

PASADENA AREA COMMUNITY COLLEGE DISTRICT

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

Fiscal Year Ended June 30, 2013

PASADENA AREA COMMUNITY COLLEGE DISTRICT

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

June 30, 2013

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
The Citizens' Oversight Committee
Pasadena Area Community College District
1570 E. Colorado Blvd.
Pasadena, CA 91106

Report on the Financial Statements

We have audited the accompanying Balance Sheet, Statement of Revenues, Expenditures and Change in Fund Balance and Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual for 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, 2013, and the related notes to the financial statements, which collectively comprise the District's Measure P Bond Construction Fund 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.

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

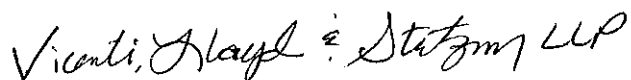
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Measure P Bond Construction Fund of the District as of June 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2013 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 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.



VICENTI, LLOYD & STUTZMAN LLP
Glendora, CA
December 10, 2013

PASADENA AREA COMMUNITY COLLEGE DISTRICT

PROPOSITION 39 GENERAL OBLIGATION BONDS

MEASURE P BOND CONSTRUCTION FUND

BALANCE SHEET

June 30, 2013

ASSETS

| | |
|-------------------------|-----------------------------|
| Cash in County Treasury | \$ 39,888,639 |
| Accounts Receivable | 101,587 |
| Prepaid Expense | <u>6,404</u> |
| TOTAL ASSETS | <u>\$ 39,996,630</u> |

LIABILITIES AND FUND BALANCE

Liabilities

| | |
|--------------------------|-------------------------|
| Accounts Payable | <u>\$ 5,717,485</u> |
| TOTAL LIABILITIES | <u>5,717,485</u> |

Fund Balance

| | |
|---------------------------|--------------------------|
| Restricted | <u>34,279,145</u> |
| TOTAL FUND BALANCE | <u>34,279,145</u> |

| | |
|---|-----------------------------|
| TOTAL LIABILITIES AND FUND BALANCE | <u>\$ 39,996,630</u> |
|---|-----------------------------|

See the 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, 2013

REVENUES

| | |
|---------------------|----------------|
| Interest Income | \$ 315,665 |
| Other Local Revenue | <u>550,000</u> |

| | |
|-----------------------|----------------|
| TOTAL REVENUES | <u>865,665</u> |
|-----------------------|----------------|

EXPENDITURES

| | |
|---|-------------------|
| Materials and Supplies | 1,936 |
| Professional/Consulting Services and Other Expenditures | 20,431 |
| Capital Outlay | <u>19,468,587</u> |

| | |
|---------------------------|-------------------|
| TOTAL EXPENDITURES | <u>19,490,954</u> |
|---------------------------|-------------------|

| | |
|----------------------------|--------------|
| Net Change in Fund Balance | (18,625,289) |
|----------------------------|--------------|

| | |
|-----------------------------------|-------------------|
| Fund Balance at Beginning of Year | <u>52,904,434</u> |
|-----------------------------------|-------------------|

| | |
|-----------------------------|----------------------|
| Fund Balance at End of Year | <u>\$ 34,279,145</u> |
|-----------------------------|----------------------|

See the 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 - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2013**

| | Budget | Actual | Variance Favorable (Unfavorable) |
|---|------------------------|----------------------|---|
| REVENUES | | | |
| Interest Income | \$ 350,000 | \$ 315,665 | \$ (34,335) |
| Other Local Revenue | | 550,000 | 550,000 |
| TOTAL REVENUES | <u>350,000</u> | <u>865,665</u> | <u>515,665</u> |
| EXPENDITURES | | | |
| Materials and Supplies | 506,499 | 1,936 | 504,563 |
| Professional/Consulting Services and Other Expenditures | 26,181 | 20,431 | 5,750 |
| Capital Outlay | 52,721,753 | 19,468,587 | 33,253,166 |
| TOTAL EXPENDITURES | <u>53,254,433</u> | <u>19,490,954</u> | <u>33,763,479</u> |
| Net Change in Fund Balance | <u>\$ (52,904,433)</u> | <u>(18,625,289)</u> | <u>\$ 34,279,144</u> |
| Fund Balance at Beginning of Year | | <u>52,904,434</u> | |
| Fund Balance at End of Year | | <u>\$ 34,279,145</u> | |

See the accompanying notes to the financial statements.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

**MEASURE P BOND CONSTRUCTION FUND
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

ACCOUNTING POLICIES

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board and *Audits of State and Local Governmental Units* issued by the American Institute of Certified Public Accountants.

