

**YOSEMITE COMMUNITY COLLEGE DISTRICT**  
Modesto, California

**MEASURE E GENERAL OBLIGATION BONDS  
PERFORMANCE AUDIT**  
June 30, 2015

YOSEMITE COMMUNITY COLLEGE DISTRICT  
Modesto, California

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## INDEPENDENT AUDITOR'S REPORT

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

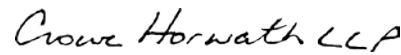
We have conducted a performance audit of the Yosemite Community College District (the "District"), Measure E General Obligation Bond funds for the year ended June 30, 2015.

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 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, 2015 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

Sacramento, California  
November 23, 2015

YOSEMITE COMMUNITY COLLEGE DISTRICT  
MEASURE E GENERAL OBLIGATION BONDS  
BACKGROUND INFORMATION

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**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 in 2012 and the remaining bonds mature through August 1, 2029 and bear interest at 5.00%. Interest payments are made semiannually each February 1 and August 1. 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 bear interest at 5.00%, maturing August 1, 2032. Interest payments are due semiannually on February 1 and August 1 of each year. Capital Appreciation Bonds of \$40,000,000, maturing August 1, 2025, bear interest at 6.05% with interest compounded semiannually each year and due upon maturity.

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YOSEMITE COMMUNITY COLLEGE DISTRICT  
MEASURE E GENERAL OBLIGATION BONDS  
BACKGROUND INFORMATION

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**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 Series 2012 general obligation refunding bonds at a premium of \$6,151,157 to advance refund \$57,150,000 of the Series 2005A tax- exempt 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, 2015, \$54,150,000 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, 2015.

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

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## **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, 2015 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, 2015 (the "List"). An approximate total of 1,353 transactions were identified, representing \$22,196,102 in expenditures from July 1, 2014 through June 30, 2015.

## **METHODOLOGY**

We performed the following procedures to the List of Measure E General Obligation Bond project expenditures for the year ended June 30, 2015:

- 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, 2015, 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 40 expenditures totaling \$11,641,938 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, 2015 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, 2015

<u>Site</u>	<u>Prior Expenditures</u>	<u>June 30, 2015 Expenditures</u>	<u>Total Expenditures</u>	<u>Revised Budget</u>	<u>Status</u>
<b>MODESTO JUNIOR COLLEGE</b>					
Modesto Junior College Auditorium	\$ 19,566,200	\$ -	\$ 19,566,200	\$ 19,566,200	Complete
Turlock Center	1,091,363	(2,787)	1,088,576	1,091,363	Complete
Patterson Center	1,443,673	-	1,443,673	1,443,673	Complete
Parking Structure/Lot	3,828,529	-	3,828,529	3,828,529	Complete
Allied Health Life Sciences	25,015,483	77,386	25,092,869	25,092,869	Complete
Softball Complex	1,531,513	-	1,531,513	1,531,513	Complete
High Tech Center	8,867,039	7,981,762	16,848,801	17,750,000	In Progress
Agriculture Modular Living Units	3,149,907	-	3,149,907	3,149,907	Complete
Learning Resources Center	9,007,643	65,068	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	58,861,382	410,804	59,272,186	59,650,000	In Progress
Agriculture Animal Facilities Renovation	2,017,278	-	2,017,278	2,017,278	Complete
Student Services Building	12,310,121	317,450	12,627,571	12,627,571	Complete
Loop Road West	3,707,035	6,645	3,713,680	4,480,122	In Progress
Utility Infrastructure	3,666,708	6,644	3,673,352	4,480,122	In Progress
Interim Housing	2,674,426	41,106	2,715,532	3,000,000	In Progress
Campus Way Parking Lot	1,300,480	-	1,300,480	1,300,480	Complete
Student Center/Career Transfer	429,159	-	429,159	429,159	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	59,825	60,486	663,000	In Progress
West Campus - Loop Road #4	475	49,301	49,776	476,000	In Progress
West Campus - Loop Road #5	2,769	38,906	41,675	2,778,000	In Progress
West Campus - Brink Entry #6	1,231	19,199	20,430	1,235,000	In Progress
West Campus - Entry Road #2A	93	87,781	87,874	93,000	In Progress
West Campus - Parking Area #1	2,034	23,903	25,937	2,040,000	In Progress
East Campus Roads & Pathways	10,293	388,293	398,586	1,339,000	In Progress
GVM Storage	272,009	1,458,042	1,730,051	3,165,000	In Progress
Ag Storage Building	-	30	30	1,410,000	In Progress
Science Outdoor Education	-	154	154	1,960,000	In Progress
Painting East Campus	-	34	34	1,602,000	In Progress
Painting West Campus	-	42	42	2,015,000	In Progress
Modesto Junior College contingency	-	-	-	1,046,233	Not Started
<b>Modesto Junior College Total</b>	<b>188,533,774</b>	<b>11,029,588</b>	<b>199,563,362</b>	<b>220,110,000</b>	

