SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENTS
June 30, 2016

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2016

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FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2016

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
San Mateo County Community College District
San Mateo, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, the fiduciary activities and the discretely presented component unit of San Mateo County Community College District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise San Mateo County Community College 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 misstatement, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the San Mateo County Community Colleges Educational Housing Corporation, a discretely presented component unit, were not audited in accordance with *Government Auditing Standards.*

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 entity'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 entity'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.

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

(Continued)

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, the fiduciary activities and the discretely presented component unit of San Mateo County Community College District, as of June 30, 2016, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 18 to the financial statements, the 2016 beginning net position has been restated to correct for the understatement of the net OPEB asset. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 to 20 and the Schedule of Other Postemployment Benefits (OPEB) Funding Progress and Schedule of Employer Contributions, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of the District's Contributions on pages 62 to 66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise San Mateo County Community College District's basic financial statements. The accompanying schedule of expenditure 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 Award* and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditure of federal awards and other supplementary information as listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The schedule of expenditures of federal awards and other supplementary information as listed in the table of contents, except for the Organization, have 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 schedule of expenditure of federal awards and other supplementary information as listed in the table of contents, except for the information on page 68 titled Organization, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The information on page 68 titled Organization has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2016 on our consideration of San Mateo County Community College District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 San Mateo County Community College District's internal control over financial reporting and compliance.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 14, 2016

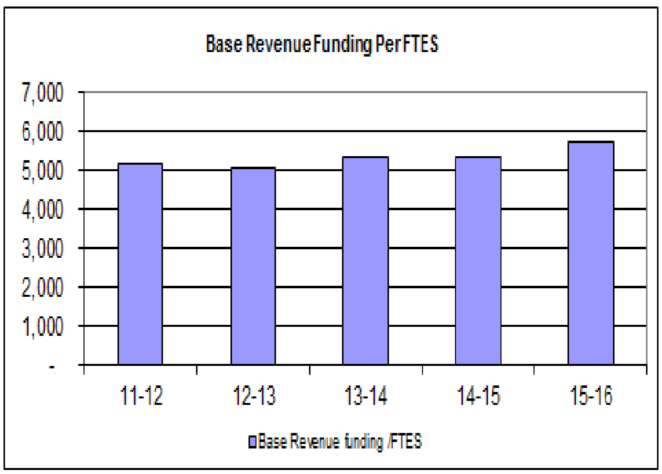
Introduction

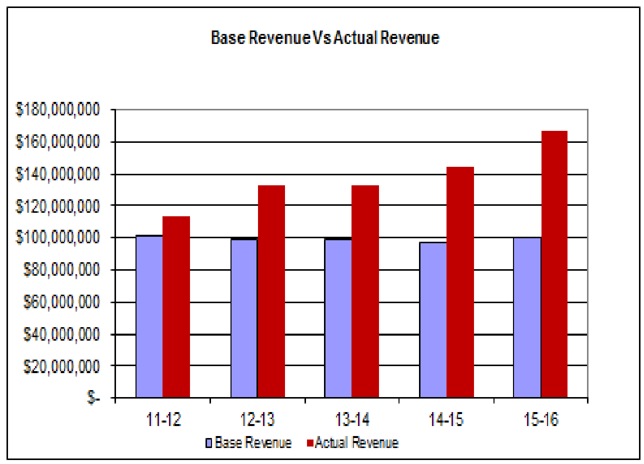
The San Mateo County Community College District's (the District) Annual Financial Report presents management's discussion and analysis of the District's financial activities during the fiscal years ended June 30, 2016, June 30, 2015, and June 30, 2014. The discussion has been prepared by management and is best read in conjunction with the financial statements and the notes following this section.

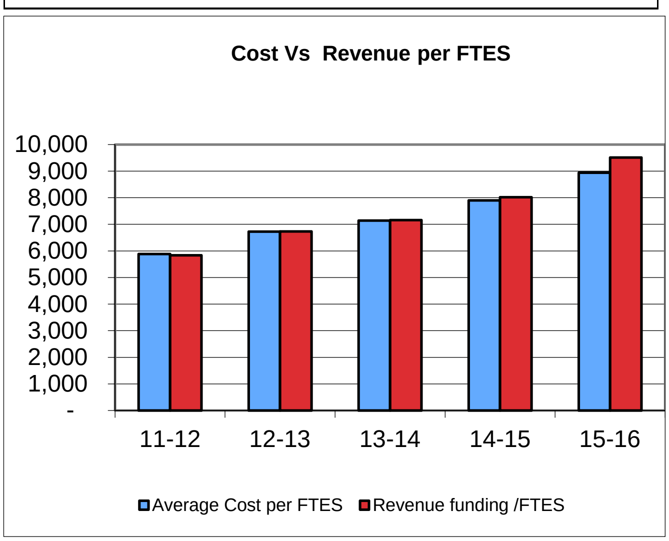
There are three basic financial statements that provide information on the District's financial activities as a whole. These statements are:

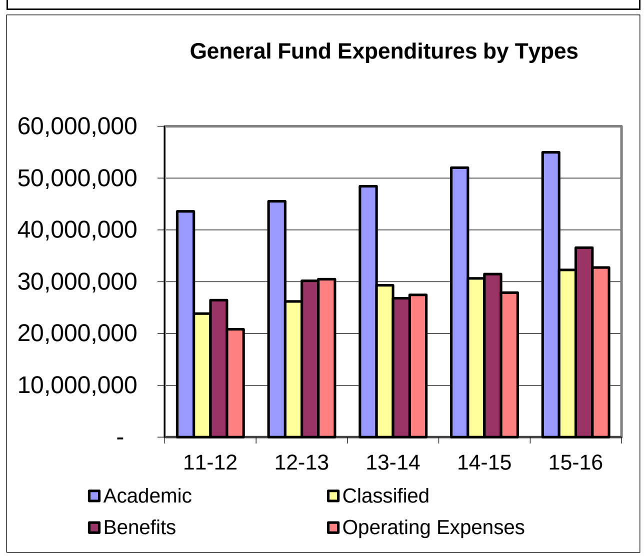
- Statement of Net Position
- Statement of Revenues, Expenses and Change in Net Position
- Statement of Cash Flows

For comparison purpose, attached below is 5 years financial information









Financial Overview Summary

Due to the requirement to implement GASB Statement No. 68 effective fiscal year 2014-15, the District had restated the beginning net position in the government-wide Statement of Net Position and recorded a pension liability. The requirement is to report on our financial statements the District's portion of the net pension liability of the state's retirement systems for both academic and classified employees. This is not an increase in the District's liabilities, but a change in how they are being reported. As noted in more detail below, the District is required to report over $124 million of the net liability for those pension systems. As a result, the fiscal year 2015-16 Net Position was $42 million.

- Assets exceeded liabilities by $42 million because of an increase in student tuition and State and Local property taxes revenues.
- Total assets increased $55 million over last year mainly due to the recognition of the net OPEB asset.
- Net operating revenue increased $4 million due to an increase in tuition fees. Net non-operating revenue increased $50 million because of the Local Property Taxes and State Revenues, Grants and Contacts, and other revenue.

Reporting for the District as a Whole

- Economic position of the District with the State

  Fiscal Year 2015/16 is the fifth year that the District has been community supported. Community supported means that when the State sets the District's revenue limit (determining how many students we are funded to serve) and deducts from that revenue limit the local property taxes and student fees, there is no need for State apportionment to sum to our revenue limit. This means that the District has somewhat more resources and is no longer subject to the state borrowing funds by delaying apportionment payments. The District is now firmly in community supported status and anticipates to receive upwards of $50 million in 2016/17 in excess of what the District would have received had we been subject to the state's revenue limit. In addition to an increase in property taxes, the District is receiving funds from the dissolution of Redevelopment Agencies (RDAs). As less of the property taxes are being diverted to RDAs, more of them come to SMCCCD. The former RDAs are also slowly beginning the process of selling off their property, which brings some one-time funds to District coffers. Fiscal Year 2013/14 was the last year for receiving funds from the parcel tax (Measure G) and the funds were fully expended in 2014/15. All in all, the District's revenues have increased and, with a steady real estate market, show every sign of continued increase.

Salaries and Benefits

- The expenditure projection for salaries includes annual increases for movement on step and column placements and longevity service increments. The previous 3-year collective bargaining agreements ended on June 30, 2016. Therefore, fiscal year 2016-17 does not include a salary adjustment for all employee groups, rather, a salary commitment amount has been set aside for when the groups finally decide on salary and benefit compensation. The budget includes January 1, 2017 increases (on average, the rates increased 3.67% across medical plans) in non-capped health premium rates for employees and retirees. Dental and vision insurance premiums remained unchanged. The PERS rate increased from 11.847% to 13.888% and the STRS rate increased from 10.73% to 12.58%. The District's Unemployment Insurance Contribution Rate increased slightly from 0.055% to 0.575%. Workers' compensation costs decreased from 0.96% to 0.74% of salaries. To comply with GASB45, in 2009-10, the District began charging itself an amount to cover the future medical benefit costs for current employees. These charges appear as part of the benefit expenses in all funds.

- Bond construction

  As of June 30, 2016, $500.9 million of the $501.8 million Measure a November 2005 general obligation (GO) bond (with interest) and $12.32 million of the $388 million Measure H November 2014 GO bond have been spent or encumbered by contract. The projects planned under the 2005 GO bond are substantially completed with students and staff occupying the new and renovated buildings at CSM, Skyline and Cañada College.

CAN Baseball Field Synthetic Turf Replacement

CAN New Team Room

College of San Mateo

CSM New Synthetic Turf for Softball Field

CSM New Synthetic Turf

Various projects were completed throughout the year including the new synthetic turf for the softball fields, Marie Curie Parking Lot 5 repaving, Buildings 1, 14, 16, and colonnades reroofing, and Building 36 new fume hoods.

Skyline College

Skyline College Building 7 Fabrication Lab

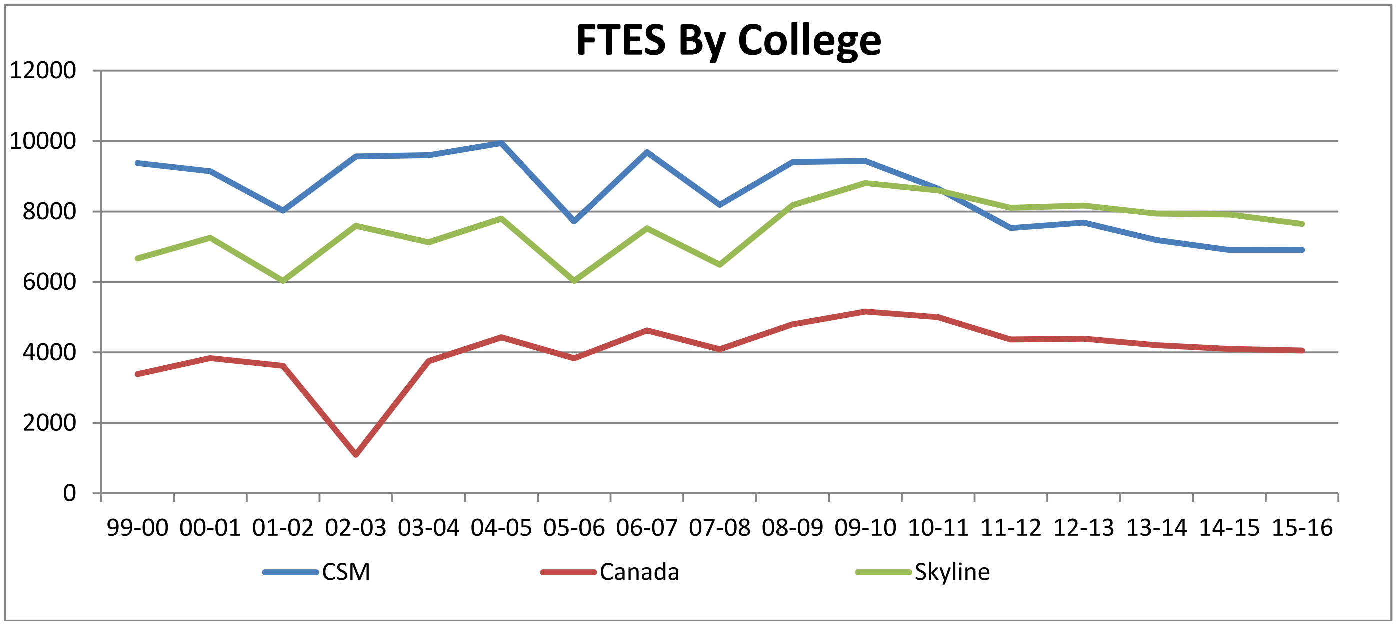
Various projects were completed throughout the year including Building 7 Fabrication Lab, Building 2 signage upgrades, and the new Team House.

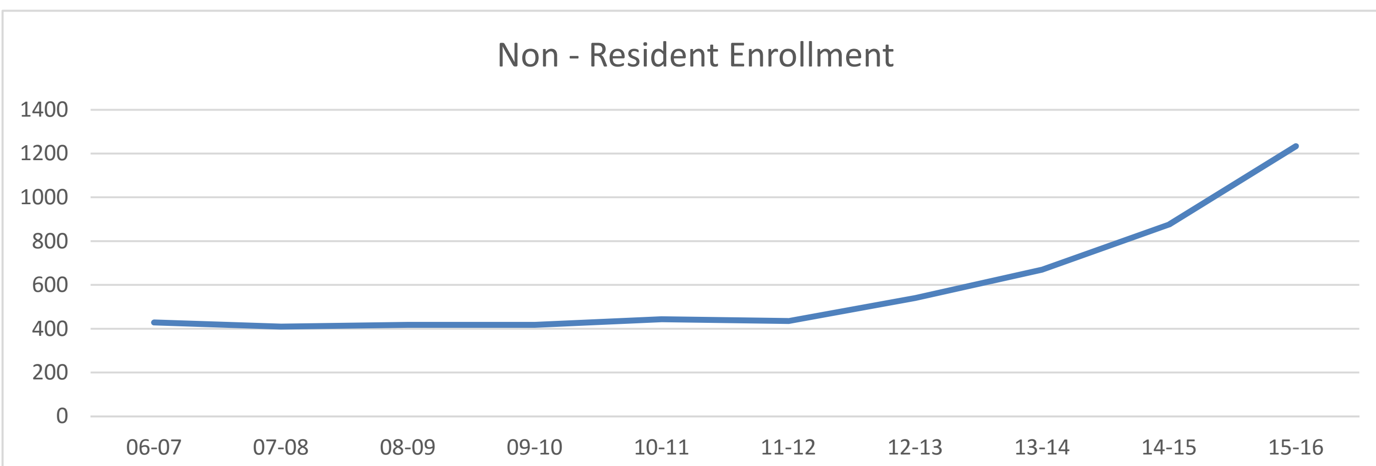
Districtwide:

Various small and medium size projects were completed throughout the year including District Office deck waterproofing replacement, Districtwide disaster response and recovery for ongoing operations, and Districtwide classroom security hardware upgrade, Phase 1.

Enrollment:

For SMCCCD, enrollment no longer drives funding, since property taxes and fees primarily determine funding. Historically, the District's enrollment goes up when unemployment goes up and goes down when the economy recovers. The District's enrollment declined with the recession, however, because the state cut the funds provided for enrollment. In 2015/16, the District's enrollment continued to decline as was anticipated due to the robust economy in San Mateo County. However, the international student enrollment is increasing rapidly, and we anticipate having over 1,000 international students in 2016/17. The chart below shows the history of FTES in the District.





