

**ANTELOPE VALLEY COMMUNITY
COLLEGE DISTRICT**

**2004 MEASURE R
GENERAL OBLIGATION BONDS
PERFORMANCE AUDIT**

June 30, 2016

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

2004 MEASURE R GENERAL OBLIGATION BONDS
PERFORMANCE AUDIT
June 30, 2016

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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, 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 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 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, Antelope Valley Community College District expended 2004 Measure R 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

Sacramento, California
December 21, 2016

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
2004 MEASURE R GENERAL OBLIGATION BONDS
BACKGROUND INFORMATION
June 30, 2016

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?"*

(Continued)

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
2004 MEASURE R GENERAL OBLIGATION BONDS
BACKGROUND INFORMATION
June 30, 2016

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT MEASURE R 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 General Obligation Bonds Series 2004A, in the amount of \$30,000,000. The bonds were partially refunded during the year ended June 30, 2007 and the remaining bonds matured through August 2015.

In August 2007, the District issued the General Obligation Bonds Series 2004B and Series 2004C in the amounts of \$52,536,256 and \$56,460,276, respectively. The Series 2004B bonds consisted of Capital Appreciation bonds totaling \$12,231,256 and Current Interest Bonds totaling \$40,305,000. The Series 2004B bonds were refunded during the year ended June 30, 2015. The Series 2004C bonds consisted of Capital Appreciation bonds of \$14,375,276 and Current Interest bonds of \$42,085,000. The Series 2004C bonds were partially refunded during the years ended June 30, 2014 and June 30, 2015. The remaining Series C 2004C bonds mature through August 2017 with an interest rate of 5.0%.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
2004 MEASURE R GENERAL OBLIGATION BONDS
OBJECTIVES, SCOPE, METHODOLOGY AND CONCLUSIONS
June 30, 2016

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, 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 R General Obligation Bond project expenditures for the year ended June 30, 2016 (the "List"). A total of \$1,436,533 in expenditures from July 1, 2015 through June 30, 2016 were identified.

METHODOLOGY

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

- Verified the mathematical accuracy of the List.
- Reconciled the List to total bond expenditures as reported in the District's Capital Outlay Projects Fund's audited financial statements for the year ended June 30, 2016.
- Selected a sample of expenditures totaling \$911,733. The sample was selected to provide a representation across specific construction projects, vendors and expenditure amounts. The sample represented 63% of the total value of expenditures. 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, 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.