

HARTNELL COMMUNITY COLLEGE DISTRICT

MEASURE T GENERAL OBLIGATION BONDS

PERFORMANCE AUDIT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2020

**HARTNELL COMMUNITY COLLEGE DISTRICT
MEASURE T GENERAL OBLIGATION BONDS
Table of Contents
June 30, 2020**

	<u>Page</u>
Independent Auditors' Report.....	1

BACKGROUND

Legislative History.....	2
Hartnell Community College District Measure T General Obligation Bonds.....	2

PERFORMANCE AUDIT

Objectives.....	4
Scope	4
Methodology	4
Conclusion	5



INDEPENDENT AUDITORS' REPORT

Measure T Citizens' Oversight Committee
And Governing Board Members
Hartnell Community College District
Salinas, California

We have conducted a performance audit of the Hartnell Community College District (the "District") Measure T General Obligation Bonds for the year ended June 30, 2020.

We conducted our performance audit in accordance with Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

Our audit was limited to the objectives listed on page 4 of this report which includes determining the compliance with the performance requirements for the Proposition 39 Measure T General Obligation Bonds under the applicable provisions of Section 1(b)(3)(C) of Article XIII A of the California Constitution and Proposition 39 as they apply to the bonds and the net proceeds thereof. Management is responsible for Hartnell Community College District's compliance with those requirements.

Solely to assist us in planning and performing our performance audit, we obtained an understanding of the internal controls of Hartnell Community College District to determine if internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution. Accordingly, we do not express any assurance on the internal controls.

The results of our tests indicated that, in all significant respects, Hartnell Community College District expended Measure T General Obligation Bond funds for the year ended June 30, 2020 only for specific projects developed by the District's Board of Trustees and approved by the voters, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution.

San Diego, California
October 1, 2020

BACKGROUND

**HARTNELL COMMUNITY COLLEGE DISTRICT
MEASURE T GENERAL OBLIGATION BONDS
Background Information
June 30, 2020**

LEGISLATIVE HISTORY

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 real property for school facilities", upon approval by 55% of the electorate.

Education Code Section 15278 provides additional accountability measures:

1. A requirement that the school district establish and appoint members to an independent citizens' oversight committee.
2. A requirement that the school district expend bond funds only for the purposes described in Section 1(b)(3) of Article XIII A of the California Constitution, and ensuring that no funds are used for any teacher or administrative salaries or other school operating expenses.
3. A requirement to conduct an annual independent performance audit required by Section 1(b)(3)C of Article XIII A of the California Constitution.
4. A requirement to conduct an annual independent financial audit required by Section 1(b)(3)D of Article XIII A of the California Constitution.

HARTNELL COMMUNITY COLLEGE DISTRICT MEASURE T GENERAL OBLIGATION BONDS

The Hartnell Community College District (Monterey and San Benito Counties, California) Election of 2016 General Obligation Bonds, Series A (the "Bonds"), were authorized at an election of the registered voters of the Hartnell Community College District (the "District") held on November 8, 2016, at which the requisite 55% of the persons voting on the proposition voted to authorize the issuance and sale of \$167,000,000 aggregate principal amount of general obligation bonds of the District. The Bonds are being issued to (i) finance the acquisition, construction, modernization and equipping of District sites and facilities, and (ii) pay the costs of issuing the Bonds.

The Bonds are general obligations of the District, payable solely from ad valorem property taxes. A summary of the text of the ballot language was as follows:

"To repair/upgrade classrooms, expand local access to higher education/training for high-wage jobs, including nursing, agriculture, science, technology/ engineering, by upgrading aging classrooms technology, science labs, repairing outdated, deteriorating mechanical/electrical systems, improving veterans' services, safety, security/ disabled access, removing asbestos, acquiring, constructing repairing sites/facilities/equipment, shall Hartnell Community College District issue \$167,000,000 in bonds at legal rates, requiring citizen oversight, independent audits, all funds used locally?"