PERS and STRS Pensions. The District participates in the Public Employees Retirement System (CalPERS) and State Teachers Retirement System (CalSTRS). The District and the employee each pay a percentage of the employee's salary into one of these systems. The State of California has contributed to these systems as well. The rates that are paid are set by the CalPERS Board for CalPERS and by the State legislature for CalSTRS. Over the years, the employee rates for both systems have not changed, but the CalPERS Board has decreased or increased the employer rate as deemed necessary. At this time, both systems are underfunded in terms of their total liability. Last year, the CalPERS Board projected (subject to change) and the State legislature set (in law) employer rates that are projected to near or exceed 20% by 2021. We anticipate these increases to cost the District at least $9 million annually by 2021.

	CalPERS	CalSTRS
2013-14	11.44%	8.25%
2014-15	11.77%	8.88%
2015-16	11.85%	10.73%
2016-17	13.05%	12.58%
2017-18	16.60%	14.43%
2018-19	18.20%	16.28%
2019-20	19.90%	18.13%
2020-21	20.20%	19.10%

Effective with our 2014/15 fiscal year, GASB 68 required the District to record its share of the systems' total liabilities for these benefits. The rationale is that the employers all have pooled to create these systems and thus are jointly responsible for any shortfall in the systems' reserves. Each of the systems has less funding than their actuarial studies say is needed to provide benefits for current and future retirees.

	CalSTRS	CalPERS	Total
Net Pension Liability	$ 67,324,000,000	$ 14,740,098,710	
SMCCCD Share	0.105%	0.363%	
SMCCCD Liability	$ 70,426,000	$ 53,485,000	$ 123,911,000

This means that on our 6/30/2016 Statement of Net Position, the District will record an additional $23 million of liability.

Table 1 Statement of Net Position

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
STATEMENT OF NET POSITION - PRIMARY GOVERNMENT
AS OF JUNE 30, 2016, 2015, and 2014

	(In Thousands) 2016	(In Thousands) 2015	(In Thousands) 2014
ASSETS			
Current Assets			
Cash and Cash Equivalents	$ 157,375	$ 314,814	$ 202,973
Accounts Receivable, net	11,738	12,316	10,863
Inventories	3,345	3,186	2,722
Prepaid Expenditures and other assets	1,153	1,827	520
Total Current Assets	173,611	332,143	217,078
Noncurrent Assets			
Restricted Cash and Cash Equivalents	212,387	43,337	28,873
OPEB Asset	59,740	-	-
Depreciable Capital Assets, Net	586,001	588,731	602,153
Nondepreciable Capital Assets	37,539	50,019	47,819
Total Noncurrent Assets	895,667	682,087	678,845
TOTAL ASSETS	1,069,278	1,014,230	895,923
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding	15,143	-	-
Deferred outflows - pensions	13,210	8,417	8,070.00
TOTAL ASSETS & DEFERRED LOSS ON REFUNDING	$ 1,097,631	$ 1,022,647	$ 903,993
LIABILITIES			
Current Liabilities			
Accounts Payable & Accrued Expenses	$ 14,906	$ 18,916	$ 16,792
Accrued Interest	9,176	3,703	3,935
Unearned Revenue	11,913	12,300	10,084
Compensated absences	2,985	-	-
Long-Term Debts, Current Portion	40,350	22,040	19,290
Total Current Liabilities	79,330	56,959	50,101
Noncurrent Liabilities			
Compensated Absences	1,424	4,110	4,191
Long Term Debt - Non- Current Portion	838,753	858,412	721,728
Aggregate net pension obligation	123,911	100,665	128,665
Total Noncurrent Liabilities	964,088	963,187	854,584
TOTAL LIABILITIES	1,043,418	1,020,146	904,685
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - pensions	12,035	28,736	-
NET POSITION			
Net Invested in capital assets	160,996	(100,971)	(64,293)
Restricted for:			
Debt Service	54,209	43,388	28,911
Capital Projects	10,685	80,516	79,595
Educational Programs	15,057	15,186	14,936
Other activities	11,313	19,243	27,362
Unrestricted	(210,082)	(83,597)	(87,203)
TOTAL NET POSITION	42,178	(26,235)	(692)
TOTAL LIABILITIES AND NET POSITION	$ 1,097,631	$ 1,022,647	$ 903,993

Net Position

The Statement of Net Position below includes all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting basis used by private companies. Net Position, the difference between total assets and total liabilities, is one way to measure the financial condition of the District. Following are explanatory remarks for the statement:

- Cash and cash equivalents consist of cash in the Treasury, Local Agency Investment Fund (LAIF) of the State Treasurer's Office, San Mateo County Investment Pool, Special Deposit Bond with Wells Fargo Bank, proceeds from the District's General Obligation construction bond, Institutional Investment Pool and Certificates of Deposit with various banks.
- Accounts receivable primarily consists of revenues from local, state, and federal sources which were not received as of the fiscal year's closing date.
- Inventories and other assets include prepaid expenses and bookstore inventories.
- Capital assets, net of depreciation, are the net historical value of land, buildings, construction in progress and equipment less accumulated depreciation.
- Accounts payable and accrued liabilities consist of payables to the state, and federal governments for grants, as well as benefits, salaries and amounts owed to local vendors which the District incurred but for which payments were not issued as of the end of the fiscal year.
- Deferred revenues represent cash received during the fiscal year from state, federal grants, state apportionment and student fees; however, the funds were not earned as of the end of the fiscal year.
- Long-term liabilities include obligations to be paid over a period longer than 1 year. The current portion represents payments due within the next 12 months. The District has compensated absences payable, and construction bond payable.
- According to GASB Statements, equity is reported as Net Position, rather than Fund Balance. The District's Net Position is classified as follows:
    - Net Investment in capital assets, represents the District's total investment in capital assets, net of outstanding debt obligations related to those capital assets.
    - Restricted Net Position consists of expendable and nonexpendable portions. Restricted expendable Net Position includes resources which the District is contractually obligated to expend in accordance with restrictions imposed by external third parties.
    - Unrestricted Net Position represents resources used for transactions relating to the educational and general operations of the District.

Statement of Revenues, Expenses and Change in Net Position

The Statement of Revenues, Expenses and Change in Net Position shown below consists of operating and non-operating results for the District. Operating revenues represent all revenues from exchange transactions, in which each party gives and receives essentially equal value. Non-operating revenues include State apportionments, property tax revenues, investment earnings, certain Federal and State grants, entitlements, and donations.

Table 2 – Statement of Revenues, Expenses, and Change in Net Position

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION - PRIMARY GOVERNMENT
FOR THE YEARS ENDED JUNE 30, 2016, 2015, and 2014

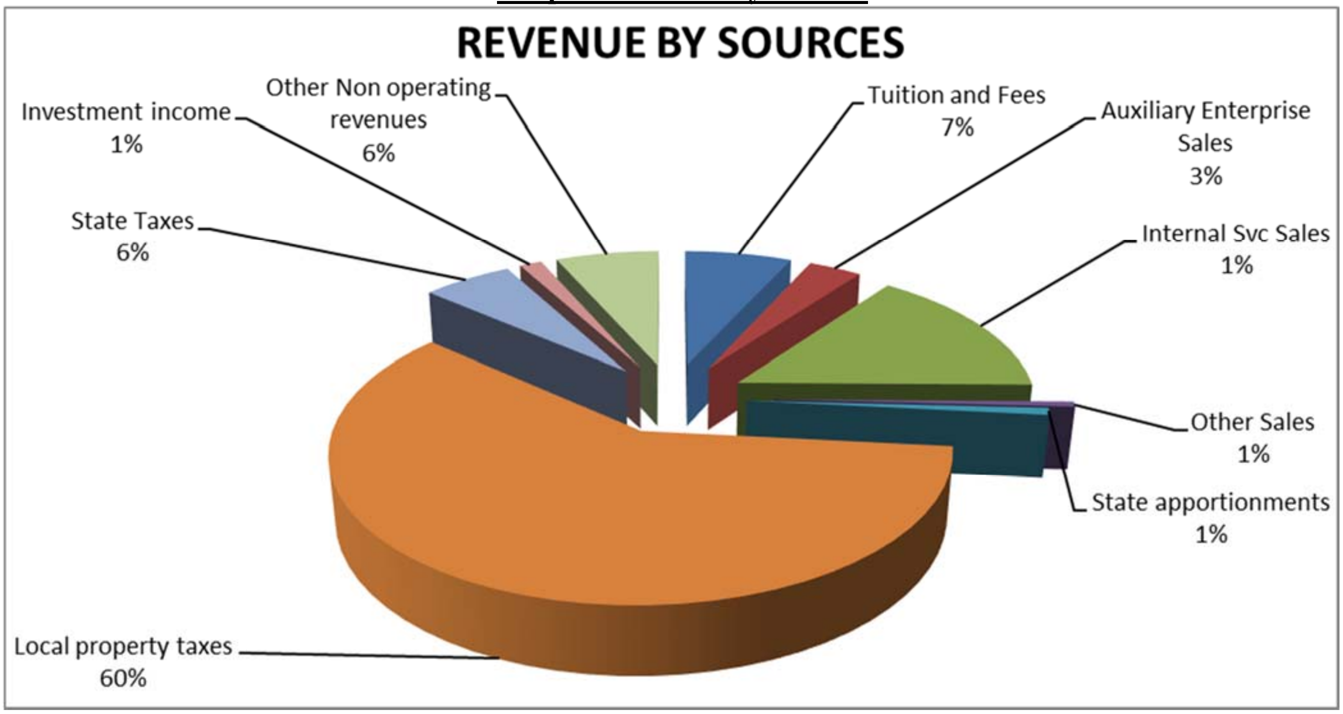
	(In Thousands) 2016	(In Thousands) 2015	(In Thousands) 2014
OPERATING REVENUES			
Student Tuition and Fees	$ 19,545	$ 17,580	$ 15,128
Auxiliary Enterprise Sales and Charges	9,728	8,163	7,796
Other Sales and Charges	1,692	1,012	957
TOTAL OPERATING REVENUES	30,965	26,755	23,881
OPERATING EXPENSES			
Salaries	113,133	103,507	98,860
Employee benefits	42,595	40,621	33,756
Supplies, Materials, and Other Operating Expenses and Services	30,846	33,950	32,457
Student Aid	20,630	21,502	22,429
Equipment, Maintenance, and Repairs	-	882	2,049
Depreciation	26,468	25,798	25,690
TOTAL OPERATING EXPENSES	233,672	226,260	215,241
OPERATING LOSS	(202,707)	(199,505)	(191,360)
NONOPERATING REVENUES (EXPENSES)			
State Apportionments	2,330	1,006	938
Local Property Taxes, Levied for General Purposes	125,380	115,821	108,803
Local Property Taxes, Levied for Special Purposes	47,018	32,628	31,263
Parcel Tax	-	-	7,080
State Taxes and Other Revenues	16,418	3,498	3,028
Grants and Contracts, Noncapital	43,525	41,349	41,318
Investment Income	4,068	2,271	10,126
Interest Expense	(37,501)	(28,540)	(24,877)
Gain (Loss) on Disposal of Asset	(86)		-
Other Non-Operating Revenues (Expenses)	18,916	2,212	4,802
TOTAL NON-OPERATING REVENUES (EXPENSES)	220,068	170,245	182,481
INCOME (LOSS) BEFORE OTHER REVENUES AND EXPENSES	17,361	(29,260)	(8,879)
State revenues, capital	2,844	3,028	5,021
Local revenues, capital	342	689	461
TOTAL OTHER REVENUES AND EXPENSES	3,186	3,717	5,482
CHANGE IN NET POSITION	20,547	(25,543)	(3,397)
NET POSITION, BEGINNING OF YEAR	(26,235)	119,902	123,299
RESTATEMENT	47,866	(120,594)	(120,594)
NET POSITION, BEGINNING OF YEAR AS RESTATED	21,631	(692)	2,705
NET POSITION, END OF YEAR	$ 42,178	$ (26,235)	$ (692)

Explanatory information for the statement is as follows:

- Tuition and Fees include enrollment, health, non-resident tuition, other student fees, less scholarship discount and allowance as defined by GASB statement No. 35.
- Auxiliary Enterprise Sales and Charges consist of bookstore and cafeteria sales and fitness center income, less discount allowances.
- Internal Services include self-insurance for General Liability and Workers Compensation.
- State apportionments, non-capital includes state apportionment, apprenticeship, and child development apportionment.
- Local property taxes and other non-operating revenues consist primarily of secured and unsecured taxes which are payable to the District in December and April of each year. The County of San Mateo collects the taxes on behalf of the District. Other non-operating revenues are State Lottery revenue and miscellaneous local income.
- Federal, and state grants and contract services are exchange transactions for which the District files applications, complies with individual spending restrictions, files expenditure reports, and/or signs contracts.
- Net investment income includes interest from the San Mateo County Investment Pool managed by the County Treasurer, Certificates of Deposit, bond proceeds, and Local Agency Investment Fund (LAIF).
- State and Local Revenues - Capital includes State scheduled maintenance funding and issuance of the General Bond. These revenues relate mainly to construction activities.
- Restatement: The July 1, 2015 net position has been restated to correct an error for the nonrecognition of the net OPEB asset. The correction increased the July 1, 2015 beginning net position by $47,866,377.

Below is an illustration of District revenues by source:

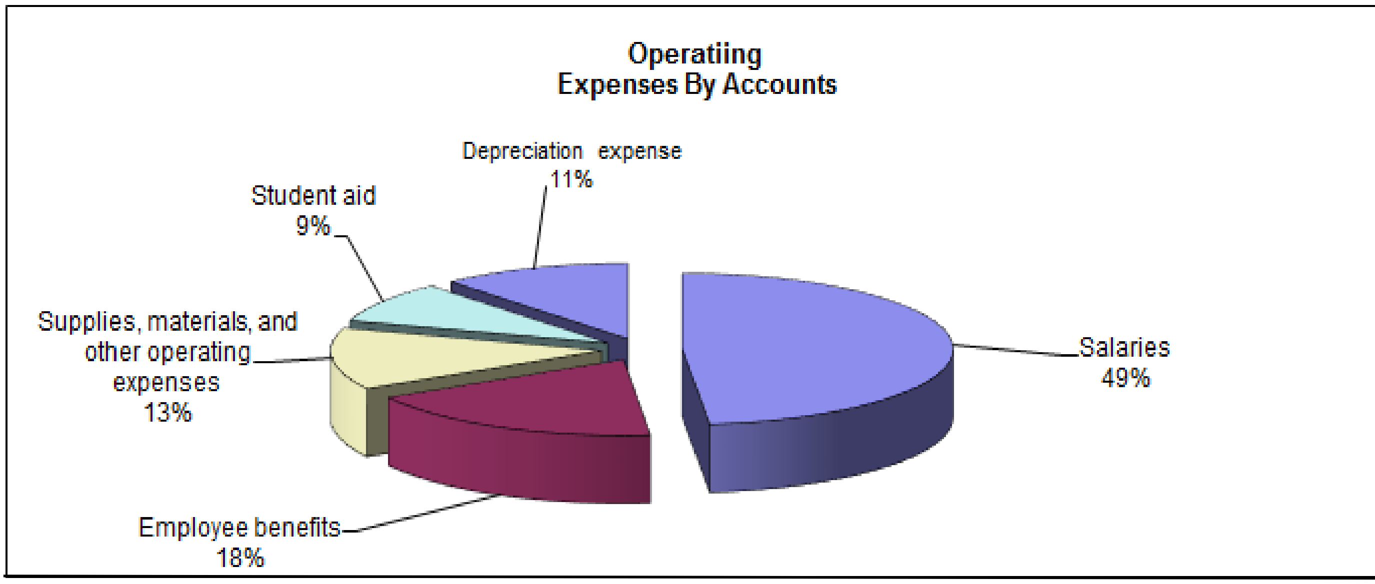
Graph 1. Revenue by Sources



Revenues and expenses changed mainly due to the following:

- Operating Revenue experienced an increase due to an increase in tuition and fees.
- Non-operating Revenue increased mainly due to an increase in local property taxes and a decrease in interest expense on capital related debt.

