

**Pasadena Area Community College District**

**PROPOSITION 39 GENERAL OBLIGATION BONDS  
MEASURE P BOND CONSTRUCTION FUND  
FINANCIAL AND PERFORMANCE AUDITS**

**For the Year Ended June 30, 2017**



**PASADENA AREA COMMUNITY COLLEGE DISTRICT  
PROPOSITION 39 GENERAL OBLIGATION BONDS  
MEASURE P BOND CONSTRUCTION FUND  
FINANCIAL AND PERFORMANCE AUDITS**

**June 30, 2017  
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**FINANCIAL AUDIT OF THE MEASURE P BOND CONSTRUCTION FUND**



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## INDEPENDENT AUDITOR'S REPORT

The Board of Trustees  
The Citizens' Oversight Committee  
Pasadena Area Community College District  
Pasadena, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Pasadena Area Community College District's (the District) Measure P Bond Construction Fund as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## INDEPENDENT AUDITOR'S REPORT

The Board of Trustees  
The Citizens' Oversight Committee  
Pasadena Area Community College District  
Pasadena, California

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure P Bond Construction Fund of the District as of June 30, 2017, and the change in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 1, the financial statements present fairly only the Measure P Bond Construction Fund and do not purport to, and do not, present fairly the financial position of the District as of June 30, 2017 or the change in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the fund financial statements. Such missing information, although not a part of the fund financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the fund financial statements is not affected by this missing information.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2017 on our consideration of the District's internal control over the Measure P Bond Construction Fund financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over the Measure P Bond Construction Fund financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over the Measure P Bond Construction Fund financial reporting and compliance.



CliftonLarsonAllen LLP  
Glendora, California  
November 28, 2017

**PASADENA AREA COMMUNITY COLLEGE DISTRICT**

**PROPOSITION 39 GENERAL OBLIGATION BONDS  
MEASURE P BOND CONSTRUCTION FUND  
BALANCE SHEET**

**June 30, 2017**

**ASSETS**

Cash in County Treasury	\$ 7,048,976
Accounts Receivable	<u>36,935</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 7,085,911</u></b>

**LIABILITIES AND FUND BALANCE**

**Liabilities**

Accounts Payable	\$ <u>268,240</u>
<b>TOTAL LIABILITIES</b>	<b><u>268,240</u></b>

**Fund Balance**

Restricted	<u>6,817,671</u>
<b>TOTAL FUND BALANCE</b>	<b><u>6,817,671</u></b>

<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b><u>\$ 7,085,911</u></b>
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See accompanying notes to the financial statements.

**PASADENA AREA COMMUNITY COLLEGE DISTRICT**

**PROPOSITION 39 GENERAL OBLIGATION BONDS  
MEASURE P BOND CONSTRUCTION FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
For the Fiscal Year Ended June 30, 2017**

**REVENUES**

Interest Income \$ 83,817

**TOTAL REVENUES** 83,817

**EXPENDITURES**

Materials and Supplies 41,421

Professional/Consulting Services and Other Expenditures 17,976

Capital Outlay 1,852,691

**TOTAL EXPENDITURES** 1,912,088

Net Change in Fund Balance (1,828,271)

Fund Balance at Beginning of Year 8,645,942

Fund Balance at End of Year \$ 6,817,671

See accompanying notes to the financial statements.

**PASADENA AREA COMMUNITY COLLEGE DISTRICT**

**PROPOSITION 39 GENERAL OBLIGATION BONDS  
MEASURE P BOND CONSTRUCTION FUND  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Accounting Policies**

The accounting policies of the Pasadena Area Community College District Measure P Bond Construction Fund (Measure P funds) conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and *Audits of State and Local Governmental Units* issued by the American Institute of Certified Public Accountants. The Pasadena Area Community College District Measure P Bond Construction Fund accounts for financial transactions in accordance with the policies and procedures of the California Community College Budget and Accounting Manual.

**Financial Reporting Entity**

The financial statements include only the Measure P Bond Construction Fund of the District used to account for Measure P projects. The is fund was established to account for the expenditures of the general obligation bonds issued under the General Obligation Bonds Election of 2002 and is not a complete representation of the Bond Construction Fund reported in the District's financial statements. These financial statements are not intended to present fairly the financial position and results of operations of the District in compliance with accounting principles generally accepted in the United States of America.

**Fund Accounting**

The operations of the Measure P Bond Construction Fund are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Resources are allocated to and accounted for in the fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled; these statements do not purport to present the result of operations or the net income or loss for the period as would a statement of income for a profit-type organization.

**Basis of Accounting**

The Measure P Bond Construction Fund of the District is maintained on the modified accrual basis of accounting. As such, revenues are recognized when they become susceptible to accrual, which is to say, when they become both measurable and available to finance expenditures of the current period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered).

