192,035	3,290,074	-	147,482,109	-
Buildings and improvements	206,080,692	17,517,699	-	223,598,391	10,897
Furniture and equipment	29,818,599	1,750,101	-	31,568,700	153,993
Vehicles	686,730	89,658	-	776,388	-
Total Accumulated Depreciation	380,778,056	22,647,532	-	403,425,588	164,890
Net Capital Assets	$ 328,684,032	$ (5,288,966)	$ 3,791,501	$ 319,603,565	$ 1,775

Depreciation expense for the year was $22,647,532.

NOTE 8 - ACCOUNTS PAYABLE

Accounts payable as of June 30, 2019, consisted of the following:

	Primary Government	Fiduciary Funds
Accrued payroll	$ 7,917,008	$ -
Construction	5,460,850	-
Vendors	4,015,621	20,895
Total	$ 17,393,479	$ 20,895

NOTE 9 - UNEARNED REVENUE

Unearned revenue as of June 30, 2019, consisted of the following:

	Primary Government	Fiduciary Funds
Federal financial assistance	$ 658,089	$ -
Apportionment	244,551	-
State categorical aid	9,389,165	-
Enrollment fees	3,781,463	-
Other local	1,404,100	98,667
Total	$ 15,477,368	$ 98,667

NOTE 10 - INTERFUND TRANSACTIONS

Interfund Receivables and Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund activity within the primary government funds and fiduciary funds has been eliminated respectively in the consolidation process of the basic financial statements. Balances owing between the primary government and the fiduciary funds are not eliminated in the consolidation process. As of June 30, 2019, there were no amounts owed between the primary government and the fiduciary funds.

Interfund Operating Transfers

Operating transfers between funds of the District are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Operating transfers within the funds of the District have been eliminated in the consolidation process. Transfers between the primary government and the fiduciary funds are not eliminated in the consolidation process. During the 2019 fiscal year, the amount transferred to the fiduciary funds from the primary government was $65,280.

NOTE 11 - LONG-TERM OBLIGATIONS

Summary

	Balance, July 1, 2018	Additions	Deductions	Balance, June 30, 2019	Due in One Year
General obligation bonds payable					
General obligation bonds, Series 2005					
Series C	$ 1,525,000	$ -	$ 1,525,000	$ -	$ -
Series D	30,660,000	-	-	30,660,000	1,440,000
General obligation bonds, 2015 Refunding	199,490,000	-	15,020,000	184,470,000	15,735,000
Subtotal	231,675,000	-	16,545,000	215,130,000	17,175,000
Unamortized bond premium	35,244,369	-	2,750,783	32,493,586	-
Total Bonds Payable	266,919,369	-	19,295,783	247,623,586	17,175,000
Other Obligations					
Compensated absences	7,135,654	88,786	468,985	6,755,455	-
Load banking	365,848	50,537	-	416,385	-
Capital leases	40,052	-	26,701	13,351	13,351
Supplemental early retirement plan	2,278,068	10,274,490	759,356	11,793,202	2,814,254
Claims liability	5,336,465	2,461,009	2,817,337	4,980,137	-
Aggregate net OPEB liability	127,887,856	16,183,346	15,408,383	128,662,819	-
Aggregate net pension obligation	225,070,408	-	20,757,423	204,312,985	-
Other long-term obligations	19,862,961	-	2,482,870	17,380,091	2,482,870
Total Other Obligations	387,977,312	29,058,168	42,721,055	374,314,425	5,310,475
Total Long-Term Obligations	$ 654,896,681	$ 29,058,168	$ 62,016,838	$ 621,938,011	$ 22,485,475

Description of Long-Term Obligations

Payments on the general obligation bonds are made by the bond interest and redemption fund with local property tax revenues. The compensated absences, load banking, claims liability, and the aggregate net pension obligation payments will be paid by the fund for which the employee worked. Capital lease payments, supplemental early retirement plan, and the aggregate net OPEB liability payments are made out of the general unrestricted fund. The other long-term obligation related to the apportionment repayment liability will be paid as a reduction in State apportionment each year.

Election of 2005, Series C and D Bonds

To increase educational opportunities, raise student achievement, and improve conditions in its neighborhood campuses throughout San Francisco, the voters of the City and County of San Francisco approved a $246,300,000 General Obligation Bonds issued for the San Francisco Community College District on November 8, 2005, under the provisions of Article XIIIA of the Constitution of the State of California and Title I, Division 1, Part 10, Chapter 1.5 of the Education Code of the State of California (commencing at Section 15100). The bonds were authorized pursuant to provisions of the Constitution of the State of California affected by Proposition 39, the Constitutional initiative passed by voters on November 7, 2000, permitting approval of certain general obligation bonds of school and community college districts by a 55 percent vote. On March 23, 2010, $15,640,000 (net of premium and bond issuance costs) of San Francisco Community College District, Election of 2005, Series C Bonds were issued with a final maturity date of June 15, 2019, and interest rates of .40 percent to 4.0 percent, depending on the maturity of the related bonds. Interest is payable semiannually on June 15 and December 15 of each year commencing on June 15, 2010. On April 13, 2010, $30,660,000 (net of premium and bond issuance costs) of San Francisco Community College District, Election of 2005, Series D Bonds were issued with a final maturity date of June 15, 2034, and interest rates of 4.0 percent to 5.0 percent, depending on the maturity of the related bonds. Interest is payable semiannually on June 15 and December 15 of each year commencing on June 15, 2010. The outstanding principal balance of the Series C bonds were paid in full at June 30, 2019. The outstanding principal balance of the Series D bonds at June 30, 2019, was $30,660,000.

Election of 2015, Series D Refunding Bonds

On March 24, 2015, $241,290,000 (net of premium and bond issuance costs) of San Francisco Community College District, 2015 General Obligation Refunding Bonds were issued with a final maturity date of June 15, 2031, and interest rates of 2.0 percent to 5.0 percent, depending on the maturity of the related bonds. Interest is payable semiannually on June 15 and December 15 of each year commencing on June 15, 2015. The outstanding principal balances of the 2015 General Obligation Refunding Bonds at June 30, 2019, were $184,470,000.

Debt Maturity

General Obligation Bonds

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2018	Issued	Redeemed	Bonds Outstanding June 30, 2019
2010	06/15/19	.40%-4.0%	$ 15,640,000	$ 1,525,000	$ -	$ 1,525,000	$ -
2010	06/15/34	4.0%-5.0%	30,660,000	30,660,000	-	-	30,660,000
2015	06/15/31	2.0%-5.0%	241,290,000	199,490,000	-	15,020,000	184,470,000
				$ 231,675,000	$ -	$ 16,545,000	$ 215,130,000

2015 Series D bonds mature through 2034 as follows:

Fiscal Year	Principal	Interest	Total
2020	$ 1,440,000	$ 1,497,300	$ 2,937,300
2021	1,510,000	1,425,300	2,935,300
2022	1,590,000	1,349,800	2,939,800
2023	1,665,000	1,270,300	2,935,300
2024	1,750,000	1,187,050	2,937,050
2025-2029	9,985,000	4,706,300	14,691,300
2030-2034	12,720,000	1,970,500	14,690,500
Total	$ 30,660,000	$ 13,406,550	$ 44,066,550

2015 Refunding bonds mature through 2031 as follows:

Fiscal Year	Principal	Interest	Total
2020	$ 15,735,000	$ 9,101,100	$ 24,836,100
2021	16,545,000	8,314,350	24,859,350
2022	17,325,000	7,496,500	24,821,500
2023	18,810,000	6,630,250	25,440,250
2024	19,775,000	5,697,750	25,472,750
2025-2029	67,150,000	16,731,750	83,881,750
2030-2031	29,130,000	1,991,750	31,121,750
Total	$ 184,470,000	$ 55,963,450	$ 240,433,450

Compensated Absences

At June 30, 2019, the liability for compensated absences was $6,755,455.

Load Banking

At June 30, 2019, the liability for load banking was $416,385.

Claims Liability

At June 30, 2019, the liability for claims liability was $4,980,137. See Note 13 for additional information.

Capital Leases

The District leases equipment under capital lease agreements, secured by capital assets with net book value $13,351. Future minimum lease payments are as follows:

Year Ending June 30,		Lease Payment
2020	$	14,787
Less: Amount Representing Interest		(1,436)
Present Value of Minimum Lease Payments	$	13,351

Supplemental Early Retirement Plan (SERP)

During the 2016-2017 year, the District adopted a one-time SERP for full-time faculty who were employed by the District as of December 15, 2016. To be eligible for early retirement benefits, the employee must have been at least 55 years of age, have five or more years of District service, be eligible to retire from CalSTRS, and be resigned from District employment by June 30, 2017. In exchange for early retirement, the District will contribute 65 percent of the 2016-2017 actual paid step/column salary. The District had 57 employees that enrolled in the SERP. The remaining obligation as of June 30, 2019, is $1,518,712.

During the 2018-2019 year, the District adopted a one-time SERP for full-time faculty, part-time faculty, classified personnel and administrators. To be eligible for early retirement benefits, full-time faculty must have been at least 55 years of age and have five or more years of District service. To be eligible for early retirement benefits, part-time faculty must have been at least 55 years of age and have fifteen or more years of District service. To be eligible for early retirement benefits, classified personnel must have been at least 50 years of age and have five or more years of District service. To be eligible for early retirement benefits, administrators must have been at least 50 years of age and have three or more years of District service. Regardless of classification, the participating employee must be resigned from the District by June 30, 2019. In exchange for early retirement, the District will contribute 65 percent of the 2018-19 base salary. The District had 197 employees that enrolled in the SERP. The remaining obligation as of June 30, 2019 is $10,274,490.

Future SERP payments are as follows:

June 30,		Payment
2020	$	2,814,254
2021		2,814,254
2022		2,054,898
2023		2,054,898
2024		2,054,898
Total	$	11,793,202

Aggregate Net OPEB Liability

At June 30, 2019, the liability for the aggregate net OPEB liability amounted to $128,662,819. See Note 12 for additional information.

Aggregate Net Pension Obligation

At June 30, 2019, the liability for the aggregate net pension obligation amounted to $204,312,985. See Note 14 for additional information.

Other Long-Term Debt

Other long-term debt of $17,380,091 related to the apportionment repayment liability to be repaid over 10 years. Future repayments are as follows:

Year Ending June 30,	Repayments
2020	$ 2,482,870
2021	2,482,870
2022	2,482,870
2023	2,482,870
2024	2,482,870
2025-2028	4,965,741
Total	$ 17,380,091

NOTE 12 - AGGREGATE NET OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY

For the fiscal year ended June 30, 2019, the District reported net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Aggregate Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	$ 124,646,397	$ 12,029,185	$ 1,001,622	$ 3,608,866
Bookstore Plan	3,059,373	-	-	1,659,373
Medicare Premium Payment (MPP) Program	957,049	-	-	(184,758)
Total	$ 128,662,819	$ 12,029,185	$ 1,001,622	$ 5,083,481

The details of each plan are as follows:

District Plan

Plan Administration

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses.

Management of the plan is vested in the District management. Management of the trustee assets is vested with the City and County of San Francisco Retiree Health Care Trust Fund Board.

Plan Membership

At June 30, 2018, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	1,216
Active employees	1,376
	2,592

Retiree Health Benefit OPEB Trust

The Retiree Health Benefit OPEB Trust (the Trust) is an irrevocable governmental trust pursuant to Section 115 of the IRC for the purpose of funding certain postemployment benefits other than pensions. The Trust is administered by the Retiree Health Benefit Funding Program Joint Powers Agency (the JPA) as directed by the investment alternative choice selected by the District. The District retains the responsibility to oversee the management of the Trust, including the requirement that investments and assets held within the Trust continually adhere to the requirements of the California Government Code Section 53600.5 which specifies that the trustee's primary role is to preserve capital, to maintain investment liquidity, and to protect investment yield. As such, the District acts as the fiduciary of the Trust. The financial activity of the Trust has been discretely presented. Separate financial statements are not prepared for the Trust.

