

HARTNELL COMMUNITY COLLEGE DISTRICT

**PROPOSITION 39 GENERAL OBLIGATION BONDS
BOND PROJECTS FUND
MEASURE H
PERFORMANCE AUDIT**

Fiscal Year Ending June 30, 2011



HARTNELL COMMUNITY COLLEGE DISTRICT
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June 30, 2011

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
The Measure H Citizens' Oversight Committee
Hartnell Community College District

We have conducted a performance audit of the Hartnell Community College District (the "District"), Measure H General Obligation Bond funds for the year ended June 30, 2011.

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.

Our audit was limited to the objectives listed on page 3 of this report which includes determining the District's compliance with the performance requirements for the Proposition 39 Measure H 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 the District's compliance with those requirements.

Solely to assist us in planning and performing our performance audit, we obtained an understanding of the internal control of the 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 control.

The results of our tests indicated that, in all significant respects, the District expended Measure H General Obligation Bond funds for the year ended June 30, 2011 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.


VICENTI, LLOYD & STUTZMAN LLP

November 16, 2011

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BACKGROUND INFORMATION

In November, 2000, the voters of the State of California approved Proposition 39 authorizing the issuance of general obligation bonds by California public school district's and community colleges under certain circumstances and subject to certain conditions. On November 5, 2002, a general obligation bond proposition (Measure H) of the Hartnell Community College District was approved by the voters of the District. Measure H authorized the District to issue up to \$131,000,000 of general obligation bonds to finance various capital projects, and related costs, as specified in the bond measure provisions of Measure H.

Pursuant to the requirements of Proposition 39, and related State legislation, the Board of Trustees of the District established a Citizens' Oversight Committee and appointed its members. The principal purpose of the Citizens' Oversight Committee, as set out in State law, is to inform the public as to the expenditures of the proceeds of the bonds issued pursuant to the Measure H bond authorization. The Citizens' Oversight Committee is required to issue at least one report annually as to its activities and findings.

Section 1(b)(3)(C) of Article XIII A of the California Constitution requires the District to conduct an annual independent performance audit to ensure that the proceeds of the bonds deposited into the Bond Projects Fund have been expended only for the authorized bond projects.

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OBJECTIVES

The objectives of our performance audit were to:

- Document the expenditures charged to the Hartnell Community College District Bond Projects Fund established for the bonds and the net bond proceeds deposited into the Bond Projects Fund.
- Determine whether expenditures charged to the Bond Projects Fund have been made in accordance with the bond project list approved by the voters through the approval of Measure H in November 2002.
- Note any incongruities, system weaknesses, or non-compliance with specific Education Code sections related to bond oversight and provide recommendations for improvement.
- Provide the District Board of Trustees and the Citizens' Oversight Committee with a performance audit as required under the requirements of the California Constitution and Proposition 39.

SCOPE OF THE AUDIT

The scope of our performance audit covered the period of July 1, 2010 to June 30, 2011. The expenditures tested included all object and project codes associated with the bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other State or local funding sources, other than the proceeds of the bonds, were not included within the scope of our audit. Expenditures incurred subsequent to June 30, 2011 were not reviewed or included within the scope of our audit or in this report.

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PROCEDURES PERFORMED

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2011, for the Bond Projects Fund. Within the fiscal year audited, we obtained the actual invoices and other supporting documentation for expenditures to ensure compliance with the requirements of Proposition 39 and Measure H as to the approved bond projects list. We performed the following procedures:

- We reviewed the projects listed to be funded with general obligation bond proceeds as set out in the Measure H election documents.
- We selected a sample of expenditures for the fiscal year ended June 30, 2011, and reviewed supporting documentation to ensure that such funds were properly expended on the authorized bond projects. Our sample included 35 transactions totaling \$11,647,631. This represents 70% of the total expenditures of \$16,756,111.
- We verified that funds from the Bond Projects Fund were generally expended for the construction, reconstruction, acquisition, furnishing and equipping of District facilities constituting the authorized bond projects. In addition, we verified that funds held in the Bond Projects Fund were used for salaries of administrators only to the extent they perform administrative oversight work on construction projects as allowable per Opinion 04-110 issued on November 9, 2004 by the State of California Attorney General.

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CONCLUSION

The results of our tests indicated that, in all significant respects, the District has properly accounted for the expenditures of the funds held in the Bond Projects Fund and that such expenditures were made on authorized bond projects. Further, it was noted that the funds held in the Bond Projects Fund, and expended by the District, were used for salaries of administrators only to the extent they perform administrative oversight work on construction projects as allowable per Opinion 04-110 issued on November 9, 2004 by the State of California Attorney General.