FUND STRUCTURE

The Statement of Revenues, Expenditures and Change in Fund Balance is a statement of financial activities of the Measure P Bond Construction Fund related to the current reporting period. Fund expenditures frequently include amounts for land, buildings, equipment, retirement of indebtedness, transfers to other funds, etc. Consequently, this statement does 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, in accordance with the requirements of GASB Statement No. 31.

BUDGET

The Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual includes a column titled “Budget”. The amounts in this column represent the budget adopted by the Board and all amendments throughout the year.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

**MEASURE P BOND CONSTRUCTION FUND
NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

FUND BALANCE CLASSIFICATION

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, 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.

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 2 - DEPOSITS – CASH IN COUNTY TREASURY:

In accordance with Title 5 and the *Budget and Accounting Manual*, the District maintains all of its cash in the Los Angeles County Treasury as part of the common investment pool. These pooled funds are carried at unamortized cost which may differ from fair value. The fair market value of the District’s deposits for the Bond Construction Fund – Measure P Bond Program in this pool as of June 30, 2013, as provided by the pool sponsor, was \$39,777,111.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

**MEASURE P BOND CONSTRUCTION FUND
NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2013

NOTE 2 - DEPOSITS – CASH IN COUNTY TREASURY: (continued)

The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et. seq. The county is restricted by Government Code Section 53635 pursuant to Section 53601 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. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

NOTE 3 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS:

There were no excess of expenditures over appropriations, by major object accounts.

NOTE 4 – 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.

In June 2003, \$33,000,000 of general obligation bonds were sold (Series A). The bonds were issued as Current Interest Bonds.

In July 2006, the District offered for sale \$87,657,774 in general obligation bonds. 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).

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.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

**MEASURE P BOND CONSTRUCTION FUND
NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2013

NOTE 4 – BONDED DEBT: (continued)

The capital appreciation bonds were issued with maturity dates of August 1, 2007 through August 1, 2014. Prior to the applicable maturity date, each bond will accrete interest on the principal component. At June 30, 2013, \$3,974,039, in accreted interest net of payments has been accrued.

In September 2009, the District offered for sale \$52,000,000 in general obligation bonds. The bonds were issued as Current Interest Bonds in the aggregate principal amount of \$26,705,000 (Series D) and as Build America Bonds in the aggregate principal amount of \$25,295,000 (Series E).

The Series E bonds are being designated as “Qualified School Construction Bonds” for the purposes 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 District will deposit the cash subsidy with the County to be credited to the Bond Interest and Redemption Fund for debt service payments.

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, C, and D bonds included a premium of \$1,965,547, \$7,582,736, and \$3,582,086, respectively, which are being amortized using the straight-line method. Amortization of \$78,622, \$947,842, and \$143,283 was recognized during the 2012-13 year for Series B, C and D bonds, respectively.

The outstanding related bonded debt for the District at June 30, 2013 is:

