

YOSEMITE COMMUNITY COLLEGE DISTRICT
MEASURE E GENERAL OBLIGATION BONDS
PERFORMANCE AUDIT
June 30, 2016

YOSEMITE COMMUNITY COLLEGE DISTRICT
Modesto, California

MEASURE E GENERAL OBLIGATION BONDS
PERFORMANCE AUDIT
June 30, 2016

CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
BACKGROUND:	
LEGISLATIVE HISTORY	2
MEASURE E GENERAL OBLIGATION BONDS	2
PERFORMANCE AUDIT:	
OBJECTIVES	4
SCOPE	4
METHODOLOGY	4
CONCLUSION	4
ATTACHMENT A – SCHEDULE OF EXPENDITURES THROUGH JUNE 30, 2016	5

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Yosemite Community College District
Modesto, California

We have conducted a performance audit of the Yosemite Community College District (the "District"), Measure E General Obligation Bond funds for the year ended June 30, 2016.

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 the evidence obtained provides a reasonable basis for our findings and conclusions based on the 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 E 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 Yosemite 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 Yosemite Community College District to determine the audit procedures that are appropriate for the purpose of providing a conclusion on 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, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express any assurance on the internal controls.

The results of our tests indicated that, in all significant respects, Yosemite Community College District expended Measure E General Obligation Bond funds for the year ended June 30, 2016 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.

Crowe Horwath LLP
Crowe Horwath LLP

Sacramento, California
November 14, 2016

YOSEMITE COMMUNITY COLLEGE DISTRICT
MEASURE E GENERAL OBLIGATION BONDS
BACKGROUND INFORMATION

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, "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.

YOSEMITE COMMUNITY COLLEGE DISTRICT MEASURE E GENERAL OBLIGATION BONDS

On November 2, 2004, the electorate of Yosemite Community College District approved the \$326,174,000 "Measure E" General Obligation Bonds for the repair, upgrade and new construction of Modesto Junior College and Columbia College Facilities and the expansion of college education centers. A summary of the text of the ballot language was as follows:

"To prepare Modesto Junior College and Columbia College students for jobs and four-year colleges, repair buildings, and increase access to educational opportunities by repairing, constructing, equipping buildings, classrooms, libraries, science labs, establishing new and expanded college education centers in Turlock, Oakdale, Patterson, and Calaveras County, and acquiring land, and modernizing classroom technology, shall Yosemite Community College District issue \$326,174,000 in bonds, at legal rates, with annual audits, a Citizens' Oversight Committee and no money for administrators' salaries?"

On April 19, 2005, Series 2005A, tax-exempt general obligation bonds and Series 2005B, taxable general obligation bonds, in the amount of \$92,015,000 and \$2,430,000, respectively, were issued. The Series 2005A bonds were partially refunded during the year ended June 30, 2013 with the remaining bonds refunded during the year ended June 30, 2016. The Series 2005B bonds were financed over two years and have been paid in full.

On March 19, 2008, Series 2008C, tax-exempt general obligation bonds, in the amount of \$150,000,000, were issued. The Series 2008C bonds provide \$110,000,000 from term bonds and \$40,000,000 from capital appreciation bonds. The \$110,000,000 of term bonds were refunded during the year ended June 30, 2016. Capital Appreciation Bonds of \$40,000,000, mature through August 1, 2025 with an interest accretion rate of 6.05% compounded semiannually each year and due upon maturity.

(Continued)

YOSEMITE COMMUNITY COLLEGE DISTRICT
MEASURE E GENERAL OBLIGATION BONDS
BACKGROUND INFORMATION

YOSEMITE COMMUNITY COLLEGE DISTRICT MEASURE E GENERAL OBLIGATION BONDS
(Continued)

On May 12, 2010, Series 2010D, tax-exempt general obligation bonds, in the amount of \$81,728,990 were issued. Current interest bonds of \$3,950,000 bear interest ranging from 2.00% and 5.00% and mature through August 1, 2026. Interest payments are due semiannually on February 1 and August 1 of each year. Capital appreciation bonds of \$20,865,753, maturing through August 1, 2040, bear interest at 6.05% with interest compounded semiannually each year and due upon maturity. Convertible capital appreciation bonds of \$56,913,237 mature through August 1, 2042 and accrete interest semiannually at 6.55% until August 1, 2032 when the accreted value bears interest and is payable semiannually on February 1 and August 1 of each year.

On July 24, 2012, the District issued \$59,205,000 of General Obligation 2012 Refunding Bonds. Proceeds were used to advance refund a portion of the Series 2005A General Obligation Bonds. The 2012 Refunding Bonds mature through August 1, 2029 and bear interest at rates ranging from 2.00% to 5.00% with interest due semiannually on August 1 and February 1. For financial reporting purposes, the refunded debt has been considered defeased and therefore removed from the District's financial statements. On June 30, 2016, \$52,235,000 of bonds outstanding are considered defeased.

On July 28, 2015, the District issued \$120,205,000 of General Obligation 2015 Refunding Bonds. Proceeds were used to refund the outstanding Series 2005A General Obligation Bonds, advance refund a portion of the Series 2008C General Obligation Bonds, and to pay the costs of issuing the 2015 Refunding Bonds. The 2015 Refunding Bonds mature through August 1, 2032 and bear interest at rates ranging from 2.00% to 5.00% with interest due semiannually on August 1 and February 1. For financial reporting purposes, the refunded debt has been considered defeased and therefore removed from the District's financial statements. On June 30, 2016, \$126,190,000 of bonds outstanding are considered defeased.

The financial activity related to the Measure E General Obligation Bonds is recorded in the District's Financial Activity Report for Fund 42 in the District's audited financial statements for year ended June 30, 2016.

YOSEMITE COMMUNITY COLLEGE DISTRICT
MEASURE E GENERAL OBLIGATION BONDS
OBJECTIVES, SCOPE, METHODOLOGY AND CONCLUSIONS

OBJECTIVES

The objective of our performance audit was to determine that the District expended Measure E General Obligation Bond funds for the year ended June 30, 2016 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 E General Obligation Bond projects and specific expenditures for the year ended June 30, 2016 (the "List"). An approximate total of 766 transactions were identified, representing \$16,671,459 in expenditures from July 1, 2015 through June 30, 2016.

METHODOLOGY

We performed the following procedures to the List of Measure E General Obligation Bond project expenditures for the year ended June 30, 2016:

- Verified the mathematical accuracy of the expenditures 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, 2016, presented as the Revenue Bond Construction Fund (Fund 42).
- Compared total project expenditures to budgets to determine if there were any expenditures in excess of appropriation (Attachment A).
- Selected a sample of 44 expenditures totaling \$13,344,074 from Measure E. The sample was selected to provide a representation across specific construction projects, vendors and expenditure amounts. Verified that the expenditures were for authorized projects, and were to repair, upgrade and construct facilities and expand college education centers.

CONCLUSION

The results of our tests indicated that, in all significant respects, Yosemite Community College District expended Measure E General Obligation Bond funds for the year ended June 30, 2016 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.

YOSEMITE COMMUNITY COLLEGE DISTRICT
 MEASURE E GENERAL OBLIGATION BONDS
 ATTACHMENT A – SCHEDULE OF EXPENDITURES THROUGH JUNE 30, 2016

<u>Site</u>	<u>Prior Expenditures</u>	<u>June 30, 2016 Expenditures</u>	<u>Total Expenditures</u>	<u>Revised Budget</u>	<u>Status</u>
MODESTO JUNIOR COLLEGE					
Modesto Junior College Auditorium	\$ 19,566,200	\$ -	\$ 19,566,200	\$ 19,566,200	Complete
Turlock Center	1,088,576	-	1,088,576	1,088,576	Complete
Patterson Center	1,443,673	-	1,443,673	1,443,672	Complete
Parking Structure/Lot	3,828,529	-	3,828,529	3,828,529	Complete
Allied Health Life Sciences	25,092,869	-	25,092,869	25,092,869	Complete
Softball Complex	1,531,513	-	1,531,513	1,531,513	Complete
High Tech Center	16,848,801	689,092	17,537,893	17,625,000	Complete
Agriculture Modular Living Units	3,149,907	-	3,149,907	3,149,907	Complete
Learning Resources Center	9,072,711	-	9,072,711	9,072,711	Complete
Founders Hall Modernization	11,739,920	-	11,739,920	11,739,920	Complete
Agriculture Multipurpose Pavilion	16,701,862	-	16,701,862	16,701,862	Complete
Science Community Center	59,272,186	82,603	59,354,789	59,650,000	In Progress
Agriculture Animal Facilities Renovation	2,017,278	-	2,017,278	2,017,278	Complete
Student Services Building	12,627,571	-	12,627,571	12,627,571	Complete
Loop Road West	3,713,680	1,423	3,715,103	4,480,122	In Progress
Utility Infrastructure	3,673,352	446,141	4,119,493	4,480,122	In Progress
Interim Housing	2,715,532	53,419	2,768,951	2,840,000	Complete
Campus Way Parking Lot	1,300,480	-	1,300,480	1,300,480	Complete
Student Center/Career Transfer	429,159	-	429,159	429,158	Complete
West Campus Parking Lot	755,109	-	755,109	755,109	Complete
Art Building Life Safety	579,379	-	579,379	579,379	Complete
West Campus - Loop Road #3	60,486	434,978	495,464	1,450,000	In Progress
West Campus - Loop Road #4	49,776	313,526	363,302	1,056,000	In Progress
West Campus - Loop Road #5	41,675	188,177	229,852	2,970,000	In Progress
West Campus - Brink Entry #6	20,430	119,070	139,500	1,390,000	In Progress
West Campus - Entry Road #2A	87,874	4,488	92,362	92,361	Complete
West Campus - Parking Area #1	25,937	149,181	175,118	3,860,000	In Progress
East Campus Roads & Pathways	398,586	809,581	1,208,167	1,339,000	Complete
GVM Storage	1,730,051	193,585	1,923,636	1,965,000	Complete
Ag Storage Building	30	(30)	-	-	On Hold
Science Outdoor Education	154	38,807	38,961	1,960,000	In Progress
Painting East Campus	34	50,626	50,660	1,602,000	In Progress
Painting West Campus	42	53,143	53,185	2,015,000	In Progress
Modesto Junior College contingency	-	-	-	410,661	Not Started
Modesto Junior College Total	199,563,362	3,627,810	203,191,172	220,110,000	