Cash in the County Treasury is recorded at cost, which approximates fair value.

**PASADENA AREA COMMUNITY COLLEGE DISTRICT**

**PROPOSITION 39 GENERAL OBLIGATION BONDS  
MEASURE P BOND CONSTRUCTION FUND  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Budgets and Budgetary Accounting**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. The District's governing board adopts an operating budget no later than July 1 in accordance with State law. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements. The Board revises this budget during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

**Encumbrances**

The Measure P Bond Construction Fund utilizes an encumbrance accounting system under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated when the commitments are paid.

**Fund Balance Classification**

The governmental fund financial statements present fund balance classifications that comprise a hierarchy based on the extent to which the District is bound to honor constraints on the specific purposes for which amounts can be spent. Amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation are considered restricted. The fund balance of the Measure P Bond Construction Fund is therefore classified as restricted.

**Capital Assets and Long-Term Debt**

The accounting and reporting treatment applied to the capital assets and long-term liabilities associated with the Measure P Bond Construction Fund are determined by its measurement focus. The Fund is accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered a measure of "available spendable resources." Thus, the capital assets and long-term liabilities associated with Measure P Bond Construction Fund are accounted for in the basic financial statements of the District.

**PASADENA AREA COMMUNITY COLLEGE DISTRICT**

**PROPOSITION 39 GENERAL OBLIGATION BONDS  
MEASURE P BOND CONSTRUCTION FUND  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Estimates**

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**NOTE 1: DEPOSITS – CASH IN COUNTY TREASURY**

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Los Angeles County Treasury as part of the common investment pool. The District is considered an involuntary participant in the investment pool. These pooled funds are recorded at amortized cost which approximates fair value. Fair value of the pooled investments at June 30, 2017 is measured at 99.4047% of amortized cost. The District's deposits in the fund are considered to be highly liquid.

The county is authorized to deposit cash and invest excess funds by California Government Code Sections 53534, 53601, 53635 and 53648. The county is restricted to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The funds maintained by the county are either secured by federal depository insurance or are collateralized. The county investment pool is not required to be rated. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

The county investment pool is not registered as an investment company with the Securities and Exchange Commission (SEC) nor is it a SEC Rule 2a7-like pool. California Government Code statutes and the County Board of Supervisors set forth the various investment policies that the County Treasurer follow. The method used to determine the value of the participant's equity withdrawn is based on the book value, which is amortized cost, of the participant's percentage participation on the date of such withdrawals.

The pool sponsor's annual financial report may be obtained from the Los Angeles County Public Affairs Office, Kenneth Hahn Hall of Administration, 500 W. Temple St, Room 358, Los Angeles, CA 90012.

**PASADENA AREA COMMUNITY COLLEGE DISTRICT**

**PROPOSITION 39 GENERAL OBLIGATION BONDS  
MEASURE P BOND CONSTRUCTION FUND  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017**

**NOTE 2: BONDED DEBT**

On March 5, 2002, the voters authorized the issuance and sale of general obligation bonds totaling \$150,000,000. The bonds were authorized to finance the construction, acquisition, furnishing and equipping District facilities.

Series A general obligation bonds were sold in June 2003, for \$33,000,000. The bonds were issued as Current Interest Bonds, and were fully redeemed as of June 30, 2014.

Series B and C general obligation bonds were sold in July 2006, for \$87,657,774. The bonds were issued as Current Interest Bonds in the aggregate principal amount of \$65,000,000 (Series B) and as Capital Appreciation Bonds in the aggregate principal amount of \$22,657,774 (Series C). Series C were fully redeemed as of June 30, 2015.

The bonds were issued to refund certain outstanding general obligation bonds (Series A Bonds) of the District and to pay for certain capital improvements.

The proceeds associated with the refunding were deposited in an escrow fund for future repayment. The bonds are considered in substance defeased and are not recorded on the financial statements.

Series D and E general obligation bonds were sold in September 2009, for \$52,000,000. Series D bonds are Current Interest Bonds with an aggregate principal amount of \$26,705,000 and Series E bonds are Build America Bonds with an aggregate principal amount of \$25,295,000.

The Series E bonds are designated as “Build America Bonds” under the provisions of the American Recovery and Reinvestment Act of 2009. With respect to the Series E bonds, the District expects to receive, on or about each bond payment date, a cash subsidy payment from the United States Treasury equal to the amount of interest determined at a federal tax credit rate under Section 54A(b)(3) of the tax code. The cash subsidy is deposited with the County and credited to the Bond Interest and Redemption Fund for debt service payments.

In April 2014, the District offered for sale \$16,980,000 in general obligation refunding bonds. The bonds were issued to refund certain outstanding general obligation bonds Series B of the District to pay for certain capital improvements. The bonds were issued as current interest bonds.

In May 2016, the District offered for sale \$33,995,000 in general obligation refunding bonds. The bonds were issued to refund certain outstanding general obligation bonds Series B and C of the District to pay for certain capital improvements. The bonds were issued as current interest bonds. The bonds contained an interest provision ranging from 2% to 5% depending on the

**PASADENA AREA COMMUNITY COLLEGE DISTRICT**

**PROPOSITION 39 GENERAL OBLIGATION BONDS  
MEASURE P BOND CONSTRUCTION FUND  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017**

**NOTE 2: BONDED DEBT**

maturity date of the bond. The refunding resulted in a cash flow savings of \$8,318,042. The present value of the economic gain to the District and taxpayers is \$7,157,913.

The proceeds associated with the 2014 and 2016 refundings were deposited in an escrow fund for future repayment. The refunded bonds are considered in substance defeased and are not recorded on the District's financial statements

Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The Series B, D, E, 2014 Refunding and 2016 Refunding bonds included a premium of \$1,965,547, \$1,839,608, \$1,742,478, \$2,608,686, and \$6,606,055, respectively, which are amortized using the straight-line method. Amortization of \$78,622, \$73,584, \$69,699, \$200,669 and \$412,878 was recognized during the 2016-17 year for Series B, D, E, 2014 Refunding and 2016 Refunding bonds, respectively.

The difference between the reacquisition price and the net carrying amount on refunded debt is deferred and amortized as a component of interest expense over the life of the new debt. Amortization of \$323,886 was recognized during the fiscal year 2016-17.

The outstanding general obligation bonded debt of the District at June 30, 2017 is presented herein.

<u>General Obligation Bonds</u>	<u>Date of Issue</u>	<u>Maturity Date</u>	<u>Interest Rate %</u>	<u>Amount of Original Issue</u>	<u>Outstanding June 30, 2016</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2017</u>
Series B	7/12/2006	8/1/2016	4.5-5.25	\$ 65,000,000	\$ 1,740,000	\$	\$ 1,740,000	\$ -
Series D	9/30/2009	8/1/2019	3.0-5.0	26,705,000	6,870,000		1,605,000	5,265,000
Series E	9/30/2009	8/1/2034	6.5-6.7	25,295,000	25,295,000			25,295,000
2014 Refunding	4/2/2014	8/1/2026	2.0-5.0	16,980,000	16,730,000		50,000	16,680,000
2016 Refunding	5/12/2016	8/1/2031	2.0-5.0	33,995,000	33,995,000	-	605,000	33,390,000
				<u>\$ 167,975,000</u>	<u>\$ 84,630,000</u>	<u>\$ -</u>	<u>\$ 4,000,000</u>	<u>\$ 80,630,000</u>

The annual debt service requirements to maturity for general obligation bonds are presented herein.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

PROPOSITION 39 GENERAL OBLIGATION BONDS  
MEASURE P BOND CONSTRUCTION FUND  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017

NOTE 2: BONDED DEBT

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 3,515,000	\$ 4,199,167	\$ 7,714,167
2019	3,685,000	4,034,242	7,719,242
2020	3,850,000	3,878,642	7,728,642
2021	3,705,000	3,671,717	7,376,717
2022	3,865,000	3,506,392	7,371,392
2023-27	22,310,000	14,524,209	36,834,209
2028-32	29,210,000	7,784,537	36,994,537
2033-35	10,490,000	1,066,636	11,556,636
Total	<u>\$ 80,630,000</u>	<u>\$ 42,665,542</u>	<u>\$ 123,295,542</u>

NOTE 3: COMMITMENTS AND CONTINGENCIES

Purchase Commitments

As of June 30, 2017, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately \$900,000 to be funded through bond proceeds.

Litigation

From time to time the District is involved in claims and legal actions related to various construction projects. In the opinion of management, the ultimate disposition of any such matters will not have a material adverse effect on the District's Measure P Bond Construction Fund financial statements.

**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

The Board of Trustees  
The Citizens’ Oversight Committee  
Pasadena Area Community College District  
Pasadena, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the Measure P Bond Construction Fund of the Pasadena Area Community College District (the District), as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, and the related notes to the financial statements as listed in the table of contents, and have issued our report thereon dated November 28, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District’s internal control over the Measure P Bond Construction Fund financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District’s Measure P Bond Construction Fund financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP  
Glendora, California  
November 28, 2017

**PASADENA AREA COMMUNITY COLLEGE DISTRICT**

**PROPOSITION 39 GENERAL OBLIGATION BONDS  
MEASURE P BOND CONSTRUCTION FUND  
SCHEDULE OF FINDINGS AND RESPONSES  
June 30, 2017**

There were no findings related to the financial audit of the Measure P Bond Construction Fund for the fiscal years ended June 30, 2017 and June 30, 2016.

