

SAN FRANCISCO
COMMUNITY COLLEGE DISTRICT

GENERAL OBLIGATION BOND FUNDS
(ELECTION OF 2001, SERIES A, B, AND C
AND
ELECTION OF 2005, SERIES A, B, C, AND D)

AUDIT REPORT

JUNE 30, 2016

SAN FRANCISCO
COMMUNITY COLLEGE DISTRICT

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FINANCIAL SECTION

Vavrinek, Trine, Day & Co., LLP

Certified Public Accountants

VALUE THE DIFFERENCE

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT
GENERAL OBLIGATION BOND FUNDS
(ELECTION OF 2001, SERIES A, B, AND C AND
ELECTION OF 2005, SERIES A, B, C, AND D)

BALANCE SHEET
JUNE 30, 2016

ASSETS

Cash and investments 3881 -0.95 5.8 (S)JTJ EMC056.4 595.5e8cON BOND FUNDS

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SAN FRANCISCO COMMUNITY COLLEGE DISTRICT
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STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE
 FOR THE YEAR ENDED JUNE 30, 2016

	2001 Election	2005 Election	Total
REVENUES			
Local revenues	\$ 75,894	\$ 314,084	\$ 389,978
EXPENDITURES			
Salaries and benefits	-	9,575	9,575
Legal services	-	584,162	584,162
Other operating expenses	-	728,283	728,283
Capital outlay	-	2,701,694	2,701,694
Total Expenditures	-	4,023,714	4,023,714
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	75,894	(3,709,630)	(3,633,736)
FUND BALANCE, BEGINNING OF YEAR	1,496,119	54,060,328	55,556,447
FUND BALANCE, END OF YEAR	\$ 1,572,011	\$ 50,350,698	\$ 51,922,711

See the accompanying notes to financial statements.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of San Francisco Community College District (the District) Bond Funds (the Bond Funds) conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA). The Bond Funds account for the financial transactions in accordance with the policies and procedures of the California Community Colleges Budget and Accounting Manual.

Financial Reporting Entity

The financial statements include only the Bond Funds of the District used to account for Proposition 39 Bond projects. These funds were established to account for the proceeds and expenditures of general obligation bonds issued under the General Obligation Bond Elections of 2001 and 2005. These financial statements are not intended to present fairly the financial position and results of operations of the District in compliance with accounting principles generally accepted in the United States of America.

Fund Accounting

The operations of the Bond Funds are accounted for in a separate set of self-balancing accounts that comprise the assets, liabilities, fund balance, revenues, and expenditures. Resources are allocated to and accounted for in the funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

The Bond Funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financial sources) and uses (expenditures and other financing uses) of current financial resources. These fund financial statements do not include the adoption of GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. The District was not required to adopt GASB Statement No. 54 under the reporting requirements of GASB Statement No. 35.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. The District's Board and Special Trustee adopt an operating budget no later than July 1 in accordance with State law. A public hearing must be conducted to receive comments prior to adoption. The District's Board and Special Trustee satisfied these requirements. The Board and Special Trustee revise this budget during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

Encumbrances

The District utilizes an encumbrance accounting system under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated when the commitments are paid and all outstanding encumbrances lapse at June 30.

Fund Balance – Governmental Funds

As of June 30, 2016, the fund balance of the General Obligation Bond funds was classified as follows:

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation, because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Change in Accounting Principles

In February 2015, the GASB issued Statement No. 72, Value Measurement and Application. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of value is 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. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The District has implemented the provisions of this Statement as of June 30, 2016.

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In June 2015, the GASB issued Statement No. 76, Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of State and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

This Statement supersedes GASB Statement No. 75, Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.

The District has implemented the provisions of this Statement as of June 30, 2016.

In December 2015, the GASB issued Statement No. 79, Certain External Investment Pools and Pool Participants. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 - DEPOSITS AND INVESTMENTS

Policies and Practices

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT
 GENERAL OBLIGATION BOND FUNDS
 (ELECTION OF 2001, SERIES A, B, AND C AND
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NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016

Summary of Deposits and Investments

Deposits and investments as of June 30, 2016, consist of the following:

	Reported Value
San Francisco County Pooled Investment Fund	\$ 52,645,712
Investment with fiscal agent	112,181
Total Deposits and Investme	<u>\$ 52,757,89</u>

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

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

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

The District's fair value measurements are as follows at June 30, 2016:

Investment Type	Fair Value	Fair Value Measurements Using	
		Level 1 Inputs	Uncategorized
San Francisco County Pooled Investment Fund	\$ 52,653,165	\$ -	\$ 52,653,165
U.S. Treasuries	112,181	112,181	-
	<u>\$ 52,765,346</u>	<u>\$ 112,181</u>	<u>\$ 52,653,165</u>

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2016, consist of the following:

Interest	<u>\$ 80,364</u>
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NOTE 5 - ACCOUNTS PAYABLE

The accounts payable at June 30, 2016, in the amount of \$694,732 represents amounts owed to vendors for both ongoing and completed construction projects.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 6 - FUND BALANCE

Fund balance is composed of the following element:

Restricted for capital projects	<u>\$ 51,922,711</u>
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NOTE 7 - COMMITMENTS AND CONTINGENCIES

As of June 30, 2016, the District was committed under various capital expenditure purchase agreements for bond projects totaling approximately \$1,725,165.

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT
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FINANCIAL STATEMENT FINDINGS
JUNE 30, 2016

None reported.

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2016

SAN FRANCISCO
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GENERAL OBLIGATION B

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT
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PERFORMANCE AUDIT
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INDEPENDENT AUDITOR'S REPORT ON PERFORMANCE

The Board of Trustees and
Citizens' Oversight Committee
San Francisco Community College District
San Francisco, California

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SCOPE OF THE AUDIT

The scope of our performance audit covered the period of July 1, 2015 to June 30, 2016. The population of expenditures tested included all object and project codes associated with the bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other State or local funding sources, other than proceeds of the bonds, were not included within the scope of the audit. Expenditures incurred subsequent to June 30, 2016, were not reviewed or included within the scope of our audit or in this report.

PROCEDURES PERFORMED

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2016, for the Bond Funds. Within the fiscal year audited, we obtained the actual invoices and other supporting documentation for a sample of expenditures to ensure compliance with the requirements of Article XIII A, Section 1(b)(3)(C) of the California Constitution and the Bond Funds as to the approved Bond projects list. We performed the following procedures:

Procedure A - Compliance With the Terms of the Voter Approved General Obligation Bonds and the District's Approved Policies and Procedures

Procedures

1. We reviewed and evaluated the original bond initiatives placed before the voters for both the 2001 and 2005 bond elections to determine the scope of projects that are approved through the bond. We reviewed and evaluated the District's approved policies and procedures related to the bond activity. We selected a representative sample of the actual expenditures incurred through the Bond Funds to determine compliances with the bond initiatives and the approved policies and procedures. In the event any questionable expenditures are identified, we will recommend that the District obtain the opinion of legal counsel as to the legality of the expenditure to the Bond Funds.
2. Verified that the expenditures of funds were accounted for separately in the accounting records to allow for accountability.
3. Selected all salary transactions and determine, based on personnel or payroll records and time sheet, amounts expended were in support of the 2001 and 2005 bond elections and not for District general administration or operations.

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2. The expenditures of the Bond Funds are accounted for in separate funds in the District's general ledger to allow for accountability.
3. All salaries expended in the Bond Funds were in support of the 2001 and 2005 bond elections and not for District general administration or operations.

Procedure B - Compliance With Regulations Related to Bid Procedures as Provided Within State Code Sections Related to Community Colleges and Board Approved Policies

Procedure

We will review the District's policies related to contract bid requirements and select a representative sample of project contracts during the 2015-2016 fiscal year that are subject to the bid requirements. We will assess the compliance with the California Public Contract Code Section 20651(b) and relevant District policies and procedures and prepare a schedule of the results of our procedures.

Results

The California Public Contract Code Section 20651(b) requires all bid contracts shall be let to the lowest bidder who shall give security as the Board and Special Trustee require, or else reject all bids. The District policies require maintenance of bid documents including: evidence of advertising, bid tally sheets, bids received, and all other information used in awarding a bid. The District had three contracts go out to bid in the current year.

<u>Project</u>	<u>Contractor</u>	<u>In Compliance</u>
Facilities Master Plan	TBP Architecture	Yes
Child Development Relocation	Rodan Builders	Yes
Child Development Relocation	Enviroplex	Yes

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Procedure D - Review of Project Budgets and Compliance With Board Approvals for Projects Through the Bond Funds

Procedure

We will obtain the approved budgets for each project in place during the 2015-2016 fiscal year and assess the District's compliance with budget monitoring and communication to the Board and Special Trustee when project costs have exceeded approved budgets. We will prepare a schedule of projects, the approved budget, and costs

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CONCLUSION

The results of our tests indicated that, in all significant respects, the District has properly accounted for the expenditures held in the Bond Funds and that such expenditures were made for authorized Bond projects. Further, salaries of administrators were charged to the Bond Fund only to the extent they performed administrative oversight for construction projects as allowed by opinion 04-110 issued on November 9, 2004, by the State of California Attorney General. District procedures for disbursement of funds were applied in accordance with laws and regulations, as well as policies approved by the Board of Trustees.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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None reported.