Graph 2. Operating Expenses By Accounts



The District's operating expenses are shown above (with explanatory remarks) by account.

Following are explanatory comments for the Statement of Operating Expenses by Account:

- Salaries and benefits expenses represent the largest percentage of the District's operating expenses.
- Supplies, materials, other operating expenses, services and utilities are the normal cost of operating expenses for exchange transactions.
- Depreciation of capital assets is computed and recorded using the straight-line method. The District maintains a capitalization threshold of $5,000 for equipment and $100,000 for building improvements. Useful lives of the assets are estimated as follows:
  - 5 to 10 years for equipment
  - 25 to 50 years for improvements
  - 25 to 50 years for buildings

Cash Flows

The Statement of Cash Flows shown below provides information about cash receipts and cash payments during the fiscal year. The statement also assists readers in understanding the District's ability to generate net cash flows, and its ability to meet obligations as they come due and the District's need for assistance via external financing. The District has adopted the direct method, and under this method, data for cash flow present operating activities by major categories of gross receipts and gross payments as well as the resulting net amount. Additional explanatory information for the statement is as follows:

- The main cash receipts from operating activities consist of tuition, student fees, and auxiliary enterprise sales. Cash outlays include payment of salaries, benefits, supplies and operating expenses.
- State apportionments, property taxes, and grants are the primary source of non-capital financing.
- For capital financing activities, the main sources are from special State Apportionments and General Obligation Bond and C.O.P. proceeds.
- Cash from investing activities consists of Interest from County Investment Pool, Institutional Investment Pool, Certificates of Deposits, Bond and Local Agency Investment Fund (LAIF).

Table 3 – Statement of Cash Flows

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT
FOR THE YEARS ENDED JUNE 30, 2016, 2015, and 2014

	(In Thousands) 2016	(In Thousands) 2015	(In Thousands) 2014
CASH FLOWS (USED IN) PROVIDED BY:			
Operating Activities	$ (187,270)	$ (156,563)	$ (165,933)
Noncapital financing activities	243,505	196,309	195,084
Capital financing activities	(48,089)	84,319	(37,369)
Investing activities	3,465	2,240	10,146
NET INCREASE IN CASH AND CASH EQUIVALENTS	11,611	126,305	1,925
CASH & CASH EQUIVALENTS, BEGINNING OF YEAR	358,151	231,846	229,921
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 369,762	$ 358,151	$ 231,846

Economic Factors and the 2016-17 Budget

Being community supported, the District's revenues primarily consist of property tax revenues and student fees and are relatively predictable. The County Assessor's Office has stated that the property tax base went up 7.62% county-wide in 2015-16, which means our projected revenues in 2016/17 are 7.62% higher. This puts the District on a very solid financial footing. The District continues to build multi-year financial plans and has planned balanced budgets through 2019/20.

Construction Planning 2016-17 and Beyond

Staff continues to revise and update the master schedule and the master budget of the Capital Improvement Program to coincide with the funding and programming requirements. In the past several years District has experienced a decline in State Capital Outlay funds for projects on all three campuses due to the fact that the State failed to approve an educational facilities bond since 2006. However, with the passage of Proposition 51 $9.1 Billion state wide education facilities bond in November 2016, District is forecasting to receive approximately $40M for much needed facilities upgrades.

Compilations of site-specific activities, which are currently in design or construction phase, are listed below:

Cañada College:

- Parking Lot and Roadway Light Upgrade, Phase 2 (LED)
- New Team House Utility Connections
- Building 1N Kinesiology and Wellness Center
- Building 23N Math/Science/Technology
- Campuswide ADA Mitigation
- Swing Space Planning for Construction

College of San Mateo:

- Parking Lot and Street Light Upgrade, Phase 2 (LED)
- Building 3 Humanities and Arts Renovation
- Building 6 Aquatics Center Pool System Upgrade
- Building 17 Student Life and Learning Communities Renovation
- Solar and Energy Storage

Skyline College:

- Building 1N Social Science and Creative Arts
- Building 5 Learning Commons, Phase 2 (New Technology-Enhanced Active Learning (TEAL) Classroom and Signage Upgrades)

- Building 12N Environmental Science
- Building 19 Pacific Heights Renovation
- Parking Lot L Expansion and Parcel B ADA Access
- Swing Space Planning for Construction

District Wide:

- Districtwide Utility Measurement & Verification
- Districtwide Classroom Security Hardware Upgrade, Phase 2
- Districtwide Network Core Switch Upgrade
- Districtwide UPS Device (MDF/IDF) Replacement
- Districtwide Symetra UPS Device (MPOE) Replacement
- Districtwide Telephone System Replacement
- Districtwide Network Switch Upgrade
- Districtwide Evacuation Map Upgrade
- Districtwide Emergency Annunciation System Upgrade
- Districtwide Earthquake Preparedness Program
- Districtwide ADA Transition Plan Upgrade
- Districtwide Fire Alarm Panel Replacement
- Districtwide Electric Vehicle Charging Stations

San Mateo County Community College District is fortunate in having legislative authority to use a variety of construction delivery methods to best suit each project's character and bring best value to the Colleges and our taxpayers, including design-build, multiple-prime contracting, as well as the traditional design-bid-build delivery method.

Staff and Faculty Housing

In response to the very high cost of housing in San Mateo County, the College District built two apartment projects for faculty and staff, namely College Vista and Cañada Vista. The College District has a total of 104 units—60 at Cañada Vista and 44 at College Vista. Rents for these units are significantly below market, which allows residents to save for a down payment on a home. To date, 43 residents have moved out of the faculty and staff housing and purchased their own home.

Cañada Vista opened in August, 2010 and College Vista has been open for more than 10 years. Interior amenities at both projects include 9 foot ceilings, wood entryways, individual patios or decks; individual garages, large windows and sliding glass doors. The College District believes that provision of this housing has helped the District increase its recruitment and retention of employees.

The District is planning for a third housing development to be constructed at Skyline College; staff is currently working on the entitlements for this project. It is anticipated that 28 additional units—bringing the Districtwide total to 132 units—will be open for faculty and staff in 2018.

College Vista:

Cañada Vista:

Contacting the District's Financial Management Office

This financial report is designed to provide our citizens, taxpayers, students, investors and creditors with a general overview of the District's finances and to show the District's accountability for funding received. Questions or concerns about this report or requests for additional financial information should be addressed to Kathy Blackwood, Executive Vice Chancellor, by phone at 650-358-6869 or by e-mail at blackwoodk@smccd.edu.

ASSETS		
Current assets:		
Cash and cash equivalents	$	157,374,586
Accounts receivables, net		11,737,888
Inventory		3,344,799
Prepaid expenses		1,153,622
Total current assets		173,610,895
Noncurrent assets:		
Restricted cash and cash equivalents		212,387,592
Net OPEB asset		59,739,768
Nondepreciable capital assets		37,538,872
Depreciable capital assets, net		586,000,890
Total noncurrent assets		895,667,122
Total assets		1,069,278,017
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflow of resources - pensions		13,209,878
Deferred outflow of resources - debt refundings		15,143,558
Total deferred outflows of resources		28,353,436
Total assets and deferred outflows of resources	$	1,097,631,453
LIABILITIES		
Current liabilities:		
Accounts payable	$	14,905,977
Interest payable		9,176,496
Unearned revenue		11,913,065
Compensated absences payable - current portion		2,984,569
Long-term debt - current portion		40,350,043
Total current liabilities		79,330,150
Noncurrent liabilities:		
Compensated absences payable - noncurrent portion		1,424,499
Bonds and notes payable - noncurrent portion		838,753,030
Net pension liability		123,911,000
Total liabilities		1,043,418,679
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources - pensions		12,035,000
NET POSITION		
Net investment in capital assets		160,996,378
Restricted for capital projects		10,685,201
Restricted for debt service		54,208,973
Restricted for educational programs		15,056,822
Restricted for other activities		11,312,738
Unrestricted		(210,082,338)
Total net position		42,177,774
Total liabilities, deferred inflows of resources and net position	$	1,097,631,453

See accompanying notes to the basic financial statements.

Operating revenues:	
Tuition and fees	$ 29,828,744
Less: Fee waivers and allowance	(10,284,236)
Net tuition and fees	19,544,508
Auxiliary enterprise sales and charges:	
Bookstore	4,591,300
Cafeteria	336,175
Fitness center	4,800,053
Other sales and charges	1,692,234
Total operating revenues	30,964,270
Operating expenses:	
Salaries	113,132,972
Employee benefits	42,594,779
Supplies, materials, and other operating expenses	30,845,988
Student financial aid	20,630,274
Depreciation	26,467,808
Total operating expenses	233,671,821
Loss from operations	(202,707,551)
Non-operating revenues (expenses):	
State apportionments	2,329,774
Local property taxes,levied for general purposes	125,380,078
Local property taxes,levied for special purposes	47,018,246
State taxes and other revenues	16,418,179
Federal grants and contracts, noncapital	22,508,197
State grants and contracts, noncapital	18,467,175
Local grants and contracts, noncapital	2,549,134
Investment income	4,067,778
Interest expense on capital asset-related debt	(37,500,583)
Loss on disposal of asset	(86,245)
Other non-operating expense	18,916,491
Total non-operating revenues (expenses)	220,068,224
Income before capital contributions	17,360,673
Capital contributions:	
State revenues, capital	2,843,825
Local revenues, capital	342,245
Change in net position	20,546,743
Net position, July 1, 2015	(26,235,346)
Restatement (Note 18)	47,866,377
Net position, July 1, 2015, as restated	21,631,031
Net position, June 30, 2016	$ 42,177,774

See accompanying notes to the basic financial statements.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2016

Cash flows from operating activities:	
Tuition and fees	$ 19,645,978
Payments to suppliers	(28,877,383)
Payments to / on behalf of employees	(165,560,752)
Payments to students	(23,203,978)
Auxiliary sales and charges	10,725,567
Net cash used in operating activities	(187,270,568)
Cash flows from noncapital financing activities:	
State apportionment	2,329,774
Property taxes, levied for general purposes	125,380,078
Property taxes, levied for special purposes	47,018,246
State taxes and other apportionments	16,057,829
Federal grants and contracts	22,448,097
State grants and contracts	18,034,624
Local grants and contracts	2,549,134
Proceeds from issuance of TRANs	21,000,000
Repayment of TRANs	(21,000,000)
Other receipts and disbursements	9,688,148
Net cash provided by noncapital financing activities	243,505,930
Cash flows from capital and related financing activities:	
State apportionment for capital purposes	2,843,825
Purchase of capital assets	(14,943,208)
Principal paid on capital debt	(20,475,967)
Interest paid on capital debt	(15,855,825)
Local property taxes and other revenues for capital purposes	342,245
Net cash used in capital and related financing activities	(48,088,930)
Cash flows from investing activities:	
Interest received from investments	3,464,486
Net cash provided by investing activities	3,464,486
Net change in cash and cash equivalents	11,610,918
Cash and cash equivalents, beginning of year	358,151,260
Cash and cash equivalents, end of year	$ 369,762,178

(Continued)

Reconciliation of loss from operations to net cash used in operating activities:	
Loss from operations	$ (202,707,551)
Adjustments to reconcile loss from operations to net cash used in operating activities:	
Depreciation expense	26,467,808
Changes in assets and liabilities:	
Receivables, net	2,942,087
Inventory and prepaid assets	514,465
Deferred outflows - pensions	(4,793,224)
Accounts payable	1,443,436
Unearned revenue	(6,108,516)
Compensated absences	299,207
Net OPEB asset	(11,873,391)
Net pension liability	23,246,014
Deferred inflows - pensions	(16,700,903)
Total adjustments	15,436,983
Net cash used in operating activities	$ (160,802,760)
Cash and cash equivalents consist of the following:	
Cash and cash equivalents	$ 157,374,586
Restricted cash and cash equivalents	212,387,592
Total cash and cash equivalents	$ 369,762,178
Non-cash transactions:	
Amortization of premiums	$ 4,387,633
Accretion of interest	$ 18,934,000
Amortization of deferred loss on refunding	$ 882,314
Additions to capital assets - change in accounts payable	$ 4,660,550

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
STATEMENTS OF FIDUCIARY NET POSITION
June 30, 2016

	OPEB Trust Fund	Agency Funds: Associated Students Trust	Agency Funds: Student Representation Fee
ASSETS			
Cash and cash equivalents	$ -	$ 1,904,865	$ 155,062
Investments:			
Mutual funds – fixed income	39,809,958	-	-
Mutual funds – equity	35,707,574	-	-
Mutual funds – real estate	4,838,377	-	-
Accounts receivable	90	252,658	-
Fixed assets	-	1,895	-
Total assets	$ 80,355,999	$ 2,159,418	$ 155,062
LIABILITIES AND NET POSITION			
Accounts payable	$ -	$ 964,679	$ -
Due to students group and other	-	1,194,739	155,062
Total liabilities	-	$ 2,159,418	$ 155,062
Net position held in trust	80,355,999		
Total liabilities and net position	$ 80,355,999		

See accompanying notes to the basic financial statements.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
STATEMENT OF CHANGE IN FIDUCIARY NET POSITION
For the Year Ended June 30, 2016

	OPEB Trust Fund
Additions	
Employer contributions	$ 19,254,664
Net investment income:	
Dividends and other income	3,142,006
Realized and unrealized losses, net	(2,270,437)
Investment fees	(268,361)
Total additions	$ 19,857,872
Deductions	
Retiree benefits	$ 7,254,664
Net increase	12,603,208
Net position held in trust for other postemployment benefits:	
Net position, July 1, 2015	67,752,791
Net position, June 30, 2016	$ 80,355,999

See accompanying notes to the basic financial statements.

STATEMENT OF FINANCIAL POSITION
June 30, 2016

ASSETS		
Cash and cash equivalents	$	181,297
Due from District		7,000
Total assets	$	188,297
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	$	15,462
Unearned rent		13,565
Rent security deposits		138,080
Total liabilities		167,107
Unrestricted net assets		21,190
Total liabilities and net assets	$	188,297

See accompanying notes to the basic financial statements.

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

Revenues:	
Rental income	$ 1,486,284
Interest and dividends	288
Water reimbursement	4,808
Other local income	9,758
Total revenues	1,501,138
Expenses:	
Operating expenses	417,076
Transfer to District	1,083,206
Total expenses	1,500,282
Change in net assets	856
Net assets, July 1, 2015	20,334
Net assets, June 30, 2016	$ 21,190

See accompanying notes to the basic financial statements.

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2016

Cash flow from operating activities:	
Change in net assets	$ 856
Changes in assets and liabilities	
Accounts receivable	3,925
Accounts payable	15,462
Unearned rent	13,565
Rent security deposits	(3,315)
Net cash flows provided by operating activities	30,493
Net change in cash and cash equivalents	30,493
Cash and cash equivalents, July 1, 2015	150,804
Cash and cash equivalents, June 30, 2016	$ 181,297

See accompanying notes to the basic financial statements.

