

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT

**MEASURE X GENERAL OBLIGATION BONDS
PERFORMANCE AUDIT**

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2018**



**COSSOLIAS | WILSON
DOMINGUEZ | LEAVITT**
CERTIFIED PUBLIC ACCOUNTANTS

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT
Measure X GENERAL OBLIGATION BONDS
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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
San José/Evergreen Community College District
San Jose, California

We have conducted a performance audit of the San José/Evergreen Community College District (the "District") Measure X General Obligation Bond funds for the year ended June 30, 2018.

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 X 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 San José/Evergreen 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 San José/Evergreen 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, San José/Evergreen Community College District expended Measure X General Obligation Bond funds for the year ended June 30, 2017 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.

CWL, Certified Public Accountants

San Diego, California
October 25, 2018

BACKGROUND

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT
Measure X GENERAL OBLIGATION BONDS
Background Information
June 30, 2018

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.

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT Measure X GENERAL OBLIGATION BONDS

The San José/Evergreen Community College District, Santa Clara County, California Election of General Obligation Bonds, Measure X were authorized at an election of the registered voters of the San José/Evergreen Community College District held on November 10, 2016 at which more than fifty-five percent of the persons voting on the proposition voted to authorize the issuance and sale of \$748,000,000 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 to prepare students/veterans for jobs/university transfer by repairing/building nursing, engineering, vocational, technology, science/job training classrooms, improving campus, earthquake safety/disabled access, remove asbestos/lead paint, acquiring, constructing, repairing sites, facilities/equipment, shall San José- Evergreen Community College District issue \$748,000,000 in bonds at legal rates, no money for administrators' salaries/pensions, requiring citizen oversight, independent audits, all funds used locally?"

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT
Measure X GENERAL OBLIGATION BONDS
Background Information
June 30, 2018

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT MEASURE X GENERAL OBLIGATION BONDS,
continued

The District's Board of Trustees developed the following objectives for the Measure X Bonds:

- Repair and upgrade San Jose City College and Evergreen Valley College campuses and classrooms, including:
 - Updating labs for nursing, science, technology and engineering
 - Expanding educational resources for veterans
 - Improving campus safety and security
 - Removing asbestos and lead paint, among other priorities

In November 2016, the constituents of the District approved Measure X authorizing the District to issue \$748,000,000 in general obligation bonds. As of the date of this report, no funds have been issued out of the Measure X authorization. Funds spent out of Measure X during the 2016-17 fiscal year were the result of interfund borrowing from the general fund.

PERFORMANCE AUDIT

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT
Measure X GENERAL OBLIGATION BONDS
Objectives, Scope, Methodology and Conclusions
June 30, 2018

OBJECTIVES

The objective of our performance audit was to determine that the District expended Measure X General Obligation Bond funds for the year ended June 30, 2018 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 X General Obligation Bond project expenditures for the year ended June 30, 2018 (the "List"). The list of transactions represented \$537,471 in expenditures from July 1, 2017 through June 30, 2018.

METHODOLOGY

We performed the following procedures to the List of Measure X General Obligation Bond project expenditures for the year ended June 30, 2018:

- 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, 2018, presented as the Measure X General Obligation Bond funds.
- We selected a sample of expenditures totaling \$243,756. The sample was selected to provide a representation across specific construction projects, vendors and expenditure amounts. The sample represented 45% of the total expenditure value. We verified that the expenditures were for the approved projects and were expended for the upgrading, acquiring, constructing and equipping of school facilities, including building art, science and math classrooms and labs, or expanding healthcare job training facilities.

CONCLUSION

The results of our tests indicated that, in all significant respects, San José/Evergreen Community College District expended Measure X General Obligation Bond funds for the year ended June 30, 2018 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.