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YOSEMITE COMMUNITY COLLEGE DISTRICT  
 MEASURE E GENERAL OBLIGATION BONDS  
 ATTACHMENT A – SCHEDULE OF EXPENDITURES THROUGH JUNE 30, 2015

Site	Prior Expenditures	June 30, 2015 Expenditures	Total Expenditures	Revised Budget	Status
<b>COLUMBIA COLLEGE</b>					
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	-	17,743,350	17,743,350	Complete
Madrone Building Modernization	2,922,998	-	2,922,998	2,922,998	Complete
Manzanita Building	2,886,709	5,549,158	8,435,867	9,235,075	In Progress
Child Development Center	8,902,268	-	8,902,268	8,902,268	Complete
Sequoia Modernization	1,168,899	30,999	1,199,898	1,340,480	In Progress
Roadways Phase I	711,929	48,200	760,129	825,015	In Progress
Roadways Phase II	305,740	1,157,217	1,462,957	1,648,337	In Progress
Roadways Phase III	29,259	586,676	615,935	1,477,411	In Progress
Swing Space	117,447	6,979	124,426	125,000	In Progress
Manzanita Secondary Effects	179,578	38,836	218,414	325,000	In Progress
Manzanita Lower Level Renovation	-	43	43	2,071,990	In Progress
Juniper Upgrade	-	14	14	673,449	In Progress
Pinyon Building Upgrade	-	7	7	329,327	In Progress
Columbia College contingency	-	-	-	296,361	Not Started
<b>Columbia College Total</b>	<u>39,547,116</u>	<u>7,418,129</u>	<u>46,965,245</u>	<u>52,495,000</u>	
<b>DISTRICT-WIDE PROJECTS</b>					
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	1,297,586	2,065,827	3,363,413	21,000,000	In Progress
BM: Primary Data Center	5,770,590	1,389,870	7,160,460	8,000,000	In Progress
BM: Secondary Data Center	3,153,744	37,005	3,190,749	3,500,000	In Progress
T&R: Shipping & Receiving	3,868,841	187,942	4,056,783	5,500,000	In Progress
T&R: Logistics Center (CC)	995,897	-	995,897	995,897	Complete
DTSC	1,046,873	67,189	1,114,062	1,300,000	In Progress
Ag Trailers	65,876	-	65,876	65,876	Complete
Art Building Life Safety	585,841	552	586,393	600,000	Complete
Central Services Master Plan	82,500	-	82,500	82,500	Complete
Patterson Planning	855,409	-	855,409	1,093,484	Complete
Capital Outlay Debt Service	14,435,000	-	14,435,000	14,435,000	Complete
Central Services contingency	-	-	-	1,996,243	Not Started
<b>District Wide Total</b>	<u>52,006,087</u>	<u>3,748,385</u>	<u>55,754,472</u>	<u>78,569,000</u>	
<b>Grand Total</b>	<u>\$ 280,086,977</u>	<u>\$ 22,196,102</u>	<u>\$ 302,283,079</u>	<u>\$ 351,174,000</u>	