NOTE 1 - ORGANIZATION

San Mateo County Community College District (the "District") was established in 1922 as a political subdivision of the State of California and is a comprehensive, public, two-year institution offering post secondary educational services to residents of San Mateo County and surrounding areas. The District operates under a locally elected five-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 three college campuses located in the cities of San Mateo, San Bruno, and Redwood City, California. While the District is a political subdivision of the State of California, it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Codification Section (Cod. Sec.) 2100.101. The District is classified as a state instrumentality under Internal Revenue Code Section 115.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity: The decision to include potential component units in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America and GASB Cod. Sec. 2100. The three criteria for requiring a legally separate, tax-exempt organization to be presented as a component unit are the "direct benefit" criterion, the "entitlement/ability to access" criterion, and the "significance" criterion. The District identified the following potential component units:

- San Mateo County Community College District Financing Corporation
- San Mateo County Community College Educational Housing Corporation
- San Mateo County Community College Foundation

The *San Mateo County Community College District Financing Corporation* (the Corporation) is a legally separate organization component unit of the District. The Corporation was formed to issue debt specifically for the acquisition and construction of capital assets for the District. The Board of Trustees of the Corporation is the same as the Board of Trustees of the District. The financial activity has been "blended" or consolidated within the financial statements as of the District as if the activity was the District's. This activity is accounted for in the District's COP Payment Fund and COP Construction Fund. Individually-prepared financial statements are not prepared for the Corporation.

The *San Mateo County Community Colleges Educational Housing Corporation* (the Housing Corp.) is a non- profit organization under IRS Code Section 501(c)(3). The Housing Corp. meets the criteria of the governing authority's ability to significantly influence operations and accountability for fiscal matters and the criteria for inclusion in the District's reporting entity. Its purpose is to operate staff and faculty housing. The financial activity of the Housing Corp. is reported as a separate discretely presented component unit. Individually-prepared financial statements are not prepared for the Housing Corp.

The *San Mateo County Community Colleges Foundation* (the Foundation) is a non-profit organization under IRS Code Section 501(c)(3). The District has determined that the Foundation does not meet the criteria of the governing authority's ability to significantly influence operations and accountability for fiscal matters and the criteria for inclusion in the District's report entity. It is dedicated to providing assistance to the students, teachers, and programs of the Colleges. The financial activity of the Foundation is not included in this report. Individually-prepared financial statements can be obtained from the Foundation.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation and Accounting: For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB. Under this model, the District's financial statements provide a comprehensive entity-wide perspective at the District's financial position and activities. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when the obligation has been incurred. All significant intra-agency transactions have been eliminated. The budgetary and financial accounts of the District are recorded and maintained in accordance with the Chancellor's Office's *Budget and Accounting Manual*.

Fiduciary funds for which the District acts only as an agent or trust are not included in the business-type activities of the District. These funds are reported in the Statement of Fiduciary Net Position and Statement of Change in Fiduciary Net Position at the fund financial statement level.

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. Restricted cash and cash equivalents represent balances restricted by external sources such as grants and contracts or specifically restricted for the repayment of capital debt.

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 a five-year average ratio over actual revenues. The allowance was estimated at $2,902,109 for the year ended June 30, 2016.

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

Inventory: Inventory consists primarily of bookstore merchandise and supplies held for resale to the students and faculty of the colleges. Inventories are stated at lower of cost or market, utilizing the first in, first out 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 for equipment and $100,000 for land, buildings and improvements. 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 acquisition 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.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 25 to 50 years; equipment, 5 to 10 years.

The District capitalizes interest paid on obligations related to the acquisition, construction or rehabilitation of District capital assets. Interest cost and interest capitalized totaled $15,855,825 and $1,060,631, respectively, during the year ended June 30, 2016.

Unearned Revenue: Revenue from Federal, State and local special projects and programs is recognized when qualified expenditures have been incurred. Tuition, fees and other support received but not earned are recorded as unearned revenue until earned.

Deferred Outflows/Inflows of Resources: In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District has recognized a deferred loss on refunding reported in the statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shortened life of the refunded or refunding debt. During the years ended June 30, 2012 and 2015, the District refunded debt which resulted in a deferred loss on refunding of $11,818,327 and $6,216,274. Amortization of deferred losses on refunding for the year ended June 30, 2016 totaled $882,314. Additionally, the District has recognized a deferred outflow of resources related to the recognition of the pension liability reported in the statement of net position. Amortization for the year ended June 30, 2016 totaled $1,018,000.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time. The District has recognized a deferred inflow of resources related to the recognition of the pension liability reported which is in the statement of net position. Amortization for the year ended June 30, 2016 totaled $4,539,903.

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State Teachers' Retirement Plan (STRP) and Public Employers Retirement Fund B (PERF B) and additions to/deductions from STRP's and PERF B's fiduciary net position have been determined on the same basis as they are reported by STRP and PERF B. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The following is a summary of pension amounts in aggregate:

	CalSTRS	CalPERS	Total
Deferred outflows of resources	$ 4,900,874	$ 8,309,004	$ 13,209,878
Deferred inflows of resources	$ 6,918,000	$ 5,117,000	$ 12,035,000
Net pension liability	$ 70,426,000	$ 53,485,000	$ 123,911,000
Pension expense	$ 9,840,043	$ 5,800,258	$ 15,640,301

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 entity-wide financial statements. 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.

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.

Net Position: The District's net position is classified as follows:

Net investment in capital assets: This represents the District's total investment in capital assets, net of associated outstanding debt obligations related to those capital assets and deferred outflows of resources. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

Restricted net position: Restricted expendable net position include resources in which the District is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties. Nonexpendable restricted net position consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. At June 30, 2016, there is no balance of nonexpendable restricted net position.

Unrestricted net position: Unrestricted net position represents resources derived from student tuition and fees, State apportionments, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the District, and may be used at the discretion of the governing board to meet current expenses for any purpose.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the District's policy is to first apply the expense toward restricted resources, and then towards unrestricted resources.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification of Revenues and Expenses: The District has classified its revenues as either operating or nonoperating revenues. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenues, as defined by GASB Cod. Sec. Co5.101 including State appropriations, local property taxes, and investment income. Nearly all the District's expenses are from exchange transactions. Revenues and expenses are classified according to the following criteria:

Operating revenues and expenses: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, (3) most Federal, State and local grants and contracts and Federal appropriations. All expenses are considered operating expenses except for interest expense on capital related debt.

Nonoperating revenues and expenses: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as Pell grants, gifts and contributions, and other revenue sources described in GASB Cod. Sec. Co5.101, such as State appropriations and investment income. Interest expense on capital related debt is the only non-operating expense.

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 calculations 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 County of San Mateo 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, 2005 and 2014 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.

Board of Governors Grants (BOGG) and Fee Waivers: Student tuition and fee revenue is reported net of allowances and fee waivers approved by the Board of Governors through BOGG fee waivers in the Statement of Revenues, Expenditures, and Change in Net Position. 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. To the extent that fee waivers and payments have been used to satisfy tuition and fee charges, the District has recorded an allowance.

Estimates: The preparation of the financial statement 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.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Component Unit - Educational Housing Corporation Financial Statement Presentation: The Educational Housing Corporation (the "Housing Corp.") presents its financial statements in accordance with Statement of Financial Accounting Codifications. Under these reporting requirements, the Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As permitted by the codification, the Housing Corp. does not use fund accounting.

The assets, liabilities, and net assets of the Housing Corp. are reported as unrestricted funds, which represent the portion of resources that are available for general purpose of the Housing Corp.'s operations.

Revenues and expenses are recorded when incurred in accordance with the accrual basis of accounting. Revenues are reported as increases in the unrestricted net assets classification unless use of the related assets is limited by donor-imposed restrictions.

Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

The Corporation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and related California Franchise Tax Codes.

New Accounting Pronouncements: In February 2015, the GASB issued its final standard on accounting and financial reporting issues related to fair value measurements, applicable primarily to investments made by state and local governments. GASB Statement No. 72, Fair Value Measurement and Application, defines fair value and describes how fair value should be measured, what assets and liabilities should be measured at fair value, and what information about fair value should be disclosed in the notes to the financial statements. Under GASB Statement No. 72, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments, which generally are measured at fair value, are defined as a security or other asset that governments hold primarily for the purpose of income or profit and the present service capacity of which are based solely on their ability to generate cash or to be sold to generate cash. Before the issuance of GASB Statement No. 72, state and local governments have been required to disclose how they arrived at their measures of fair value if not based on quoted market prices. Under the new guidance, those disclosures have been expanded to categorize fair values according to their relative reliability and to describe positions held in many alternative investments. This statement is effective for the District’s fiscal year ending June 30, 2016. There is no material impact to the District’s financial statements as a whole.

(Continued)

NOTE 3 - CASH AND CASH EQUIVALENTS

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; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Summary of Cash and Cash Equivalents: Cash and cash equivalents of the District as of June 30, 2016 consist of the following:

Cash in County Treasury	$ 320,314,256
Cash with fiscal agent	20,949,449
Cash on hand and in banks	696,048
Cash in revolving	70,000
Certificates of deposit	27,732,425
Total cash and cash equivalents	$ 369,762,178

Cash and cash equivalents of the Fiduciary Funds as of June 30, 2016 consist of the following:

Cash on hand and in banks	$ 323,368
Cash in County Treasury	1,736,559
Total cash and cash equivalents	$ 2,059,927

Cash and cash equivalents of the Educational Housing Corporation as of June 30, 2016 consist of the following:

Cash on hand and in banks	$ 181,297
Total cash and cash equivalents	$ 181,297

Cash in County Treasury: In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the County Treasury. The District is considered to be an involuntary participant in an external investment pool. The District's investment in the pool is reported in the financial statements at amounts based upon the District's pro-rata share of the fair value 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 at amortized cost.

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial risk classifications is required.

The District's deposits in the fund are considered to be highly liquid. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool. The County Treasurer has indicated that there are no derivatives in the pool as of June 30, 2016.

(Continued)

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

Cash with Fiscal Agent: Cash with Fiscal Agent represents bond funds to be used in the future. At June 30, 2016, the funds are held with a bank in a money market account and recorded at cost.

Custodial Credit Risk – Deposits and Certificate of Deposits: Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk. The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to $250,000 by the Federal Deposit Insurance Corporation ("FDIC") and are collateralized by the respective financial institution. At June 30, 2016, the carrying amount of the District's cash in banks was $1,200,713 and the bank balance was $1,146,456. The bank balance amount insured was $480,683. At June 30, 2016, certificates of deposit totaling $27,732,425 were fully insured by the FDIC.

The California Government Code requires California banks and savings and loan associations to secure the District's deposits by pledging government securities as collateral. The market value of pledged securities must equal 110 percent of an agency's deposits. California law also allows financial institutions to secure an agency's deposits by pledging first trust deed mortgage notes having a value of 150 percent of an agency's total deposits and collateral is considered to be held in the name of the District. All cash held by the financial institutions that is not insured is collateralized.

NOTE 4 - INVESTMENTS - OPEB TRUST

The District's OPEB (the "Trust") Trust fund, a fiduciary fund, has adopted an internally developed investment policy that is governed by the standards established in the California Constitution. In addition, the Trust has written investment policies regarding the type of investments that may be made specifically for the Trust and the amount, which may be invested in any one financial institution or amounts that may be invested in long-term instruments. Management believes the Trust has complied with the provisions of statutes pertaining to the types of investments held, institutions in which deposits were made, and security requirements.

The fair values of the Trust's individual investments at June 30, 2016, are as follows:

Mutual funds – fixed income	$ 39,809,958
Mutual funds – equity	35,707,574
Mutual funds – real estate	4,838,377
Total investments	$ 80,355,909

During the fiscal year ended June 30, 2016, the Trust's investments (including gains and losses on investments bought and sold as well as held during the year) appreciated as follows:

Dividend and other	$ 3,142,006
Realized losses, net	(381,054)
Unrealized losses, net	(1,889,383)
Investment fees	(268,361)
Total investments	$ 603,208

(Continued)

NOTE 4 - INVESTMENTS - OPEB TRUST (Continued)

Custodial Credit Risk: The California Government Code requires California banks and savings and loan associations to secure the Trust's deposits by pledging government securities as collateral. The market value of pledged securities must equal 110 percent of an agency's deposits. California law also allows financial institutions to secure an agency's deposits by pledging first trust deed mortgage notes having a value of 150 percent of an agency's total deposits and collateral is considered to be held in the name of the Trust. All cash held by financial institutions is entirely insured or collateralized.

Credit Risk: The Trust's investment policy requires all fixed income investments to be of investment grade quality or higher at purchase; that is, at the time of purchases, rated no lower than "BBB" by Standard and Poor's. The Trust Board, at their discretion, may impose a higher standard on an individual investment manager basis as circumstances or investment objectives dictate. At June 30, 2016, the Trust investments consisted of open-end mutual funds, therefore there are no credit ratings to disclose.

Interest Rate Risk: The Trust 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 rates. At June 30, 2016, the Trust had no significant interest rate risk related to investments held.

Fair Value of Financial Instruments: The following methods and assumptions were used by the Trust to estimate the fair value of its financial instruments at June 30, 2016.

Fair Value Hierarchy: Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Assets Recorded at Fair Value: The following table presents information about the District's assets measured at fair value on a recurring basis as of June 30, 2016:

	Total	Level 1	Level 2	Level 3
OPEB Investments:				
Mutual funds - fixed income	$ 39,809,958	$ 39,809,958	$ -	$ -
Mutual funds - equity	35,707,574	35,707,574	-	-
Mutual funds – real estate	4,838,377	4,838,377	-	-
Total	$ 80,355,909	$ 80,355,909	$ -	$ -

(Continued)

NOTE 4 - INVESTMENTS - OPEB TRUST (Continued)

Mutual funds were valued at closing prices from securities exchanges and are classified as Level 1 investments.

During the year ended June 30, 2016, there were no significant transfers in or out of Level 1.

There were no assets or liabilities measured at fair value on a non-recurring basis at June 30, 2016.

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts receivables for the District consisted primarily of intergovernmental grants, entitlements, interest, and other local sources. The accounts receivable are as follows:

Federal Government	
Categorical aid	$ 973,103
State Government	
Categorical aid	2,156,371
Lottery	2,084,901
Local sources	
Interest	732,579
Financial aid receivables	1,618,708
Student receivables	3,189,151
Other local sources	3,885,184
Less allowance for bad debt	(2,902,109)
Total accounts receivable, net	$ 11,737,888

Receivables from other local sources at June 30, 2016 includes $1,107,686 for loans made to District employees to purchase houses. All full time employees who purchase a home and contribute at least 20 percent of the purchase price are eligible to receive loans of up to $100,000 per employee. Repayment terms and interest rates are: no payments due in years 1 through 5, payments of principal and interest in years 6-10, with final payment of any remaining balance in year 10. Selling the property, withdrawing cash from the equity, or leaving the District's employment accelerates the due date of the loan. Interest is charged at 4 percent per year. As of June 30, 2016, all of the funds have been loaned out. No loans will be granted to additional employees until existing loans are paid back or the Board authorizes additional amounts to be loaned out.

(Continued)

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2016, was as follows:

	Balance July 1, 2015	Additions and Transfers	Deductions and Transfers	Balance June 30, 2016
Non-depreciable:				
Land	$ 20,628,292	$ -	$ -	$ 20,628,292
Construction in progress	29,390,864	6,483,014	(18,963,298)	16,910,580
Depreciable:				
Land improvements	111,084,267	17,771,184	-	128,855,451
Buildings and improvements	654,289,951	3,845,190	-	658,135,141
Furniture, equipment and vehicles	29,929,174	2,207,199	(1,066,570)	31,069,803
Total	845,322,548	30,306,587	(20,029,868)	855,599,267
Less accumulated depreciation:				
Land improvements	25,105,933	5,615,060	-	30,720,993
Buildings and improvements	159,485,287	19,058,611	-	178,543,898
Furniture, equipment and vehicles	21,980,802	1,794,137	(980,325)	22,794,614
Total	206,572,022	26,467,808	(980,325)	232,059,505
Capital assets, net	$638,750,526	$ 3,838,779	$ (19,049,543)	$623,539,762

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable for the District consisted of the following:

Vendor and other	$ 7,458,423
Payroll related liabilities	2,799,609
Construction	2,635,666
Workers' compensation	1,996,000
Federal	16,279
Total	$ 14,905,977

The accounts payable of the Fiduciary Fund consists primarily of funds held for student clubs.

