

**GAVILAN JOINT COMMUNITY  
COLLEGE DISTRICT  
PROPOSITION 39 AND  
MEASURE X GENERAL  
OBLIGATION BONDS**

**GILROY, CALIFORNIA**

**PERFORMANCE AUDIT**

**YEAR ENDED JUNE 30, 2019**

**GAVILAN JOINT COMMUNITY COLLEGE DISTRICT  
PROPOSITION 39 AND MEASURE X GENERAL OBLIGATION BONDS**

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JUNE 30, 2019**

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## **INDEPENDENT AUDITOR'S REPORT**

**Bond Citizens' Oversight Committee  
and Board of Trustees  
Gavilan Joint Community College District  
Gilroy, California**

We have conducted a performance audit of the Gavilan Community College District's (the District) Measure X General Obligation Bonds 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 the findings and conclusions based on our audit objectives.

Our audit was limited to the objectives listed on page 2 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 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 controls 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 controls.

The results of our tests indicated that, in all significant respects, the District expended Measure X General Obligation Bond funds for the year ended June 30, 2019, 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.

*Gilbert CPAs*

**GILBERT CPAs  
Sacramento, California**

**January 13, 2020**

# **GAVILAN JOINT COMMUNITY COLLEGE DISTRICT PROPOSITION 39 AND MEASURE X GENERAL OBLIGATION BONDS**

## **PERFORMANCE AUDIT JUNE 30, 2019**

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### **OBJECTIVES**

The objectives of our performance audit were to determine that the Gavilan Joint Community College District (District) expended Measure X 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 OF THE AUDIT**

The District provided to us a list of all Measure X General Obligation Bond project expenditures for the year ended June 30, 2019 (the "List"), totaling \$12,747,241. The expenditures 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 were not included within the scope of our audit. Expenditures incurred subsequent to June 30, 2019, were not reviewed or included within the scope of our audit.

### **BACKGROUND INFORMATION**

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 colleges, and 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 or community college 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.

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On November 6, 2018, the electorate of the Gavilan Joint Community College District approved the \$248 million Measure X General Obligation Bonds, with greater than 55% of the votes in favor. The summarized text of the ballot language was as follows:

*"To upgrade classrooms, science, healthcare, technology, engineering/career training labs, repair aging facilities, shall Gavilan Joint Community College District's measure authorizing \$248,000,000 in bonds at legal rates, levying 2 cents/\$100 assessed value, \$14,000,000 annually while bonds are outstanding, constructing, acquiring, repairing classrooms, facilities, sites/equipment, Veterans Center, adding a campus in San Benito County, improving local access to affordable education, with citizen oversight, all money locally controlled, be approved? "*

Following is the Measure X Bond Projects listing:

- San Benito County Campus, Phase One
- Central Plant and Infrastructure Renovation and Upgrade
- Library/Learning Resource Center Construction
- Site Improvements and Security Projects
- STEM Center Construction
- Visual and Performing Arts Complex Construction
- Various Future Projects

In April 2019, the District issued \$26,600,000 of General Obligation Bonds, 2018 Series A, and \$11,400,000 of General Obligation Bonds, 2018 Series A-1. The Bonds were issued to finance or to reimburse expenditures made for the acquisition, construction, modernization and equipping of District sites and facilities; retire all of the District's 2017 Lease Agreement; make certain regularly scheduled lease payments with respect to the District's Series 2016A Lease Revenue Bonds as the same become due; and pay the costs of issuing the Bonds. The Series A Bonds mature August 2035 and bear interest at 4.00%. The Series A-1 Bonds mature August 2025 and bearing interest at rates ranging from 2.450% - 2.850%.

The financial activity related to the use of the proceeds of the Measure X General Obligation Bonds is recorded in the District's Financial Activity Report for Fund 800 and 810 (Measure X Series A and Series A1 Bond Fund) in the District's financial statements. The District has established a separate debt service fund to account for the collection and remittance of bond principal and interest payments. Additional information on the bonds' payment schedules can be found in the District's financial statements.

### PROCEDURES PERFORMED

We obtained the Measure X Construction Bond Fund general ledger and the project expenditure detail reports prepared by the District for the fiscal year ended June 30, 2019. Within the year audited, we obtained the actual invoices and other supporting documentation for a sample of expenditures to ensure compliance with Proposition 39 and Measure X General Obligation Bond funding. We performed the following procedures:

- We reviewed the list of projects being performed to verify that the list of intended projects is consistent with the District's Measure X Bond Projects Listing.

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- We verified that the District created the required capital outlay fund in order to account for the bond proceeds and expenditures, and that proceeds from the sale of the bonds were deposited in this fund.
- We selected a sample of expenditures in the fiscal year ended June 30, 2019 and reviewed supporting documentation to ensure that funds were properly expended on the specific projects outlined on the publicized list and met the requirements for bidding, if applicable.
- We verified that funds were used for the construction, acquisition, furnishing, and equipping of District facilities, and we verified that funding was not used for salaries of school administrators or other operating expenses of the District.

**CONCLUSION**

Based upon the procedures performed, we found that for the items tested, the Gavilan Joint Community College District expended Measure X 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. Our audit does not provide a legal determination on the District's compliance with specific requirements.

**MANAGEMENT COMMENTS AND RECOMMENDATIONS**

None.