

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT

2004 MEASURE G GENERAL OBLIGATION BONDS
PERFORMANCE AUDIT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2016



COSSOLIAS | WILSON
DOMINGUEZ | LEAVITT
CERTIFIED PUBLIC ACCOUNTANTS

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT
2004 MEASURE G 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") 2004 Measure G General Obligation Bond funds for the year ended June 30, 2016.

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 5 of this report which includes determining the compliance with the performance requirements for the Proposition 39 2004 Measure G 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 2004 Measure G General Obligation Bond funds for the year ended June 30, 2016 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.

CWDL, Certified Public Accountants

San Diego, California
October 31, 2016

BACKGROUND

**SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT
2004 MEASURE G GENERAL OBLIGATION BONDS
Background Information**

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 2004 MEASURE G GENERAL OBLIGATION BONDS

The San José/Evergreen Community College District, Santa Clara County, California Election of 2004 General Obligation Bonds, Measure G were authorized at an election of the registered voters of the San José/Evergreen Community College District held on November 2, 2004 at which more than fifty-five percent of the persons voting on the proposition voted to authorize the issuance and sale of \$185,000,000 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 prepare students for jobs and transfer to four year universities by:

- Building art, science and math classrooms and labs;
- Expanding healthcare job training facilities; and by
- Upgrading, acquiring, constructing and equipping facilities sites and classrooms;

shall San José/Evergreen Community College District issue \$185 million in bonds, at legal rates, with citizen oversight, guaranteed annual audits, and no money for administrators' salaries and without increasing existing tax rates?"

**SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT
2004 MEASURE G GENERAL OBLIGATION BONDS
Background Information**

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT 2004 MEASURE G GENERAL OBLIGATION BONDS, continued

The District's Board of Trustees developed the following Bond Project List for the 2004 Measure G bonds:

San José City College

- Expand classroom and facility capacity, upgrade classrooms/labs for emerging medical service programs
- Improve emergency access and access to parking
- Repair, upgrade, equip, and/or replace obsolete classrooms, science and computer labs, instructional facilities, sites and utilities; meet demands of changing workforce; expand access to English, reading, math and language classes
- Repair, replace and upgrade electrical, mechanical and utility systems to reduce energy consumption and utility bills and accommodate computer technology, internet access and communications systems
- Safety improvements
- Technology upgrades

Evergreen Valley College

- Construct classrooms, expand classroom and facility capacity, upgrade classrooms/labs for science and medical services
- Repair, upgrade, equip, and/or replace obsolete classrooms, science and computer labs, instructional facilities, sites and utilities; meet demands of changing workforce
- Improve emergency access and access to parking
- Safety improvements
- Technology upgrades
- Repair, replace and upgrade electrical, mechanical and utility systems to reduce energy consumption and utility bills and accommodate computer technology, internet access and communications systems

Other Projects

- Refinance existing lease obligations
- Provide greater access to technology, upgrading electrical wiring for computers at all campuses
- Acquire a site and construct a North District multi-disciplinary building

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2004 MEASURE G GENERAL OBLIGATION BONDS
Background Information**

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT 2004 MEASURE G GENERAL OBLIGATION BONDS, continued

In November 2004, the constituents of the District approved Measure G authorizing the District to issue \$185,000,000 in general obligation bonds. As of June 30, 2016, the District has issued \$184,996,420 of 2004 Measure G bonds.

In May 2005, the District issued the 2004 General Obligation Bonds, Series A in the amount of \$55,391,474. The bonds mature beginning on September 1, 2006 through September 1, 2029, with interest yields ranging from three to five percent.

In February 2008, the District issued 2004 General Obligation Bonds, Series B in the amount of \$97,999,946. The bonds mature beginning on September 1, 2010 through September 1, 2032, with interest yields ranging from three to seven percent.

In April 2014, the District issued 2004 General Obligation Bonds, Series C in the amount of \$31,605,000. The bonds mature beginning on September 1, 2015 through September 1, 2032, with interest yields ranging from two to five percent.

PERFORMANCE AUDIT

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT
2004 MEASURE G GENERAL OBLIGATION BONDS
Objectives, Scope, Methodology and Conclusions

OBJECTIVES

The objective of our performance audit was to determine that the District expended 2004 Measure G General Obligation Bond funds for the year ended June 30, 2016 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 2004 Measure G General Obligation Bond project expenditures for the year ended June 30, 2016 (the "List"). A total of 250 transactions were identified, representing \$13,465,784 in expenditures from July 1, 2015 through June 30, 2016.

METHODOLOGY

We performed the following procedures to the List of 2004 Measure G General Obligation Bond project expenditures for the year ended June 30, 2016:

- 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, 2016, presented as the 2004 General Obligation Bond Funds.
- We selected a sample of 28 expenditures totaling \$8,217,570. The sample was selected to provide a representation across specific construction projects, vendors and expenditure amounts. The sample represented 11% of the number of expenditures and 62% of the total expenditure amounts. 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 2004 Measure G General Obligation Bond funds for the year ended June 30, 2016 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.