The accounts payable of the Educational Housing Corporation consists of local vendor payables.

NOTE 8 - UNEARNED REVENUE

Unearned revenue consisted of the following at June 30, 2016:

State categorical aid	$ 4,050,631
Enrollment fees	2,529,377
Other local	5,333,057
Total	$ 11,913,065

NOTE 9 - TAX AND REVENUE ANTICIPATION NOTES

On July 16, 2015, the District issued $21,000,000 Tax and Revenue Anticipation Notes bearing interest at 2 percent. The notes were issued to supplement cash flows. Interest and principal were due and payable on June 30, 2016. By April 30, 2016, the District had placed 100 percent of principal and interest payments in an irrevocable trust for the sole purpose of satisfying the notes. The District was not required to make any additional payments on the notes.

	Outstanding Beginning of Year	Additions	Deletions	Outstanding End of Year
2016 2.00% TRANS	$ -	$ 21,000,000	$ (21,000,000)	$ -
Total	$ -	$ 21,000,000	$ (21,000,000)	$ -

NOTE 10 - LONG TERM LIABILITIES

On June 4, 2002, the District issued $96,857,613 of General Obligation Bonds Series 2001A. The Bonds were issued to finance the acquisition, construction and modernization of certain District property and facilities. The Current Interest Bonds of $53,335,000 were refunded during the fiscal year ended June 30, 2012. Capital Appreciation Bonds of $18,045,613 mature September 1, 2016 through September 1, 2026 with interest accreting at an average 5.55% compounded semiannually each year and due upon maturity.

Unamortized premiums and accreted interest on the capital appreciation bonds were $231,069 and $20,865,823 at June 30, 2016, respectively.

The following is a schedule of future payments for the Series 2001A Capital Appreciation Bonds:

	Principal	Interest	Total
2017	$ 1,616,040	$ 1,733,960	$ 3,350,000
2018	1,652,600	2,007,400	3,660,000
2019	1,681,431	2,298,569	3,980,000
2020	1,705,547	2,609,453	4,315,000
2021	1,727,950	2,952,050	4,680,000
2022-2026	8,090,965	18,379,035	26,470,000
2027	1,571,080	4,608,920	6,180,000
Totals	$ 18,045,613	$ 34,589,387	$ 52,635,000

(Continued)

NOTE 10 - LONG TERM LIABILITIES (Continued)

On February 9, 2005, the District issued $69,995,132 of General Obligation Bonds Series 2001B. The Bonds were issued to finance the acquisition, construction and modernization of certain District property and facilities. The Current Interest Bonds of $22,375,000 were refunded during the fiscal years ended June 30, 2012 and 2015. Capital Appreciation Bonds of $23,095,132 mature September 1, 2021 through September 1, 2028 with interest accreting at an average 4.78% compounded semiannually each year and due upon maturity.

Unamortized premiums and accreted interest on the capital appreciation bonds were $506,675 and $16,590,646 at June 30, 2016, respectively.

The following is a schedule of future payments for the Series 2001B Capital Appreciation Bonds:

	Principal	Interest	Total
2017	$ -	$ -	$ -
2018	-	-	-
2019	-	-	-
2020	-	-	-
2021	-	-	-
2022-2026	10,601,376	14,568,624	25,170,000
2027-2029	12,493,756	25,366,244	37,860,000
Totals	$ 23,095,132	$ 39,934,868	$ 63,030,000

On April 11, 2006, the District issued $40,124,660 of General Obligation Bonds Series 2001C. The Bonds were issued to finance the acquisition, construction and modernization of certain District property and facilities. The Current Interest Bonds of $7,500,000 were partially refunded during the fiscal year ended June 30, 2015 with the remaining bonds maturing during the year ended June 30, 2016. Capital Appreciation Bonds of $25,469,660 mature September 1, 2016 through March 30, 2031 with interest accreting at an average 4.90% compounded semiannually each year and due upon maturity.

Unamortized premiums and accreted interest on the capital appreciation bonds were $165,552 and $16,542,468 at June 30, 2016, respectively.

The following is a schedule of future payments for the Series 2001C Capital Appreciation Bonds:

	Principal	Interest	Total
2017	$ 850,367	$ 509,633	$ 1,360,000
2018	852,840	587,160	1,440,000
2019	857,978	672,022	1,530,000
2020	868,823	761,177	1,630,000
2021	872,212	852,788	1,725,000
2022-2026	4,410,230	5,859,770	10,270,000
2027-2031	16,757,210	37,272,790	54,030,000
Totals	$ 25,469,660	$ 46,515,340	$ 71,985,000

(Continued)

NOTE 10 - LONG TERM LIABILITIES (Continued)

On April 11, 2006, the District issued $135,429,395 of General Obligation Bonds Series 2005A. The Bonds were issued to finance the acquisition, construction and modernization of certain District property and facilities. The Current Interest Bonds of $61,795,000 matured during the fiscal year ended June 30, 2015. Capital Appreciation Bonds of $73,634,395 mature September 1, 2015 through September 1, 2030 with interest accreting at an average 4.86% compounded semiannually each year and due upon maturity.

Unamortized premiums and accreted interest on the capital appreciation bonds were $813,881 and $43,578,137 at June 30, 2016, respectively.

The following is a schedule of future payments for the Series 2005A Capital Appreciation Bonds:

	Principal	Interest	Total
2017	$ 4,914,622	$ 2,945,378	$ 7,860,000
2018	4,853,489	3,341,511	8,195,000
2019	4,794,584	3,755,416	8,550,000
2020	4,757,204	4,167,796	8,925,000
2021	4,707,415	4,602,585	9,310,000
2022-2026	22,850,441	30,284,559	53,135,000
2027-2031	21,800,673	44,459,327	66,260,000
Totals	$ 68,678,428	$ 93,556,572	$ 162,235,000

On December 12, 2006, the District issued $332,570,194 of General Obligation Bonds Series 2005B. The Bonds were issued to finance the acquisition, construction and modernization of certain District property and facilities. The Current Interest Bonds of $41,155,000 were partially refunded during the fiscal years ended June 30, 2012 and 2015. The remaining Current Interest Bonds of $6,865,000 mature during the fiscal year ending June 30, 2017. Capital Appreciation Bonds of $163,005,194 mature September 1, 2020 through September 1, 2038 with interest accreting at an average 4.58% compounded semiannually each year and due upon maturity.

Unamortized premiums and accreted interest on the capital appreciation bonds were $6,003,068 and $88,071,249 at June 30, 2016, respectively.

The following is a schedule of future payments for the Series 2005B General Obligation Bonds:

	Principal	Interest	Total
2017	$ 6,865,000	$ 7,523,250	$ 14,388,250
2018	-	-	-
2019	-	-	-
2020	-	-	-
2021	-	-	-
2022-2026	32,153,751	35,431,249	67,585,000
2027-2031	33,567,769	56,557,231	90,125,000
2032-2036	58,925,829	139,219,171	198,145,000
2037-2039	38,357,845	115,852,155	154,210,000
Totals	$ 169,870,194	$ 354,583,056	$ 524,453,250

NOTE 10 - LONG TERM LIABILITIES (Continued)

On April 26, 2012, the District issued $107,595,000 of 2012 General Obligation Refunding Bonds. Proceeds were used to refund portions of the outstanding Series 2001A General Obligation Bonds, Series 2001B General Obligation Bonds, and Series 2005B General Obligation Bonds. The 2012 Refunding Bonds are general obligations of the District payable solely from ad valorem property taxes. The 2012 Refunding Bonds mature through September 1, 2026 and bear interest at rates ranging from 2.00% to 5.00% with interest due annually on September 1. For financial reporting purposes, the refunded debt has been considered defeased and therefore removed from the District's financial statements. On June 30, 2016, $97,925,000 of bonds outstanding are considered defeased.

Unamortized premiums on the 2012 Refunding Bonds were $13,281,447 at June 30, 2016.

The following is a schedule of the future payments for the 2012 Refunding Bonds:

	Principal	Interest	Total
2017	$ 4,675,000	$ 3,904,525	$ 8,579,525
2018	13,110,000	3,717,525	16,827,525
2019	14,490,000	3,193,125	17,683,125
2020	16,495,000	2,613,525	19,108,525
2021	9,645,000	1,953,725	11,598,725
2022-2026	28,395,000	4,944,925	33,339,925
2027	4,885,000	244,250	5,129,250
Totals	$ 91,695,000	$ 20,571,600	$ 112,266,600

On May 27, 2015, the District issued $127,000,000 of General Obligation Bonds Series 2014A. The Bonds were issued to finance the acquisition, construction and modernization of certain District property and facilities. The General Obligation Bonds Series 2014A mature September 1, 2016 through September 1, 2045 and bear interest at rates ranging from 3.00% to 5.00% with interest due semiannually on September 1 and March 1.

Unamortized premiums on the 2015 General Obligation Bonds Series 2014A were $11,709,763 at June 30, 2016.

The following is a schedule of future payments for the Series 2005B General Obligation Bonds:

	Principal	Interest	Total
2017	$ 12,880,000	$ 5,096,725	$ 17,976,725
2018	14,135,000	4,620,825	18,755,825
2019	10,385,000	4,078,500	14,463,500
2020	-	3,977,156	3,977,156
2021	-	4,135,438	4,135,438
2022-2026	1,960,000	20,656,563	22,616,563
2027-2031	6,380,000	20,820,594	27,200,594
2032-2036	14,080,000	18,704,656	32,784,656
2037-2041	25,325,000	14,080,081	39,405,081
2042-2046	41,855,000	5,616,375	47,471,375
Totals	$ 127,000,000	$ 101,786,913	$ 228,786,913

NOTE 10 - LONG TERM LIABILITIES (Continued)

On September 4, 2014, the District issued $121,805,000 of 2014 General Obligation Refunding Bonds. Proceeds were used to refund portions of the outstanding Series 2001B General Obligation Bonds, Series 2001C General Obligation Bonds, and Series 2005B General Obligation Bonds. The 2014 Refunding Bonds are general obligations of the District payable solely from ad valorem property taxes. The 2014 Refunding Bonds mature September 1, 2015 through September 1, 2038 and bear interest at rates ranging from 2.00% to 5.00% with interest due annually on September 1. For financial reporting purposes, the refunded debt has been considered defeased and therefore removed from the District's financial statements. On June 30, 2016, $127,540,000 of bonds outstanding are considered defeased.

Unamortized premiums on the 2014 Refunding Bonds were $16,359,268 at June 30, 2016.

The following is a schedule of the future payments for the 2012 Refunding Bonds:

	Principal	Interest	Total
2017	$ 770,000	$ 4,991,300	$ 5,761,300
2018	785,000	4,975,900	5,760,900
2019	1,050,000	4,960,200	6,010,200
2020	480,000	5,270,500	5,750,500
2021	495,000	5,256,100	5,751,100
2022-2026	8,465,000	26,736,475	35,201,475
2027-2031	36,055,000	24,451,975	60,506,975
2032-2036	46,550,000	13,126,750	59,676,750
2037-2039	25,880,000	2,733,675	28,613,675
Totals	$ 120,530,000	$ 92,502,875	$ 213,032,875

There was no accrued interest or sinking fund resources related to the new debt proceeds.

The long-term liabilities activity for the year ended June 30, 2016, is as follows:

	Beginning Balance	Additions	Payments and Reductions	Ending Balance	Current Portion
General obligation bonds	$ 664,859,994	$ -	$ 20,475,967	$ 644,384,027	$ 32,571,029
Unamortized bond premiums	53,458,356	-	4,387,633	49,070,723	2,590,043
Accreted interest	169,298,356	18,934,000	2,584,033	185,648,323	5,188,971
Net pension liability	100,664,986	23,246,014	-	123,911,000	-
Compensated absences	4,109,861	299,207	-	4,409,068	2,984,569
Total	$ 992,391,553	$ 42,479,221	$ 27,447,633	$ 1,007,423,141	$ 43,334,612

NOTE 11 - RISK MANAGEMENT

Insurance Coverage: The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ending June 30, 2016, the District contracted with MacCorkle Inc., an insurance broker to manage the District's insurance claims. The District is self-insured for the first $150,000. Settled claims have not exceeded this commercial coverage.

Workers' Compensation: For the fiscal year, the District contracted with Andreini and Company for placement of excess workers' compensation insurance program. The District is self-insured for the first $350,000.

Employee Medical Benefits: The District has contracted with the CalPERS to provide employee medical and surgical benefits. CalPERS is a shared risk pool comprised of nearly 2,500 employers and covers five regions (Bay Area, Other Northern California, Southern California, Other Southern California, and Out of State). Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating Districts. Claims are paid for all participants regardless of claims flow. The CalPERS Board of Directors has a right to return monies to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool. CalPERS requires the District to have a post retirement medical benefit plan for CalPERS members.

As part of each collective bargaining agreement between the District and each of AFSCME, CSEA and AFT, the District has agreed to provide certain health benefits, also referred to as "tiered fringe benefits", to retirees. Non- represented employees receive the same retiree health benefits as represented employees. Under the current agreement with the CalPERS Health Plan System, the District is required to pay a monthly contribution toward the medical premiums of all PERS and STRS retirees who have a medical plan through CalPERS regardless of the District negotiated tiered retiree fringe benefits that includes medical coverage at no cost for certain qualifying District retirees, and other tiers of reduced option medical benefits for other retirees, pursuant to their date of hire. In order for CalPERS to honor the negotiated retiree health benefits, resolutions officially establishing the health vesting requirements set forth in the collective bargaining agreements must be adopted by the Board. The adoption of these resolutions to establish the negotiated District health benefits within the CalPERS Health Plan System is a formality required by CalPERS that in no way impacts retiree eligibility for District health benefits. Current employees and retirees who are eligible to receive benefits pursuant to collective bargaining will continue to be eligible.

In June 2015, the District adopted resolutions to take vesting schedules outlined in the collective bargaining agreements to CalPERS for implementation in their system. The vesting schedules became effective July 1, 2015 for employees retiring on or after July 1, 2015. The vesting schedules became effective January 1, 2016 for existing retirees at the time the resolutions were passed. The immediate benefit of these resolutions is that the District will no longer be required to make monthly contributions toward medical premiums for retirees who do not qualify for the negotiated District retiree benefits outlined in the collective bargaining agreements. During the fiscal year ending June 30, 2016, the District had 80 retirees in the group with a cost to the District in the amount of $237,896.

(Continued)

NOTE 11 - RISK MANAGEMENT (Continued)

The District records an estimated liability for indemnity torts and other claims against the District. Claims liabilities are based on estimates of the ultimate costs of reported claims (including future claim adjustment expenses) and an estimate for claims incurred, but not reported based on historical experience.

Claim 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, 2014 to June 30, 2016:

	Workers' Compensation
Liability Balance, July 1, 2014	$ 2,085,000
Claims and changes in estimates	2,218,000
Claims payments	(2,085,000)
Liability Balance, June 30, 2015	2,218,000
Claims and changes in estimates	998,165
Claims payments	(1,220,165)
Liability Balance, June 30, 2016	$ 1,996,000
Assets available to pay claims at June 30, 2016	$ 7,478,245

NOTE 12 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN

General Information about the State Teachers' Retirement Plan

Plan Description: Teaching-certified employees of the District are provided with pensions through the State Teachers' Retirement Plan (STRP) – a cost-sharing multiple-employer defined benefit pension plan administered by the California State Teachers' Retirement System (CalSTRS). The Teachers' Retirement Law (California Education Code Section 22000 et seq.), as enacted and amended by the California Legislature, established this plan and CalSTRS as the administrator. The benefit terms of the plans may be amended through legislation. CalSTRS issues a publicly available financial report that can be obtained at http://www.calstrs.com/comprehensive-annual-financial-report.