**PERFORMANCE AUDIT OF THE MEASURE P BOND CONSTRUCTION FUND**

## INDEPENDENT AUDITOR'S REPORT

The Board of Trustees  
The Citizens' Oversight Committee  
Pasadena Area Community College District  
Pasadena, California

We have conducted a performance audit of the Pasadena Area Community College District (the "District"), Measure P General Obligation Bond funds for the fiscal year ended June 30, 2017.

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 findings and conclusions 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 in this report which includes determining the District's compliance with the performance requirements for the Proposition 39 Measure P General Obligation Bonds under the applicable provisions of Section 1(b)(3)(C) of Article XIII A of the California Constitution. Management is responsible for the District's compliance with those requirements.

Solely to assist us in planning and performing our performance audit, we obtained an understanding of the internal control of the 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 internal control.

The results of our tests indicated that, in all significant respects, the District expended Measure P General Obligation Bond funds for the fiscal year ended June 30, 2017, 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.



CliftonLarsonAllen LLP  
Glendora, California  
November 28, 2016

**PASADENA AREA COMMUNITY COLLEGE DISTRICT**

**PROPOSITION 39 GENERAL OBLIGATION BONDS  
MEASURE P BOND CONSTRUCTION FUND  
PERFORMANCE AUDIT**

**June 30, 2017**

**BACKGROUND INFORMATION**

In November 2000 the voters of the State of California approved Proposition 39 authorizing the issuance of general obligation bonds by California public school district's and community colleges, under certain circumstances and subject to certain conditions. On March 5, 2002, a general obligation bond proposition (Measure P) of the Pasadena Area Community College District was approved by the voters of the District. Measure P authorized the District to issue up to \$150,000,000 of general obligation bonds to finance various capital projects, and related costs, as specified in the bond measure provisions of Measure P.

The Measure P Bonds are issued pursuant to the Constitution and laws of the State of California (the State), including the provisions of Chapters 1 and 1.5 of Part 10 of the California Education Code, and other applicable provisions of law. The Bonds are authorized pursuant to a request of the District made by a resolution adopted by the Board of Trustees of the District.

The District received authorization at an election held on March 5, 2002, to issue bonds of the District in an aggregate principal amount not to exceed \$150,000,000 to finance specific construction and renovation projects approved by eligible voters within the District. The proposition required approval by at least 55 percent of the votes cast by eligible voters within the District (the 2002 Authorization).

Pursuant to the requirements of Proposition 39, and related state legislation, the Board of Trustees of the District established a Citizens' Oversight Committee and appointed its members. The principal purpose of the Citizens' Oversight Committee, as set out in state law, is to inform the public as to the expenditures of the proceeds of the bonds issued pursuant to the Measure P bond authorization. The Citizens' Oversight Committee is required to issue at least one report annually as to its activities and findings.

Section 1(b)(3)(C) of Article XIII A of the California Constitution requires the District to conduct an annual independent performance audit to ensure that the proceeds of the bonds deposited into the Measure P Bond Construction Fund have been expended only for the authorized bond projects.

**OBJECTIVES**

The objectives of our performance audit were to:

- Determine the expenditures charged to the District Measure P Bond Construction Fund.

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## PROPOSITION 39 GENERAL OBLIGATION BONDS MEASURE P BOND CONSTRUCTION FUND PERFORMANCE AUDIT June 30, 2017

- Determine whether expenditures charged to the Measure P Bond Construction Fund have been made in accordance with the bond project list approved by the voters through the approval of Measure P on March 5, 2002.

### SCOPE OF THE AUDIT

The scope of our Performance Audit covered the fiscal period from July 1, 2016 to June 30, 2017. The sample of expenditures tested included object and project codes associated with the bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other state or local funding sources, other than the proceeds of the bonds, were not included within the scope of our audit. Expenditures incurred subsequent to June 30, 2017, were not reviewed or included within the scope of our audit or in this report.

### PROCEDURES PERFORMED

- We identified the expenditures and projects charged to the general obligation bond proceeds by obtaining the general ledger and project listing.
- We selected a judgmental sample of expenditures for supplies, services and capital outlay considering all projects for the year ended June 30, 2017. Our sample included 30 transactions totaling \$789,672. This represents 41.3% of total expenditures of \$1,912,088.
  - We reviewed the actual invoices and supporting documentation to determine that expenditures charged to projects were:
    - Supported by invoices with evidence of proper approval and documentation of receipt of goods or services;
    - Supported by proper bid documentation, as applicable;
    - Properly expended on the authorized bond projects as listed on the voter-approved bond project list.

### CONCLUSION

The results of our tests indicated that, in all significant respects, the District has properly accounted for the expenditures of the funds held in the Measure P Bond Construction Fund and that such expenditures were made on authorized bond projects.