

YOSEMITE COMMUNITY COLLEGE DISTRICT
Modesto, California

MEASURE E GENERAL OBLIGATION BONDS
PERFORMANCE AUDIT
June 30, 2014

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees and Citizens' Bond
Oversight Committee for Measure E
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, 2014.

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 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 control.

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, 2014 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 20, 2014

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, the District issued Series 2005A and 2005B Measure E General Obligation Bonds, in the amount of \$92,015,000 and \$2,430,000, respectively, to finance the construction, acquisition, furnishing, and equipping of District facilities. The 2005B Bonds matured August 1, 2007. The 2005A Bonds were partially refunded in 2012 and mature through August 1, 2029. The Bonds accrue interest up to a maximum of 5.0% per annum from the date of issuance and are payable on February 1 and August 1 of each year until maturity.

On March 19, 2008, the District issued Series 2008C Measure E General Obligation Bonds, in the amount of \$150,000,000 to finance the construction, acquisition, furnishing, and equipping of District facilities. The Bonds mature through August 1, 2032 and accrue interest up to a maximum of 5.0% per annum from the date of issuance with payable on February 1 and August 1 of each year until maturity.

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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, the District issued Series 2010D Measure E General Obligation Bonds, in the amount of \$81,728,990 to finance the construction, acquisition, furnishing, and equipping of District facilities. The Bonds accrue interest up to a maximum of 5.0% per annum from the date of issuance and are payable on February 1 and August 1 of each year until maturity. The bonds mature through August 1, 2042.

On August 8, 2012, the District issued Series 2012 Measure E General Obligation Refunding Bonds, in the amount of \$59,205,000 to advance refund \$57,150,000 of the Series 2005A bonds. The bonds accrue interest up to 5.0% per annum with interest due semiannually on August 1 and February 1. The bonds mature through August 1, 2029.

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, 2014.

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, 2014 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, 2014 (the "List"). An approximate total of 1,930 transactions were identified, representing \$21,498,031 in expenditures from July 1, 2013 through June 30, 2014.

METHODOLOGY

We performed the following procedures to the List of Measure E General Obligation Bond project expenditures for the year ended June 30, 2014:

- Interviewed District management related to controls over planning, bidding, contracting, expenditure of bond funds and financial reporting 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 test 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 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, 2014, 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 25 expenditures totaling \$10,305,748 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, 2014 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
SCHEDULE OF EXPENDITURES THROUGH JUNE 30, 2014

Site	Prior Expenditures	June 30, 2014 Expenditures	Total Expenditures	Budget	Status
MODESTO JUNIOR COLLEGE					
Modesto Junior College Auditorium	\$ 19,566,200	\$ -	\$ 19,566,200	\$ 19,566,200	Complete
Turlock Center	51,120	1,040,243	1,091,363	1,150,000	Complete
Patterson Center	1,443,182	491	1,443,673	5,037,370	In Progress
Parking Structure	3,825,649	2,880	3,828,529	3,828,529	Complete
Allied Health Life Sciences	24,396,336	619,147	25,015,483	25,360,225	In Progress
Softball Complex	1,531,513	-	1,531,513	1,531,513	Complete
High Tech Center	2,209,394	6,657,645	8,867,039	17,750,000	In Progress
Agriculture Modular Living Units	3,149,907	-	3,149,907	3,149,907	Complete
Learning Resources Center	6,488,899	2,518,744	9,007,643	9,495,145	In Progress
Founders Hall Modernization	11,739,259	661	11,739,920	11,739,920	Complete
Agriculture Multipurpose Pavilion	16,534,054	167,808	16,701,862	16,766,508	Complete
Science Community Center	57,527,999	1,333,383	58,861,382	59,650,000	In Progress
Agriculture Animal Facilities Renovation	2,017,278	-	2,017,278	2,017,278	Complete
Student Services (Morris Add)	12,126,269	183,852	12,310,121	14,523,403	In Progress
Loop Road West	3,633,125	73,910	3,707,035	4,480,122	In Progress
Utility Infrastructure	3,598,051	68,657	3,666,708	4,480,122	In Progress
Interim Housing	2,639,382	35,044	2,674,426	3,000,000	In Progress
AMR Property	1,300,480	-	1,300,480	1,300,480	Complete
Student Center/Career Transfer	237,411	191,748	429,159	450,000	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	-	661	661	663,000	In Progress
West Campus - Loop Road #4	-	475	475	476,000	In Progress
West Campus - Loop Road #5	-	2,769	2,769	2,778,000	In Progress
West Campus - Brink Entry #6	-	1,231	1,231	1,235,000	In Progress
West Campus - Entry Road #2A	-	93	93	93,000	In Progress
West Campus - Parking Area #1	-	2,034	2,034	2,040,000	In Progress
East Campus Roads & Pathways	-	10,293	10,293	1,339,000	In Progress
GVM Storage	-	272,009	272,009	3,165,000	In Progress
Modesto Junior College contingency	-	-	-	1,709,790	Not Started
Modesto Junior College Total	175,349,996	13,183,778	188,533,774	220,110,000	
COLUMBIA COLLEGE					
Bus and Truck Service Loop	678,895	-	678,895	678,895	Complete
Secondary Access Road	520,163	-	520,163	520,163	Complete
Parking Lots	173,190	(173,190)	-	-	Complete
Calaveras Center	1,230,751	-	1,230,751	4,000,000	In Progress
Oakdale Center	43,577	-	43,577	1,000,000	In Progress
Public Safety Center	2,105,553	-	2,105,553	2,105,553	Complete
Science Natural Resources	17,739,043	4,307	17,743,350	17,900,000	Complete
Madrone Building Modernization	2,922,998	-	2,922,998	2,922,998	In Progress
Manzanita Building	820,932	2,065,777	2,886,709	9,235,075	In Progress
Child Development Center	8,902,268	-	8,902,268	8,902,269	Complete
Bike Lanes & Pedestrian Paths	18,957	(18,957)	-	-	Complete
Sequoia Modernization	245,907	922,992	1,168,899	1,340,480	In Progress
Roadways Phase I	100,702	611,227	711,929	1,296,593	In Progress
Roadways Phase II	-	305,740	305,740	1,110,632	In Progress
Roadways Phase III	-	29,259	29,259	435,465	In Progress
Swing Space	6,790	110,657	117,447	125,000	In Progress
Manzanita Secondary Effects	-	179,578	179,578	325,000	In Progress
Columbia College contingency	-	-	-	596,877	Not Started
Columbia College Total	35,509,726	4,037,390	39,547,116	52,495,000	

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YOSEMITE COMMUNITY COLLEGE DISTRICT
MEASURE E GENERAL OBLIGATION BONDS
SCHEDULE OF EXPENDITURES THROUGH JUNE 30, 2014

Site	Prior Expenditures	June 30, 2014 Expenditures	Total Expenditures	Budget	Status
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	423,135	874,451	1,297,586	21,000,000	In Progress
BM: Primary Data Center	5,039,534	731,056	5,770,590	8,000,000	In Progress
BM: Secondary Data Center	816,729	2,337,015	3,153,744	3,500,000	In Progress
T&R: Shipping & Receiving	3,601,512	267,329	3,868,841	5,500,000	In Progress
T&R: Logistics Center (CC)	995,897	-	995,897	995,897	Complete
DTSC	990,476	56,397	1,046,873	1,300,000	In Progress
Ag Trailers	65,876	-	65,876	65,876	Complete
Art Building Life Safety	575,226	10,615	585,841	600,000	In Progress
Central Services Master Plan	82,500	-	82,500	82,500	Complete
Patterson Planning	855,409	-	855,409	1,093,484	In Progress
Capital Outlay Debt Service	14,435,000	-	14,435,000	14,435,000	Complete
Central Services contingency	-	-	-	1,996,243	Not Started
District Wide Total	<u>47,729,224</u>	<u>4,276,863</u>	<u>52,006,087</u>	<u>78,569,000</u>	
Total	<u>\$ 258,588,946</u>	<u>\$ 21,498,031</u>	<u>\$ 280,086,977</u>	<u>\$ 351,174,000</u>	