



Financial and Performance Audits  
General Obligation Bond Funds  
(Election of 2001 and Election of 2005)  
June 30, 2020

San Francisco Community College  
District

San Francisco Community College District  
General Obligation Bond Funds (Election of 2001 and Election of 2005)

Table of Contents  
June 30, 2020

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**FINANCIAL AUDIT**

Independent Auditor’s Report .....	1
Financial Statements	
Balance Sheets .....	3
Statements of Revenues, Expenditures, and Changes in Fund Balances .....	4
Notes to Financial Statements .....	5
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 <i>Government Auditing Standards</i> .....	10
Schedule of Findings and Questioned Costs	
Financial Statement Findings .....	12
Summary Schedule of Prior Audit Findings.....	13

**PERFORMANCE AUDIT**

Independent Auditor’s Report on Performance .....	15
Authority for Issuance and Purpose .....	17
Authority for the Audit .....	18
Objectives of the Audit .....	18
Scope of the Audit .....	19
Methodology.....	19
Procedures Performed and Results.....	19
Schedule of Findings and Questioned Costs	
Schedule of Findings and Questioned Costs .....	26
Summary Schedule of Prior Audit Findings.....	27



Financial Audit  
General Obligation Bond Funds  
(Election of 2001 and Election of 2005)  
June 30, 2020

# San Francisco Community College District



## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of San Francisco Community College District (the District) General Obligation Bond Funds (Election of 2001 and Election of 2005), as of and for the year ended June 30, 2020, and the related notes to the 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 statement 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 an opinion 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 of material misstatement.

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the General Obligation Bond Funds (Election of 2001 and Election of 2005) of the District as of June 30, 2020, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 1, the financial statements of the Bond Funds specific to General Obligation Bonds, Election of 2001 and Election of 2005, are intended to present the financial position and the changes in financial position attributable to the transactions of that Fund. They do not purport to, and do not present fairly the financial position of the District as of June 30, 2020, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 27, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Rancho Cucamonga, California  
May 27, 2021

San Francisco Community College District  
 General Obligation Bond Funds (Election of 2001 and Election of 2005)

Balance Sheets  
 June 30, 2020

	2001 Election	2005 Election	Total
<b>Assets</b>			
Cash and investments	\$ (76,299)	\$ 26,340,972	\$ 26,264,673
Accounts receivable	77	163,288	163,365
Total assets	<u>\$ (76,222)</u>	<u>\$ 26,504,260</u>	<u>\$ 26,428,038</u>
<b>Liabilities and Fund Balance</b>			
<b>Liabilities</b>			
Accounts payable	<u>\$ -</u>	<u>\$ 7,268,736</u>	<u>\$ 7,268,736</u>
<b>Fund Balance</b>			
Restricted for capital projects	<u>(76,222)</u>	<u>19,235,524</u>	<u>19,159,302</u>
Total liabilities and fund balance	<u>\$ (76,222)</u>	<u>\$ 26,504,260</u>	<u>\$ 26,428,038</u>

San Francisco Community College District  
 General Obligation Bond Funds (Election of 2001 and Election of 2005)  
 Statements of Revenues, Expenditures, and Changes in Fund Balances  
 Year Ended June 30, 2020

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	<u>2001 Election</u>	<u>2005 Election</u>	<u>Total</u>
Revenues			
Local revenues	\$ 605	\$ 1,282,586	\$ 1,283,191
Expenditures			
Salaries and benefits	-	1,054,427	1,054,427
Supplies	187	42,726	42,913
Services and other expenditures	-	396,629	396,629
Capital outlay	2,336,116	22,426,491	24,762,607
Total expenditures	<u>2,336,303</u>	<u>23,920,273</u>	<u>26,256,576</u>
Net Change in Fund Balances	(2,335,698)	(22,637,687)	(24,973,385)
Fund Balances - Beginning	<u>2,259,476</u>	<u>41,873,211</u>	<u>44,132,687</u>
Fund Balances - Ending	<u>\$ (76,222)</u>	<u>\$ 19,235,524</u>	<u>\$ 19,159,302</u>

San Francisco Community College District  
General Obligation Bond Funds (Election of 2001 and Election of 2005)

Notes to Financial Statements  
June 30, 2020

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**Note 1 - Summary of Significant Accounting Policies**

The accounting policies of San Francisco Community College District (the District) General Obligation Bond Funds (Election of 2001 and Election of 2005) conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The General Obligation Bond Funds (Election of 2001 and Election of 2005) accounts for financial transactions in accordance with the policies and procedures of the California Community Colleges *Budget and Accounting Manual*.