Benefits Provided

The Plan provides medical insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and a portion of the cost of benefits is covered by the Plan. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

Contributions

The contribution requirements of Plan members and the District are established and may be amended by the District and the bargaining units. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined by the District. For fiscal year 2017-2018, the District contributed $13,966,777 to the Plan, of which $9,006,832 was used for current premiums and $4,959,945 was used to fund the OPEB Trust.

Investment

Investment Policy

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the governing board by a majority vote of its members. It is the policy of the District to pursue an investment strategy that reduces risks through the prudent diversification for the portfolio across a broad selection of distinct asset classes. The Plan's investment policy discourages the use of cash equivalents, expect for liquidity purposes, and aims to refrain from dramatically shifting asset class allocation over short time spans. The following was the governing board's adopted asset allocation policy as of June 30, 2018:

Asset Class	Target Allocation
Domestic Equity	41%
International Equity	36%
Bonds	23%

Rate of Return

For the year ended June 30, 2018, the annual money-weighed rate of return on investments, net of investment expense, was 6.42 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability of the District

The District's net OPEB liability of $124,646,397 was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The components of the net OPEB liability of the District at June 30, 2018, were as follows:

Total OPEB liability	$ 143,600,537
Plan fiduciary net position	(18,954,140)
District's net OPEB liability	$ 124,646,397
Plan fiduciary net position as a percentage of the total OPEB liability	13.20%

Actuarial Assumptions

The total OPEB liability was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary increases	2.75 percent
Investment rate of return	7.00 percent
Health care cost trend rates	4.00 percent

The discount rate was based on the assumed long-term return on employer assets, using the building block method.

Mortality rates were based on the 2009 CalSTRS Mortality Table for certificated employees and the 2014 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actual experience as of June 2017.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2018, (see the discussion of the Plan's investment policy) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Domestic Equity	2.7%
International Equity	8.7%
Investment Grade Bonds	3.5%

Discount Rate

The discount rate used to measure the total OPEB liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that the District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB lability.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2017	$ 138,312,473	$ 12,966,424	$ 125,346,049
Service cost	4,761,606	-	4,761,606
Interest	9,533,290	-	9,533,290
Contributions - employer	-	13,966,777	(13,966,777)
Expected investment income	-	1,080,198	(1,080,198)
Differences between projected and actual earnings on OPEB plan investments		(22,427)	22,427
Expected benefit payments	(7,692,202)	(7,692,202)	-
Differences between expected and actual experience	(1,314,630)	(1,314,630)	-
Administrative expense	-	(30,000)	30,000
Net change in total OPEB liability	5,288,064	5,987,716	(699,652)
Balance at June 30, 2018	$ 143,600,537	$ 18,954,140	$ 124,646,397

There were no changes in benefit terms since the previous valuation. There were no changes of assumptions and other inputs since the previous valuation.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rates:

Discount Rate	Net OPEB Liability
1% decrease (6.00%)	$ 140,186,481
Current discount rate (7.00%)	124,646,397
1% increase (8.00%)	111,543,740

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using health care cost trend rates that are one percent lower or higher than the current health care costs trend rates:

Health Care Cost Trend Rates	Net OPEB Liability
1% decrease (3.00%)	$ 109,802,970
Current health care cost trend rate (4.00%)	124,646,397
1% increase (5.00%)	142,041,631

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB for the following:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	$ 12,011,244	$ -
Differences between expected and actual experience	-	1,001,622
Net difference between projected and actual earnings on OPEB plan investments	17,941	-
Total	$ 12,029,185	$ 1,001,622

The deferred outflows of resources related to OPEB contributions made subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

The deferred outflows of resources related to the net difference between projected and actual earnings on OPEB plan investments will be amortized over a closed five-year period and will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2020	$ 4,486
2021	4,486
2022	4,486
2023	4,483
	$ 17,941

The deferred inflows of resources related to differences between projected and actual experience will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits as of the beginning of the measurement period. The EARSL for the measurement period is 4.2 years and amounts will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Inflows of Resources
2020	$ (313,008)
2021	(313,008)
2022	(313,008)
2023	(62,598)
	$ (1,001,622)

<u>Bookstore Plan</u>

Plan Administration

The District's governing board administers the Bookstore Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees. No assets are accumulated in a trust that meets criteria in paragraph 4 of GASB Statement No. 75. Management of the plan is vested in the District management.

Plan Membership

At June 30, 2019, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	14
Active employees	-
	14

Benefits Provided

The Plan provides medical insurance benefits to eligible retirees. Benefits are provided through a third-party insurer, and a portion of the cost of benefits is covered by the Plan. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

The contribution requirements of Plan members and the District are established and may be amended by the District and the bargaining units. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2018-2019, the District contributed $176,650 to the Plan, all of which was used for current premiums.

Total OPEB Liability of the District

The District's total OPEB liability of $3,059,373 was measured as of June 30, 2019, and the total OPEB liability was determined by an actuarial valuation as of June 30, 2018.

Actuarial Assumptions

The total OPEB liability was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary increases	2.75 percent
Investment rate of return	3.50 percent
Health care cost trend rates	4.00 percent

The discount rate was based on the Bond Buyer 20-Bond General Obligation Index.

Mortality rates were based on the 2014 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actual experience study as of June 2018.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2018	$ 1,400,000
Interest	1,724,354
Changes of assumptions or other inputs	111,669
Benefit payments	(176,650)
Net change in total OPEB liability	1,659,373
Balance at June 30, 2019	$ 3,059,373

Changes of assumptions and other inputs reflect a change in the discount rate from 3.80 percent to 3.50 percent during the measurement period. There were no changes in benefit terms during the measurement period.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rates:

Discount Rate	Total OPEB Liability
1% decrease (2.50%)	$ 3,473,374
Current discount rate (3.50%)	3,059,373
1% increase (4.50%)	2,731,821

Sensitivity of the Total OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using health care cost trend rates that are one percent lower or higher than the current health care costs trend rates:

Health Care Cost Trend Rates	Total OPEB Liability
1% decrease (3.00%)	$ 2,703,225
Current health care cost trend rate (4.00%)	3,059,373
1% increase (5.00%)	3,501,086

Medicare Premium Payment (MPP) Program

Plan Description

The Medicare Premium Payment (MPP) Program is administered by the California State Teachers' Retirement System (CalSTRS). The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan (STRP) Defined Benefit (DB) Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis.

The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

Contributions

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District contributions. In accordance with California *Education Code* Section 25930, contributions that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

OPEB Liability and OPEB Expense

At June 30, 2019, the District reported a liability of $957,049 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating entities, actuarially determined. The District's proportionate share for the measurement period June 30, 2018 and June 30, 2017, was 0.2500 percent and 0.2714, respectively, resulting in a net decrease in the proportionate share of 0.0214 percent.

For the year ended June 30, 2019, the District recognized OPEB expense of $(184,758).

Actuarial Methods and Assumptions

The June 30, 2018 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total OPEB liability to June 30, 2018, using the assumptions listed in the following table:

Measurement Date	June 30, 2018	June 30, 2017
Valuation Date	June 30, 2017	June 30, 2016
Experience Study	July 1, 2010 through June 30, 2015	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.87%	3.58%
Medicare Part A Premium Cost Trend Rate	3.70%	3.70%
Medicare Part B Premium Cost Trend Rate	4.10%	4.10%

For the valuation as of June 30, 2017, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 459 or an average of 0.27 percent of the potentially eligible population (171,593).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2018, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2018, is 3.87 percent. The MPP Program is funded on a pay-as-you-go basis as described in Note 2, and under the pay-as-you-go method, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.87 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2018, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate increased 0.29 percent from 3.58 percent as of June 30, 2017.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net OPEB liability calculated using the current discount rate, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net OPEB Liability
1% decrease (2.87%)	$ 1,058,544
Current discount rate (3.87%)	957,049
1% increase (4.87%)	865,406

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates

The following presents the District's proportionate share of the net OPEB liability calculated using the current Medicare costs trend rates, as well as what the net OPEB liability would be if it were calculated using the Medicare costs trend rates that is one percent lower or higher than the current rate:

Medicare Costs Trend Rates	Net OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	$ 872,732
Current Medicare costs trend rates (3.7% Part A and 4.1% Part B)	957,049
1% increase (4.7% Part A and 5.1% Part B)	1,047,730

NOTE 13 - RISK MANAGEMENT

The District is exposed to various risks of loss related to property, general liability, and employee benefits. These risks are addressed through a combination of participation in public entity risk pools, commercial insurance, and self-insurance. The District is fully self-insured for workers' compensation.

The District is a member of the Alliance of School Cooperative Insurance Program (ASCIP) and Schools Excess Liability Fund (SELF). The District is subject to various deductible amounts in addition to payment of premiums assessed by the pools. The pools are responsible for claims beyond the deductible amount and provide high-level umbrella type coverage above certain limits.

The risk pools are operated separately and are independently accountable for their fiscal matters. The risk pools are not component units of the District for financial reporting purposes. A copy of the most recent audited financial statements for the pools can be obtained from the District.

During the fiscal year, the District finances its risk of loss for the following deductible portion of the general liability, automotive liability, property claims, and student professional liability as follows:

General Liability	$50,000
Automobile Liability	$50,000
Property	$25,000
Student Professional Liability	$50,000

Estimates of liabilities for open claims, both reported and unreported, are established by the District's external administrator for known claims and by periodic actuarial valuations.

A number of claims and suits are pending against the District. In the opinion of District administration, the related liability, if any, will not materially affect the financial position of the District. No settlements exceeded insurance coverage during the last three years.

As of February 1, 2005, the District became a charter member of the Community College Insurance Group (CCIG). The District's membership is limited to dental insurance. As a result, the District transitioned from a self-insured system to a premium system. Premiums are adjusted annually based upon the previous year's experience.

As of June 30, 2019, liability for claims amounted to $4,980,137, which is recorded in the self-insurance fund.

Claims Liabilities

The District establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2018 to June 30, 2019.

	Balance Beginning of Year	Current Year Claims and Changes in Estimates	Claims Payments	Balance End of Year
Workers' Compensation	$ 5,336,465	$ 2,461,009	$ 2,817,337	$ 4,980,137

NOTE 14 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of the California State Teachers' Retirement System (CalSTRS), and classified employees are members of either the City and County of San Francisco Employees' Retirement System (SFERS) or the California Public Employees' Retirement System (CalPERS).

For the fiscal year ended June 30, 2019, the District reported the net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Proportionate Share of Net Pension Liability	Deferred Outflows of Resources	Proportionate Share of Deferred Inflows of Resources	Proportionate Share of Pension Expense
CalSTRS	$ 135,303,355	$ 35,781,236	$ 24,712,904	$ 12,261,049
SFERS	67,726,728	23,687,953	15,140,983	8,220,212
CalPERS Miscellaneous Plan	1,282,902	565,270	69,510	(294,257)
Total	$ 204,312,985	$ 60,034,459	$ 39,923,397	$ 20,187,004

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers' Retirement Plan (STRP) administered by CalSTRS. STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at:
http://www.calstrs.com/member-publications.

Benefits Provided

The STRP provides retirement, disability, and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the State is the sponsor of the STRP and obligor of the trust. In addition, the State is both an employer and nonemployer contributing entity to the STRP. The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2019, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	16.28%	16.28%
Required state contribution rate	9.828%	9.828%

Contributions

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2019, are presented above, and the District's total contributions were $13,823,578.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:	
District's proportionate share of net pension liability	$ 135,303,355
State's proportionate share of the net pension liability associated with the District	77,467,499
Total	$ 212,770,854

The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts and the State, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2018 and June 30, 2017, was 0.1472 percent and 0.1588 percent, respectively, resulting in a net decrease in the proportionate share of 0.0116 percent.