**HARTNELL COMMUNITY COLLEGE DISTRICT
MEASURE T GENERAL OBLIGATION BONDS
Background Information
June 30, 2020**

HARTNELL COMMUNITY COLLEGE DISTRICT MEASURE T GENERAL OBLIGATION BONDS, continued

The District's Board of Trustees developed the following Bond Project List for Measure T:

- Construct or upgrade classrooms for job training in nursing and other health sciences, agriculture science/technology, teaching and computer/information technology.
- Repair and upgrade classrooms, labs and job training centers for 2151 Century jobs.
- Provide adequate libraries, classrooms and labs at District instructional locations for career training and transfer to universities.
- Upgrade computer labs and classroom instructional technology.
- Provide space for universities to offer four-year bachelor's degrees.
- Update campus facilities to provide access for students with disabilities.
- Increase energy efficiency by replacing aging heating, ventilation and air-conditioning systems with energy-efficient models and install energy saving dual pane windows to reduce operating expenses.
- Upgrade and replace existing information technology infrastructure and network systems to improve efficiency and increase capacity.
- Upgrade and construct academic buildings to expand classrooms for job training and career technical education and provide literacy and English language learning centers.
- Construct science, technology, engineering and math (STEM) labs at District instructional locations.
- Repair or replace leaking roofs.
- Renovate, repair or replace deteriorating and outdated laboratories, classrooms, training centers and support facilities.
- Remove hazardous asbestos, lead paint and other hazardous materials.
- Update classrooms and educational facilities to meet current fire and safety codes.
- Update campus facilities to provide access for disabled students.
- Improve student, staff and faculty safety by upgrading emergency management systems, including video surveillance, emergency communication systems, and security systems.
- Upgrade electrical, mechanical, heating, ventilation and air-conditioning systems.

During August 2017, the District issued the 2016 General Obligation Bonds, Series A in the amount of \$70,000,000. The bonds mature beginning August 1, 2018 through August 1, 2047, with interest yields ranging from 2.00 to 5.00 percent.

PERFORMANCE AUDIT

**HARTNELL COMMUNITY COLLEGE DISTRICT
MEASURE T GENERAL OBLIGATION BONDS
Objectives, Scope, Methodology and Conclusions
June 30, 2020**

OBJECTIVES

The objective of our performance audit was to determine that the District expended Measure T General Obligation Bond funds for the year ended June 30, 2020 only for the purposes approved by the voters and only on the specific projects developed by the District's Board of Trustees, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)C of Article XIII A of the California Constitution.

SCOPE

The District provided to us a list of all Measure T General Obligation Bond project expenditures for the year ended June 30, 2020 (the "List"). The list of transactions represented \$22,318,527 in expenditures from July 1, 2019 through June 30, 2020.

METHODOLOGY

We performed the following procedures to the List of Measure T General Obligation Bond project expenditures for the year ended June 30, 2020:

- Interviewed District management related to controls over planning, bidding, contracting, expenditure of bond funds and financial reporting and determined that controls have been put in place and are working as documented.
- Documented District procedures and controls over planning, bidding, contracting, expenditure of bond funds and financial reporting.
- Performed tests to determine that the District controls over planning, bidding, contracting, expenditure of bond funds and financial reporting have been put in place and are working as documented.
- Verified the mathematical accuracy of the List.
- Reconciled the List to total bond expenditures as reported by the District in the District's audited financial statements for the year ended June 30, 2020, presented as the Measure T General Obligation Bond funds.
- We selected a sample of expenditures totaling \$11,077,756. The sample was selected to provide a representation across specific construction projects, vendors and payroll activity. The sample represented 49.6% of the total expenditure value. Verified that the expenditures were for the approved projects and were expended for the construction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities and that funds were not spent for District administrative or instructional salaries or other administrative expenses.

**HARTNELL COMMUNITY COLLEGE DISTRICT
MEASURE T GENERAL OBLIGATION BONDS
Objectives, Scope, Methodology and Conclusions
June 30, 2020**

CONCLUSION

The results of our tests indicated that, in all significant respects, Hartnell Community College District expended Measure T General Obligation Bond funds for the year ended June 30, 2020 only for the specific projects developed by the District's Governing Board and approved by the voters, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution.