

HARTNELL COMMUNITY COLLEGE DISTRICT
MEASURE H GENERAL OBLIGATION BONDS
FINANCIAL STATEMENTS
June 30, 2016

Preliminary Draft

HARTNELL COMMUNITY COLLEGE DISTRICT

MEASURE H GENERAL OBLIGATION BONDS
June 30, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Citizens' Bond
Oversight Committee and the Board of Trustees
Hartnell Community College District

Report on the Financial Statements

We have audited the accompanying financial statements of Hartnell Community College District (the "District") Measure H General Obligation Bonds activity included in the Bond Projects Fund of the District (the "Bond Fund"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure H General Obligation Bond Activity of the District as of June 30, 2016, and the changes in financial position thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the District's Bond Fund and do not purport to, and do not, present fairly the financial position of the District as of June 30, 2016, the changes in its financial position, or, where applicable, its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated <>, 2016 on our consideration of the District's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the Bond Fund. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance for the Bond Fund. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hartnell Community College District's internal control over financial reporting and compliance for the Bond Fund.



Sacramento, California
<>, 2016

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HARTNELL COMMUNITY COLLEGE DISTRICT
MEASURE H GENERAL OBLIGATION BONDS
BALANCE SHEET
June 30, 2016

ASSETS

Cash and cash equivalents	\$ 3,527,356
Accounts receivable	<u>8,637</u>
Total assets	<u>\$ 3,535,993</u>

LIABILITIES AND FUND BALANCE

Liabilities:

Accounts payable and accrued expenses	\$ 1,123,129
Restricted fund balance	<u>2,412,864</u>
Total liabilities and fund balance	<u>\$ 3,535,993</u>

See accompanying notes to financial statements.

HARTNELL COMMUNITY COLLEGE DISTRICT
MEASURE H GENERAL OBLIGATION BONDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
For the year ended June 30, 2016

Revenues:		
Interest income		\$ 106,572
Expenditures:		
Salaries and benefits		34,533
Other operating expenditures		50
Capital outlay		<u>13,512,467</u>
Total expenditures		<u>13,547,050</u>
Net change in fund balance		(13,440,478)
Restricted fund balance, July 1, 2015		<u>15,853,342</u>
Restricted fund balance, June 30, 2016		<u>\$ 2,412,864</u>

See accompanying notes to financial statements.

HARTNELL COMMUNITY COLLEGE DISTRICT
MEASURE H GENERAL OBLIGATION BONDS
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Hartnell Community College District (the "District") accounts for its Bond Capital Projects Fund's ("Bond Fund") financial transactions in accordance with policies and procedures of the State Chancellor's Office's *California Community Colleges Budget and Accounting Manual*. The accounting policies of the Bond Fund conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting policies:

Financial Reporting Entity: The financial statements include only the Bond Fund Resources of the District. The fund was established to account for the expenditures of general obligation bonds issued under the General Obligation Bonds (Election of 2002, Series A, B, C and D). The authorized issuance amount of the bonds is \$131,000,000. Series A of the bonds were sold on April 15, 2003, for \$35,000,000. Series B of the bonds were sold on June 6, 2006, for \$34,995,518. Series C of the bonds were sold on June 11, 2009, for \$12,597,888. Series D of the bonds were sold on September 16, 2009, for \$48,405,079. These financial statements are not intended to present fairly the financial position and results of operations of the District in compliance with accounting principles generally accepted in the United States of America.

Basis of Accounting: Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

The financial statements represent the Bond Fund of the District and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

Cash and Cash Equivalents: For the purpose of the financial statements, cash equivalents are defined as financial instruments with an original maturity of three months or less. Funds invested in the Monterey County Treasury are considered cash equivalents.

Restricted Fund Balance: Restricted fund balance includes resources which are legally or contractually restricted by external third parties. Fund balance is restricted for capital projects of the Bond Fund in accordance with the Bond Project List for Measure H General Obligation Bonds.

Accounting Estimates: The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect

(Continued)

HARTNELL COMMUNITY COLLEGE DISTRICT
MEASURE H GENERAL OBLIGATION BONDS
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 2 – CASH AND INVESTMENTS

Cash and investments at June 30, 2016 consisted of \$3,527,356 held in the County Treasury investment pool.

Credit Risk: In accordance with Education Code Section 41001, the Bond Fund maintains substantially all of their cash in the Monterey County Treasury. The County Treasurer of Monterey County acts as the Measure H General Obligation Bond Fiscal Agent. The County pools these funds with those of other districts in the County and invests the cash. These pooled funds are carried at cost which may differ from fair value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

Because the Bond Fund's deposits are maintained in a recognized pooled investment fund under the care of a third party and the Bond Fund's share of the pooled investment fund does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

In accordance with applicable State laws, the Monterey County Treasurer may invest in derivative securities. However, at June 30, 2016, the Monterey County Treasurer has represented that the Treasurer's pooled investment fund contained no derivative securities.