| | <u>Date of Issue</u> | <u>Interest Rate %</u> | <u>Maturity Date</u> | <u>Amount of Original Issue</u> | <u>Outstanding July 1, 2012</u> | <u>Issued Current Year</u> | <u>Principal Payment Current Year</u> | <u>Outstanding June 30, 2013</u> |
|----------|----------------------|------------------------|----------------------|---------------------------------|---------------------------------|----------------------------|---------------------------------------|----------------------------------|
| Series A | 6/11/03 | 2.0 - 5.0% | 6/1/23 | \$ 33,000,000 | \$ 980,000 | \$ | \$ 980,000 | \$ - |
| Series B | 7/12/06 | 4.5 - 5.25% | 8/1/31 | 65,000,000 | 47,560,000 | | 1,460,000 | 46,100,000 |
| Series C | 7/12/06 | 3.95 - 4.44% | 8/1/14 | 22,657,774 | 15,134,772 | | 5,845,366 | 9,289,406 |
| Series D | 9/30/09 | 3.0 - 5.0% | 8/1/26 | 26,705,000 | 26,615,000 | | 110,000 | 26,505,000 |
| Series E | 9/30/09 | 6.5 - 6.7% | 8/1/34 | 25,295,000 | <u>25,295,000</u> | | | <u>25,295,000</u> |
| | | | | | <u>\$ 115,584,772</u> | | <u>\$ 8,395,366</u> | <u>\$ 107,189,406</u> |

PASADENA AREA COMMUNITY COLLEGE DISTRICT

**MEASURE P BOND CONSTRUCTION FUND
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013**

NOTE 4 – BONDED DEBT: (continued)

The annual requirements to amortize all bonds payable, outstanding as of June 30, 2013, are as follows:

| <u>Year Ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|------------------------------------|------------------------------|-----------------------------|------------------------------|
| 2014 | \$ 7,369,382 | \$ 5,981,785 | \$ 13,351,167 |
| 2015 | 7,390,024 | 6,293,231 | 13,683,255 |
| 2016 | 3,215,000 | 4,914,080 | 8,129,080 |
| 2017 | 3,345,000 | 4,774,355 | 8,119,355 |
| 2018 | 3,495,000 | 4,615,729 | 8,110,729 |
| 2019-23 | 20,280,000 | 20,181,830 | 40,461,830 |
| 2024-28 | 26,010,000 | 14,291,290 | 40,301,290 |
| 2029-33 | 25,595,000 | 5,808,577 | 31,403,577 |
| 2034-35 | 10,490,000 | 1,066,635 | 11,556,635 |
| Total | <u>\$ 107,189,406</u> | <u>\$ 67,927,512</u> | <u>\$ 175,116,918</u> |

NOTE 5 – COMMITMENTS AND CONTINGENCIES:

A. Purchase Commitments:

As of June 30, 2013, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately \$10,317,000 million to be funded through bond proceeds.

B. 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
1570 E. Colorado Blvd.
Pasadena, CA 91106

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 Balance Sheet, Statement of Revenues, Expenditures and Change in Fund Balance and Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual for 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, 2013, and the related notes to the financial statements, which collectively comprise the District's Measure P Bond Construction Fund basic financial statements, and have issued our report thereon dated December 10, 2013.

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***

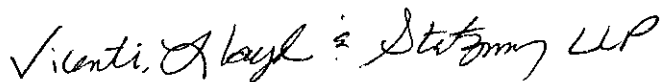
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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



VICENTI, LLOYD & STUTZMAN LLP
Glendora, CA
December 10, 2013

PASADENA AREA COMMUNITY COLLEGE DISTRICT

**MEASURE P BOND CONSTRUCTION FUND
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2013**

There were no findings related to the financial audit of the Measure P Bond Construction Fund for the fiscal years ended June 30, 2013 and June 30, 2012.

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
1570 E. Colorado Blvd.
Pasadena, CA 91106

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, 2013.

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 on page 16 of 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 and Sections 15264 and 15272 – 15286 of the California Education Code as they apply to the Bonds and the net proceeds thereof. 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 and Sections 15264 and 15272 – 15286 of the California Education Code. 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, 2013, 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 and Sections 15264 and 15272 – 15286 of the California Education Code.

Vicenti, Lloyd & Stutzman LLP

VICENTI, LLOYD & STUTZMAN LLP
Glendora, CA
December 10, 2013

PASADENA AREA COMMUNITY COLLEGE DISTRICT

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

June 30, 2013

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.

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.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

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

June 30, 2013

OBJECTIVES

The objectives of our Performance Audit were to:

- Determine the expenditures charged to the District Measure P Bond Construction Fund.
- 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.
- Note incongruities, system weaknesses, or non-compliance with specific California Education Code sections related to bond oversight and provide recommendations for improvement.
- Provide the District Board of Trustee and the Citizens' Oversight Committee with a performance audit as required under the requirements of the California Constitution and Proposition 39.

SCOPE OF THE AUDIT

The scope of our Performance Audit covered the fiscal period from July 1, 2012 to June 30, 2013. 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, 2013, were not reviewed or included within the scope of our audit or in this report.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

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

June 30, 2013

PROCEDURES PERFORMED

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2013, for the Measure P Bond Construction Fund. We also reviewed documentation, including the District website, for compliance with California Education Code Sections 15264 and 15272 – 15286. Within the fiscal year audited, we obtained the actual invoices and other supporting documentation for expenditures to ensure compliance with the requirements of Proposition 39 and Measure P with regards to the approved bond projects list. We performed the following procedures:

- We reviewed the projects listed to be funded with general obligation bond proceeds as set out in the Measure P election documents.
- We selected a sample of expenditures for the fiscal year ended June 30, 2013, and reviewed supporting documentation to ensure that such funds were properly expended on the authorized bond projects. The District expended \$19,490,954 of Measure P funds for the fiscal year ended June 30, 2013. We selected a sample of expenditures totaling \$13,192,821 which is 68% of expenditures.
- We verified on a sample basis that funds from the Measure P Bond Construction Fund were expended on the authorized bond projects and not used for salaries of school administrators or other operating expenses of the District.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

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

June 30, 2013

CONCLUSION

The results of our tests indicated that, in all significant respects, Pasadena Area Community College District has properly accounted for the expenditures of the funds held in the Measure P Bond Building Fund and that such expenditures were made on authorized bond projects and not expended for salaries of school administrators or other operating expenditures.

We did, however, note certain matters which should be considered related to procedural requirements as well as system weaknesses that are described in the accompanying schedule of findings and responses. Our audit does not provide a legal determination on the Pasadena Area Community College District's compliance with these requirements.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

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

**SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2013**

**FINDING 13-1 – PROPOSITION 39 GENERAL OBLIGATION BONDS WEBSITE
MAINTENANCE AND UPDATE**

Finding: Education Code Section 15280 requires that documents and reports received by the Citizen's Oversight Committee be made available on the internet. During our review of the Measure P website, we noted the following:

- The latest annual report available was for fiscal year ended June 30, 2011.
- Documents presented to the Citizens' Oversight Committee are not consistently posted to the website on a timely basis.

Recommendation: Develop procedures to ensure regular updates are made to the Measure P website. Make available to the public all recent information and documents received by the Citizens' Oversight Committee.

District Response: The District will ensure that the June 30, 2012 audited annual report is posted to the Measure P website no later than January 31, 2014. In addition, documents presented to the Citizens' Oversight Committee will be posted no later than 60 days after they are presented to the Citizens' Oversight Committee, if not sooner.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

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

**SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2013**

**FINDING 13-2 – INTERNAL CONTROLS – RECONCILIATION OF FINANCIAL
RECORDS**

Finding: Financial information presented to the Citizens' Oversight Committee (COC) did not consistently reconcile to the District's financial records to provide accurate Measure P financial activity. Expenditure reports presented to the COC in July 2013 and October 2013 reported substantially less in expenditures than the District's financial records for the same period. In addition, the reports did not include interest and other revenue from the 2012-13 fiscal year to reflect total resources available.

Recommendation: Perform reconciliations to District financial records on a regular basis to ensure the financial information presented to the Citizens' Oversight Committee is accurate.

District Response: The District's designated point of contact retired from service, and this responsibility was not reassigned. To rectify, the District will designate a person in the Facilities and Construction Services Measure P Project Office and the Fiscal Services Department to reconcile Measure P financial reports on a quarterly basis.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

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

STATUS OF PRIOR YEAR FINDINGS

June 30, 2013

There were no findings related to the performance audit for the fiscal year ended June 30, 2012.