

STATE CENTER COMMUNITY COLLEGE DISTRICT

COUNTY OF FRESNO

FRESNO, CALIFORNIA

MEASURE E GENERAL OBLIGATION BONDS

PERFORMANCE AUDIT

FOR THE YEAR ENDED JUNE 30, 2011

AND

INDEPENDENT AUDITOR'S REPORT

STATE CENTER COMMUNITY COLLEGE DISTRICT

**MEASURE E GENERAL OBLIGATION BONDS
PERFORMANCE AUDIT**

For the Year Ended June 30, 2011

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees and Independent Citizens'
Bond Oversight Committee for Measure E
State Center Community College District
Fresno, California

We have conducted a performance audit of the State Center Community College District (the "District") Measure E General Obligation Bond funds for the year ended June 30, 2011.

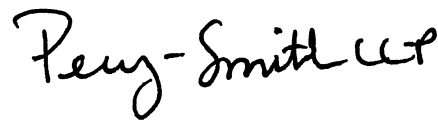
We conducted our performance audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

The objective of our performance audit was to determine if State Center Community College District expended Measure E General Obligation Bond funds for the year ended June 30, 2011 in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)C of Article XIII A of the California Constitution:

"A requirement that the school district board, community college board, or county office of education conduct an annual, independent performance audit to ensure that the funds have been expended only on the specific projects listed."

Solely to assist us in planning and performing our performance audit, we made a study and evaluation of the internal controls of State Center 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.

In our opinion, State Center Community College District expended Measure E General Obligation Bond funds for the year ended June 30, 2011 in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)C of Article XIII A of the California Constitution.



October 12, 2011

**STATE CENTER 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.

STATE CENTER COMMUNITY COLLEGE DISTRICT MEASURE E GENERAL OBLIGATION BONDS

The State Center Community College District, Fresno County, Tulare County, Madera County and Kings County, California Election of 2002 General Obligation Bonds, Measure E were authorized at an election of the registered voters of the State Center Community College District held on November 5, 2002 at which more than fifty-five percent of the persons voting on the proposition voted to authorize the issuance and sale of \$161,000,000 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 prepare students at Fresno City/Reedley College (Clovis, Madera, Oakhurst Centers) for transfer to four-year colleges and careers, including public safety, firefighting, healthcare technology and business, by upgrading equipment, lighting, wiring, fire safety; replacing portables; repairing plumbing, heating/ventilation; repairing/constructing/equipping classrooms, libraries, computer labs, buildings, parking, acquiring land, shall State Center Community College District issue \$161,000,000 of bonds at legal rates, with a Citizens Oversight Committee, annual financial audits and no money for administrator salaries?"

**STATE CENTER COMMUNITY COLLEGE DISTRICT
MEASURE E GENERAL OBLIGATION BONDS
BACKGROUND INFORMATION
(Continued)**

STATE CENTER COMMUNITY COLLEGE DISTRICT MEASURE E GENERAL OBLIGATION BONDS (Continued)

The District's Board of Trustees developed the following Bond Project List for Measure E:

Fresno City College

- Technology upgrades
- Career and Technology Center
- Historic Old Admin Building
- Student Technology Center
- Parking
- Instructional Building Repairs

Reedley College

- New classrooms
- Renovate, replace and repair existing classroom
- Replace Facilities
- Repair of existing Residence Hall

Educational Centers

- Madera Vocational Training Labs
- Renovate Madera Student Center
- Madera Health & Fitness Center
- Oakhurst Classrooms
- Willow/ International Site
- Site Acquisition – Fourth Center

In November 2002, the constituents of the District approved Measure E authorizing the District to issue \$161,000,000 in general obligation bonds. As of June 30, 2011, the District has issued \$131,000,000 of Measure E bonds.

During June 2003, the District issued the 2002 General Obligation Bonds, Series 2003A in the amount of \$20,000,000. The bonds mature beginning on August 1, 2004 through August 1, 2027, with interest yields ranging from 2.00 to 5.00 percent.

During July 2004, the District issued 2002 General Obligation Bonds, Series 2004A in the amount of \$25,000,000. The bonds mature beginning on August 1, 2005 through August 1, 2028, with interest yields ranging from 3.00 to 5.25 percent.

During June 2007, the District issued the 2002 General Obligation Bonds, Series 2007A in the amount of \$66,000,000. The bonds mature beginning on August 1, 2008 through August 1, 2031, with interest yields ranging from 4.00 to 5.00 percent.

**STATE CENTER COMMUNITY COLLEGE DISTRICT
MEASURE E GENERAL OBLIGATION BONDS
BACKGROUND INFORMATION
(Continued)**

STATE CENTER COMMUNITY COLLEGE DISTRICT MEASURE E GENERAL OBLIGATION BONDS (Continued)

During July 2009, the District issued the 2002 General Obligation Bonds, Series 2009A in the amount of \$10,000,000. The bonds mature beginning on August 1, 2010 through August 1, 2025, with interest yields ranging from 3.00 to 5.25 percent.

During July 2009, the District issued the 2002 General Obligation Bonds, Series 2009B in the amount of \$10,000,000. The Series 2009B bonds are designated "Build America Bonds" for purposes of the American Recovery and Reinvestment Act of 2009 (the "Recovery Act"). Pursuant to the Recovery Act, the District expects to receive a cash subsidy payment from the U.S. Treasury equal to 35% of the interest payable on the Series 2009B Bonds on or about each interest payment date. The bonds mature beginning on August 1, 2026 through August 1, 2033, with an interest yield of 8.00 percent.

**STATE CENTER 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, 2011 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 project expenditures for the year ended June 30, 2011 (the "List"). An approximate total of 550 transactions were identified, representing \$6,507,882 in expenditures from July 1, 2010 through June 30, 2011.

METHODOLOGY

We performed the following procedures to the List of Measure E General Obligation Bond project expenditures for the year ended June 30, 2011:

- Verified the mathematical accuracy of the List.
- Agreed the List to total bond expenditures as reported by the District in the District's audited financial statements for the year ended June 30, 2011, presented as the Building Fund.
- Selected a sample of 100 expenditures totaling \$5,018,488. The sample was selected to provide a representation across specific construction projects, vendors and expenditure amounts. The sample represented 18% of the number of expenditures and 77% of the total expenditure value. Verified that the expenditures were for the approved projects and were expended 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 that funds were not spent for District administrative or instructional salaries or other administrative expenses.

CONCLUSIONS

- State Center Community College District expended Measure E General Obligation Bond funds for the year ended June 30, 2011 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.