**Financial Reporting**

The financial statements include only the General Obligation Bond Funds (Election of 2001 and Election of 2005) 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 General Obligation Bond Funds (Election of 2001 and Election of 2005) 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**

The General Obligation Bond Funds (Election of 2001 and Election of 2005) 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 financing sources) and uses (expenditures and other financing uses) of current financial resources.

**Budgets and Budgetary Accounting**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. The District's governing board adopts an operating budget in accordance with State law. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements. The Board revises this budget during the year, as needed, to give consideration to unanticipated revenues and expenditures primarily resulting from events unknown at the time of budget adoption. The District employs budget control by major object. Expenditures cannot legally exceed appropriations by major object account.



San Francisco Community College District  
General Obligation Bond Funds (Election of 2001 and Election of 2005)

Notes to Financial Statements  
June 30, 2020

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### **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.

### **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, liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

### **Fund Balance**

As of June 30, 2020, the fund balance is 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.

## **Note 2 - Deposits and Investments**

### **Policies and Practices**

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

### **Investment in County Treasury Investment Pool**

In accordance with the *Budget and Accounting Manual*, the District maintains substantially all of its cash in the County Treasury as part of the common investment pool. The District is considered to be an involuntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which are recorded on the amortized cost basis.

San Francisco Community College District  
General Obligation Bond Funds (Election of 2001 and Election of 2005)

Notes to Financial Statements  
June 30, 2020

**General Authorizations**

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

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

**Summary of Deposits and Investments**

Deposits and investments as of June 30, 2020, consist of the following:

	Reported Value
Cash with fiscal agent	\$ 94,765
San Francisco County Pooled Treasury Investment Fund	26,169,908
Total deposits and investments	\$ 26,264,673

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the San Francisco County Pooled Treasury Investment Fund. The District maintains a General Obligation Bond Funds (Election of 2001 and Election of 2005) investment of \$26,169,908 with the San Francisco County Pooled Treasury Investment Fund with a weighted maturity of 249 days.

San Francisco Community College District  
General Obligation Bond Funds (Election of 2001 and Election of 2005)

Notes to Financial Statements

June 30, 2020

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**Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the San Francisco County Pooled Treasury Investment Fund is not required to be rated, nor has it been rated as of June 30, 2020.

**Note 3 - Accounts Receivable**

Accounts receivable at June 30, 2020, consisted of accrued interest for a total of \$163,365.

**Note 4 - Accounts Payable**

The accounts payable at June 30, 2020 consisted of amounts due to vendors for services for a total of \$7,268,736.

**Note 5 - Commitments and Contingencies**

**Construction Commitments**

As of June 30, 2020, the District was committed under various capital expenditure purchase agreements for bond projects totaling approximately \$11.3 million.

**Litigation**

The District is not currently a party to any legal proceedings related to the General Obligation Bond Funds (Election of 2001 and Election of 2005).



Independent Auditor's Report  
June 30, 2020

**San Francisco Community College  
District**



**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***

The Board of Trustees and Citizens’ Oversight Committee  
San Francisco Community College District  
San Francisco, 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 accompanying financial statements of San Francisco Community College District (the District) General Obligation Bond Funds (Election of 2001 and Election of 2005), as of and for the year ended June 30, 2020, and the related notes to the financial statements, and have issued our report thereon dated May 27, 2021.

**Emphasis of Matter**

As discussed in Note 1, the financial statements present only the General Obligation Bond Funds specific to Election of 2001 and Election of 2005 are intended to present the financial position and the changes in financial position attributable to the transactions of that Fund. They do not purport to, and do not, present fairly the financial position of the District as of June 30, 2020, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

**Internal Control Over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District’s General Obligation Bond Funds (Election of 2001 and Election of 2005) financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District’s General Obligation Bond Funds (Election of 2001 and Election of 2005) 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 financial statements. 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*.

