

**IMPERIAL COMMUNITY COLLEGE DISTRICT
MEASURE J BOND FUND
GENERAL OBLIGATION BONDS**

AUDIT REPORT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2019**



**MEASURE J BOND BUILDING FUND
IMPERIAL COMMUNITY COLLEGE DISTRICT
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June 30, 2019**

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MEASURE J BOND BUILDING FUND
IMPERIAL COMMUNITY COLLEGE DISTRICT
Introduction
June 30, 2019

On November 2, 2010 the Imperial Community College District was successful in obtaining authorization from District voters to issue up to \$80,000,000 in General Obligation Bonds pursuant to a 55% vote in a Bond election under Measure J. The General Obligation Bonds are considered Proposition 39 bonds. The passage of Proposition 39 in November 2000 amended the California Constitution to include accountability measures. Specifically, the District must conduct an annual, independent performance audit to ensure that funds have been expended only on the specific projects listed as well as an annual independent financial audit of the proceeds from the sale of bonds until all proceeds have been expended.

Upon passage of Proposition 39, an accompanying piece of legislation, AB 1908 was also enacted, which amended the Education Code to establish additional procedures which must be followed if a District seeks approval of a bond measure pursuant to the 55% majority authorized in Proposition 39 including formation, composition and purpose of the Citizens' Oversight Committee, and authorization for injunctive relief against improper expenditure of bond revenues.



INDEPENDENT AUDITORS' REPORT

Governing Board Members and
Measure J Citizens' Oversight Committee
Imperial Community College District
Imperial, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Measure J bond building fund of Imperial Community College District (the "District") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Measure J bond building fund's basic 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Auditor's Responsibility (continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

As discussed in Note 1A, the financial statements present only the individual Proposition 39 Bond Building Fund, consisting of the net construction proceeds of the Measure J bond building fund's general obligation bonds as issued by the District, through the County of Imperial, and are not intended to present fairly the financial position of the District in conformity with generally accepted accounting principles.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Measure J bond building fund of Imperial Community College District as of June 30, 2019 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2019 on our consideration of the Measure J bond building fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Measure J bond building fund's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of Proposition 39, as incorporated in California Constitution Article 13A, we have also issued our performance audit report dated November 25, 2019 on our consideration of the Measure J bond building fund's compliance with the requirements of Proposition 39. That report is an integral part of our audit of the Measure J bond building fund for the fiscal year ended June 30, 2019 should be considered in assessing the results of our financial audit.

CWDL, Certified Public Accountants

San Diego, California
November 25, 2019

FINANCIAL SECTION

**MEASURE J BOND BUILDING FUND
IMPERIAL COMMUNITY COLLEGE DISTRICT
Balance Sheet
June 30, 2019**

ASSETS

Cash in county treasury	\$ 31,983,572
Accounts receivable	<u>90,900</u>

Total Assets 32,074,472

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable	<u>27,919</u>
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Total Liabilities 27,919

Fund Balance

Restricted for capital projects	<u>32,046,553</u>
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Total Liabilities and Fund Balance \$ 32,074,472

**MEASURE J BOND BUILDING FUND
IMPERIAL COMMUNITY COLLEGE DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Fiscal Year Ended June 30, 2019**

REVENUES	
Interest income	\$ 337,770
Total Revenues	<u>337,770</u>
EXPENDITURES	
Capital outlay	<u>294,872</u>
Total Expenditures	<u>294,872</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	42,898
OTHER FINANCING SOURCES	
Proceeds from long-term debt	<u>32,003,655</u>
Total Other Financing Sources	<u>32,003,655</u>
Net Change in Fund Balance	32,046,553
Restricted Fund Balance, July 1, 2018	<u>-</u>
Restricted Fund Balance, June 30, 2019	<u>\$ 32,046,553</u>

**MEASURE J BOND BUILDING FUND
IMPERIAL COMMUNITY COLLEGE DISTRICT
Notes to Financial Statements
June 30, 2019**

NOTE 1 - DEFINITION OF THE FUND

In January 2011, the Measure J Bond Fund was formed to account for and finance the addition and modernization of college facilities for the District as set forth in the ballot measure approved by the District's voters at the Bond Election from the issuance of Election 2010 General Obligation Bonds. The fund is one of the Capital Project Funds of the District.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB) and Audits of State and Local Governmental Units issued by the American Institute of Certified Public Accountants.

Financial Reporting Entity

The accompanying financial statements are used to account for the transactions of the Measure J Bond Fund as defined in Note 1 and are not intended to present fairly the financial position and results of operations of Imperial Community College District in conformity 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 Measure J Bond Fund of the District is maintained on the modified accrual basis of accounting. Its revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered). With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial sources.

**MEASURE J BOND BUILDING FUND
IMPERIAL COMMUNITY COLLEGE DISTRICT
Notes to Financial Statements
June 30, 2019**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Budgets and Budgetary Accounting

The Board of Trustees adopts an operating budget no later than July 1 in accordance with state law. The Board of Trustees revises this budget during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

Encumbrances

The District utilizes an encumbrance accounting system under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated at June 30 since they do not constitute expenditures or liabilities.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Cash in County Treasury

In accordance with Education Code §41001, the District maintains a substantial amount of its cash in the Imperial County Treasury. 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 approximates fair value, in accordance with the requirements of GASB Statement No. 31. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool. The county is authorized to deposit cash and invest excess funds by California Government Code §53648 et. seq. The funds maintained by the county are either secured by federal depository insurance or are collateralized.

Information regarding the amount of dollars invested in derivatives with Imperial County Treasury was not available.

**MEASURE J BOND BUILDING FUND
IMPERIAL COMMUNITY COLLEGE DISTRICT
Notes to Financial Statements
June 30, 2019**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as interfund receivables/payables. Accounts receivable are recorded net of estimated uncollectible amounts. There were no significant receivables that are not scheduled for collection within one year of year-end.

Fund Balance Reserves and Designations

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts has been restricted, committed or assigned.

**MEASURE J BOND BUILDING FUND
IMPERIAL COMMUNITY COLLEGE DISTRICT
Notes to Financial Statements
June 30, 2019**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

Capital Assets and Long-Term Debt

The accounting and reporting treatment applied to the capital assets and long-term liabilities associated with the Measure J Bond Fund are determined by its measurement focus. The Measure J Bond Fund is accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on the balance sheet.

The reported fund balances is considered a measure of "available spendable resources." Thus, the capital assets and long-term liabilities associated with the Measure J Bond Fund are accounted for in the basic financial statements of the Imperial Community College District.

Deferred Inflows and Deferred Outflows of Resources

Deferred outflows of resources is a consumption of net assets or net position that is applicable to a future reporting period. Deferred inflows of resources is an acquisition of net assets or net position that is applicable to a future reporting period. Deferred outflows of resources and deferred inflows of resources are recorded in accordance with GASB Statement number 63 and 65. At June 30, 2019 the District's Measure J Bond Fund did not have any deferred inflows or deferred outflows of resources

NOTE 3 – CASH AND INVESTMENTS

Cash in County Treasury

The District maintains significantly all of its cash in the Imperial County Treasury as part of the common investment pool. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001).

**MEASURE J BOND BUILDING FUND
IMPERIAL COMMUNITY COLLEGE DISTRICT
Notes to Financial Statements
June 30, 2019**

NOTE 3 – CASH AND INVESTMENTS, continued

Cash in County Treasury, continued

The fair value of the District's investment in the pool is reported in the accounting financial statement at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis. The county is restricted by Government Code §53635 pursuant to §53601 to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements.

Investments

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State: U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposits placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies; certificates of participation; obligations with first priority security; and collateralized mortgage obligations.

Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures.

a. Credit Risk

Credit risk is the risk that an issuer of their counterparty to an investment will not fulfill its obligations. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest only in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, banks' acceptances, commercial paper, negotiable certificates of deposit, and repurchase agreements. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District's Measure J Bond Fund was not exposed to credit risk. The Imperial County Investment Pool is rated AA+ by Standard & Poors.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name. At year end, the District's Measure J Bond Fund was not exposed to custodial credit risk

**MEASURE J BOND BUILDING FUND
IMPERIAL COMMUNITY COLLEGE DISTRICT
Notes to Financial Statements
June 30, 2019**

NOTE 3 – CASH AND INVESTMENTS, continued

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. Investments in any one issuer that represent five percent or more of the total investments are either an external investment pool and are therefore exempt. As such, the District's Measure J Bond Fund was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rate will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposures to interest rate risk by investing in the county pool.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District's Measure J Bond Fund was not exposed to foreign currency risk.

f. Investment Accounting Policy

The District is required by GASB statement No. 31 to disclose its policy for determining which investments, if any, are reported at amortized cost. The District's general policy is to report money market investments and short-term participating interest-earning investment contracts using a cost-based measure; however, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value.

All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

**MEASURE J BOND BUILDING FUND
IMPERIAL COMMUNITY COLLEGE DISTRICT
Notes to Financial Statements
June 30, 2019**

NOTE 4 - GENERAL OBLIGATION BONDS

As of June 30, 2019, the principal balance outstanding on the District's Measure J bonded debt, not including accreted interest, was \$49,324,986.

Date of Issuance	Interest Rate	Maturity Date	Original Issue	Balance July 1, 2018	Additions	Redeemed	Balance June 30, 2019
1/27/2011	3.50-7.00%	8/1/2040	\$ 9,405,512	\$ 1,217,400	\$ -	\$ 20,836	\$ 1,196,564
3/19/2014	3.95-7.99%	8/1/2041	16,642,939	16,168,362	-	248,595	15,919,767
8/1/2018	1.45-4.31%	8/1/2043	32,208,655	-	32,208,655	-	32,208,655
			<u>\$ 58,257,106</u>	<u>\$ 17,385,762</u>	<u>\$ 32,208,655</u>	<u>\$ 269,431</u>	<u>\$ 49,324,986</u>

Series 2010A General Obligation Bonds

On January 27, 2011, Series 2010A general obligation bonds were issued, which consisted of current interest bonds and term bonds with an initial par amount of \$9,405,512 with stated interest rates of 3.50% to 7.00% and maturing through August 1, 2040.

The annual requirements to amortize all Measure J Series 2010A general obligation bonds payable outstanding as of June 30, 2019, are as follows:

2010A General Obligation Bonds

Fiscal Year	Principal	Interest	Accreted Interest	Total
2020	\$ 29,670	\$ 50,330	\$ -	\$ 80,000
2021	34,658	138,942	-	173,600
2022	-	137,200	-	137,200
2023	7,844	159,357	-	167,201
2024	12,798	179,402	-	192,200
2025-2029	92,884	1,143,115	-	1,235,999
2030-2034	-	686,000	-	686,000
2035-2039	-	686,000	-	686,000
2040-2041	1,018,710	205,800	941,290	2,165,800
Total	<u>\$ 1,196,564</u>	<u>\$ 3,386,146</u>	<u>\$ 941,290</u>	<u>\$ 5,524,000</u>

**MEASURE J BOND BUILDING FUND
 IMPERIAL COMMUNITY COLLEGE DISTRICT
 Notes to Financial Statements
 June 30, 2019**

NOTE 4 - GENERAL OBLIGATION BONDS, continued

Series 2014A General Obligation Bonds

On March 19, 2014, Series 2014A general obligation bonds were issued, which consisted of current interest bonds and term bonds with an initial par amount of \$16,642,939 with stated interest rates of 3.95% to 7.99% and maturing through August 1, 2041.

The annual requirements to amortize all Measure J Series 2014A general obligation bonds payable outstanding as of June 30, 2019, are as follows:

2014A General Obligation Bonds

Fiscal Year	Principal	Interest	Accreted Interest	Total
2020	\$ 128,064	\$ 738,225	\$ 66,936	\$ 933,225
2021	142,706	738,225	92,294	973,225
2022	154,413	738,225	120,588	1,013,226
2023	163,542	738,225	151,458	1,053,225
2024	170,421	738,225	184,579	1,093,225
2025-2029	481,749	3,683,700	178,251	4,343,700
2030-2034	1,320,637	3,508,565	449,363	5,278,565
2035-2039	2,983,235	3,059,995	751,764	6,794,994
2040-2042	10,375,000	1,239,975	-	11,614,975
Total	\$ 15,919,767	\$ 15,183,360	\$ 1,995,233	\$ 33,098,360

**MEASURE J BOND BUILDING FUND
IMPERIAL COMMUNITY COLLEGE DISTRICT
Notes to Financial Statements
June 30, 2019**

NOTE 4 - GENERAL OBLIGATION BONDS, continued

Series 2018C General Obligation Bonds

On August 1, 2018, Series 2018C general obligation bonds were issued, which consisted of current interest bonds and term bonds with an initial par amount of \$32,208,655 with stated interest rates of 1.45% to 4.31% and maturing through August 1, 2043.

The annual requirements to amortize all Measure J Series 2018C general obligation bonds payable outstanding as of June 30, 2019, are as follows:

2018C General Obligation Bonds

Fiscal Year	Principal	Interest	Accreted Interest	Total
2020	\$ 1,205,000	\$ 370,075	\$ -	\$ 1,575,075
2021	1,110,000	329,800	-	1,439,800
2022	1,210,000	283,400	-	1,493,400
2023	853,173	259,200	76,827	1,189,200
2024	877,251	259,200	107,749	1,244,200
2025-2029	6,109,317	1,296,000	1,665,684	9,071,001
2030-2034	6,970,208	1,296,000	4,299,792	12,566,000
2035-2039	9,083,333	758,700	2,646,666	12,488,699
2040-2044	4,790,373	-	8,789,627	13,580,000
Total	\$ 32,208,655	\$ 4,852,375	\$ 17,586,345	\$ 54,647,375

NOTE 5 - ACCRETED INTEREST

Accreted interest represents amounts that have been compounded for the general obligation bonds which were issued as capital appreciation bonds. Accreted interest on capital appreciation bonds issued under the 2010 Election as 2010A, 2014A and 2018C general obligation bonds amounted to \$22,635,161 which represents the accreted portion through June 30, 2019 that will be repaid in the years the accreted interest becomes due.

**OTHER INDEPENDENT
AUDITORS' REPORTS**



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Governing Board Members and
Measure J Citizens' Oversight Committee
Imperial Community College District
Imperial, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Measure J bond building fund, as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the Measure J bond building fund's basic financial statements, and have issued our report thereon dated November 25, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Measure J bond building fund's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Measure J bond building fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Measure J bond building fund's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Measure J bond building fund's financial statements are free of material misstatement, we performed tests of its 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 testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CWDL, Certified Public Accountants

San Diego, California
November 25, 2019



INDEPENDENT AUDITORS' REPORT ON PERFORMANCE

Governing Board Members and
Measure J Citizens' Oversight Committee
Imperial Community College District
Imperial, California

We were engaged to conduct a performance audit of the Imperial Community College District (the District) Building Fund (Measure J) for the year ended June 30, 2019.

We conducted this performance audit in accordance with the standards applicable to performance audits contained in 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 within the report which includes determining the District's compliance with the performance requirements as referred to in Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution. Management is responsible for the District's compliance with those requirements.

In planning and performing our performance audit, we obtained an understanding of the District's internal control in order to determine if the internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

The results of our tests indicated that the District expended Building Fund (Measure J) funds only for the specific projects approved by the voters, in accordance with Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution.

CWDL, Certified Public Accountants

San Diego, California
November 25, 2019

BACKGROUND

**MEASURE J BOND BUILDING FUND
IMPERIAL COMMUNITY COLLEGE DISTRICT
Background Information
June 30, 2019**

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.

IMPERIAL COMMUNITY COLLEGE DISTRICT MEASURE J GENERAL OBLIGATION BONDS

The Imperial Community College District, Imperial County, California Election of 2010 General Obligation Measure J Bonds were authorized at an election of the registered voters of the Imperial 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 \$80,000,000 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 improve the quality of education and expand career opportunities, shall the Imperial Community College District be authorized to acquire, construct and improve classrooms and facilities, including vocational, career, and technical facilities, modernize outdated classrooms, and improve student access to computers and modern technology, by issuing \$80,000,000 in bonds at legal interest rates, with an independent Citizens' Oversight Committee, annual financial and performance audits, no money for salaries, and bonds only issued without increasing existing tax rates?"

**MEASURE J BOND BUILDING FUND
IMPERIAL COMMUNITY COLLEGE DISTRICT
Background Information
June 30, 2019**

Objectives of the Audit

1. Determine whether expenditures charged to the Building Fund have been made in accordance with the bond project list approved by the voters through the approval of Measure J.
2. Determine whether salary transactions charged to the Building Fund were in support of Measure J and not for District general administration or operations.

Scope of the Audit

The scope of our performance audit covered the period of July 1, 2018 to June 30, 2019. The population of 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 proceeds of the bonds, were not included within the scope of the audit. Expenditures incurred subsequent to June 30, 2019, were not reviewed or included within the scope of our audit or in this report.

Procedures Performed

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2019 for the Building Fund (Measure J). Within the fiscal year audited, we obtained the actual invoices and other supporting documentation for a sample of expenditures to ensure compliance with the requirements of Article XIII A, Section 1(b)(3)(C) of the California Constitution and Measure J as to the approved bond projects list. We performed the following procedures:

1. We selected a sample of expenditures for the period starting July 1, 2018 and ending June 30, 2019, and reviewed supporting documentation to ensure that such funds were properly expended on the specific projects listed in the ballot text.
2. Our sample included transactions totaling \$123,007. This represents 41.7 percent of the total expenditures of \$294,872.
3. Based on our testing, we verified that funds from the Building Fund (Measure J) were expended for the construction, renovation, furnishing and equipping of District facilities constituting authorized bond projects.

Conclusion

The results of our tests indicated that, in all significant respects, the Imperial Community College District has properly accounted for the expenditures held in the Building Fund (Measure J) and that such expenditures were made for authorized Bond projects.

FINDINGS AND RESPONSES SECTION

**MEASURE J BOND BUILDING FUND
IMPERIAL COMMUNITY COLLEGE DISTRICT
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2019**

This section identifies the deficiencies, significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

There were no financial statement findings or questioned costs identified during 2018-19.

**MEASURE J BOND BUILDING FUND
IMPERIAL COMMUNITY COLLEGE DISTRICT
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2019**

There was no audit of the Measure J bond building fund for 2017-18 as of the date of this report.