Benefits Provided: The STRP Defined Benefit Program has two benefit formulas:

- CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS.
- CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS.

The Defined Benefit Program provides retirement benefits based on members' final compensation, age and years of service credit. In addition, the retirement program provides benefits to members upon disability and to survivors/beneficiaries upon the death of eligible members. There are several differences between the two benefit formulas which are noted below.

(Continued)

NOTE 12 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

CalSTRS 2% at 60

CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.

CalSTRS calculates retirement benefits based on a one-year final compensation for members who retired on or after January 1, 2001, with 25 or more years of credited service, or for classroom teachers with less than 25 years of credited service if the employer elected to pay the additional benefit cost prior to January 1, 2014. One-year final compensation means a member’s highest average annual compensation earnable for 12 consecutive months calculated by taking the creditable compensation that a member could earn in a school year while employed on a fulltime basis, for a position in which the person worked. For members with less than 25 years of credited service, final compensation is the highest average annual compensation earnable for any three consecutive years of credited service.

CalSTRS 2% at 62

CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

All CalSTRS 2% at 62 members have their final compensation based on their highest average annual compensation earnable for three consecutive years of credited service.

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.

A summary of statutory contribution rates and other sources of contributions to the Defined Benefit Program are as follows:

Members – Under CalSTRS 2% at 60, the member contribution rate was 9.20 percent of applicable member earnings for fiscal year 2015-16. Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 8.56 percent of applicable member earnings for fiscal year 2015-16.

In general, member contributions cannot increase unless members are provided with some type of “comparable advantage” in exchange for such increases. Under previous law, the Legislature could reduce or eliminate the 2 percent annual increase to retirement benefits. As a result of AB 1469, effective July 1, 2014, the Legislature cannot reduce the 2 percent annual benefit adjustment for members who retire on or after January 1, 2014, and in exchange for this “comparable advantage,” the member contribution rates have been increased by an amount that covers a portion of the cost of the 2 percent annual benefit adjustment.

(Continued)

NOTE 12 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

Effective July 1, 2014, with the passage of AB 1469, member contributions for those under the 2% at 60 benefit structure increase from 8.0 percent to a total of 10.25 percent of applicable member earnings, phased in over the next three years. For members under the 2% at 62 benefit structure, contributions will increase from 8.0 percent to 9.205 percent of applicable member earnings, again phased in over three years, if there is no change to normal cost.

Employers – 10.73 percent of applicable member earnings.

In accordance with AB 1469, employer contributions will increase from 8.25 percent to a total of 19.1 percent of applicable member earnings phased in over seven years starting in 2014. The new legislation also gives the board limited authority to adjust employer contribution rates from July 1, 2021 through June 2046 in order to eliminate the remaining unfunded actuarial obligation related to service credited to members prior to July 1, 2014. The board cannot adjust the rate by more than 1 percent in a fiscal year, and the total contribution rate in addition to the 8.25 percent cannot exceed 12 percent.

The CalSTRS employer contribution rate increases effective for fiscal year 2015-16 through fiscal year 2045-46 are summarized in the table below:

Effective Date	Prior Rate	Increase	Total
July 01, 2015	8.25%	2.48%	10.73%
July 01, 2016	8.25%	4.33%	12.58%
July 01, 2017	8.25%	6.18%	14.43%
July 01, 2018	8.25%	8.03%	16.28%
July 01, 2019	8.25%	9.88%	18.13%
July 01, 2020	8.25%	10.85%	19.10%
July 01, 2046	8.25%	Increase from prior rate ceases in 2046-47	

The District contributed $4,900,874 to the plan for the fiscal year ended June 30, 2016.

State – 7.391 percent of the members' creditable earnings from the fiscal year ending in the prior calendar year.

Additionally, beginning October 1, 1998, a statutory contribution rate of 0.524 percent, adjustable annually in 0.25 percent increments up to a maximum of 1.505 percent, of the creditable earnings from the fiscal year ending in the prior calendar year per Education Code Section 22955(b). This contribution is reduced to zero if there is no unfunded actuarial obligation and no normal cost deficit for benefits in place as of July 1, 1990. Based on the actuarial valuation, as of June 30, 2012 there was no normal cost deficit, but there was an unfunded obligation for benefits in place as of July 1, 1990. As a result, the state was required to make quarterly payments starting October 1, 2013, at an additional contribution rate of 1.024 percent. As of June 30, 2014, the state contributed $200.7 million of the $267.6 million total amount for fiscal year 2013-14. As a result of AB 1469, the fourth quarterly payment of $66.9 million was included in an increased first quarter payment of $94 million for the 2014-15 fiscal year, which was transferred on July 1, 2014.

In accordance with AB 1469, the portion of the state appropriation under Education Code Section 22955(b) that is in addition to the 2.017 percent has been replaced by section 22955.1(b) in order to fully fund the benefits in effect as of 1990 by 2046. The additional state contribution will increase from 1.437 percent in 2014-15 to 4.311 percent in 2016-17. The increased contributions end as of fiscal year 2046-47.

(Continued)

NOTE 12 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

The CalSTRS state contribution rates effective for fiscal year 2015-16 and beyond are summarized in the table below:

Effective Date	Base Rate	AB 1469 Increase For 1990 Benefit Structure	SBMA Funding	Total State Appropriation to DB Program
July 01, 2015	2.017%	2.874%	2.50%	7.391%
July 01, 2016	2.017-%	4.311%	2.50%	8.828%
July 01, 2017 to June 30, 2046	2.017%	4.311%*	2.50%	8.828%*
July 01, 2046 and thereafter	2.017%	*	2.50%	4.517%*

* The new legislation also gives the board limited authority to adjust state contribution rates from July 1, 2017, through June 2046 in order to eliminate the remaining unfunded actuarial obligation associated with the 1990 benefit structure. The board cannot increase the rate by more than 0.50 percent in a fiscal year, and if there is no unfunded actuarial obligation, the contribution rate imposed to pay for the 1990 benefit structure shall be reduced to 0 percent. Rates in effect prior to July 1, 2014, are reinstated if necessary to address any remaining 1990 unfunded actuarial obligation from July 1, 2046, and thereafter.

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

At June 30, 2016, 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:

District's proportionate share of the net pension liability	$ 70,426,000
State's proportionate share of the net pension liability associated with the District	37,248,000
Total	$ 107,674,000

The net pension liability was measured as of June 30, 2015. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school districts and the State. At June 30, 2015, the District's proportion was 0.105 percent, which did not change from its proportion measured at June 30, 2014.

NOTE 12 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

For the year ended June 30, 2016, the District recognized pension expense of $9,840,043 and revenue and pension expense of $3,735,536 for support provided by the State. At June 30, 2016, 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
Difference between expected and actual experience	$ -	$ 1,177,000
Changes of assumptions	-	-
Net differences between projected and actual earnings on investments	-	5,741,000
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
Contributions made subsequent to measurement date	4,900,874	-
Total	$ 4,900,874	$ 6,918,000

$4,900,874 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2017	$ (2,572,067)
2018	$ (2,572,067)
2019	$ (2,572,066)
2020	$ 1,191,200
2021	$ (196,000)
2022	$ (197,000)

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of the June 30, 2015 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

(Continued)

NOTE 12 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

Actuarial Methods and Assumptions: The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2014
Experience Study	July 1, 2006, through June 30, 2010
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.60%
Consumer Price Inflation	3.00%
Wage Growth	3.75%
Post-retirement Benefit Increases	2.00% simple for DB Not applicable for DBS/CBB

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries. See CalSTRS July 1, 2006 – June 30, 2010 experience analysis for more information.

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 as an input to the process. Based on the model from CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are log normally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term* Expected Real Rate of Return
Global Equity	47%	4.50%
Private Equity	12%	6.20%
Real Estate	15%	4.35%
Inflation Sensitive	5%	3.20%
Fixed Income	20%	0.20%
Cash / Liquidity	1%	0.00%

* 10-year geometric average

NOTE 12 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

Discount Rate*:* The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increase per Assembly Bill 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those 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 the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*:* The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.60 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.60 percent) or 1-percentage-point higher (8.60 percent) than the current rate:

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
District's proportionate share of the net pension liability	$106,338,000	$ 70,426,000	$ 40,581,000

Pension Plan Fiduciary Net Position*:* Detailed information about the pension plan's fiduciary net position is available in the separately issued CalSTRS financial report.

NOTE 13 - NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B

General Information about the Public Employer's Retirement Fund B

Plan Description*:* The schools cost-sharing multiple-employer defined benefit pension plan Public Employer's Retirement Fund B (PERF B) is administered by the California Public Employees' Retirement System (CalPERS). Plan membership consists of non-teaching and non-certified employees of public schools (K-12), community college districts, offices of education, charter and private schools (elective) in the State of California.

The Plan was established to provide retirement, death and disability benefits to non-teaching and noncertified employees in schools. The benefit provisions for Plan employees are established by statute. CalPERS issues a publicly available financial report that can be obtained at https://www.calpers.ca.gov/docs/forms-publications/cafr-2015.pdf.

Benefits Provided: The benefits for the defined benefit plans are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years (10 years for State Second Tier members) of credited service.

(Continued)

NOTE 13 - NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B (Continued)

Contributions: The benefits for the defined benefit pension plans are funded by contributions from members and employers, and earnings from investments. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the respective employer's benefit formulas. Employer contribution rates are determined by periodic actuarial valuations or by state statute. Actuarial valuations are based on the benefit formulas and employee groups of each employer. Employer contributions, including lump sum contributions made when agencies first join the PERF, are credited with a market value adjustment in determining contribution rates.

The required contribution rates of most active plan members are based on a percentage of salary in excess of a base compensation amount ranging from zero dollars to $863 monthly.

Required contribution rates for active plan members and employers as a percentage of payroll for the year ended June 30, 2016 were as follows:

Members – The member contribution rate was 6.0 or 7.0 percent of applicable member earnings for fiscal year 2015-16.

Employers – The employer contribution rate was 11.847 percent of applicable member earnings.

The District contributed $5,252,004 to the plan for the fiscal year ended June 30, 2016.

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

At June 30, 2016, the District reported a liability of $53,485,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school Districts. At June 30, 2015, the District's proportion was 0.363 percent, which was an increase of 0.005 percent from its proportion measured as of June 30, 2014.

(Continued)

NOTE 13 - NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B (Continued)

For the year ended June 30, 2016, the District recognized pension expense of $5,800,258. At June 30, 2016, 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
Difference between expected and actual experience	$ 3,057,000	$ -
Changes of assumptions	-	3,286,000
Net differences between projected and actual earnings on investments	-	1,831,000
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
Contributions made subsequent to measurement date	5,252,004	-
Total	$ 8,309,004	$ 5,117,000

$5,252,004 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2017	$ (534,083)
2018	$ (534,083)
2019	$ (534,084)
2020	$ (457,750)

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 4 years as of the June 30, 2015 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

NOTE 13 - NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B (Continued)

Actuarial Methods and Assumptions: The total pension liability for the Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2014
Experience Study	July 1, 2006, through June 30, 2010
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.65%
Consumer Price Inflation	2.75%
Wage Growth	Varies by entry age and service
Post-retirement Benefit Increases	Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.75% thereafter

The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS' website.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

Asset Class	Long-Term* Assumed Asset Allocation	Expected Real Rate of Return
Global Equity	51%	5.25%
Global Fixed Income	19%	0.99%
Inflation Insensitive	6%	0.45%
Private Equity	10%	6.83%
Real Estate	10%	4.50%
Infrastructure & Forestland	2%	4.50%
Liquidity	2%	(0.55)%

* 10-year geometric average

Discount Rate: The discount rate used to measure the total pension liability was 7.65 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained at CalPERS' website.

The discount rate was 7.50 percent and 7.65 percent in the June 30, 2013 and June 30, 2014 actuarial reports, respectively.

(Continued)

NOTE 13 - NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B (Continued)

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.

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 cash flows of the Plan. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the Plan's asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 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. The expected rate of return was set by calculating the 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 equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.65 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.65 percent) or 1-percentage-point higher (8.65 percent) than the current rate:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
District's proportionate share of the net pension liability	$ 87,052,000	$ 53,485,000	$ 25,572,000

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report.

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description: In addition to the pension benefits described in Notes 12 and 13, the District provides postemployment health care benefits for retired employees in accordance with negotiated contracts with the various bargaining units of the District. The Other Postemployment Benefit Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the San Mateo County Community College District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 1019 retirees and beneficiaries currently receiving benefits and 859 active plan members. The Plan is included in the District's financial report and separately presented as a fiduciary fund. Separate financial statements are also prepared for the Plan and may be obtained by contacting the San Mateo County Community College District.

(Continued)

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Asset: The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities or funding costs (UAAL) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed, and changes in the District's net OPEB asset:

Annual required contribution	$ 7,138,932
Interest on net OPEB asset	3,350,646
Adjustment to annual required contribution	(3,108,305)
Annual OPEB cost (expense)	7,381,273
Contributions made	19,254,664
Increase in net OPEB asset	11,873,391
Net OPEB asset – beginning of year, as restated	47,866,377
Net OPEB asset – end of year	$ 59,739,768

Trend Information: Trend information for the annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB asset for the past three years is as follows:

Fiscal Year Ended	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net Ending OPEB Asset
June 30, 2014	$ 8,642,396	$ 16,912,318	196%	$ 35,740,199
June 30, 2015	$ 7,138,932	$ 19,265,110	270%	$ 47,866,377
June 30, 2016	$ 7,381,273	$ 19,254,664	261%	$ 59,739,768

Funding Status and Funding Progress: The funded status of the OPEB Plan as of the latest actuarial is as follows:

Actuarial Accrued Liability (AAL)	$ 119,086,798
Actuarial Value of Plan Assets	62,328,025
Unfunded Actuarial Accrued Liability (UAAL)	$ 56,758,773
Funded ratio	52.34%
Covered Payroll	$ 85,569,412
UAAL as Percentage of Covered Payroll	66.33%

(Continued)

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

The above noted actuarial accrued liability was based on the February 1, 2015, actuarial valuation. Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information, follow the notes to the financial statements, presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short- term volatility in actuarial accrued liabilities and the actuarial values of assets, consistent with the long-term perspective of the calculations.

In the February 1, 2015 actuarial valuation, the Entry Age Normal Actuarial Cost Method was used. The actuarial assumptions included a 7 percent investment rate of return (net of administrative expenses), based on the Plan being funded in an irrevocable employee benefit trust fund invested in a long-term fixed income portfolio. Healthcare cost trend rates assumed 4 percent per year. The initial UAAL was amortized using level percent, closed 30 year amortization. The remaining amortization period at February 1, 2015, was 25 years. The actuarial value of assets of $62,328,025 was determined in this actuarial valuation. At June 30, 2016, the Trust held net assets in the amount of $80,355,999 in investments with Benefit 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. 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, 2016.

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, 2016.

Operating Leases: The District has entered into various operating leases for equipment with no 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

(Continued)

NOTE 15 - COMMITMENTS AND CONTINGENCIES (Continued)

Construction Commitments: As of June 30, 2016, the District has approximately $11.4 million in outstanding commitments on construction contracts. The projects are funded through a combination of general obligation bonds and capital project apportionments from the State Chancellor's Office.

NOTE 16 - JOINT POWER AGREEMENTS

The District participates in joint ventures under joint power agreements with the following joint powers authorities (JPAs): School Excess Liability Fund (SELF) and San Mateo County School Insurance Group (SMCSIG). There have been no significant reductions in insurance coverage from the prior year. The relationship between the District and the JPAs is such that the JPAs are not component units of the District for financial reporting purposes. The JPAs arrange for and provide property, liability, workers' compensation, dental, vision, and excess liability coverage for their members. Each member pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to its participation in the JPA. Settled claims have not exceeded commercial insurance coverage in any of the past three years.