For the year ended June 30, 2019, the District recognized pension expense of $12,261,049. In addition, the District recognized pension expense and revenue of $9,100,684 for support provided by the State. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 13,823,578	$ -
Net change in proportionate share of net pension liability	518,347	17,537,514
Difference between projected and actual earnings on the pension plan investments	-	5,210,034
Difference between expected and actual experience in the measurement of the total pension liability	419,570	1,965,356
Changes of assumptions	21,019,741	-
Total	$ 35,781,236	$ 24,712,904

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earning on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	$ 1,131,245
2021	(820,862)
2022	(4,371,015)
2023	(1,149,402)
Total	$ (5,210,034)

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	$ (489,165)
2021	(489,165)
2022	(489,165)
2023	2,187,139
2024	3,063,338
Thereafter	(1,328,194)
Total	$ 2,454,788

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2018, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments, and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 198,203,581
Current discount rate (7.10%)	135,303,355
1% increase (8.10%)	83,152,963

City and County of San Francisco Employees' Retirement System (SFERS)

Plan Description

Qualified employees are eligible to participate in the San Francisco Employees' Retirement System (SFERS); a cost-sharing multiple-employer, public employee, defined benefit pension plan administered by the City and County of San Francisco (the City). SFERS is a separate department of the City, deriving its powers, functions, and responsibility from the City Charter and ordinances of the Board of Supervisors of the City. Substantially all employees of the City and County are members, including most of the District's classified permanent full-time employees and certain certificated employees hired prior to July 1, 1972. Members are classified according to City bargaining units as police, fire, and miscellaneous. District employees are members of the miscellaneous pool. SFERS issues a separate annual financial report that includes financial statements and required supplementary information. The SFERS annual financial report is available online at www.sfers.org.

Benefits Provided

The retirement system provides service retirement, disability, and death benefits based on specified percentages of defined final average monthly salary and annual cost-of-living adjustments after retirement. Employees with 20 years of service who have attained age 50 or those with 10 years of service who have attained age 60 are eligible for retirement benefits. The City Charter and the Administrative Code are the authorities that establish and amend the benefit provisions of the plan and employer and member obligations to the plan.

The SFERS provisions and benefits in effect at June 30, 2019, are summarized as follows:

	City Employer Pool (Miscellaneous Non-Safety Membership)		
Hire date	On or after November 2, 1976 and before July 1, 2010	On or after July 1, 2010 and before July 7, 2012	On or after January 7, 2012
Benefit formula	2.3% at 62	2.3% at 62	2.3% at 65
Benefit vesting schedule	Age 50 with 20 Years of Credited Service or Age 60 with 10 Years of Credited Service	Age 50 with 20 Years of Credited Service or Age 60 with 10 Years of Credited Service	Age 53 with 20 Years of Credited Service or Age 60 with 10 Years of Credited Service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	62	62	65
Maximum annual benefits	75%	75%	75%
Monthly benefits as a percentage of eligible compensation	1.00% - 2.30%	1.00% - 2.30%	1.00% - 2.30%
Required employee contribution rate	8.00%-12.00%	7.50%-11.50%	7.50%-11.50%
Required employer contribution rate	19.31% - 23.31%	19.31% - 23.31%	19.31% - 23.31%

All retired members receive a benefit adjustment each July 1, which is the basic cost of living adjustment (COLA). The majority of adjustments are determined by changes in the Consumer Price Index with increases capped at 2 percent. The Plan provides for a supplemental COLA in years when there are sufficient "excess" investment earnings in the Plan and the Plan is fully funded on a market value of assets basis. The maximum benefit adjustment is 3.5 percent including that Basic COLA. For members hired on or after January 7, 2012, Supplemental COLAs will not be permanent adjustments to retirement benefits.

Contributions

Contributions are made to the plan by both the employers and the participating employees. The basic employer contributions are the amounts deemed necessary, on an actuarial basis using the entry age normal cost method, to provide the plan with assets sufficient to pay the basic benefits that are not provided for by employees' contributions. Employee and employer contributions are mandatory, as required by the City Charter. The District's contributions to SFERS, for the year ended June 30, 2019, were $9,474,507.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2019, the District reported net pension liabilities for its proportionate share of the collective SFERS net pension liability totaling $67,726,728. The net pension liability of the plan is measured as of June 30, 2018, and the total pension liability for the plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share for the measurement period June 30, 2018 and June 30, 2017, was 1.5814 percent and 1.5403 percent, respectively, resulting in an increase in the proportionate share of 0.0411 percent.

For the year ended June 30, 2019, the District recognized pension expense of $8,220,212, including amortization of deferred outflows of resources and deferred inflows of resources related to pensions. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 9,474,507	$ -
Net change in proportionate share of net pension liability	3,104,000	2,338,000
Difference between projected and actual earnings on the pension plan investments	-	10,886,168
Difference between expected and actual experience in the measurement of the total pension liability	549,489	1,916,815
Change of assumptions	10,559,957	-
Total	$ 23,687,953	$ 15,140,983

The deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The remaining deferred outflows/ inflows of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2020	$ 4,486,092
2021	2,077,952
2022	(5,362,598)
2023	(2,128,983)
Total	$ (927,537)

The total pension liability was determined by an actuarial valuation as of June 30, 2018. The following is a summary of the actuarial methods and assumptions used in the actuarial valuation:

Valuation date	July 1, 2016
Measurement date	June 30, 2018
Actuarial cost method	Entry-age normal cost
Inflation	3.25%
Salary increases	3.75% plus merit component
Investment rate of return	7.50%, net of investment expense and inflation
Municipal bond yield	3.58%
Discount rate	7.50%
Administrative expense	0.60% of payroll
Basic COLA	2.00%

Mortality rates for active members were based upon adjusted Employee CalPERS mortality tables projected generationally from the 2009 base year using a modified version of the MP-2015 projection scale.

The probability of a Supplemental COLA as of June 30, 2018, was developed based upon the probability and amount of Supplemental COLA for each future year. The table below shows the net assumed Supplemental COLA for members with a 2.00 percent basic COLA for sample years.

Fiscal Year	Assumption
2022	0.290%
2025	0.350%
2028	0.360%
2031	0.375%
Thereafter	0.375%

Discount Rate

The discount rate used to measure the total pension liability as of June 30, 2018, was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will continue to be made at the rates specified in the Charter. Employer contributions were assumed to be made in accordance with the contribution policy in effect for July 1, 2018, actuarial valuation. That policy includes contributions equal to the employer portion of the entry age normal costs for members as of the valuation data plus an amortization payment on the unfunded actuarial liability.

The plan's fiduciary net position was projected to be available to make projected future benefit payments for current members until fiscal year end 2096, when only a portion of the projected benefit payments can be made from the projected fiduciary net position. Projected benefit payments are discounted at the long-term expected return on assets of 7.50 percent to the extent the fiduciary net position is available to make the payments and at the municipal bond rate of 3.58 percent to the extent they are not available. The single equivalent rate used to determine the total pension liability as of June 30, 2018, is 7.50 percent.

The long-term expected rate of return on pension plan investments was 7.50 percent. It was set by the Retirement Board after consideration of both expected future returns and historical returns experienced by the by the Retirement System. Expected future returns were determined by using a building-block method in which best-estimate ranges of expected future real rates of return were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Target allocation and best estimates of geometric long-term expected real rates of return (net of pension plan investment expense and inflation) for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	31%	5.4%
Treasuries	6%	0.5%
Liquid credit	3%	3.3%
Private Credit	10%	4.6%
Private equity	18%	6.6%
Real assets	17%	4.5%
Hedge funds/Absolute return	15%	3.7%

The following presents the District's allocation of the its proportionate share of the net pension liability, calculated using the 7.50 percent discount rate, as well as what the District's allocation would be if it were calculated using a discount rate that is 1 percent lower or 1 percent higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.50%)	$ 126,845,122
Current discount rate (7.50%)	67,726,728
1% increase (8.50%)	18,840,831

California Public Employees' Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in covered under a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statues, as legislatively amended, within the Public Employees' Retirement Law.

The Public Agency Cost-Sharing Multiple-Employer Plan is comprised of a Miscellaneous Risk Pool and a Safety Risk Pool. Individual employers may sponsor more than one Miscellaneous or Safety plan. The District sponsors one Miscellaneous Risk Pool plan (the Plan). The Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

Benefits Provided

The Plan provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for employment-related disability benefits regardless of length of service and non-duty disability benefits after five years of service. Disability benefits are determined in the same manner as retirement benefits, but are payable immediately without an actuarial reduction. The Post-Retirement Death Benefit is a one-time payment made to a retiree's designated survivor or estate upon the retiree's death. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2019, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Required employee contribution rate	N/A	N/A
Required employer contribution rate	N/A	N/A

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2019, are presented above, and the total District contributions were $93,234.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2019, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $1,282,902. The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2018 and June 30, 2017, was 0.0340 percent and 0.0330 percent, respectively, resulting in a net increase in the proportionate share of 0.0010 percent.

For the year ended June 30, 2019, the District recognized pension expense of $(294,257). At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 93,234	$ -
Net change in proportionate share of net pension liability	270,214	16,916
Difference between projected and actual earnings on the pension plan investments	6,344	-
Difference between expected and actual experience in the measurement of the total pension liability	49,223	16,750
Changes of assumptions	146,255	35,844
Total	$ 565,270	$ 69,510

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	$ 49,438
2021	10,531
2022	(42,086)
2023	(11,539)
Total	$ 6,344

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the EARSL of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4.0 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	$ 269,361
2021	127,834
2022	(1,013)
Total	$ 396,182

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and services

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90 percent of Scale MP-2016.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	49%	5.98%
Fixed income	22%	2.62%
Inflation assets	6%	1.81%
Private equity	8%	7.23%
Real assets	12%	4.93%
Liquidity	3%	-0.92%

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.15%)	$ 2,060,696
Current discount rate (7.15%)	1,282,902
1% increase (8.15%)	640,845

Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. The District has elected to use the Social Security as its alternative plan. Contributions made by the District and an employee vest immediately. The District contributes 6.20 percent of an employee's gross earnings. An employee is required to contribute 6.20 percent of his or her gross earnings to the pension plan.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal year ended June 30, 2019, which amounted to $7,149,773 (8.420 percent) of salaries subject to CalSTRS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. These amounts have been reflected in the basic financial statements as a component of operating revenue and employee benefit expense.

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated for an additional 2018–19 contribution on behalf of school employers of $2.246 billion for CalSTRS. A proportionate share of these contributions has been recorded in these financial statements.

Deferred Compensation

The District offers its employees a CalPERS administered 457 Deferred Compensation Program (the Program). The Program, available to all permanent employees, permits them to defer a portion of pre-tax salary into investment of an individual's own choosing until future years. The deferred compensation is not available to the employees or their beneficiaries until termination, retirement, death, or an unforeseeable emergency. The CalPERS Board controls the investment and administrative functions of the CalPERS 457 Deferred Compensation Program. The Board for the exclusive benefit of participating employees, which adds security, holds the assets in trust.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2019.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2019.

Operating Leases

The District has entered into various operating leases for buildings and equipment with lease terms in excess of one year. None of these agreements contain purchase options. All agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors, but it is unlikely that the District will cancel any of the agreements prior to the expiration date. Future minimum lease payments under these agreements are as follows:

Year Ending June 30,	Lease Payment
2020	$ 1,760,470
2021	1,038,744
Total	$ 2,799,214

Construction Commitments

The District had several commitments with respect to the unfinished capital projects. These projects are funded through a combination of general obligation bonds and capital project apportionments from the California State Chancellor's Office. As of June 30, 2019, the total amount committed was approximately $6.8 million.

NOTE 16 - GOING CONCERN

The District's current trend of deficit spending combined with a declining Unrestricted General Fund balance raises concerns about the District's financial condition.

The significant factors contributing to the District's financial condition include: 1) heavy deficit spending that occurred in the prior and current fiscal year within the unrestricted General Fund, 2) decline in revenues caused by loss of stability funding in the 2016-2017 fiscal year, combined with increasing cost of payroll and benefits creating a structural deficit.

The District began a trend of deficit spending in the 2016-2017 year. During the current year, the Unrestricted General Fund recorded a deficit spending of $13,981,928 and ended the year with $10,251,146 in fund balance, resulting in available reserves of 0.20 percent. Although the District has adopted a balanced budget for the 2019-2020 fiscal year, the budget includes the assumption of a 16.4 percent reduction in certificated and classified salaries. A personnel reduction of this size will be difficult to accomplish within one year.

The District developed a significant structural deficit as a result of decreasing full-time equivalent students (FTES). During the 2014-2015 through 2016-2017 years, the District's funding levels were artificially inflated by "stability funding" received from the State, which protects districts from sudden drops in FTES. Although the District was receiving higher funding, FTES experienced further decline, creating a larger discrepancy between the revenues the District was "earning" versus receiving. The District budgeted ongoing costs (primarily employee costs) based on the higher level of stability funding. When the District was no longer eligible for stability funding in 2017-18, expenses exceeded revenues dramatically. Although employee costs can be reduced, this process takes time and the District has shown difficulty in effectively managing its payroll and benefit costs.

Further, the District is currently considered a "hold harmless" District under the Student Centered Funding Formula. The District is receiving the higher of: earned revenues based on FTES, Supplemental Allocation, and Student Success Allocation; or 2017-2018 total computational revenues plus cost-of-living adjustment. For the 2018-2019 year, the District is receiving the latter, which indicates that earned revenues are less than what the District will receive in funding. Based on current legislation, the District will continue to receive "hold harmless" funding until 2020-2021. At this time, the District's revenues will be based on their earned revenue, which may be significantly less than their "hold harmless" funding levels without increases in FTES and other student metrics.

MANAGEMENT COMMITTED TO FINANCIAL SUSTAINABILITY

- ✓ A corrective action plan to balance the operating budget, eliminate deficit spending and to stabilize cash reserve at 10 percent has been underway since fall 2018.

The financial statements of the FY 2018-2019 independent audit confirm that a specific plan of Corrective Action has been underway since the prior year's independent audit for FY 2017-2018. For the first time in many years, this corrective action has dramatically reduced the amount of deficit spending. In FY 2017-2018, reported deficit spending was $22.6M. In FY 2018-2019, this audit reports that in single year deficit spending was reduced by nearly 40 percent to $13.8M.

In the current FY 2019-2020 year, the administration recommended, and the Board adopted for the first time in many years a balanced operating budget. Again, for the first time the administration improved financial controls and the ability to project current year spending in order to stay on the balanced budget as required by the Board. On November 14, the administration reported that the operating budget projected a deficit if no further action was taken. With support from the Board, the administration on November 17, 2019, further reduced spending and made other adjustments for a total of $11.4M. These unprecedented mid-year adjustments were across the board of the entire operating budget with only $2.1M of the cuts coming from the class schedule due to decreased overall student enrollment, a condition experienced by many California community colleges.

As the Board continues its policy for financial sustainability and the administration continues its actions to implement this sound policy, two important findings of the FY 2018-2019 independent audit guide further corrective action:

1. According to the auditor's report, p. 106, the report is identified as "unmodified" with no significant deficiencies in internal controls over financial reporting, nor did the auditor find any noncompliance that material to the financial statements. The finding of "going concern" is therefore ***not*** the result of lack of financial and related technical controls, nor of a lack of transparency, nor of fraud, waste and abuse. In fact, technical tests and the process of this audit demonstrate that financial controls in the administration have actually improved over the past three years.
2. Therefore, the primary reason for the finding of "going concern" is a ***"structural deficit"*** that the auditor has reported for several years and this year's audit specified as follows:
   a. Heavy deficit spending, mostly for employee compensation, in the audited year and in prior years.
   b. The majority of employee compensation is for faculty. The total FTE-F still does not align with prior years' FTES decline.
   c. The end of stability funding on June 30, 2017, that had subsidized the deficit spending.
   d. The maintenance and operation of nine physical campuses, one of which is closed and two of which are under-performing relative to enrollment.

✓ Next Steps of Corrective Action Plan

The administration will recommend the continuation of the following corrective actions to the Board of Trustees with the objective of completing FY 2019-2020 with a balanced budget in the unrestricted fund and in the following fiscal years, increase reserves until they reach a reserve of at least 5 percent ready cash:

1. Continue the student-centered restructuring of the academic program first presented in 2018 that aligns with state funding policy as described by Assembly member Phil Ting:

"Courses that lead to a career technical education certificate, an associate's degree or a transfer degree are a priority to meet state workforce needs and to allow individuals and families to succeed in the current economy."

2. Reduce over the next two years the number of full-time equivalent faculty who are compensated not to teach from the current 100 FTE-F to 75 FTE-F, thus reducing the costs for contingent part-time faculty by $1.7M. This will be accomplished by:
   a. reducing non-essential faculty reassignments
   b. consolidating the number of department chairs
3. Develop and implement a real estate plan in 2020 that will assess the revenue options for current CCSF-owned campus properties for the purpose of realizing funds for:
   a. A permanent ready-cash reserve of 5 percent to 10 percent of the unrestricted fund annual operating budget, about $10M to $20M;
   b. Opportunity funding for new and existing initiatives to increase enrollment and student success outcomes in alignment with the Student Centered Funding Formula (SCFF).
   c. Growth funding for CityOnline and other new and existing programs with opportunities to grow to increase student enrollment and completions and to capture the full restoration funding of 32,000 FTES.
4. Explore partnerships and funding opportunities to shift non-credit lifelong learning and personal enrichment programs to fee basis.
5. Identify programs for discontinuance and teach-out (without layoff of any regular full time tenured or tenure-track faculty).
6. Proposition A is on the ballot on March 3, 2020, a facilities bond initiative in the amount of $845M. If Prop A passes, this will enable some capital costs currently paid through the unrestricted fund to shift to bond funds.
7. Work with all CCSF stakeholders to secure additional permanent and sustainable supplemental unrestricted funding for CCSF student-centered priorities.

Through a newly created participatory governance Budget Committee and the Board Budget and Audit Committee, the District regularly monitors both revenues and expenditures. The District has taken prompt action and will continue to take prompt action based on updated actuals and projections.

Fiscal staff will continue to monitor and analyze budgets, cash flow, enrollment, and attendance to make sure the most accurate information is provided when making decisions.

REQUIRED SUPPLEMENTARY INFORMATION

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY AND RELATED RATIOS - DISTRICT PLAN FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
Total OPEB Liability		
Service cost	$ 4,761,606	$ 5,382,732
Interest	9,533,290	9,134,663
Expected benefit payments	(7,692,202)	(8,144,914)
Difference between expected and actual experience	(1,314,630)	-
Net change in total OPEB liability	5,288,064	6,372,481
Total OPEB liability - beginning	138,312,473	131,939,992
Total OPEB liability - ending (a)	$ 143,600,537	$ 138,312,473
Plan Fiduciary Net Position		
Contributions - employer	$ 13,966,777	$ 11,983,985
Expected investment income	1,080,198	1,243,581
Differences between projected and actual earnings on OPEB plan investments	(22,427)	-
Expected benefit payments	(7,692,202)	(8,144,914)
Difference between expected and actual experience	(1,314,630)	-
Administrative expense	(30,000)	-
Net change in plan fiduciary net position	5,987,716	5,082,652
Plan fiduciary net position - beginning	12,966,424	7,883,772
Plan fiduciary net position - ending (b)	$ 18,954,140	$ 12,966,424
District's net OPEB liability - ending (a) - (b)	$ 124,646,397	$ 125,346,049
Plan fiduciary net position as a percentage of the total OPEB liability	13.20%	9.37%
Covered-employee payroll	$ 129,610,167	$ 131,979,430
District's net OPEB liability as a percentage of covered-employee payroll	96.17%	94.97%

Note: In the future, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF OPEB INVESTMENT RETURNS
FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
Annual money-weighted rate of return, net of investment expense	6.42%	12.17%

Note: In the future, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.

SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS - BOOKSTORE PLAN FOR THE YEAR ENDED JUNE 30, 2019

	2019
Total OPEB Liability	
Interest	$ 1,724,354
Changes of assumptions	111,669
Benefit payments	(176,650)
Net change in total OPEB liability	1,659,373
Total OPEB liability - beginning	1,400,000
Total OPEB liability - ending (a)	$ 3,059,373
Covered-employee payroll	N/A
District's total OPEB liability as a percentage of covered-employee payroll	N/A

Note: In the future, as data becomes available, ten years of information will be presented.

N/A - As of the 2017 fiscal year, there was no covered payroll associated with employees covered by the Bookstore OPEB Plan.

See accompanying note to required supplementary information.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - MPP PROGRAM
FOR THE YEAR ENDED JUNE 30, 2019

Year ended June 30,	2019	2018
District's proportion of the net OPEB liability	0.2500%	0.2714%
District's proportionate share of the net OPEB liability	$ 957,049	$ 1,141,807
District's covered-employee payroll	N/A[1]	N/A[1]
District's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	N/A[1]	N/A[1]
Plan fiduciary net position as a percentage of the total OPEB liability	-0.40%	0.01%

[1] As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

Note: In the future, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018	2017
CalSTRS			
District's proportion of the net pension liability	0.1472%	0.1588%	0.1578%
District's proportionate share of the net pension liability	$ 135,303,355	$ 146,856,856	$ 127,669,976
State's proportionate share of the net pension liability associated with the District	77,467,499	86,879,275	72,680,240
Total	$ 212,770,854	$ 233,736,131	$ 200,350,216
District's covered-employee payroll	$ 82,254,089	$ 88,682,576	$ 77,235,937
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	164%	166%	165%
Plan fiduciary net position as a percentage of the total pension liability	71%	69%	70%
SFERS			
District's proportion of the net pension liability	1.5814%	1.5403%	1.4766%
District's proportionate share of the net pension liability	$ 67,726,728	$ 76,912,801	$ 85,831,480
District's covered-employee payroll	$ 47,356,078	$ 43,296,854	$ 39,223,199
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	143%	178%	219%
Plan fiduciary net position as a percentage of the total pension liability	85%	82%	77%
CalPERS - Miscellaneous Plan			
District's proportion of the net pension liability	0.0340%	0.0330%	0.0321%
District's proportionate share of the net pension liability	$ 1,282,902	$ 1,300,751	$ 1,115,251
District's covered-employee payroll	N/A	N/A	$ 1,850,556
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	N/A	N/A	60%
Plan fiduciary net position as a percentage of the total pension liability	71%	72%	74%

Note : In the future, as data becomes available, ten years of information will be presented.

N/A - As of the 2017 fiscal year, there was no covered payroll associated with the PERS employees covered by the CalPERS Miscellaneous Plan.

See accompanying note to required supplementary information.

2016	2015
0.1637%	0.1838%
$ 110,236,539	$ 109,162,777
58,302,977	65,917,198
$ 168,539,516	$ 175,079,975
$ 73,432,379	$ 85,079,413
150%	128%
74%	77%
1.5795%	1.7522%
$ 36,265,841	$ 31,021,562
$ 40,264,153	$ 41,365,456
90%	75%
90%	92%
0.0301%	0.0193%
$ 2,626,907	$ 2,193,486
$ 1,973,862	$ 1,981,879
133%	111%
79%	83%

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS FOR PENSIONS
FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018	2017
CalSTRS			
Contractually required contribution	$ 13,823,578	$ 11,869,265	$ 11,156,268
Contributions in relation to the contractually required contribution	13,823,578	11,869,265	11,156,268
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered-employee payroll	$ 84,911,413	$ 82,254,089	$ 88,682,576
Contributions as a percentage of covered-employee payroll	16.28%	14.43%	12.58%
SFERS			
Contractually required contribution	$ 9,474,507	$ 9,219,890	$ 8,192,668
Contributions in relation to the contractually required contribution	9,474,507	9,219,890	8,192,668
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered-employee payroll	$ 52,748,482	$ 47,356,078	$ 43,296,854
Contributions as a percentage of covered-employee payroll	17.96%	19.47%	18.92%
CalPERS - Miscellaneous Plan			
Contractually required contribution	$ 93,234	$ 60,954	$ 49,922
Contributions in relation to the contractually required contribution	93,234	60,954	49,922
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered-employee payroll	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A

Note: In the future, as data becomes available, ten years of information will be presented.
N/A - As of the 2017 fiscal year, there was no covered payroll associated with the employees covered by the CalPERS Miscellaneous Plan.

See accompanying note to required supplementary information.

2016	2015
$ 8,287,416	$ 6,520,795
8,287,416	6,520,795
$ -	$ -
$ 77,235,937	$ 73,432,379
10.73%	8.88%
$ 7,819,687	$ 9,603,924
7,819,687	9,603,924
$ -	$ -
$ 39,223,199	$ 40,264,153
19.94%	23.85%
$ 424,160	$ 232,343
424,160	232,343
$ -	$ -
$ 1,850,556	$ 1,973,862
23%	12%

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Changes in the District's Net OPEB Liability and Related Ratios

This schedule presents information on the District's changes in the net OPEB liability, including beginning and ending balances, the Plan's fiduciary net position, and the net OPEB liability. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms **-** There were no changes in the benefit terms since the previous valuation.

Changes of Assumptions - There were no changes in assumptions or other inputs since the previous valuation.

Schedule of OPEB Investment Returns

This schedule presents information on the annual money-weighted rate of return on OPEB plan investments. In future years, as data becomes available, ten years of information will be presented.

Schedule of Changes in the District's Total OPEB Liability and Related Ratios - Bookstore Plan

This schedule presents information on the District's changes in the total OPEB liability, including beginning and ending balances, the Plan's fiduciary net position, and the total OPEB liability. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms **-** There were no changes in the benefit terms during the measurement period.

Changes of Assumptions - The plan rate of investment return assumption was changed from 3.80 percent to 3.50 percent during the measurement period.

Schedule of the District's Proportionate Share of the Net OPEB Liability - MPP Program

This schedule presents information on the District's proportionate share of the net OPEB Liability – MPP Program and the plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms **-** There were no changes in the benefit terms since the previous valuation.

Changes of Assumptions **-** The plan rate of investment return assumption was changed from 3.58 percent to 3.87 percent since the previous valuation.

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
ENDED JUNE 30, 2019

Schedule of the District's Proportionate Share of the Net Pension Liability

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net positions and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms **-** There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

Changes of Assumptions **-** There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

Schedule of District Contributions for Pensions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.

SUPPLEMENTARY INFORMATION

DISTRICT ORGANIZATION
JUNE 30, 2019

San Francisco Community College District was established in 1935 and is located in San Francisco County. There were no changes in the boundaries of the District during the current year. The District's college is accredited by the Accrediting Commission for Community and Junior Colleges, Western Association of Schools and Colleges, which is one of six regional associations that accredit public and private schools, colleges, and universities in the United States.

BOARD OF TRUSTEES

MEMBER	OFFICE	TERM EXPIRES
Alex Randolph	President	2020
Tom Temprano	Vice President	2020
Brigitte Davila	Member	2022
Ivy Lee	Member	2024
John Rizzo	Member	2022
Thea Selby	Member	2022
Shanell Williams	Member	2020

ADMINISTRATION

Mark Rocha	Chancellor
Dianna Gonzales	Senior Vice Chancellor, Administrative and Student Affairs
Tom Boegel	Senior Vice Chancellor of Academic Affairs and Institutional Affairs
Rueben Smith	Senior Vice Chancellor of Facilities, Capital Planning, and Public Safety

See accompanying note to supplementary information.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Program Name	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures	Amount Passed Through to Subrecipients
U.S. DEPARTMENT OF EDUCATION				
Student Financial Assistance Cluster				
Federal Pell Grant Program	84.063		$ 14,550,552	$ -
Federal Pell Grant Program Administrative Allowance	84.063		124,730	-
Federal Work-Study Program	84.033		566,271	-
Federal Direct Student Loans	84.268		1,178,112	-
Federal Supplemental Educational Opportunity Grants	84.007		756,397	-
Federal Perkins Loans	84.038		1,746,865	-
Subtotal Student Financial Assistance Cluster			18,922,927	-
TRIO Cluster				
TRIO Student Support Services	84.042A		508,176	-
Subtotal TRIO Cluster			508,176	-
Passed through California Department of Education (CDE)				
Adult Basic Education and ELA	84.002A	14508	764,525	-
Adult Secondary Education	84.002A	13978	231,000	-
Passed through California Community Colleges Chancellor's Office				
Career and Technical Education Act, Title I, Part C	84.048A	18-C01-048	726,859	-
Career and Technical Education Transitions	84.048A	18-C01-048	41,377	-
TOTAL U.S. DEPARTMENT OF EDUCATION			21,194,864	-
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Temporary Assistance for Needy Families (TANF) Cluster				
Passed through California Community Colleges Chancellor's Office				
Temporary Assistance for Needy Families	93.558	[1]	80,123	-
Passed through City and County of San Francisco				
Temporary Assistance for Needy Families	93.558	[1]	205,907	-
Subtotal TANF Cluster			286,030	-
Passed through California Community Colleges Chancellor's Office				
Foster and Kinship Care Education	93.658	[1]	32,849	-
Passed through City and County of San Francisco				
Foster Care Title IV-E	93.658	[1]	735,927	352,133
Passed through Contra Costa County Office of Education				
Medicaid Cluster				
Medi-Cal Administrative Activities	93.778	[1]	123,946	-
Subtotal Medicaid Cluster			123,946	-
Passed through California Department of Education (CDE)				
Child Care Development Fund (CCDF) Cluster				
Child Care Development Block Grant - Centers Based	93.575	15136	9,369	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	13609	20,382	-
Subtotal CCDF Cluster			29,751	-
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			1,208,503	352,133

[1] Pass-Through Entity Identifying Number not available.

See accompanying note to supplementary information.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued
FOR THE YEAR ENDED JUNE 30, 2019

Program Name	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures	Amount Passed Through to Subrecipients
U.S. DEPARTMENT OF AGRICULTURE				
Passed through California Department of Education (CDE)				
Child and Adult Care Food Program	10.558	13393	$ 38,948	$ -
NATIONAL SCIENCE FOUNDATION				
Research and Development Cluster				
Bio-Link Next Generation National Advanced Technological Educational Center	47.076		111,726	20,000
Collaborative Research	47.076		56,586	-
Growing CTE/STEM Teachers	47.076		55,498	-
Passed through Madison Area Technical College				
Scaling Implementation of Stem Cell Technical Education	47.076	1501553	25,749	-
Passed through Collin County Community College District				
National Convergent Technology Center	47.076	DUE-1205077	603	-
Subtotal Research and Development Cluster			250,162	20,000
U. S. DEPARTMENT OF VETERANS AFFAIRS				
Veterans Education	64.120		13	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 22,692,490	$ 372,133

[1] Pass-Through Entity Identifying Number not available.

See accompanying note to supplementary information.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

	Program Entitlements		
Program	Current Year	Prior Year	Total Entitlement
AB 1290 Scheduled Deferred Maintenance and Repair	$ 4,451,386	$ -	$ 4,451,386
AB 86 Adult Ed Consortium	3,456,604	80,148	3,536,752
Beverage Container Recycling Grant	101,738	-	101,738
Board of Financial Aid	690,863	-	690,863
CA Apprenticeship Initiative	1,000,000	174,776	1,174,776
CA Institute for Reg Medicine	432,700	20,383	453,083
CAI Pre-Apprentice and Job Training	499,616	-	499,616
Cal Grants	1,275,530	-	1,275,530
California Career Pathway Trust (CCPT)	-	1,699,557	1,699,557
California College Promise	416,580	-	416,580
California Nursing Support	215,646	-	215,646
CalWORKs	461,808	-	461,808
Campus Safety	-	34,831	34,831
CARE	121,606	-	121,606
Career Tech Enhancement	5,958,212	3,017,983	8,976,195
CCCCO MESA	74,515	13,705	88,220
Center Based Child Development	158,400	-	158,400
Child Care Tax Bailout	84,734	-	84,734
DSPS	2,178,476	-	2,178,476
Economic Workforce Development	425,000	72,416	497,416
EOPS	1,508,541	-	1,508,541
Equal Employment Opportunity	50,000	52,800	102,800
Financial Aid Technology	234,634	-	234,634
Foster Parenting	39,646	-	39,646
Full Time Student Success Grant	930,234	175,759	1,105,993
Guided Pathway	548,701	457,251	1,005,952
Hunger Free Campus	183,327	48,903	232,230
Innovation for Higher Education	-	1,402,789	1,402,789
Instructional Equipment and Library	-	129,882	129,882
Mental Health Support Program	-	-	-
Prop 39 Clean Energy	89,918	1,927,237	2,017,155
San Francisco First 5 Preschool	139,750	116,107	255,857
SPDPH/MHSA MHCHW	255,000	-	255,000
Special Trustee	289,000	540,561	829,561
State Preschool	550,135	-	550,135
Student Equity and Achievement (SEA) Program	8,987,084	3,545,503	12,532,587
The Puente Project	3,000	-	3,000
Transfer and Articulation	-	1,214	1,214
Total	$ 35,812,384	$ 13,511,805	$ 49,324,189

See accompanying note to supplementary information.

Program Revenues				
Cash Received	Accounts Receivable	Unearned Revenue	Total Revenue	Program Expenditures
$ 562,514	$ 2,626,758	$ -	$ 3,189,272	$ 2,938,958
3,536,752	-	62,496	3,474,256	3,474,256
-	13,558	-	13,558	13,558
690,863	-	-	690,863	690,863
174,776	229,486	-	404,262	404,262
453,083	-	26,083	427,000	427,000
168,647	7,050	-	175,697	175,697
1,275,530	-	-	1,275,530	1,275,530
1,699,557	-	-	1,699,557	1,699,557
416,580	-	290,700	125,880	125,880
215,646	-	-	215,646	215,646
461,808	-	-	461,808	461,808
34,831	-	16,831	18,000	18,000
121,606	-	-	121,606	121,606
6,516,070	2,400,332	4,397,734	4,518,668	4,518,668
13,705	60,810	-	74,515	74,515
71,141	44,470	-	115,611	115,611
79,250	-	26,090	53,160	53,160
2,178,476	-	-	2,178,476	2,178,476
399,916	63,900	5,180	458,636	458,636
1,508,541	-	-	1,508,541	1,508,541
102,800	-	80,878	21,922	21,922
234,634	-	234,634	-	-
34,987	-	-	34,987	34,987
1,105,993	-	-	1,105,993	1,080,438
1,005,952	-	664,731	341,221	341,221
232,230	-	181,196	51,034	51,034
1,402,789	-	1,196,121	206,668	206,668
129,882	-	-	129,882	129,882
182,513	-	182,513	-	-
89,918	-	-	89,918	2,017,155
416,803	26,703	-	443,506	274,813
125,599	129,401	-	255,000	255,000
829,561	-	-	829,561	829,561
550,135	-	-	550,135	550,135
12,528,933	-	2,018,305	10,510,628	10,514,282
6,000	-	5,673	327	327
1,214	-	-	1,214	1,214
$ 39,559,235	$ 5,602,468	$ 9,389,165	$ 35,772,538	$ 37,258,867

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT ANNUAL (ACTUAL) ATTENDANCE AS OF JUNE 30, 2019

CATEGORIES	Reported Data*	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2018 only)			
1. Noncredit**	608.31	-	608.31
2. Credit	1,491.24	-	1,491.24
B. Summer Intersession (Summer 2019 - Prior to July 1, 2019)			
1. Noncredit**	6.73	-	6.73
2. Credit	-	-	-
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	11,359.68	-	11,359.68
(b) Daily Census Contact Hours	886.18	-	886.18
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit**	5,029.43	-	5,029.43
(b) Credit	710.40	-	710.40
3. Alternative Attendance Accounting Procedure Courses			
(a) Weekly Census Procedure Courses	2,199.50	-	2,199.50
(b) Daily Census Procedure Courses	-	-	-
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	22,291.47	-	22,291.47
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)	-	-	-
H. Basic Skills Courses and Immigrant Education			
1. Noncredit**	4,001.21	-	4,001.21
2. Credit	88.20	-	88.20
CCFS-320 Addendum			
CDCP Noncredit FTES	4,072.41	-	4,072.41
Centers FTES			
1. Noncredit**	4,780.65	-	4,780.65
2. Credit	3,111.52	-	3,111.52

* Annual report revised as of September 30, 2019.
** Including Career Development and College Preparation (CDCP) FTES.

