

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT

2010 MEASURE G GENERAL OBLIGATION BONDS
PERFORMANCE AUDIT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2019

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT
2010 Measure G GENERAL OBLIGATION BONDS
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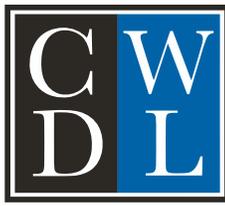
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INDEPENDENT AUDITORS' REPORT

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") 2010 Measure G General Obligation Bond funds for the year ended June 30, 2019.

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 2010 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 2010 Measure G General Obligation Bond funds for the year ended June 30, 2019 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 18, 2019

BACKGROUND

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT
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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 2010 MEASURE G GENERAL OBLIGATION BONDS

The San José/Evergreen Community College District, Santa Clara County, California Election of 2010 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, 2010 at which more than fifty-five percent of the persons voting on the proposition voted to authorize the issuance and sale of \$268,000,000 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 better prepare San Jose City College/ Evergreen Valley College students for good paying jobs and transfer to four-year colleges, shall San Jose Evergreen Community College District upgrade, acquire, construct energy-efficient, technology-driven teaching classrooms, labs, sites, facilities/ equipment for health/ science, general education/job training, upgrade outdated electrical, plumbing, heating/ ventilation systems, by issuing \$268 million in bonds at legal rates, qualifying for matching funds, with citizen oversight, no money for administrator salaries, all funds staying local?"

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The District's Board of Trustees developed the following Bond Project List for the 2010 Measure G Bonds:

- Upgrade labs for science and medical training programs.
- Provide classrooms for math, science, writing, and other core academic classes.
- Update classrooms and facilities for improved job training and career technical education.
- Update classrooms and educational facilities to meet current fire and safety codes and provide access for students with disabilities.
- Upgrade facilities to improve energy efficiency and reduce operating expenses, allowing more funding for classroom instruction and student services.
- Establish a technology endowment to maintain up-to-date computer learning necessary for a 21st Century education.

In November 2010, the constituents of the District approved 2010 Measure G authorizing the District to issue \$268,000,000 in general obligation bonds. The District has issued all \$268,000,000 of 2010 Measure G bonds.

In February 2012, the District issued the 2010 General Obligation Bonds, Series A in the amount of \$70,000,000. The bonds mature beginning on August 1, 2012 through August 1, 2041, with interest yields ranging from two to four percent.

In February 2012, the District issued 2010 General Obligation Bonds, Series B in the amount of \$20,000,000. The bonds mature beginning on August 1, 2012 through August 1, 2032, with interest yields ranging from two to four percent.

In April 2014, the District issued 2010 General Obligation Bonds, Series C in the amount of \$120,000,000. The bonds mature beginning on September 1, 2015 through September 1, 2034, with interest yields ranging from two to five percent.

In May 2016, the District issued 2010 General Obligation Bonds, Series D in the amount of \$58,000,000. The bonds mature beginning on September 1, 2017 through September 1, 2037, with interest yields ranging from one to three percent.

OUTREACH PROGRAM

Consistent with Board Policy 6380, the San José-Evergreen Community College District takes steps to encourage qualified businesses (small, local, or owned by women, minorities, veterans, religious minorities, disabled individuals, members of the LGBTQIA community, or other underrepresented groups) to participate in Measure G 2010 and Measure X Bond Programs' construction projects at the prime contractor and subcontractor level, in purchasing projects, and as suppliers.

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OUTREACH PROGRAM, continued

The District's Outreach Program has a combined goal of 25% participation from small and local businesses, and achieve anticipated results for businesses with one or more of the following characteristics: owned by women (4%), minorities (8%), veterans (1%), religious minorities, disabled individuals, members of the LGBTQIA community, or other underrepresented groups for these projects. The District will always strive to meet or exceed the combined goal of 25% participation for small and local businesses. There will be no reduction in outreach effort once the 25% combined goal is achieved.

In addition, the District's Outreach Program will achieve an anticipated result of 8% for minority-owned business enterprises (MBEs), 4% for women-owned business enterprises (WBEs), and 1% for veteran business enterprises (VBE). There will be no reduction in outreach effort once these anticipated results are achieved. The Program also seeks to eliminate barriers that impede equal opportunity of certified and noncertified minority-owned business enterprises (MBEs) and women-owned business enterprises (WBEs).

The Program states that an anticipated result—but not a required goal—of its outreach and inclusion efforts to all businesses with one or more of the following characteristics: owned by women, minorities, veterans, religious minorities, disabled individuals, members of the LGBTQIA community, or other underrepresented groups, will be the increased participation of these business enterprises. The Program will gather data including the participation of WBEs and MBEs and reexamine its outreach practices if increased participation is not being achieved.

PERFORMANCE AUDIT

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT
2010 Measure G GENERAL OBLIGATION BONDS
Objectives, Scope, Methodology and Conclusions
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OBJECTIVES

The objective of our performance audit was to determine that the District expended 2010 Measure G General Obligation Bond funds for the year ended June 30, 2019 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 2010 Measure G General Obligation Bond project expenditures for the year ended June 30, 2019 (the "List"). The list of transactions represented \$19,422,922 in expenditures from July 1, 2018 through June 30, 2019.

METHODOLOGY

We performed the following procedures to the List of 2010 Measure G General Obligation Bond project expenditures for the year ended June 30, 2019:

- 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, 2019, presented as the 2010 General Obligation Bond funds.
- We performed tests and determined that the District has taken actions consistent with the goals of the Outreach Program (Board Policy 6380) to encourage qualified businesses (small, local, or owned by women, minorities, veterans, religious minorities, disabled individuals, members of the LGBTQIA community, or other underrepresented groups) to participate in the Measure G 2010 Bond Program's construction projects at the prime contractor and subcontractor level, in purchasing projects, and as suppliers. Such actions include:
 - Provide Community Outreach and Education
 - Measure Outreach Performance
 - Promote Institutional Awareness, Understanding and Coordination
 - Engage Design-Bid-Build Projects
 - Engage Design-Build Projects
 - Engage Pre-Qualified Contractors and Sub-Contractors

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METHODOLOGY, continued

- We selected a sample of expenditures totaling \$7,686,738. The sample consisted of 75 payments and was selected to provide a representation across specific construction projects, vendors and expenditure amounts. The sample represented 40% 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, and verified that procurement of contracts and related expenditures met the goals of the Outreach Program.

CONCLUSION

The results of our tests indicated that, in all significant respects, San José/Evergreen Community College District expended 2010 Measure G General Obligation Bond funds for the year ended June 30, 2019 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.