**Purpose of this Report**

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

A handwritten signature in cursive script that reads "Eide Sully LLP".

Rancho Cucamonga, California  
May 27, 2021

San Francisco Community College District  
General Obligation Bond Funds (Election of 2001 and Election of 2005)  
Financial Statement Findings  
June 30, 2020

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None reported.

San Francisco Community College District  
General Obligation Bond Funds (Election of 2001 and Election of 2005)  
Summary Schedule of Prior Audit Findings  
June 30, 2020

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There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.





Performance Audit  
General Obligation Bond Funds  
(Election of 2001 and Election of 2005)  
June 30, 2020

# San Francisco Community College District



## Independent Auditor's Report on Performance

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

We were engaged to conduct a performance audit of San Francisco Community College District (the District) General Obligation Bond Funds (Election of 2001 and Election of 2005) for the year ended June 30, 2020.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our audit was limited to the objectives listed within the report which includes determining the District's compliance with the performance requirements as referred to in Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution. Management is responsible for the District's compliance with those requirements.

In planning and performing our performance audit, we obtained an understanding of the District's internal control in order to determine if the internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution, but not for the purpose of expressing an opinion of the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

### Other Matters

As described in the accompanying schedule of findings and questioned costs, the District did not comply with requirements referred to in Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution as described in finding number 2020-001. Compliance with such requirements is necessary, in our opinion, for the District to comply, in all material respects, with Proposition 39 and Article XIII A, Section 1(b)(3)(C) of the California Constitution.

This report is intended solely for the information and use of the Board of Trustees, Citizens' Oversight Committee, and management of the District, and is not intended to be and should not be used by anyone other than this specified party.

*Eide Bailly LLP*

Rancho Cucamonga, California  
May 27, 2021

San Francisco Community College District  
General Obligation Bond Funds (Election of 2001, and Election of 2005)

June 30, 2020

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**Authority for Issuance and Purpose**

The General Obligation Bonds were issued pursuant to the Constitution and laws of the State of California (the State), including the provisions of Chapters 1 and 1.5 of Part 10 of the California *Education Code* and other applicable provisions of law.

The 2001 Bonds are authorized to be issued by a resolution adopted by the City and County Board of Supervisors adopted on February 25, 2002, pursuant to resolutions of the Board of Trustees of the District adopted on March 27, 2002 (the Series A Resolution), September 30, 2004 (the Series B Resolution), and March 23, 2006 (the Series C Resolution). The District received authorization at an election held on November 6, 2001, to issue Bonds of the District in an aggregate principal amount not to exceed \$195,000,000 to finance specific construction and renovation projects approved by eligible voters within the District. The proposition required approval by at least 55% of the votes cast by eligible voters within the District (the 2001 Authorization). The District received net proceeds of \$38 million, \$110 million, and \$47 million, respectively, from the Bond Series A, B, and C issuance under the 2001 Authorization.

The net proceeds of the Bonds issued under the 2001 Authorization will be used for the purposes specified in the District bond proposition submitted at the Election, which include new facility construction, renovations, technology infrastructure, and seismic upgrades for approved projects.

The 2005 Bonds are authorized to be issued by a resolution adopted by the City and County Board of Supervisors adopted on April 4, 2006, pursuant to resolutions of the Board of Trustees of the District adopted on March 23, 2006 (the Series A Resolution), September 27, 2007 (the Series B Resolution), and February 25, 2010 (the Series C Resolution) and (the Series D Resolution). The District received authorization at an election held on November 8, 2005, to issue Bonds of the District in an aggregate principal amount not to exceed \$246,300,000 to finance specific construction and renovation projects approved by eligible voters within the District. The proposition required approval by at least 55% of the votes cast by eligible voters within the District (the 2005 Authorization). The District received net proceeds of \$90 million, \$110 million, \$15.6 million, and \$30.7 million, respectively, from the Bond Series A, B, C, and D issuance under the 2005 Authorization.