Each JPA is governed by a board consisting of representatives from the members. The boards control the operations of the JPAs, including selection of management and approval of operating budgets, independent of any influence by the members beyond their representation on the boards. Each member pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to its participation in the JPA. The District's share of year end assets, liabilities, or fund equity is not calculated by the JPA's. Separately issued financial statements can be requested from each JPA.

Condensed financial information of the JPAs for the most recent year available is as follows:

	SELF June 30, 2015	SMCSIG June 30, 2015
Total assets	$ 154,826,708	$ 19,703,399
Total liabilities	$ 122,637,079	$ 9,451,640
Net position	$ 32,189,629	$ 10,251,759
Total revenues	$ 11,968,752	$ 38,524,604
Total expenses	$ 23,063,637	$ 36,249,636
Change in net position	$ (11,094,885)	$ 2,274,968

NOTE 17 - SUBSEQUENT EVENT

The District issued $25 million of Tax and Revenue Anticipation Notes dated July 14, 2016. The notes mature on June 30, 2017, and yield 0.6 percent interest. The notes were sold to supplement cash flow. Repayment requirements are that 50 percent of principal and interest be deposited with the Fiscal Agent by January 1, 2017, and 100 percent of principal and interest due is on account on April 30, 2017.

(Continued)

NOTE 18 - RESTATEMENT

The July 1, 2015 net position has been restated to correct an error for the understatement of the net OPEB asset. The correction increased the July 1, 2015 beginning net position by $47,866,377. Additionally, for the year ended June 30, 2015 the change in net position would have increased $12,126,178 if the OPEB asset were recorded in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
September 1, 2006	$ -	$149,530,877	$149,530,877	0%	$ 87,823,351	170%
September 8, 2009	$ -	$135,296,490	$135,296,490	0%	$ 92,142,686	147%
September 8, 2009*	$ -	$135,296,490	$135,296,490	0%	$ 85,080,018	159%
February 1, 2011	$ 15,643,762	$118,932,929	$103,280,167	13.15%	$ 90,671,696	114%
February 1, 2013	$ 34,870,628	$125,352,953	$ 90,482,325	27.82%	$ 97,167,462	93%
February 1, 2015	$ 62,328,025	$119,086,798	$ 56,758,773	52.34%	$ 85,568,412	66%

* Revised

Schedule of Employer Contributions

Fiscal Year Ended	Annual Required Contribution (ARC)	Contributions	Percentage of ARC Contributed
June 30, 2008	$ 9,056,503	$ 6,347,500	70%
June 30, 2009	$ 8,175,590	$ 6,534,170	80%
June 30, 2010	$ 7,383,929	$ 11,167,718	151%
June 30, 2011	$ 7,702,017	$ 17,100,154	222%
June 30, 2012	$ 7,702,017	$ 17,103,043	223%
June 30, 2013	$ 8,642,396	$ 17,103,043	198%
June 30, 2014	$ 8,642,396	$ 16,912,318	196%
June 30, 2015	$ 7,138,932	$ 19,265,110	270%
June 30, 2016	$ 7,138,932	$ 19,254,664	270%

The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

State Teacher's Retirement Plan
Last 10 Fiscal Years

	2015	2016
District's proportion of the net pension liability	0.105%	0.105%
District's proportionate share of the net pension liability	$ 60,122,504	$ 70,426,000
State's proportionate share of the net pension liability associated with the District	37,062,000	37,248,000
Total net pension liability	$ 97,184,504	$107,674,000
District's covered-employee payroll	$ 46,781,000	$ 48,554,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	128.52%	145.05%
Plan fiduciary net position as a percentage of the total pension liability	76.52%	74.02%

The amounts presented for each fiscal year were determined as of the year end that occurred one year prior.

All years prior to 2015 are not available.

(Continued)

Public Employers Retirement Fund B
Last 10 Fiscal Years

	2015	2016
District's proportion of the net pension liability	0.358%	0.363%
District's proportionate share of the net pension liability	$ 40,542,482	$ 53,485,000
District's covered-employee payroll	$ 37,548,000	$ 40,172,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	107.98%	133.14%
Plan fiduciary net position as a percentage of the total pension liability	83.38%	79.43%

The amounts presented for each fiscal year were determined as of the year end that occurred one year prior.

All years prior to 2015 are not available.

State Teachers' Retirement Plan
Last 10 Fiscal Years

	2015	2016
Contractually required contribution	$ 4,311,554	$ 4,900,874
Contributions in relation to the contractually required contribution	$ 4,311,554	$ 4,900,874
Contribution deficiency (excess)	$ -	$ -
District's covered-employee payroll	$ 48,554,000	$ 45,675,000
Contributions as a percentage of covered-employee payroll	8.88%	10.73%

All years prior to 2015 are not available.

(Continued)

Public Employers Retirement Fund B
Last 10 Fiscal Years

	2015	2016
Contractually required contribution	$ 4,728,591	$ 5,252,004
Contributions in relation to the contractually required contribution	$ 4,728,591	$ 5,252,004
Contribution deficiency (excess)	$ -	$ -
District's covered-employee payroll	$ 40,172,000	$ 44,332,000
Contributions as a percentage of covered-employee payroll	11.77%	11.85%

All years prior to 2015 are not available.

NOTE 1 - PURPOSE OF SCHEDULES

A - Schedule of Other Postemployment Benefits Funding Progress

The Schedule of Funding Progress presents multi-year trend information which compares, over time, the actuarially accrued liability for benefits with the actuarial value of accumulated plan assets.

B - Schedule of Employer Contributions

The Schedule of Employer Contributions presents the actuarially determined annual required contribution (ARC) and the percentage of that ARC that was contributed by the District into the OPEB Trust fund.

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

The Schedule of the District's Proportionate Share of the Net Pension Liability is presented to illustrate the elements of the District's Net Pension Liability. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

D - Schedule of the District's Contributions

The Schedule of the District's Contributions is presented to illustrate the District's required contributions relating to the pensions. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

E - Changes of Benefit Terms

There are no changes in benefit terms reported in the Required Supplementary Information.

F - Changes of Assumptions

The discount rate for Public Employer's Retirement Fund was 7.50 percent and 7.65 percent in the June 30, 2013 and June 30, 2014 actuarial reports, respectively. There are no changes in assumptions reported for the State Teachers' Retirement Plan.

SUPPLEMENTARY INFORMATION

The San Mateo County Community College District was established in 1922, and includes three college campuses located in San Mateo County. There were no changes in the boundaries of the District during the current year. The District's three colleges are each accredited by the Accrediting Commission for Community and Junior Colleges, Western Association of Schools and Colleges.

BOARD OF TRUSTEES

Members	Office	Term Expires
Dave Mandelkern	President	2020
Thomas Mohr	Vice President-Clerk	2018
Richard Holober	Trustee	2018
Karen Schwarz	Trustee	2020
Maurice Goodman	Trustee	2020
Dennis Zheng	Student Trustee	2017

ADMINISTRATION

Mr. Ron Galatolo
Chancellor

Ms. Kathy Blackwood
Executive Vice Chancellor

Mr. Michael Claire
President, College of San Mateo

Dr. Jamillah Moore
President, Cañada College

Dr. Regina Stanback-Stroud
President, Skyline College

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass Through Grant Number	Federal Expend- itures
Department of Education			
Direct Programs:			
Student Financial Aid Cluster:			
Federal Work Study Program	84.033	-	$ 480,122
Pell Grant Program	84.063	-	15,168,648
SEOG	84.007	-	447,027
Direct Student Loans	84.268	-	1,677,132
Subtotal Student Financial Aid Cluster			17,772,929
TRIO Cluster:			
Student Support Services	84.042A	-	702,640
Upward Bound	84.047A	-	266,126
Subtotal TRIO Cluster			968,766
Higher Education Program:			
Higher Education -Institutional Aid HSI STEM	84.031C	-	1,152,856
Higher Education -Institutional Aid HSI Coop	84.031S	-	970,642
Subtotal Higher Education			2,123,498
Minority Science and Engineering Improvement	84.120	-	155,172
Passed through California Community Colleges Chancellor's Office:			
CTEA I-C Basic Grants to States	84.048A	15-C01-052	686,365
Passed through California Department of Rehabilitation:			
Vocational Rehabilitation-Workability	84.126A	28851	78,827
Total Department of Education			21,785,557
Department of Health and Human Services			
Passed through California Community Colleges Chancellor's Office:			
Temporary Assistance for Needy Families (TANF)	93.558	Not available	90,284
Passed through California Department of Education/CDTC:			
Child Care Development Cluster:			
Child Care and Development Block Grant	93.575	15-16-3939, 15-16-4047, CCTR5255	31,914
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	CCTR5255	19,384
Subtotal Child Care Development Cluster			51,298
Total Department of Health and Human Services			141,582
Department of Agriculture			
Passed through California Department of Education:			
Child and Adult Care Food program	10.558	1754-0A	35,289
Passed through California Department of Food and Agriculture			
Plant and Animal Disease, Pest Control, and Animal Care	10.025	14-0551-SF	5,508
Total Department of Agriculture			40,797

(Continued)

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass Through Grant Number	Federal Expend-itures
Institute of Museum and Library Services			
Direct Program:			
National Leadership Grants	45.312	SP-02-14-0042-14	$ 15,130
National Science Foundation			
Direct Program:			
Education and Human Resources	47.076	-	356,703
Passed through University of New Haven:			
Engineering Grants	47.041	FD15-1	8,641
Total National Science Foundation			365,344
National Aeronautics and Space Administration			
Passed through Jacobs Technology Inc.:			
Aeronautics	43.002	ATM1408913	17,059
Small Business Administration			
Passed through Humboldt State University Sponsored Programs Foundation:			
Small Business Development Centers	59.037	F0810, F0908	93,414
Passed through California Community Colleges Chancellor's Office:			
State Trade and Export Promotion Pilot Grant Program	59.061	F15-0072	33,835
Total Small Business Administration			127,249
Department of the Treasury			
Passed through United Way of the Bay Area:			
Volunteer Income Tax Assistance (VITA) Matching Grant Program	21.009	Not Available	7,500
Department of Transportation			
Passed through San Francisco Bay Area Rapid Transit District:			
Public Transportation Research, Technical Assistance, and Training	20.514	Not Available	4,233
Total Federal Programs			$ 22,504,451

See accompanying note to supplementary information.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF STATE FINANCIAL AWARDS
For the Year Ended June 30, 2016

	Program Revenues				
	Cash Received*	Accounts Receivable	Unearned Revenue	Total Revenue	Total Program Expenditures
General Fund					
Disabled Students Programs and Services	$ 1,765,437	$ -	$ -	$ 1,765,437	$ 1,765,437
Extended Opportunity Programs and Services	1,824,892	-	-	1,824,892	1,824,892
CARE/EOPS	131,885	-	-	131,885	131,885
Matriculation	6,146,241	-	2,044,446	4,101,795	4,101,795
Foster Parent Training	40,752	40,753	-	81,505	81,505
Foster Care CSEC Workshops	-	3,750	-	3,750	3,750
FA Administrative Allowance	967,085	-	-	967,085	967,085
Block Grant - Instructional Equipment	2,398	-	-	2,398	2,398
T-Com and Technology (TTIP)	19,593	-	12,694	6,899	6,899
CalWORKS	390,605	1	-	390,606	390,606
Equal Employment Opportunity	7,798	-	1,637	6,161	6,161
Staff Development	15,301	-	14,745	556	556
MESA/CCCP Funds for Student Success	61,751	36,018	-	97,769	97,769
RCSD CBET Program	26,474	23,526	-	50,000	50,000
Lottery-Prop 20-Instructional Materials	35,788	896,594	-	932,382	800,564
Nursing-Enrollment Growth	150,684	13,103	-	163,787	163,787
Basic Skills 14-15 Appropriation	140,423	-	-	140,423	140,423
CCCCO-CEP-CAA	88,556	870,000	-	958,556	958,556
CCCD CTE Enhancement SKY	248,420	133,795	-	382,215	382,215
CCCD CTE Enhancement CAN	88,434	52,008	-	140,442	140,442
CCCD CTE Enhancement CSM	169,333	18,767	-	188,100	188,100
Peralta CCD Prop 39 Program Improvement Funds	13,258	60,584	-	73,842	73,842
Student Equity	2,716,966	-	1,174,317	1,542,649	1,542,649
Cabrillo CCD DSN/BEC Mini-Grant	7,500	-	-	7,500	7,500
Deputy Navigator-Global	80,000	161,727	-	241,727	241,727
Deputy Navigator-Retail	120,000	127,605	-	247,605	247,605
Scheduled Maintenance	2,329,559	-	-	2,329,559	2,704,093
Deputy Navigator - Global 14-15	81,236	184,500	-	265,736	265,736
Deputy Navigator - Retail 14-15	2,226	180,000	-	182,226	182,226
FHDACCD - DSN Energy 14-15	9,934	-	-	9,934	9,934
Basic Skills 15-16 appropriation	270,000	-	193,948	76,052	76,052
CCSF ATR DSN Auto Bridge	24,908	-	-	24,908	24,908
UC Regents Puente Program	1,500	-	-	1,500	1,500
Cabrillo CCD DSN Sm Bus Mini-Grant	6,132	6,096	-	12,228	12,228
SMUHSD-AB 86 Adult Ed Consortium	10,195	(1)	-	10,194	10,194
SMC HSA CalFresh Skyline	9,583	2,414	-	11,997	11,997
SMC HSA CalFresh Canada	-	15,000	-	15,000	15,000
CCSF ICT DSN Scholar Mentor Program	5,000	-	-	5,000	5,000
UC Regents Puente Program-Canada	1,500	-	-	1,500	1,500
Full-Time Student Success Grant	341,578	-	53,878	287,700	287,700
SJECCD Calif Career Pathways Trust	-	70,974	-	70,974	70,974
Cabrillo CCS DSN Sm Bus Mini-Grant	9,821	-	-	9,821	9,821
Baccalaureate Pilot Degree Program	350,000	-	331,573	18,427	18,427
SMUHSD - ACCEL AEBG	363,580	-	223,394	140,186	140,186
Cabrillo CCD DSN Freelance Mgmt	-	1,686	-	1,686	1,686
Ohlone CCD DSN Biotech Summer	-	7,720	-	7,720	7,720
WV-Mission CCD DSN Health	6,000	-	-	6,000	6,000
CalSTRS On-Behalf Payments	246,079	-	-	246,079	246,079
CDE Child Development	127,210	98,758	-	225,968	225,968
Cal Grant	976,937	32,427	3,114	1,006,250	1,006,250
Total	$ 20,432,552	$ 3,037,805	$ 4,053,746	$ 19,416,611	$ 19,659,327

*Cash received includes funds received in prior years.

See accompanying note to supplementary information.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF WORKLOAD MEASURES FOR STATE
GENERAL APPORTIONMENT ANNUAL ATTENDANCE
Annual Attendance as of June 30, 2016

Categories	Reported Data	Audit Adjustments	Revised Data
A. Summer Intersession (Summer 2015 only)			
1. Noncredit	14	-	14
2. Credit	2,194	-	2,194
B. Summer Intersession (Summer 2016 - Prior to July 1, 2016)			
1. Noncredit	-	-	-
2. Credit	-	-	-
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
a. Weekly Census Contact Hours	11,833	-	11,833
b. Daily Census Contact Hours	556	-	556
2. Actual Hours of Attendance Procedure Courses			
a. Noncredit	73	-	73
b. Credit	487	-	487
3. Alternative Attendance Accounting Procedure			
a. Weekly Census Procedure Courses	1,967	-	1,967
b. Daily Census Procedure Courses	163	-	163
c. Noncredit Independent Study/Distance Ed	-	-	-
D. Total FTES	17,287	-	17,287
Supplementary Information:			
E. In-Service Training Courses (FTES)	-	-	-
H. Basic Skills Courses and Immigrant Education			
a. Noncredit	94	-	94
b. Credit	1,225	-	1,225
CCFS 320 Addendum			
CDCP	-	-	-
Center FTES			
a. Noncredit	-	-	-
b. Credit	-	-	-

See accompanying note to supplementary information.