(Continued)

YOSEMITE COMMUNITY COLLEGE DISTRICT
 MEASURE E GENERAL OBLIGATION BONDS
 ATTACHMENT A – SCHEDULE OF EXPENDITURES THROUGH JUNE 30, 2016

<u>Site</u>	<u>Prior Expenditures</u>	<u>June 30, 2016 Expenditures</u>	<u>Total Expenditures</u>	<u>Revised Budget</u>	<u>Status</u>
COLUMBIA COLLEGE					
Bus and Truck Service Loop	678,895	-	678,895	678,895	Complete
Secondary Access Road	520,163	-	520,163	520,163	Complete
Calaveras Center	1,230,751	-	1,230,751	1,230,751	Complete
Oakdale Center	43,577	-	43,577	43,577	Complete
Public Safety Center	2,105,553	-	2,105,553	2,105,553	Complete
Science Natural Resources	17,743,350	(276)	17,743,074	17,743,350	Complete
Madrone Building Modernization	2,922,998	-	2,922,998	2,922,998	Complete
Manzanita Building	8,435,867	704,041	9,139,908	9,141,571	Complete
Child Development Center	8,902,268	-	8,902,268	8,902,268	Complete
Sequoia Modernization	1,199,898	115,583	1,315,481	1,315,481	In Progress
Roadways Phase I	760,129	-	760,129	760,129	Complete
Roadways Phase II	1,462,957	13,997	1,476,954	1,499,992	Complete
Roadways Phase III	615,935	593,214	1,209,149	1,209,149	Complete
Swing Space	124,426	-	124,426	124,426	In Progress
Manzanita Secondary Effects	218,414	68,939	287,353	305,000	In Progress
Manzanita Lower Level Renovation	43	272,870	272,913	3,320,000	In Progress
Juniper Upgrade	14	32,950	32,964	32,964	On Hold
Pinyon Building Upgrade	7	41,693	41,700	329,327	In Progress
Entry Road Repair	-	36,236	36,236	234,307	In Progress
Columbia College contingency	-	-	-	75,099	Not Started
Columbia College Total	<u>46,965,245</u>	<u>1,879,247</u>	<u>48,844,492</u>	<u>52,495,000</u>	
DISTRICT-WIDE PROJECTS					
Scheduled Maintenance	10,000,000	-	10,000,000	10,000,000	Complete
Technology Infrastructure	9,847,930	-	9,847,930	10,000,000	In Progress
District Office Building	3,363,413	10,795,430	14,158,843	21,000,000	In Progress
BM: Primary Data Center	7,160,460	173,264	7,333,724	7,333,724	Complete
BM: Secondary Data Center	3,190,749	37,011	3,227,760	3,500,000	In Progress
T&R: Shipping & Receiving	4,056,783	126,232	4,183,015	4,183,015	Complete
T&R: Logistics Center (CC)	995,897	-	995,897	995,897	Complete
DTSC	1,114,062	32,465	1,146,527	1,300,000	In Progress
Ag Trailers	65,876	-	65,876	65,876	Complete
Art Building Life Safety	586,393	-	586,393	586,393	Complete
Central Services Master Plan	82,500	-	82,500	82,500	Complete
Patterson Planning	855,409	-	855,409	855,409	Complete
Utility Infrastructure	-	-	-	2,455,000	In Progress
Capital Outlay Debt Service	14,435,000	-	14,435,000	14,435,000	Complete
Central Services contingency	-	-	-	1,776,186	Not Started
District Wide Total	<u>55,754,472</u>	<u>11,164,402</u>	<u>66,918,874</u>	<u>78,569,000</u>	
Grand Total	<u>\$ 302,283,079</u>	<u>\$ 16,671,459</u>	<u>\$ 318,954,538</u>	<u>\$ 351,174,000</u>	