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SAN LUIS OBISPO COUNTY
COMMUNITY COLLEGE DISTRICT
MEASURE L GENERAL OBLIGATION BONDS

PERFORMANCE AUDIT

Fiscal Year Ended June 30, 2022

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
MEASURE L GENERAL OBLIGATION BONDS
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INDEPENDENT AUDITORS' REPORT

Board of Trustees and Citizens' Bond Oversight Committee
San Luis Obispo County Community College District
San Luis Obispo, California

We have conducted a performance audit of the San Luis Obispo County Community College District (the "District") Measure L General Obligation Bond funds for the year ended June 30, 2022.

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 L 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 Luis Obispo County 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 Luis Obispo County 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 Luis Obispo County Community College District expended Measure L General Obligation Bond funds for the year ended June 30, 2022 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
December 23, 2022

BACKGROUND

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
MEASURE L GENERAL OBLIGATION BONDS
BACKGROUND INFORMATION
JUNE 30, 2022**

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 LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT MEASURE L GENERAL OBLIGATION BONDS

The San Luis Obispo County Community College District, San Luis Obispo County, California Election of 2014 General Obligation Bonds, Measure L were authorized at an election of the registered voters of the San Luis Obispo County Community College District held on November 4, 2014 at which more than fifty-five percent of the persons voting on the proposition voted to authorize the issuance and sale of \$275,000,000 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, construct/acquire facilities, sites/equipment, prepare students/returning veterans for universities/good paying jobs, address severe budget cuts by updating aging classrooms, improving/maintaining nursing, paramedic, 9-1-1 medical training, welding, engineering, automotive, early childhood education/other career education programs, repairing deteriorating gas/electrical lines, upgrading technology, shall San Luis Obispo County Community College District issue \$275,000,000 in bonds at legal rates, requiring citizens' oversight, independent audits, all funds used locally? "

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
MEASURE L GENERAL OBLIGATION BONDS
BACKGROUND INFORMATION
JUNE 30, 2022**

AUTHORITY FOR THE AUDIT

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 percent of the electorate. In addition to reducing the approval threshold from two-thirds to 55 percent, Proposition 39 and the enacting legislation (AB 1908 and AB 2659) requires the following accountability measures as codified in Education Code sections 15278-15282:

1. Requires that the proceeds from the sale of the bonds be used only for the purposes specified in Article XIII A, Section 1(b)(3)(C) of the California Constitution, and not for any other purpose, including teacher and administrator salaries and other school operating expenses.
2. The district must list the specific school facilities projects to be funded in the ballot measure, and must certify that the governing board has evaluated safety, class size reduction and information technology needs in developing the project list.
3. Requires the district to appoint a citizen's oversight committee.
4. Requires the district to conduct an annual independent financial audit and performance audit in accordance with the Government Auditing Standards issued by the Comptroller General of the United States of the bond proceeds until all of the proceeds have been expended.
5. Requires the district to conduct an annual independent performance audit to ensure that the funds have been expended only on the specific projects listed.

PERFORMANCE AUDIT

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
MEASURE L GENERAL OBLIGATION BONDS
OBJECTIVES, SCOPE, METHODOLOGY AND CONCLUSIONS
JUNE 30, 2022**

OBJECTIVES

The objective of our performance audit was to determine that the District expended Measure L General Obligation Bond funds for the year ended June 30, 2022 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 L General Obligation Bond project expenditures for the year ended June 30, 2022 (the "List"). The list of transactions represented \$9,902,629 in expenditures from July 1, 2021 through June 30, 2022.

METHODOLOGY

We performed the following procedures to the List of Measure L General Obligation Bond project expenditures for the year ended June 30, 2022:

- 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, 2022, presented as the Measure L General Obligation Bond funds.
- We selected a sample of expenditures totaling \$7,256,637. The sample was selected to provide a representation across specific construction projects, vendors and expenditure amounts. The sample represented 73.3% of the total expenditure value.
- We verified that funds held in the Measure L Building Fund were used for District 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.

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
MEASURE L GENERAL OBLIGATION BONDS
OBJECTIVES, SCOPE, METHODOLOGY AND CONCLUSIONS
JUNE 30, 2022**

CONCLUSION

The results of our tests indicated that, in all significant respects, San Luis Obispo County Community College District expended Measure L General Obligation Bond funds for the year ended June 30, 2022 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.