There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2016.

RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

June 30, 2016

General fund		$ 47,242,441
Debt service fund		54,208,973
Special revenue funds		11,312,735
Capital projects funds		225,703,600
Internal service fund		7,559,622
Auxiliary funds		12,410,639
Total fund balances - business-type activity funds		358,438,010
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used for governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. However, capital assets, net of accumulated depreciation are added to total net assets.		
Total District capital assets	$ 623,539,762	
less Special revenue fund capital assets	(258,565)	
		623,281,197
Net OPEB assets are recognized in the government-wide financial statements and not recognized in the fund financial statements.		59,739,768
In government funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported:		
Deferred outflows of resources relating to pensions	$ 13,209,878	
Deferred inflows of resources relating to pensions	(12,035,000)	
		1,174,878
Unmatured interest on long-term liabilities is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred.		(9,176,496)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at June 30, 2016 consisted of:		
General obligation bonds	$ (644,384,027)	
Unamortized bond premiums	(49,070,723)	
Accreted interest	(185,648,323)	
Net pension liability	(123,911,000)	
Compensated absences	(4,409,068)	
Accounts payable	1,000,000	
		(1,006,423,141)
Losses on refundings of debt are categorized as deferred outflows and are amortized over the shortened life of the refunded or refunding of the debt.		15,143,558
Total net position - business-type activities		$ 42,177,774

See accompanying note to supplementary information.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION
For the Year Ended June 30, 2016

	Object/TOP Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110 Reported Data	Audit Adjustments	Revised Data	Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799 Reported Data	Audit Adjustments	Revised Data
Academic Salaries							
Instructional salaries:							
Contract or regular	1100	$ 24,000,800	$ -	$ 24,000,800	$ 24,000,800	$ -	$ 24,000,800
Other	1300	18,396,483	-	18,396,483	18,500,530	-	18,500,530
Total instructional salaries		42,397,283	-	42,397,283	42,501,330	-	42,501,330
Non-instructional salaries:							
Contract or regular	1200	-	-	-	11,106,034	-	11,106,034
Other	1400	-	-	-	1,052,302	-	1,052,302
Total non-instructional salaries		-	-	-	12,158,336	-	12,158,336
Total academic salaries		42,397,283	-	42,397,283	54,659,666	-	54,659,666
Classified Salaries							
Non-instructional salaries:							
Regular status	2100	-	-	-	25,918,920	-	25,918,920
Other	2300	-	-	-	2,115,214	-	2,115,214
Total non-instructional salaries		-	-	-	28,034,134	-	28,034,134
Instructional aides:							
Regular status	2200	1,872,729	-	1,872,729	1,963,796	-	1,963,796
Other	2400	526,714	-	526,714	526,714	-	526,714
Total instructional aides		2,399,443	-	2,399,443	2,490,510	-	2,490,510
Total classified salaries		2,399,443	-	2,399,443	30,524,644	-	30,524,644
Employee benefits	3000	18,676,800	-	18,676,800	35,825,889	-	35,825,889
Supplies and materials	4000	-	-	-	1,752,505	-	1,752,505
Other operating expenses	5000	26,530	-	26,530	9,999,531	-	9,999,531
Equipment replacement	6420	-	-	-	-	-	-
Total expenditures prior to exclusions		$ 63,500,056	$ -	$ 63,500,056	$132,762,235	$ -	$132,762,235

(Continued)

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION
For the Year Ended June 30, 2016

		Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
Exclusions	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Activities to exclude:							
Instructional staff-retirees' benefits and retirement incentives	5900	$ 4,366,511	$ -	$ 4,366,511	$ 4,366,511	$ -	$ 4,366,511
Student health services above amount collected	6441	-	-	-	411,419	-	411,419
Student transportation	6491	-	-	-	52,464	-	52,464
Noninstructional staff-retirees' benefits and retirement incentives	6740	-	-	-	2,888,154	-	2,888,154
Objects to exclude:							
Rents and leases	5060	-	-	-	93,135	-	93,135
Lottery expenditures		-	-	-	-	-	-
Academic salaries	1000	-	-	-	2,715,554	-	2,715,554
Classified salaries	2000	-	-	-	-	-	-
Employee benefits	3000	-	-	-	-	-	-
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		-	-	-	-	-	-
Other operating expenses and services	5000	-	-	-	-	-	-
Capital outlay	6000	-	-	-	-	-	-
Library books	6300	-	-	-	-	-	-
Equipment:							
Equipment - additional	6410	-	-	-	-	-	-
Equipment - replacement	6420	-	-	-	-	-	-
Total equipment		-	-	-	-	-	-
Total capital outlay		-	-	-	-	-	-
Other outgo	7000	-	-	-	-	-	-
Total exclusions		4,366,511	-	4,366,511	10,527,237	-	10,527,237
Total for ECS 84362, 50% Law		$ 59,133,545	$ -	$ 59,133,545	$ 122,234,998	$ -	$ 122,234,998
Percent of CEE (instructional salary cost /Total CEE)		48.38 %	-	48.38 %	100.00%	-	100.00%
50% of current expense of education		-	-	-	$ 61,117,499	-	$ 61,117,499

See accompanying note to supplementary information.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
PROPOSITION 30 EDUCATION PROTECTION ACCOUNT (EPA) EXPENDITURE REPORT
For the Year Ended June 30, 2016

EPA Proceeds: $ 1,744,298

Activity Classification	Activity Code (0100-5900)	Salaries and Benefits (1000-3000)	Operating Expenses (4000-5000)	Capital Outlay (6000)	Total
Instructional Activities	0100-5900	$ 1,415,943	$ -	$ -	$ 1,415,943
Course and curriculum development		-	-	-	-
Media	6130	213,247	-	-	213,247
Counseling and guidance		-	-	-	-
Custodial services	6530	115,108	-	-	115,108
Grounds maintenance and repairs		-	-	-	-
Planning, policy making and coordination		-	-	-	-
Total expenditures		$ 1,744,298	$ -	$ -	$ 1,744,298
Revenues less expenditures					$ -

See accompanying note to supplementary information.

NOTE 1 - PURPOSE OF SCHEDULES

A - Schedule of Expenditure of Federal Awards

The Schedule of Expenditure of Federal Awards includes the federal award activity of San Mateo Community College District, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the 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). Expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-21, Cost Principles for Educational Institutions or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenses, and Changes in Net Position and the related expenditures reported on the Schedule of Expenditures of Federal Awards.

Description	CFDA Number	Amount
Total federal revenues per Statement of Revenues, Expenses, and Change in Net Position		22,508,197
Unrestricted federal - other		(3,746)
Total Federal Programs		$ 22,504,451

B - Schedule of State Financial Awards

The accompanying Schedule of State Financial Awards includes State grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented to comply with reporting requirements of the California Community College Chancellor's Office.

C - Schedule of Workload Measures for State General Apportionment

Full-time equivalent students is a measurement of the number of students attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to community college districts. This schedule provides information regarding the annual attendance measurements of students throughout the District.

D - 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 CCFS-311 to the audited financial statements.

E - Reconciliation of Governmental Funds to the Statement of Net Position

This schedule provides the information necessary to reconcile the fund balances to the audited financial statements.

(Continued)

NOTE 1 - PURPOSE OF SCHEDULES (Continued)

F - Reconciliation of ECS 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.

G - Proposition 30 Education Protection Account (EPA) Expenditure Report

This schedule provides information about the District's EPA proceeds and summarizes how the EPA proceeds were spent.

Crowe Horwath.

Crowe Horwath LLP
Independent Member Crowe Horwath International

INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Board of Trustees
San Mateo County Community College District
San Mateo, California

Report on Compliance with State Laws and Regulations

We have audited the compliance of San Mateo County Community College District with the types of compliance requirements described in Section 400 of the *California State Chancellor's Office's California Community College Contracted District Audit Manual (CDAM)* that are applicable to community colleges in the State of California for the year ended June 30, 2016:

Salaries of Classroom Instructors (50 Percent Law)
Apportionment for Instructional Service Agreements/Contracts
State General Apportionment Funding System
Residency Determination for Credit Courses
Students Actively Enrolled
Concurrent Enrollment of K-12 Students in Community College Credit Courses
Student Success and Support Program (SSSP)
Scheduled Maintenance Program
Gann Limit Calculation
Open Enrollment
Student Fees - Health Fees and Use Of Health Fee Funds
Proposition 39 Clean Energy
Intersession Extension Program
Disabled Student Programs and Services (DSPS)
To Be Arranged Hours (TBA)
Proposition 1D State Bond Funded Projects
Proposition 30 Education Protection Account Funds

Management's Responsibility

Management is responsible for compliance with the requirements of state laws and regulations, as listed above.

Auditor's Responsibility

Our responsibility is to express an opinion on San Mateo County Community College District's compliance with state laws and regulations as listed above 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 *California State Chancellor's Office's California Community College Contracted District Audit Manual* (Audit Manual). Those standards and the Audit Manual require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on San Mateo County Community College District’s compliance with the state laws and regulations listed above occurred. An audit includes examining, on a test basis, evidence about San Mateo County Community College 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 in compliance with state laws and regulations. However, our audit does not provide legal determination of San Mateo County Community College District's compliance with those requirements.

(Continued)

Basis for Qualified Opinion on Compliance with State Laws and Regulations

As described in Finding 2016-002 in the accompanying Schedule of Audit Findings and Questioned Costs, San Mateo County Community College District did not comply with the requirements regarding Salaries of Classroom Instructors (50 Percent Law). Compliance with such requirements is necessary, in our opinion, for San Mateo County Community College District to comply with state laws and regulations applicable to Salaries of Classroom Instructors.

Qualified Opinion on Compliance with State Laws and Regulations

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, San Mateo County Community College District complied, in all material respects, with the compliance requirements referred to above that are applicable to the state laws and regulations for the year ended June 30, 2016.

Other Matter

San Mateo County Community College District's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Audit Findings and Questioned Costs. San Mateo Community College District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Purpose of this Report

This report is intended solely to describe the scope of our testing of compliance and the results of that testing based on requirements of the *Contracted District Audit Manual*. Accordingly, this report is not suitable for any other purpose.

Crowe Horwath LLP
Crowe Horwath LLP

Sacramento, California
December 14, 2016

Crowe Horwath.

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Independent Member Crowe Horwath International

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 Mateo County Community College District
San Mateo, California

We have audited, in accordance with the 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, the fiduciary activities and the discretely presented component unit of San Mateo County Community College District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise San Mateo County Community College District's basic financial statements, and have issued our report thereon dated December 14, 2016. The financial statements of San Mateo County Community Colleges Educational Housing Corporation were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instance of reportable noncompliance associated with San Mateo County Community Colleges Educational Housing Corporation.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered San Mateo County Community College 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 San Mateo County Community College District's internal control. Accordingly, we do not express an opinion on the effectiveness of San Mateo County Community College District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Audit Findings and Questioned Costs and Findings 2016-001 and 2016-002, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Audit Findings and Questioned Costs as Finding 2016-001 to be a material weakness.

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. We consider the deficiency described in the accompanying Schedule of Audit Findings and Questioned Costs as Finding 2016-002 to be a significant deficiency.

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether San Mateo County Community College District's financial statements are free of 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 Mateo County Community College District Response to Findings

San Mateo County Community College District's responses to the findings identified in our audit are described in the accompanying Schedule of Audit Findings and Questioned Costs. San Mateo Community College District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 14, 2016

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Board of Trustees
San Mateo County Community College District
San Mateo, California

Report on Compliance for Each Major Federal Program

We have audited San Mateo County Community College District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of San Mateo County Community College District's major federal programs for the year ended June 30, 2016. San Mateo County Community College 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 the Federal statues, 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 San Mateo County Community College 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 San Mateo County Community College 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 San Mateo County Community College District's compliance.

Opinion on Each Major Federal Program

In our opinion, San Mateo County Community College 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, 2016.

(Continued)

Report on Internal Control Over Compliance

Management of San Mateo County Community College 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 San Mateo County Community College 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 San Mateo County Community College 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 14, 2016

FINDINGS AND RECOMMENDATIONS

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	X Yes	____ No
Significant deficiency(ies) identified not considered to be material weakness(es)?	X Yes	____ None reported
Noncompliance material to financial statements noted?	____ Yes	X No

FEDERAL AWARDS

Internal control over major programs:		
Material weakness(es) identified?	____ Yes	X No
Significant deficiency(ies) identified not considered to be material weakness(es)?	____ Yes	X None reported
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	____ Yes	X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.033, 84.063, 84.007 and 84.268	Student Financial Aid Cluster
84.042A and 84.047A	TRIO Cluster

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

STATE AWARDS

Type of auditor's report issued on compliance for state programs:	Qualified - 50 Percent Law

(Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS

2016-001 MATERIAL WEAKNESS - FINANCIAL REPORTING

Criteria

Accounting principles generally accepted in the United States of America, as prescribed by the Government Accounting Standards Board (Governmental GAAP), requires entities to establish and maintain effective internal control over financial reporting.

Condition

The District's statement of net position prepared for the year ended June 30, 2015 did not include the net OPEB asset. The information about the net asset was only presented in the notes to the financial statements.

In addition, the 2014 General Obligation Refunding Bond activity was not reflected correctly in the District's financial statements.

Effect

The effect of this deficiency was an understatement of net position of $47,866,377 as of July 1, 2015 for the net OPEB asset.

Cause

The District did not establish the requisite internal control procedures to ensure that OPEB activity and refunding debt activity on a full accrual basis was included correctly in the District's financial statements.

Fiscal Impact

There is no fiscal impact as the District has restated the beginning net position to record the OPEB asset as of July 1, 2015. Additionally the District recorded the appropriate journal entries in the current fiscal year to record the net OPEB asset and the impact of refunding debt as of June 30, 2016.

Recommendation

We recommend that the District implement controls to ensure any net OPEB asset or liability and all debt activity are recorded correctly in the financial statements.

Corrective Action Plan

The District has established controls that will ensure any net OPEB asset or liability and all debt activity will be communicated with the auditors and included in the financial statements.

(Continued)

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

(Continued)

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2016-002 STATE COMPLIANCE - SIGNIFICANT DEFICIENCY - SALARIES OF CLASSROOM INSTRUCTORS (50 PERCENT LAW) (30000)

Criteria

Education Code Section 84362, commonly known as the 50 Percent Law, requires that a minimum of 50 percent of the district's Current Expense of Education (CEE) be expended during each fiscal year for "Salaries of Classroom Instructors."

Condition

The District failed to meet the required 50 percent minimum.

Effect

Less than 50 percent of the District’s Current Expense of Education (CEE) was expended for salaries of classroom instructors, thereby the District is not in compliance with Education Code Section 84362.

Cause

The District has chosen to not be in compliance with the 50 Percent Law.

Fiscal Impact

Not determinable.

Recommendation

The District should come into compliance with the 50 Percent Law by expending a higher amount of the District's CEE for salaries of classroom instructors, or by reducing non-instructional costs.

Corrective Action Plan

If the District chooses to come into compliance with the 50 Percent Law, the District will either increase instructional expenditures or reduce non-instructional expenditures.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding/Recommendation	Current Status	District Explanation If Not Fully Implemented

No matters were reported.