The net proceeds of the Bonds issued under the 2005 Authorization will be used for the purposes specified in the District bond proposition submitted at the Election, which include construction, renovation, and land acquisition for approved projects.

### **Authority for the Audit**

On November 7, 2000, California voters approved Proposition 39, the Smaller Classes, Safer Schools, and Financial Accountability Act. Proposition 39 amended portions of the California Constitution to provide for the issuance of general obligation bonds by school districts, community college districts, or county offices of education, “for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of rental property for school facilities”, upon approval by 55% of the electorate. In addition to reducing the approval threshold from two-thirds to 55%, Proposition 39 and the enacting legislation (AB 1908 and AB 2659) requires the following accountability measures as codified in *Education Code* Sections 15278-15282:

1. Requires that the proceeds from the sale of the bonds be used only for the purposes specified in Article XIII A, Section 1(b)(3)(C) of the California Constitution, and not for any other purpose, including teacher and administrator salaries and other district operating expenses.
2. The district must list the specific school facilities projects to be funded in the ballot measure, and must certify that the governing board has evaluated safety and information technology needs in developing the project list.
3. Requires the district to appoint a citizens’ oversight committee.
4. Requires the district to conduct an annual independent financial audit and performance audit in accordance with the *Government Auditing Standards* issued by the Comptroller General of the United States of the bond proceeds until all of the proceeds have been expended.
5. Requires the district to conduct an annual independent performance audit to ensure that the funds have been expended only on the specific projects listed.

### **Objectives of the Audit**

1. Determine whether expenditures charged to the General Obligation Bond Funds (Election of 2001 and Election of 2005) have been made in accordance with the Bond project list approved by the voters through the approval of the General Obligation Bonds.
2. Determine whether salary transactions charged to General Obligation Bond Funds (Election of 2001 and Election of 2005) were in support of Bond projects and not for District general administration or operations.
3. Determine whether bids related to General Obligation Bond Funds (Election of 2001 and Election of 2005) projects were provided within State code sections related to community colleges and Board approved policies.
4. Determine whether change orders to previously approved contracts related to General Obligation Bond Funds (Election of 2001 and Election of 2005) projects were approved by the Board of Trustees.

## Scope of the Audit

The scope of our performance audit covered the period of July 1, 2019 to June 30, 2020. 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, 2020, were not reviewed or included within the scope of our audit or in this report.

## Methodology

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2020, for the General Obligation Bond Funds (Election of 2001 and Election of 2005). 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:

## Procedures Performed and Results

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

#### Procedures

1. We identified expenditures and projects charged to the general obligation bond proceeds by obtaining the general ledger and project listing.
2. We selected a sample of expenditures using the following criteria:
  - a. We considered all expenditures recorded in all object codes.
  - b. We considered all expenditures recorded in all projects that were funded from July 1, 2019 through June 30, 2020 from Election of 2001 and Election of 2005 bond proceeds.
  - c. We selected a sample of expenditures using professional judgement, based on risk assessment and consideration of coverage of all object codes, including transfers out, and projects for the period starting July 1, 2019 and ending June 30, 2020.
3. Our sample included nonpayroll transactions totaling \$16,198,107. This represents 64% of the total nonpayroll expenditures of \$25,202,149. Our sample included payroll transactions totaling \$1,052,530. This represents 99% of the total payroll-related expenditures of \$1,054,427.
4. We reviewed the actual invoices and other supporting documentation to determine that:
  - a. Expenditures were supported by invoices with evidence of proper approval and documentation of receipting goods or services.
  - b. Expenditures were supported by proper bid documentation, as applicable.
  - c. Expenditures were expended in accordance with voter-approved bond project list.
  - d. Bond proceeds were not used for salaries of administrators or other operating expenses of the District.

San Francisco Community College District  
General Obligation Bond Funds (Election of 2001 and Election of 2005)

June 30, 2020

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5. We determined that the District has met the compliance requirements of Election of 2001 and Election of 2005 if the following conditions were met:
  - a. Supporting documents for expenditures were aligned with the voter-approved bond projects list.
  - b. Expenditures were not used for salaries of administrators or other operating expenses of the District.

