

**ANTELOPE VALLEY COMMUNITY
COLLEGE DISTRICT**
Lancaster, California

**2004 MEASURE R
GENERAL OBLIGATION BONDS
PERFORMANCE AUDIT**
June 30, 2014

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees and Citizens' Bond Oversight Committee
Antelope Valley Community College District
Lancaster, California

We have conducted a performance audit of the Antelope Valley Community College District 2004 Measure R 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 that the evidence obtained provides a reasonable basis for our findings and conclusions based on our 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 R General Obligation Bond 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 net proceeds thereof. Management is responsible for Antelope Valley 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 Antelope Valley 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, Antelope Valley Community College District expended 2004 Measure R 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

Sacramento, California
January 13, 2015

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
2004 MEASURE R 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.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT MEASURE R GENERAL OBLIGATION BONDS

The Antelope Valley Community College District (Kern and Los Angeles Counties, California) Election of 2004 General Obligation Bonds were authorized at an election of the registered voters of the Antelope Valley Community College District (the "District") held on November 2, 2004 at which more than fifty-five percent of the persons voting on the proposition voted to authorize the issuance and sale of \$139,000,000 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 ballot test is as follows:

"To accommodate increasing enrollment at Antelope Valley College, prepare students for jobs, four-year colleges, improve campus safety by:

- Expanding facilities for nursing, medical training programs;
- Expanding health, science, English, math, language labs, classrooms;
- Upgrading high-tech learning center;

and repairing, acquiring, constructing, equipping buildings, sites, classrooms, shall Antelope Valley Community College District issue \$139 million in bonds, at legal rates, with **citizen oversight**, guaranteed **annual audits**, and no money for administrators' salaries?"

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ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
2004 MEASURE R GENERAL OBLIGATION BONDS
BACKGROUND INFORMATION

ANTELOPE VALLEY COLLEGE DISTRICT MEASURE E GENERAL OBLIGATION BONDS (Continued)

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

Antelope Valley College

- Build a science and allied health/medical training facility
- Build a high technology learning center
- Build a technology building II
- Build an automotive technology building
- Build a humanities and social science building
- Expand campus library
- Expand child development center
- Expand English as a second language building
- Expand learning center
- Upgrade, repair, equip, and construct and/or expand student center and student services building
- Build, upgrade and acquire college classrooms
- Relocate maintenance and operations facility to make room for the construction of the new science and allied health center
- Establish Antelope Valley College education center in Palmdale/South Valley area to accommodate growth and increasing student enrollment
- Repair, upgrade, and/or replace obsolete classrooms, science and computer labs, instructional facilities, sites and utilities

In April 2005, the District issued the 2004 General Obligation Bonds, Series 2004A in the amount of \$30,000,000. The bonds mature beginning on August 1, 2006 through August 1, 2027 with interest yields ranging from 3.00 to 5.00 percent.

In August 2006, the District issued the 2006 General Obligation Refunding Bonds in the amount of \$24,336,792.20. The bonds consist of \$6,801,792.20 capital appreciation bonds maturing August 1, 2007 to August 1, 2016 with interest yields ranging from 3.650 to 4.250 percent and \$17,535,000 in Current Interest Term Bonds maturing on August 1, 2017 through August 1, 2022 with an interest yield of 5.000 percent. The purpose of these bonds is to refund the General Obligation Bonds, Election 2011, Series A bonds.

In August 2007, the District issued the 2004 General Obligation Bonds, Series 2004B & Series 2004C for \$52,536,256.40 and \$56,460,276.45, respectively. Series 2004B consists of \$12,231,256.40 capital appreciation bonds maturing August 1, 2032 to August 1, 2036 with an accretion rate of 5.630 to 5.670 percent and \$40,305,000 in Current Interest Term Bonds due Aug 1, 2039 which yield 4.900 percent. Series 2004C consist of \$14,375,276.45 Capital Appreciation Serial Bonds which mature August 1, 2027 to August 1, 2032 with an accretion rate of 5.510 to 5.630 percent and \$42,085,000 in Current Interest Serial Bonds which mature August 1, 2008 to August 1, 2026 with interest yields ranging from 4.000 to 5.250 percent.

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ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
2004 MEASURE R GENERAL OBLIGATION BONDS
BACKGROUND INFORMATION

ANTELOPE VALLEY COLLEGE DISTRICT MEASURE E GENERAL OBLIGATION BONDS (Continued)

In April 2014, the District issued \$42,845,000 and \$16,265,000 of 2014 General Obligation Refunding Bonds as Series A and Series B. The proceeds from the sale of the bonds were used to advance refund the District's outstanding 2004 General Obligation Bonds, Series C and 2006 General Obligation Bonds, Series C and to pay the costs of issuing the Refunding Bonds. The Series A and Series B Bonds mature through August 1, 2027 and August 1, 2022, respectively, with interest rates ranging from 0.5% to 5.0%.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
2004 MEASURE R GENERAL OBLIGATION BONDS
OBJECTIVES, SCOPE, METHODOLOGY AND CONCLUSIONS

OBJECTIVES

The objective of our performance audit was to determine that the District expended Measure R 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 R General Obligation Bond project expenditures for the year ended June 30, 2014 (the "List"). An approximate total of 156 transactions were identified, representing \$1,517,219 in expenditures from July 1, 2013 through June 30, 2014.

METHODOLOGY

We performed the following procedures to the List of Measure R 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 tests 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 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 Capital Outlay Projects Fund.
- Selected a sample of 25 expenditures totaling \$1,298,159. The sample was selected to provide a representation across specific construction projects, vendors and expenditure amounts. The sample represented 16% of the number of expenditures and 86% of the total expenditure amounts. Verified that the expenditures were for the approved projects and were expended for the construction, expansion, or replacement of school facilities, including the furnishings 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

The results of our tests indicated that, in all significant respects, Antelope Valley Community College District expended Measure R 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.