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HARTNELL COMMUNITY COLLEGE DISTRICT
MEASURE H GENERAL OBLIGATION BONDS
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 3 – PURPOSE OF BOND ISSUANCE (Continued)

Purpose of Bonds:

The proceeds of the Bond may be used:

"To prepare students for skilled jobs, four-year colleges, train nurses and public safety officer, Hartnell Community College Repair and Safety Measure will 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 \$131 million in bonds at legal rates, qualifying for matching funds, with citizen."

The District's Board of Trustees developed the following Bond Project List for the Measure H 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.
- Update information technology and equipment including electrical systems and wiring for computer technology and internet access.

Proceeds from the sale of bonds authorized by this proposition shall be used only for the construction, 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 and not for any other purpose, including teacher and administrator salaries and other school operating expenses.

NOTE 4 – GENERAL OBLIGATION BOND ISSUANCES

HARTNELL COMMUNITY COLLEGE DISTRICT
MEASURE H GENERAL OBLIGATION BONDS
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 4 – GENERAL OBLIGATION BOND ISSUANCES (Continued)

In June 2006, the District issued the 2002 General Obligation Bonds, Series B in the amount of \$32,815,000 of current interest bonds and \$2,180,518 of capital appreciation bonds. The current interest bonds were partially refunded in 2014 and the remaining current interest bonds were refunded in 2016. The capital appreciation bonds matured on June 1, 2016.

In June 2009, the District issued the 2002 General Obligation Bonds, Series C in the amount of \$12,597,888 of capital appreciation bonds. The bonds mature beginning on August 1, 2023 through August 1, 2033,

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HARTNELL COMMUNITY COLLEGE DISTRICT
MEASURE H GENERAL OBLIGATION BONDS
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 4 – GENERAL OBLIGATION BOND ISSUANCES (Continued)

2014 Refunding Bond, Series A

Year Ending June 30,	Principal	Interest	Total
2017	\$ 380,000	\$ 820,279	\$ 1,200,279
2018	720,000	806,918	1,526,918
2019	1,165,000	776,058	1,941,058
2020	1,290,000	734,596	2,024,596
2021	1,390,000	689,600	2,079,600
2022-2026	13,245,000	2,411,876	15,656,876
2027-2031	<u>5,700,000</u>	<u>440,080</u>	<u>6,140,080</u>
	<u>\$ 23,890,000</u>	<u>\$ 6,679,407</u>	<u>\$ 30,569,407</u>

2014 Refunding Bond, Series B

Year Ending June 30,	Principal	Interest	Total
2017	\$ 2,245,000	\$ 206,040	\$ 2,451,040
2018	2,420,000	147,709	2,567,709
2019	2,605,000	84,851	2,689,851
2020	<u>1,350,000</u>	<u>17,213</u>	<u>1,367,213</u>
	<u>\$ 8,620,000</u>	<u>\$ 455,813</u>	<u>\$ 9,075,813</u>

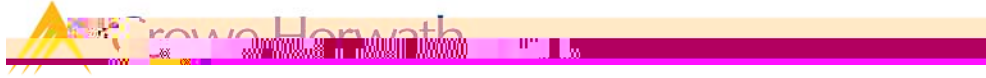
2015 Refunding Bond, Series A

Year Ending June 30,	Principal	Interest	Total
2017	\$ -	\$ 993,067	\$ 993,067
2018	-	896,000	896,000
2019	-	896,000	896,000
2020	-	896,000	896,000
2021	2,610,000	856,850	3,466,850
2022-2026	5,865,000	2,922,125	8,787,125
2027-2031	10,730,000	1,836,825	12,566,825
2032-2036	7,710,844	5,246,206	12,957,050
2037-2041	21,470,506	34,874,494	56,345,000
2042-2046	22,284,297	53,050,703	75,335,000
2047-2050	<u>16,894,648</u>	<u>53,355,352</u>	<u>70,250,000</u>
	<u>\$ 87,565,295</u>	<u>\$ 155,823,622</u>	<u>\$ 243,388,917</u>

HARTNELL COMMUNITY COLLEGE DISTRICT
MEASURE H GENERAL OBLIGATION BONDS
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 4 – GENERAL OBLIGATION BOND ISSUANCES (Continued.4(e)-scB)Tw -20.186 Y1.p4825 -1

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's Bond Fund financial statements are free of material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our te

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