**Results**

As described in the accompanying schedule of findings and questioned costs, the results of our testing indicated that expenditures were used for salaries of administrators. Our sample included payroll transactions totaling \$1,052,530. Of this amount, \$142,104 represents salaries of administrators and other individuals whose positions were not substantially supporting voter-approved bond projects.

Except for the noncompliance described above, the results of our tests indicated that, in all significant respects, San Francisco Community College District has properly accounted for the expenditures held in the General Obligation Bond Funds (Election of 2001 and Election of 2005) and that such expenditures were made for authorized Bond projects.

**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 reviewed the District’s policies related to contract bid requirements and select a representative sample of project contracts during the 2019-2020 fiscal year that are subject to the bid requirements. We assessed 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.

<u>Project</u>	<u>Contractor</u>	<u>In Compliance</u>
Environmental Testing	Impact Sciences	Yes
Temporary Structures	Sprung Instant Structures Inc.	Yes

**Procedure C - Review of Process to Approve Change Orders to Previously Approved Contracts**

**Procedure**

Review a representative sample of change orders that have been processed during the 2019-2020 fiscal year to determine whether the change orders have been approved by the Board of San Francisco Community College District and prepare a schedule of the original approved contract and the change orders affecting the contract along with the dates the change order was approved by the Board.

**Results**

Name of Contractor	Original Contract Amount/Modified Amount	Change Order (CO)/Contract Modification (CM) Amount	Board Approval Date	Board Approved Prior to Contract Execution
CF Contracting	\$ 332,470	\$ 91,000	2/27/2020	Yes
Young Electric Co.	450,000	15,000	1/23/2020	Yes
Tiber Corporation	68,950	76,428	6/25/2020	Yes

**Procedure D - Review of Project Budgets and Compliance with Board Approvals for Projects**

**Procedure**

Obtain the approved budgets for each project in place during the 2019-2020 fiscal year and assess the District's compliance with budget monitoring and communication to the Board when project costs have exceeded approved budgets. Prepare a schedule of projects, the approved budget, and costs incurred through June 30, 2020, with an analysis of funds overspent or available for future expenditure.



San Francisco Community College District  
General Obligation Bond Funds (Election of 2001 and Election of 2005)

June 30, 2020

**Results**

**FINAL BUDGET BY PROJECT**

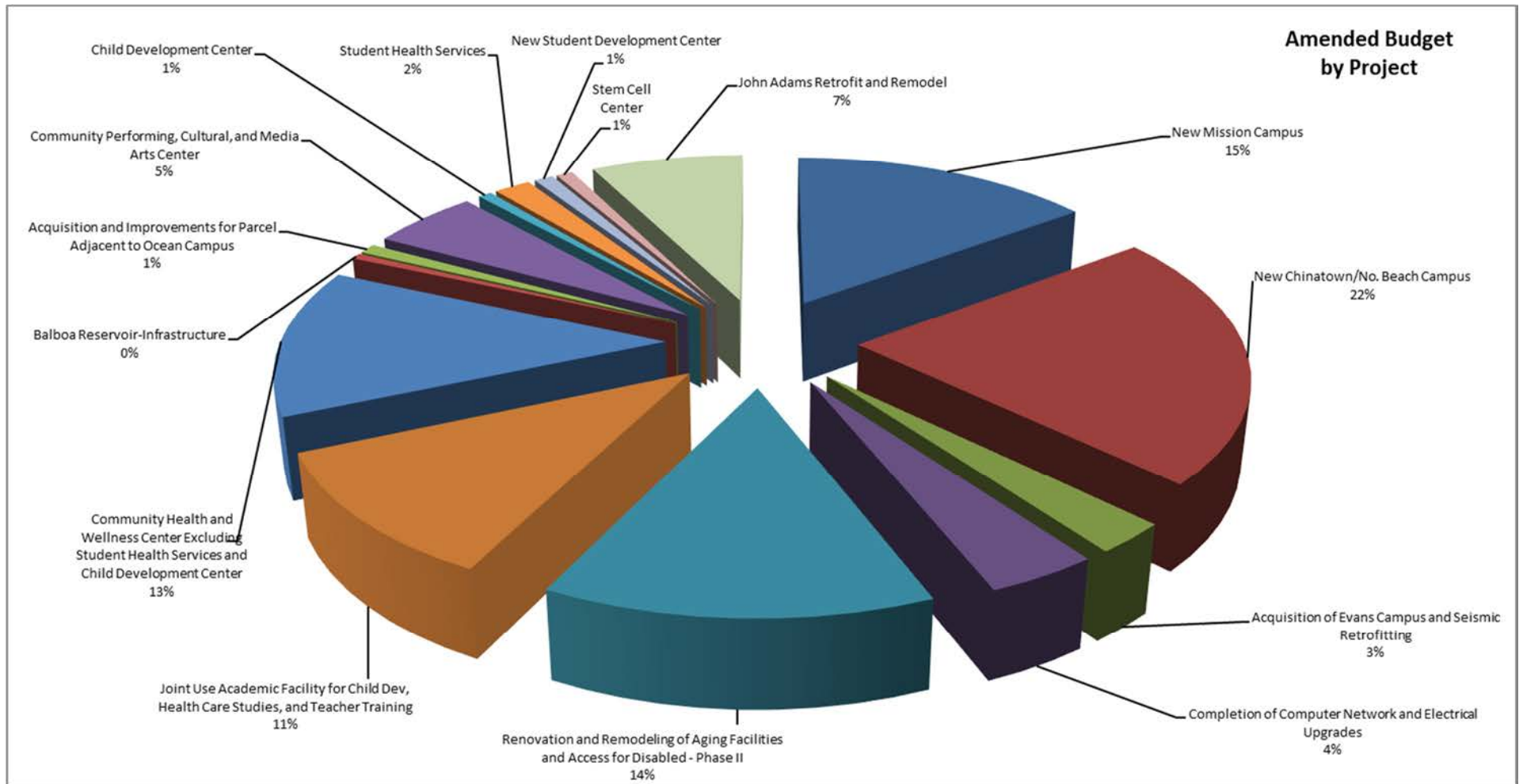
The following schedule represents the final amended budget by project for the Bond Funds:

Project	Original Project Budget	Amended Project Budget	Actual Expenses	Variance	Expected Future Expenses
New Mission Campus	\$ 34,587,000	\$ 93,664,321	\$ 93,664,321	\$ -	\$ -
Chinatown	59,544,000	140,821,494	140,560,907	260,587	365,699
Acquisition of Evans Campus and Seismic Retrofitting	9,161,046	16,739,668	13,621,512	3,118,156	2,712,369
Computer Network	25,883,145	24,927,863	24,230,275	697,588	434,456
Renovations/ADA	50,841,584	85,476,963	72,248,004	13,228,959	9,899,527
Joint Use Academic Facility	39,900,990	69,530,747	69,530,747	-	-
Community Health and Wellness Center Excluding Student Health Services and Child Development Center	16,752,475	82,155,907	82,155,907	-	-
Balboa Reservoir-Infrastructure	12,871,287	3,208,517	3,208,517	-	-
Acquisition and Improvements for Parcel Adjacent to Ocean Campus	5,500,716	5,437,332	5,437,332	-	-
Performing Arts Center	94,747,525	33,373,957	33,373,957	-	934,701
Child Development Center	3,000,000	4,160,805	4,160,805	-	-
Student Health Services	5,000,000	11,323,198	11,323,198	-	-
New Student Development Center	33,000,000	5,934,500	5,039,283	895,217	2,847,359
Stem Cell Center	38,000,000	5,217,642	5,098,759	118,883	2,025,282
John Adams Retrofit and Remodel	10,000,000	47,478,519	47,438,519	40,000	14,500
Total	<u>\$ 438,789,768</u>	<u>\$ 629,451,433</u>	<u>\$ 611,092,043</u>	<u>\$ 18,359,390</u>	<u>\$ 19,233,893</u>

San Francisco Community College District  
 General Obligation Bond Funds (Election of 2001 and Election of 2005)

