HARTNELL COMMUNITY COLLEGE DISTRICT

MEASURE T GENERAL OBLIGATION BONDS
PERFORMANCE AUDIT
June 30, 2017
CONTENTS

INDEPENDENT AUDITOR’S REPORT ................................................................. 1

BACKGROUND:

  LEGISLATIVE HISTORY ........................................................................... 2

HARTNELL COMMUNITY COLLEGE DISTRICT
  MEASURE T GENERAL OBLIGATION BONDS ........................................... 2

PERFORMANCE AUDIT:

  OBJECTIVES ......................................................................................... 4
  SCOPE .................................................................................................. 4
  METHODOLOGY ................................................................................... 4
  CONCLUSIONS ...................................................................................... 4
INDEPENDENT AUDITOR'S REPORT

To the Citizens' Bond Oversight Committee and the Board of Trustees
Hartnell Community College District
Salinas, California

We have conducted a performance audit of the Hartnell Community College District (the "District") Measure T General Obligation Bond funds for the year ended June 30, 2017.

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 findings and conclusions based on our audit objectives.

Our audit was limited to the objectives listed on page 5 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 the audit procedures that are appropriate for the purpose of providing a conclusion on 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, but not for the purpose of expressing an opinion on the effectiveness of internal control. 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, 2017 only for the 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.

Sacramento, California
November 30, 2017
HARTNELL COMMUNITY COLLEGE DISTRICT
MEASURE T GENERAL OBLIGATION BONDS
BACKGROUND INFORMATION
June 30, 2017

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, "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 percent of the electorate.

Education Code Section 15278 provides additional accountability measures:

1. A requirement that the school district establishes and appoints 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 County, California Election of 2016 General Obligation Bonds, Measure T were authorized at an election of the registered voters of the Hartnell Community College District held on November 8, 2016 at which more than fifty-five percent of the persons voting on the proposition voted to authorize the issuance and sale of $167,000,000 principal amount of general obligation bonds of the District. The Bonds are being issued to finance the acquisition, construction and modernization of certain District property and facilities. 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?"
The District's Board of Trustees developed the following Bond Project List for Measure T:

- Expand access to local higher education on the Main Campus in Salinas, at the Alisal Campus in East Salinas, in South Monterey County and in North Monterey County.
- Add classrooms and labs for better paying job training, a skilled workforce and higher literacy rates
- Improve student access to computers and modern technology
- Improve nursing and skilled healthcare facilities and programs
- Expand access to agriculture, science, technology, engineering and math labs throughout the district
- Provide space for universities to offer four-year bachelor's degrees at Hartnell
- Expend facilities for serving military veterans
- Renovate and modernize outdated and aging classrooms, labs and student support facilities
- Make health, safety and handicapped accessibility improvements
- Make energy efficiency and sustainability improvements (e.g. solar energy, water conservation)

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, 2042, with interest yields ranging from 2.00 to 5.00 percent.
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, 2017 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, 2017 (the "List"). An approximate total of 19 transactions were identified, representing $473,958 in expenditures from July 1, 2016 through June 30, 2017.

METHODOLOGY

We performed the following procedures to the List of Measure T General Obligation Bond project expenditures for the year ended June 30, 2017:

- Reconciled the List to total bond expenditures as reported by the District in the District's audited Measure T General Obligation Bonds financial statements for the year ended June 30, 2017.
- Verified the mathematical accuracy of the List.
- Selected a sample of 2 expenditures totaling $436,315. The sample was selected to provide a representation across specific construction projects, vendors and expenditure amounts. The sample represented 11% percent of the number of expenditures and 92% percent 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.

CONCLUSIONS

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, 2017 only for the specific projects developed by the District's Board of Trustee 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.