See accompanying note to supplementary information.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION FOR THE YEAR ENDED JUNE 30, 2019

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Academic Salaries							
Instructional Salaries							
Contract or Regular	1100	$ 41,126,821	$ -	$ 41,126,821	$ 41,242,271	$ -	$ 41,242,271
Other	1300	26,272,912	-	26,272,912	26,662,025	-	26,662,025
Total Instructional Salaries		67,399,733	-	67,399,733	67,904,296	-	67,904,296
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	12,521,470	-	12,521,470
Other	1400	-	-	-	3,003,182	-	3,003,182
Total Noninstructional Salaries		-	-	-	15,524,652	-	15,524,652
Total Academic Salaries		67,399,733	-	67,399,733	83,428,948	-	83,428,948
Classified Salaries							
Noninstructional Salaries							
Regular Status	2100	-	-	-	31,343,281	-	31,343,281
Other	2300	-	-	-	4,580,534	-	4,580,534
Total Noninstructional Salaries		-	-	-	35,923,815	-	35,923,815
Instructional Aides							
Regular Status	2200	1,977,717	-	1,977,717	2,780,513	-	2,780,513
Other	2400	-	-	-	-	-	-
Total Instructional Aides		1,977,717	-	1,977,717	2,780,513	-	2,780,513
Total Classified Salaries		1,977,717	-	1,977,717	38,704,328	-	38,704,328
Employee Benefits	3000	23,531,588	-	23,531,588	38,493,225	-	38,493,225
Supplies and Material	4000	-	-	-	1,199,922	-	1,199,922
Other Operating Expenses	5000	-	-	-	11,660,848	-	11,660,848
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		92,909,038	-	92,909,038	173,487,271	-	173,487,271

See accompanying note to supplementary information.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION, Continued
FOR THE YEAR ENDED JUNE 30, 2019

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Exclusions							
Activities to Exclude							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	$ -	$ -	$ -	$ -	$ -	$ -
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	964,799	-	964,799
Objects to Exclude							
Rents and Leases	5060	-	-	-	938,371	-	938,371
Lottery Expenditures							-
Academic Salaries	1000	3,114,831	-	3,114,831	3,114,831	-	3,114,831
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	1,038,280	-	1,038,280	1,038,280	-	1,038,280
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, and Periodicals	4200	-	-	-	-	-	-
Instructional Supplies and Materials	4300	-	-	-	-	-	-
Noninstructional Supplies and Materials	4400	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	-	-	-

See accompanying note to supplementary information.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION, Continued
FOR THE YEAR ENDED JUNE 30, 2019

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Other Operating Expenses and Services	5000	$ -	$ -	$ -	$ -	$ -	$ -
Capital Outlay							
Library Books	6000	-	-	-	-	-	-
Equipment	6300	-	-	-	-	-	-
Equipment - Additional	6400	-	-	-	-	-	-
Equipment - Replacement	6410	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay							
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		4,153,111	-	4,153,111	6,056,281	-	6,056,281
Total for ECS 84362, 50 Percent Law		$ 88,755,927	$ -	$ 88,755,927	$ 167,430,990	$ -	$ 167,430,990
Percent of CEE (Instructional Salary Cost/Total CEE)		53.01%		53.01%	100.00%		100.00%
50% of Current Expense of Education					$ 83,715,495		$ 83,715,495

See accompanying note to supplementary information.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

PROPOSITION 30 EDUCATION PROTECTION ACCOUNT (EPA) EXPENDITURE REPORT
FOR THE YEAR ENDED JUNE 30, 2019

Activity Classification	**Object Code**				**Unrestricted**
EPA Revenue:	8630				$ 21,059,330
Activity Classification	**Activity Code**	**Salaries and Benefits (Obj 1000-3000)**	**Operating Expenses (Obj 4000-5000)**	**Capital Outlay (Obj 6000)**	**Total**
Instructional Activities	1000-5900	$ 21,059,330	$ -	$ -	$ 21,059,330
Revenues Less Expenditures					$ -

See accompanying note to supplementary information.

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Summarized below are the fund balance reconciliations between the Annual Financial and Budget Report (CCFS-311) and the fund financial statements.

	Self-Insurance Fund
FUND BALANCE	
Balance, June 30, 2019, (CCFS-311)	$ 726,663
Change in:	
Claims liability	356,328
Balance, June 30, 2019, Audited	$ 1,082,991

See accompanying note to supplementary information.

RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Total Fund Balance:		
General Funds	$ 16,105,319	
Debt Service Funds	7,264,969	
Special Revenue Funds	188,166	
Capital Project Funds	51,408,105	
Enterprise Funds	(1,602,889)	
Internal Service Funds	1,082,991	
Fiduciary Fund	1,580,237	
Total Fund Balance - All District Funds		**$ 76,026,898**
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	723,029,152	
Accumulated depreciation is	(403,425,587)	319,603,565
Deferred charges on refunding (the difference between the reacquisition price and net carrying amount of refunded debt) are capitalized and amortized over the remaining life of the new or old debt (whichever is shorter) and are included with governmental activities.		7,207,918
In governmental funds, unmatured interest on long-term debt is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term debt is recognized when it is incurred.		(441,601)
Deferred outflows of resources related to OPEB represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to OPEB at year end consist of:		
OPEB contributions subsequent to measurement date	12,011,244	
Differences between projected and actual earnings on OPEB plan investments	17,941	
Total Deferred Outflows of Resources Related to OPEB		12,029,185
Deferred outflows of resources related to pensions represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to pensions at year end consist of:		
Pension contributions subsequent to measurement date	23,391,319	
Net change in proportionate share of net pension liability	3,892,561	
Differences between projected and actual earnings on pension plan investments	6,344	
Differences between expected and actual experience in the measurement of the total pension liability	1,018,282	
Changes of assumptions	31,725,953	
Total Deferred Outflows of Resources Related to Pensions		60,034,459

See accompanying note to supplementary information.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION, Continued
FOR THE YEAR ENDED JUNE 30, 2019

Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the District's funds. Deferred inflows of resources related to pensions at year end consist of:		
Net change in proportionate share of net pension liability	$ 19,892,430	
Differences between projected and actual earnings on pension plan investments	16,096,202	
Differences between expected and actual experience in the measurement of the total pension liability	3,898,921	
Changes of assumptions	35,844	
Total Deferred Inflows of Resources Related to Pensions		$ (39,923,397)
Deferred inflows of resources related to OPEB represent an acquisition of net position that applies to a future period and is not reported in the District's funds. Deferred inflows of resources related to OPEB at year end consist of differences between expected and actual experience in measuring the total OPEB liability.		(1,001,622)
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term obligations at year end consist of:		
General obligation bonds payable	247,623,586	
Compensated absences	6,755,455	
Load banking	416,385	
Capital leases	13,351	
Supplemental early retirement plan	11,793,202	
Aggregate net pension obligation	204,312,985	
Aggregate net OPEB liability	125,603,446	
Other long-term obligations	17,380,091	(613,898,501)
Total Net Position		**$ (180,363,096)**

See accompanying note to supplementary information.

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2019

NOTE 1 - PURPOSE OF SCHEDULES

District Organization

This schedule provides information about the District's governing board members and administration members as of June 30, 2019.

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title U.S. Code of Federal Regulations (Part 200), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimus cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

The amount of expenditures presented for the Federal Perkins Loans program represents the balance of outstanding loans with the U.S. Department of Education with continuing compliance requirements at July 1, 2018. At June 30, 2019, the balance of outstanding loans was $1,644,520.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenses, and Changes in Net Position - Primary Government, Statement of Changes in Net Position - Fiduciary Funds, and the related expenditures reported on the Schedule of Expenditures of Federal Awards:

Description	CFDA Number	Amount
Federal Revenues per Statement of Revenues, Expenses, and Changes in Net Position and Statement of Changes in Fiduciary Net Position		$ 20,775,651
Veterans Education	64.120	(21,587)
Federal Pell Grant Program Administrative Allowance	84.063	105,290
Federal Work-Study Program	84.033	86,271
Federal Perkins Loans	84.038	1,746,865
Total Expenditures of Federal Awards		$ 22,692,490

Schedule of Expenditures of State Awards

The accompanying Schedule of Expenditures of State Awards includes the State grant activity of the District and is presented on the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The information in this schedule is presented to comply with reporting requirements of the California State Chancellor's Office.

Schedule of Workload Measures for State General Apportionment Annual (Actual) Attendance

Full-Time Equivalent Students (FTES) is a measurement of the number of pupils attending classes. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds, including restricted categorical funding, are made to community college districts. This schedule provides information regarding the annual attendance measurements of students throughout the District.

Reconciliation of *Education Code* Section 84362 (50 Percent Law) Calculation

ECS 84362 requires the District to expend a minimum of 50 percent of the unrestricted General Fund monies on salaries of classroom instructors. This is reported annually to the State Chancellor's Office. This schedule provides a reconciliation of the amount reported to the State Chancellor's Office and the impact of any audit adjustments and/or corrections noted during the audit.

Proposition 30 Education Protection Account (EPA) Expenditure Report

This schedule provides the District's summary of receipts and uses of the monies received through the EPA.

Reconciliation of Annual Financial and Budget Report (CCFS-311) With Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Form CCFS-311 to the District's audited financial statements.

Reconciliation of Governmental Funds to the Statement of Net Position

This schedule provides a reconciliation of the adjustments necessary to bring the District's internal fund financial statements, prepared on a modified accrual basis, to the government-wide full accrual basis financial statements required under GASB Statements No. 34 and No. 35 business-type activities reporting model.

INDEPENDENT AUDITOR'S REPORTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
San Francisco Community College District
San Francisco, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate remaining fund information of San Francisco Community College District (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 27, 2019.

Emphasis of Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming that the District will continue as a going concern. As discussed in Note 16 to the financial statements, the District has suffered recurring deficit spending and does not meet minimum fund balance requirements. These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 16. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2019-001 and 2019-002 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

San Francisco Community College District's Responses to Findings

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Rancho Cucamonga, California
December 27, 2019

CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees
San Francisco Community College District
San Francisco, California

Report on Compliance for Each Major Federal Program

We have audited San Francisco Community College District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the year ended June 30, 2019. The District's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with Federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of the District's compliance.

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Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2019-003. Our opinion on each major Federal program is not modified with respect to these matters.

The District's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs and corrective action plan. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2019-003, that we consider to be a significant deficiency.

The District's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs and corrective action plan. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Eide Bailly LLP

Rancho Cucamonga, California
December 27, 2019

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees
San Francisco Community College District
San Francisco, California

Report on State Compliance

We have audited San Francisco Community College District's (the District) compliance with the types of compliance requirements as identified in the 2018-2019 California Community Colleges Chancellor's Office *District Audit Manual* that could have a direct and material effect on each of the District's State programs as noted below for the year ended June 30, 2019.

Management's Responsibility

Management is responsible for compliance with State laws and regulations, and the terms and conditions of its State awards applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the standards and procedures identified in the 2018-2019 California Community Colleges Chancellor's Office *District Audit Manual*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the applicable programs noted below. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of the District's compliance with those requirements.

Unmodified Opinion

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the State programs noted below that were audited for the year ended June 30, 2019.

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In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with State laws and regulations applicable to the following:

Section 421	Salaries of Classroom Instructors (50 Percent Law)
Section 423	Apportionment for Activities Funded From Other Sources
Section 424	State General Apportionment Funding System
Section 425	Residency Determination for Credit Courses
Section 426	Students Actively Enrolled
Section 427	Dual Enrollment (CCAP and Non-CCAP)
Section 430	Scheduled Maintenance Program
Section 431	Gann Limit Calculation
Section 435	Open Enrollment
Section 439	Proposition 39 Clean Energy Fund
Section 444	Apprenticeship Related and Supplemental Instruction (RSI) Funds
Section 475	Disabled Student Programs and Services (DSPS)
Section 479	To Be Arranged Hours (TBA)
Section 490	Proposition 1D and 51 State Bond Funded Projects
Section 491	Education Protection Account Funds

The District reports no Instructional Service Agreements/Contracts for Apportionment Funding; therefore, the compliance tests within this section were not applicable.

The District did not offer any To Be Arranged Hours (TBA) courses; therefore, the compliance tests within this section were not applicable.

Eide Bailly LLP

Rancho Cucamonga, California
December 27, 2019

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2019

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	Yes
Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	Yes
Type of auditor's report issued on compliance for major Federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of the Uniform Guidance?	Yes
Identification of major Federal programs:	

CFDA Numbers	Name of Federal Program or Cluster
84.007, 84.033, 84.038, 84.063, 84.268	Student Financial Assistance Cluster
93.658	Foster Kinship Care Education
93.658	Foster Care Title IV-E

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000
Auditee qualified as low-risk auditee?	No

STATE AWARDS

Type of auditor's report issued on compliance for State programs:	Unmodified

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2019

The following findings represent material weaknesses related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

2019-001 Financial Condition of the District

Criteria or Specific Requirement

Pursuant to *Education Code* Section 84040, the Board of Governors is required to adopt criteria and standards for the periodic assessment of the fiscal condition of California community college districts. The main criteria for assessment will be the percentage of unrestricted General Fund balance to all expenditures and other outgo of unrestricted General Fund. The minimum prudent unrestricted General Fund balance is five percent for community colleges. This minimum prudent level is considered necessary to ease cash flow problems, to deal with unexpected cost increases, and other fiscal uncertainties. If a district falls below this minimum prudent level, further review will be performed to determine if any fiscal problems exist.

Condition

Material Weakness - For the fiscal year ending June 30, 2019, the District's unrestricted General Fund expenditures and other financing uses exceeded the District's revenues and other financing sources by $13,981,928, or 58 percent of the District's beginning fund balance. The District ended the 2018-2019 year with $363,727 in spendable available reserves, which was comprised of unassigned balances held in the unrestricted General Fund. This amount represented 0.20 percent of the District's total expenditures and other financing uses.

Questioned Costs

There were no questioned costs associated with the condition identified.

Context

The condition was identified during the review of the District's reserve balances and the District's adopted budget for the fiscal year ending June 30, 2020. For the fiscal year ending June 30, 2019, the District's unrestricted General Fund operating deficit caused a 58 percent decline in the unrestricted General Fund ending fund balance. Based on the District's adopted budget for the fiscal year ending June 30, 2020, the District will not be able to restore its unrestricted General Fund spendable available reserve balances to the minimum five percent.

Effect

The District's declining fund balance and structural deficit raises substantial doubt about the District's ability to continue as a going concern.

Cause

The significant factors contributing to the District's condition include the following:

1) Heavy deficit spending that occurred in prior years and the current fiscal year within the unrestricted General Fund.
2) Decline in revenues caused by loss of stability funding in the 2016-2017 fiscal year and decline in FTES, combined with increasing cost of payroll and benefits has created a structural deficit. The District's ongoing expenses, which are primarily for salaries and benefits, exceed ongoing revenues generated through FTES and Student Centered Funding Formula metrics.
3) Actual revenues fell below the 2018-19 budgeted amounts, which were projected assuming a significant increase in FTES.
4) Although it is officially a single-campus district, the District maintains ten physical locations (one campus and nine center locations). As of June 30, 2019, two of the centers are not serving students, and an additional two centers are reporting less than 200 FTES. These centers are incurring administrative, operating, and maintenance costs with little to no ongoing revenue generation.

Recommendation

The District must actively monitor its budget to actual results to ensure that the District can maintain adequate unrestricted General Fund reserves. More importantly, the District should develop a more aggressive fiscal management and budget stabilization plan that identifies a viable correction plan to ensure that fiscal solvency can be sustained. The stabilization plan should incorporate adequate expenditure mitigation objectives that can create an additional layer of "cushion" beyond the minimum reserve requirement. This will allow the District to accommodate future uncertainties in operational variances without impairing the District's reserves.

Corrective Action Plan

MANAGEMENT COMMITTED TO FINANCIAL SUSTAINABILITY

- ✓ A corrective action plan to balance the operating budget, eliminate deficit spending and to stabilize cash reserve at 10 percent has been underway since fall 2018.

The financial statements of the FY 2018-2019 independent audit confirm that a specific plan of Corrective Action has been underway since the prior year's independent audit for FY 2017-2018. For the first time in many years, this corrective action has dramatically reduced the amount of deficit spending. In FY 2017-2018, reported deficit spending was $22.6M. In FY 2018-2019, this audit reports that in single year deficit spending was reduced by nearly 40 percent to $13.8M.

In the current FY 2019-2020 year, the administration recommended, and the Board adopted for the first time in many years a balanced operating budget. Again, for the first time the administration improved financial controls and the ability to project current year spending in order to stay on the balanced budget as required by the Board. On November 14, the administration reported that the operating budget projected a deficit if no further action was taken. With support from the Board, the administration on November 17, 2019, further reduced spending and made other adjustments for a total of $11.4M. These unprecedented mid-year adjustments were across the board of the entire operating budget with only $2.1M of the cuts coming from the class schedule due to decreased overall student enrollment, a condition experienced by many California community colleges.

As the Board continues its policy for financial sustainability and the administration continues its actions to implement this sound policy, two important findings of the FY 2018-2019 independent audit guide further corrective action:

1. According to the auditor's report, p. 105, the report is identified as "unmodified" with no significant deficiencies in internal controls over financial reporting, nor did the auditor find any noncompliance that material to the financial statements. The finding of "going concern" is therefore *not* the result of lack of financial and related technical controls, nor of a lack of transparency, nor of fraud, waste and abuse. In fact, technical tests and the process of this audit demonstrate that financial controls in the administration have actually improved over the past three years
2. Therefore, the primary reason for the finding of "going concern" is a *"structural deficit"* that the auditor has reported for several years and this year's audit specified as follows:
   a. Heavy deficit spending, mostly for employee compensation, in the audited year and in prior years.
   b. The majority of employee compensation is for faculty. The total FTE-F still does not align with prior years' FTES decline.
   c. The end of stability funding on June 30, 2017, that had subsidized the deficit spending.
   d. The maintenance and operation of nine physical campuses, one of which is closed and two of which are under-performing relative to enrollment.

   ✓ Next Steps of Corrective Action Plan

The administration will recommend the continuation of the following corrective actions to the Board of Trustees with the objective of completing FY 2019-2020 with a balanced budget in the unrestricted fund and in the following fiscal years, increase reserves until they reach a reserve of at least 5 percent ready cash:

1. Continue the student-centered restructuring of the academic program first presented in 2018 that aligns with state funding policy as described by Assembly member Phil Ting:

"Courses that lead to a career technical education certificate, an associate 's degree or a transfer degree are a priority to meet state workforce needs and to allow individuals and families to succeed in the current economy."

2. Reduce over the next two years the number of full-time equivalent faculty who are compensated not to teach from the current 100 FTE-F to 75 FTE-F, thus reducing the costs for contingent part-time faculty by $1.7M. This will be accomplished by:
   a. reducing non-essential faculty reassignments
   b. consolidating the number of department chairs
3. Develop and implement a real estate plan in 2020 that will assess the revenue options for current CCSF-owned campus properties for the purpose of realizing funds for:
   a. A permanent ready-cash reserve of 5 percent to 10 percent of the unrestricted fund annual operating budget, about $10M to $20M;
   b. Opportunity funding for new and existing initiatives to increase enrollment and student success outcomes in alignment with the Student Centered Funding Formula (SCFF).
   c. Growth funding for CityOnline and other new and existing programs with opportunities to grow to increase student enrollment and completions and to capture the full restoration funding of 32,000 FTES.
4. Explore partnerships and funding opportunities to shift non-credit lifelong learning and personal enrichment programs to fee basis.
5. Identify programs for discontinuance and teach-out (without layoff of any regular full time tenured or tenure-track faculty).
6. Proposition A is on the ballot on March 3, 2020, a facilities bond initiative in the amount of $845M. If Prop A passes, this will enable some capital costs currently paid through the unrestricted fund to shift to bond funds.
7. Work with all CCSF stakeholders to secure additional permanent and sustainable supplemental unrestricted funding for CCSF student-centered priorities.

Through a newly created participatory governance Budget Committee and the Board Budget and Audit Committee, the District regularly monitors both revenues and expenditures. The District has taken prompt action and will continue to take prompt action based on updated actuals and projections.

2019-002 Load Banking

Criteria or Specific Requirement

The District offers load banking to eligible faculty employees whereby the employee may teach extra courses in one period in exchange for time off in another period. If the employee retires or is terminated before they utilize their accrued load baking balance, the District will pay the employee for the equivalent amount. The District records a long-term liability for this load banking balance.

Condition

Material Weakness **-** For the fiscal year ending June 30, 2019, the District's load banking balance included a deficit amount owed from faculty employees. In essence, faculty employees did not teach or taught less than required for a full-time faculty, but were paid their full salary without having an adequate balance in their load banking account.

Questioned Costs

There were no questioned costs associated with the condition identified.

Context

The condition was identified during the review of the District's detailed load banking balances.

Effect

The District has spent funds for faculty employees, but did not receive the services from the employee.

Cause

The cause appears to be lack of monitoring and oversight of the faculty employee load banking balance and requests. Additionally, the District's current process does not have formal documentation/forms for the use of banked load or for banking overload assignments.

Recommendation

The District should implement procedures to ensure no faculty employee utilizes more paid leave than they have accrued in their load banking balance. Additionally, the District should work with faculty employees to plan when they will teach extra courses to eliminate their deficit load banking balance.

Corrective Action Plan

Article 18.J of the District/AFT Collective Bargaining Agreement establishes limits on the amount of positive or negative load balance an individual full-time faculty member can have, and sets a nominal three-semester time frame for making adjustments when a faculty member's load balance falls outside of those limits. While the net workload balance across all faculty at the District is positive, the concern about the ability for the District to recover negative load balances prompts direct action.

The District is implementing process changes to improve recordkeeping and accountability related to this contract language. These changes include a formal approval mechanism prior to the start of each semester for those faculty that are outside of the contractual limits and changes in the workflow for processing grant-funded reassigned time and faculty leaves to ensure alignment of recordkeeping across offices.

These process improvements are working. At the end of Spring 2019 there were 83 full-time faculty that showed load balances below the contractual minimum. That figure has dropped to 55 by the end of Fall 2019, and will drop further still by the end of Spring 2020.

The following findings represent a significant deficiency and instances of noncompliance including questioned costs that are required to be reported by the Uniform Guidance.

2019-003 Reporting – Common Origination and Disbursement (COD) Reporting

Program Name: Student Financial Assistance Cluster
CFDA Number: 84.007, 84.033, 84.063, and 84.268
Federal Agency: U.S. Department of Education (ED)
Pass-Through Entity: Direct Funded

Criteria or Specific Requirement

Common Origination and Disbursement (COD) System (OMB No. 845-0039) – All schools receiving Pell grants submit Pell payment data to the Department of Education through the COD System.

Schools submit Pell origination records and disbursement records to the COD. Origination records can be sent well in advance of any disbursements, as early as the school chooses to submit them for any student the school reasonably believes will be eligible for a payment. The disbursement record reports the actual disbursement date and the amount of the disbursement. ED processes origination and/or disbursement records and returns acknowledgments to the school. Institutions must report student payment data within 15 calendar days after the school makes a payment or becomes aware of the need to make an adjustment to previously reported student payment data or expected student payment data. Schools may do this by reporting once every 15 calendar days, bi-weekly or weekly, or may set up their own system to ensure that changes are reported in a timely manner.

Condition

Significant Deficiency – The process dates reported in the COD files were more than 15 calendar days after the disbursement dates reported in the COD files in the District's financial records for the Fall and Spring semesters. Five out of the forty students tested had transactions processed more than 15 days.

Questioned Costs

There were no questioned costs associated to the noncompliance.

Context

The District disbursed PELL and Direct Loans to approximately 5,368 students during the 2018-2019 year. COD reporting is required for each individual disbursement to a student.

Effect

The District is not in compliance with the Federal requirements described in the OMB Compliance Supplement.

Cause

The District did not report student files to COD on a timely basis. The District implemented the corrective action plan as described below upon the receipt of the finding 2018-003 in December 2018.

Repeat Finding: Yes

Recommendation

The District should implement review procedures to verify that all information is properly reported and in compliance with Federal guidelines.

Corrective Action Plan

The District identified the corrective actions that were implemented below.

1. Created a secondary cleanup process that runs every week.
    a. We have defined a population selection that identifies all students who has a disbursement record for the aid year but has yet to be sent to COD or has been sent to COD but does not have an accepted response record.
    b. We then run a process to create PELL Origination Records for population selection from Step A.
    c. Then run a process to create Student Program Information.
    d. Then run a process to create PELL origination and disbursement extraction file for population selection from Step A.
    e. Send extracted file to COD for processing.
    f. Load the response record once COD has completed processing.
    g. Repeat steps weekly on Thursday afternoon.
2. In conjunction with the weekly cleanup, we've created quality assurance reports for Pell.
    a. This report was created and is available in Argos. It's the responsibility of the Pell Program Coordinator to run on a weekly basis to review PELL Origination/Disbursement records with errors or unreported. This report sorted oldest disbursement record at the top to prioritize what records needed to be reviewed first.
    b. The PELL Program Coordinator would then fix any errors that need to be fixed and notify the Business Analyst to extract and send records to COD.
3. A daily report is run to find all PELL and Direct Loan files extracted out of Banner and if they have been extracted and do not have a response record loaded within 3 days, an email is generated and sent to the Financial Aid Business Analyst with the Document ID to review and begin troubleshooting immediately.

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

None reported.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2019

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

FINANCIAL STATEMENT FINDINGS

2018-001 Financial Condition of the District

Criteria or Specific Requirements

Pursuant to *Education Code* Section 84040, the Board of Governors is required to adopt criteria and standards for the periodic assessment of the fiscal condition of California community college districts. The main criteria for assessment will be the percentage of unrestricted General Fund balance to all expenditures and other outgo of unrestricted General Fund. The minimum prudent unrestricted General Fund balance is 5 percent for community colleges. This minimum prudent level is considered necessary to ease cash flow problems, to deal with unexpected cost increases, and other fiscal uncertainties. If a district falls below this minimum prudent level, further review will be performed to determine if any fiscal problems exist.

Condition

Material Weakness - For the fiscal year ending June 30, 2018, the District's unrestricted General Fund expenditures and other financing uses exceeded the District's revenues and other financing sources by $22,595,891. The District ended the 2017-2018 year with $13,713,905 in available reserves, which was comprised of unassigned balances held in the unrestricted General Fund. This amount represented 7.69 percent of the District's total expenditures and other financing uses. For the fiscal year ending June 30, 2019, the District's adopted budget includes an additional unrestricted General Fund deficit of $11,515,314.

Questioned Costs

There were no questioned costs associated with the condition identified.

Context

The condition was identified during the review of the District's reserve balances and the District's adopted budget for the fiscal year ending June 30, 2019. For the fiscal year ending June 30, 2018, the District's unrestricted General Fund operating deficit caused a 48 percent decline in the unrestricted General Fund ending fund balance. Based on the District's adopted budget for the fiscal year ending June 30, 2019, the additional operating deficit projected for the unrestricted General Fund will cause an additional 48 percent decline in the unrestricted General Fund ending fund balance.

Effect

The District is in jeopardy of falling below the required reserves as stipulated by the Board of Governors.

Cause

The significant factors contributing to the District's condition include the following:

1) Heavy deficit spending that occurred in the current fiscal year within the unrestricted General Fund.
2) Decline in revenues cause by loss of stability funding in the 2016-2017 fiscal year.
3) Increasing cost of payroll and benefits.
4) High revenue projections included in the 2018-2019 budget do not appear feasible based on subsequent review of financial transactions.

Recommendation

The District must actively monitor its budget to actual results to ensure that the District can maintain adequate unrestricted General Fund reserves. More importantly, the District should develop a more aggressive fiscal management and budget stabilization plan that identifies a viable correction plan to ensure that fiscal solvency can be sustained. The stabilization plan should incorporate adequate expenditure mitigation objectives that can create an additional layer of "cushion" beyond the minimum reserve requirement. This will allow the District to accommodate future uncertainties in operational variances without impairing the District's reserves.

Current Status

Not implemented. See current year finding 2019-001.

2018-002 Load Banking

Criteria or Specific Requirements

The District offers load banking to eligible faculty employees whereby the employee may teach extra courses in one period in exchange for time off in another period. If the employee retires or is terminated before they utilize their accrued load baking balance, the District will pay the employee for the equivalent amount. The District records a long-term liability for this load banking balance.

Condition

Material Weakness - For the fiscal year ending June 30, 2018, the District's load banking balance included a deficit amount owed from faculty employees. In essence, faculty employees did not teach or taught less than required for a full-time faculty, but were paid their full salary without having an adequate balance in their load banking account.

Questioned Costs

There were no questioned costs associated with the condition identified.

Context

The condition was identified during the review of the District's detailed load banking balances.

Effect

The District has spent funds for faculty employees, but did not receive the services from the employee.

Cause

The cause appears to be lack of monitoring and oversight of the faculty employee load banking balance and requests.

Recommendation

The District should implement procedures to ensure no faculty employee utilizes more paid leave than they have accrued in their load banking balance. Additionally, the District should work with faculty employees to plan when they will teach extra courses to eliminate their deficit load banking balance.

Current Status

Not implemented. See current year finding 2019-002.

FEDERAL AWARDS FINDINGS

2018-003 Reporting - Common Origination and Disbursement (COD) Reporting

Program Name: **Student Financial Assistance Cluster**
CFDA Number: **84.007, 84.033, 84.038, 84.063, 84.268**
Federal Agency: **U.S. Department of Education (ED)**

Criteria or Specific Requirement

OMB Compliance Supplement, OMB No. 1845-0039 – All schools receiving Pell grants submit Pell payment data to the Department of Education through the COD System. Schools submit Pell origination records and disbursements records to the COD. Institutions must report student payment data within 15 calendar days after the school makes a payment, or becomes aware of the need to make an adjustment to previously reported student payment data or expected student payment data. Schools may do this by reporting once every 15 calendar days, bi-weekly or weekly, or may set up their own system to ensure that changes are reported in a timely manner.

Condition

Significant Deficiency - For seven of the forty students tested, the District reported disbursement data to COD more than 15 calendar days after the disbursement date. In these cases, it appears that the District did not perform timely follow-up procedures on student data that was rejected by COD upon submission by the District.

Questioned Costs

There are no questioned costs associated with the noncompliance.

Context

The District disbursed PELL and Direct Loans to approximately 4,080 students during the 2017-2018 year. COD reporting is required for each individual disbursement to a student.

Effect

The District is not in compliance with Uniform Guidance requirements.

Cause

The District did not follow up on student files that were rejected by COD on a timely basis.

Repeat Finding: No

Recommendation

The District should implement review procedures to verify that all information is properly reported and in compliance with Federal guidelines.

Current Status

Not implemented. See current year finding 2019-003.

2018-004 Special Tests and Provisions - Return to Title IV

Program Name: **Student Financial Assistance Cluster**
CFDA Number: **84.007, 84.033, 84.038, 84.063, 84.268**
Federal Agency: **U.S. Department of Education (ED)**

Criteria or Specific Requirement

34 CFR Section 668.173(b):

Return of Title IV funds are required to be deposited or transferred into the Student Financial Assistance (SFA) account or electronic funds transfer initiated to ED as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew. Returns by check are late if the check is issued more than 45 days after the institution determined the student withdrew, or the date on the cancelled check shows the check was endorsed more than 60 days after the date the institution determined that the student withdrew.

34 CFR section 668.22(j):

An institution must determine the withdrawal date for a student who withdraws without providing notification to the institution no later than 30 days after the end of the earlier of the (1) payment period or period of enrollment, (2) academic year in which the student withdrew, or (3) educational program from which the student withdrew.

Condition

Significant Deficiency - The District did not determine the withdrawal date within 30 days of the end of the payment period. In addition, the District's portion of the Return to Title IV funds were not returned within the 45 day requirement. In 23 out of 25 Return to Title IV calculations tested, the District did not determine the withdrawal date for the student within 30 days of the end of the payment period. Additionally, in 11 out of 25 calculations tested, funds were not returned to ED within 45 days.

Questioned Costs

There are no questioned costs associated with this finding. The District did calculate and return the required funds to ED.

Context

The District performed 202 Return to Title IV calculations during the 2017-2018 year.

Effect

The District is not in compliance with 34 CFR Section 668.173(b) and 34 CFR Section 668.22(j).

Cause

The District's internal controls associated with the Return to Title IV procedures failed to ensure that withdrawal determinations are performed timely and all required funds were returned in a timely manner.

Repeat Finding: No

Recommendation

The District should develop procedures to ensure that the student withdrawal determinations occur within 30 days from the end of the payment period. In addition, the District should strengthen procedures to ensure that the required funds are returned to ED within 45 days from the withdrawal determination date.

Current Status

Implemented.

STATE AWARDS FINDING

2018-005 429 - Student Success and Support Program

Criteria or Specific Requirement

Per title 5, section 55511, Core SSSP services for credit and noncredit programs that are claimable against State funds include: Orientation, Assessment for placement, Counseling, advising, and education planning, Follow-up services for at risk students, and Other services.

Condition

Services provided to, or received by, students in the 2018 fiscal year were reported as such by the District. These services were not supported by appropriate documentation.

Questioned Costs

Three out of twenty-five or four percent of students tested did not have adequate documentation to support the services that the District claimed to have provided. The District reported a total of 69,892 services for the 2018 academic year. Extrapolated, this equates to 8,387 students.

Context

The District reports student count information to the State based on the number of services provided to students. The District reported a total of 69,892 students served.

Effect

Based on the extrapolation of the error rate (12 percent), supporting documents for 8,387 students served are at risk of being noncompliant.

Cause

The District's policies and procedures were not followed by District personnel, and student services records were not adequately maintained and documented.

Recommendation

The District should ensure that supporting records are maintained for all students served.

Current Status

Implemented.