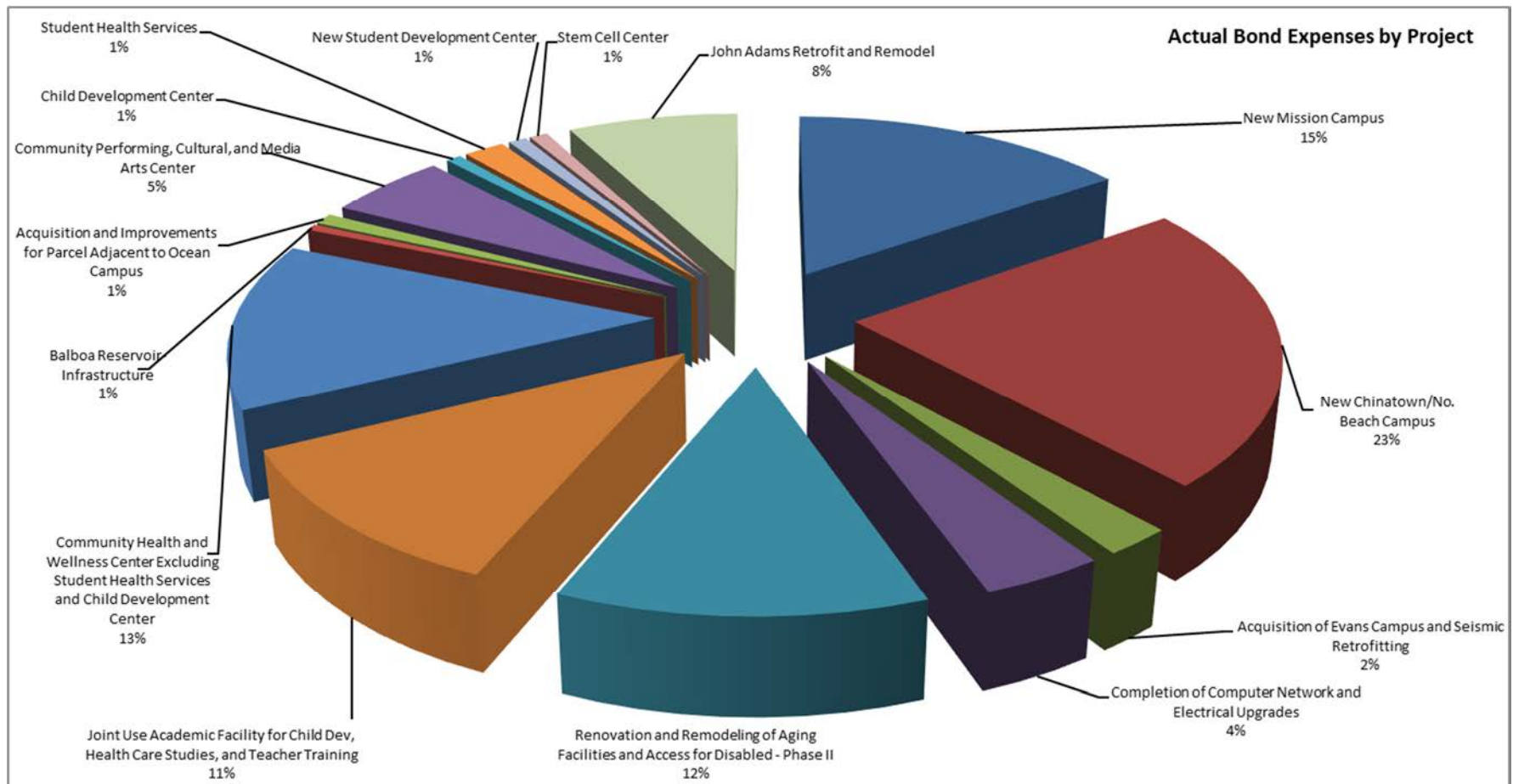
June 30, 2020

The following graph represents the final amended budget by project for the Bond Funds:



**ACTUAL EXPENSES BY PROJECT**

The following graph represents the actual expenses to date by project for the Bond Funds:



San Francisco Community College District  
General Obligation Bond Funds (Election of 2001 and Election of 2005)

June 30, 2020

Project	Final Budget by Project
New Mission Campus	\$ 93,664,321
New Chinatown/No. Beach Campus	140,821,494
Acquisition of Evans Campus and Seismic Retrofitting	16,739,668
Completion of Computer Network and Electrical Upgrades	24,927,863
Renovation and Remodeling of Aging Facilities and Access for Disabled - Phase II	85,476,963
Joint Use Academic Facility for Child Dev, Health Care Studies, and Teacher Training	69,530,747
Community Health and Wellness Center Excluding Student Health Services and Child	82,155,907
Balboa Reservoir-Infrastructure	3,208,517
Acquisition and Improvements for Parcel Adjacent to Ocean Campus	5,437,332
Community Performing, Cultural, and Media Arts Center	33,373,957
Child Development Center	4,160,805
Student Health Services	11,323,198
New Student Development Center	5,934,500
Stem Cell Center	5,217,642
John Adams Retrofit and Remodel	47,478,519
Total	\$ 629,451,433

Project	Actual Expenses
New Mission Campus	\$ 93,664,321
New Chinatown/No. Beach Campus	140,560,907
Acquisition of Evans Campus and Seismic Retrofitting	13,621,512
Completion of Computer Network and Electrical Upgrades	24,230,275
Renovation and Remodeling of Aging Facilities and Access for Disabled - Phase II	72,248,004
Joint Use Academic Facility for Child Dev, Health Care Studies, and Teacher Training	69,530,747
Community Health and Wellness Center Excluding Student Health Services and Child	82,155,907
Balboa Reservoir-Infrastructure	3,208,517
Acquisition and Improvements for Parcel Adjacent to Ocean Campus	5,437,332
Community Performing, Cultural, and Media Arts Center	33,373,957
Child Development Center	4,160,805
Student Health Services	11,323,198
New Student Development Center	5,039,283
Stem Cell Center	5,098,759
John Adams Retrofit and Remodel	47,438,519
Total	\$ 611,092,043

The following finding represents an instance of noncompliance relating to compliance with state laws and regulations.

**2020-001      Salaries Expended from General Obligation Bond Proceeds**

**Criteria or Specific Requirement**

Proposition 39 and the enacting legislation (AB 1908 and AB 2659) requires that the proceeds from the sale of the bonds be used only for the purposes specified in Article XIII A, Section 1(b)(3)(C) of the California Constitution, and not for any other purpose, including teacher and administrator salaries and other district operating expenses.

**Condition**

The results of our testing indicated that expenditures were used for salaries of administrators. Our sample included payroll transactions totaling \$1,052,530. Of this amount, \$142,104 represents salaries of administrators and other individuals whose positions were not substantially supporting voter-approved bond projects.

**Questioned Costs**

Questioned costs include \$142,104, which represents salaries of administrators and other individuals whose positions were not substantially supporting voter-approved bond projects.

**Context**

Total salaries expended from bond proceeds were \$1,054,427. Total expenditures expended from bond proceeds were \$25,202,149.

**Effect**

The District is not in compliance with Proposition 39 and the enacting legislation.

**Cause**

The District did not have appropriate internal controls in place to ensure review of salaries expended from bond proceeds were appropriate and in compliance with Proposition 39 and the enacting legislation.

**Recommendation**

The District should implement a review and approval process for all salaries expended from bond proceeds to ensure the duties of the individuals substantially support voter-approved bond projects, and no administrator salaries are expended from bond proceeds.

**Management Response and Corrective Action Plan**

These salaries were inadvertently coded to the bond program and have been removed. Staff who are now charged to the bond program have direct responsibilities for the management, oversight, and routine operations of the bond program. Additionally, as part of the annual budget development process, Facilities management will assess the appropriateness of all personnel charges that are to be included in bond operations, and will make changes as needed to reflect the duties and responsibilities of program staffing.

San Francisco Community College District  
General Obligation Bond Funds (Election of 2001 and Election of 2005)  
Summary Schedule of Prior Audit Findings  
June 30, 2020

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There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.