

**SAN JOAQUIN DELTA
COMMUNITY COLLEGE DISTRICT
Stockton, California**

**MEASURE L GENERAL OBLIGATION BONDS
PERFORMANCE AUDIT**

June 30, 2011

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

**MEASURE L GENERAL OBLIGATION BONDS
PERFORMANCE AUDIT**

For the Year Ended June 30, 2011

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Background:	
Legislative History	2
San Joaquin Delta Community College District Measure L General Obligation Bonds	2-5
Performance Audit:	
Objectives	6
Scope	6
Methodology	6
Conclusions	7

INDEPENDENT AUDITORS' REPORT

Board of Trustees and Citizens' Bond Oversight
Committee for Measure L
San Joaquin Delta Community College District
Stockton, California

We have conducted a performance audit of the San Joaquin Delta Community College District (the "District") Measure L 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.

Our audit was limited to the objectives listed on page 6 of this report which includes determining the compliance with the performance requirements for the Proposition 39 Measure L General Obligation Bonds 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 the net proceeds thereof. Management is responsible for San Joaquin Delta 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 San Joaquin Delta 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 control.

The results of our tests indicated that, in all significant respects, San Joaquin Delta Community College District expended Measure L General Obligation Bond funds for the year ended June 30, 2011 only for the specific purposes 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 29, 2011

**SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
MEASURE L 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.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT MEASURE L GENERAL OBLIGATION BONDS

On March 2, 2004, the electorate of San Joaquin Delta Community College District approved the \$250 million Measure L General Obligation Bonds, with greater than 55% of the votes in favor. The text of the ballot language was as follows:

"San Joaquin Delta College Repair/Job Training Measure: To prepare students for jobs, transfer to four year colleges, repair buildings, improve safety, accommodate growing enrollment by:

- *Repairing leaky roofs, decaying walls, electrical wiring;*
- *Improving fire safety;*
- *Removing asbestos;*
- *Expanding/establishing Stockton, Manteca, Tracy, Lodi/Galt, Foothill Area campuses/education centers;*
- *Upgrading, acquiring, constructing, equipping buildings, sites, classrooms;*

shall San Joaquin Delta Community College District issue \$250,000,000 in bonds, at legal rates, with citizen oversight, guaranteed annual audits and no money for administrator's salaries?"

**SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
MEASURE L GENERAL OBLIGATION BONDS
BACKGROUND INFORMATION
(Continued)**

**SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT MEASURE L GENERAL
OBLIGATION BONDS (Continued)**

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

Delta College – Stockton Campus

- Repair, Upgrade, and/or Replace Aging Obsolete Classrooms, Library, Science Labs, Instructional Facilities, Sites and Utilities:

Repair, renovate and/or replace deteriorating roofs, corroding pipes, plumbing, sewer, drainage, electrical systems, wiring, bathrooms, telecommunications, foundations, classrooms, fields and grounds, science laboratories, lecture halls, upgrade 30 year old library to include computer technology and more study areas, planetarium, child development center, and other facilities; wire classrooms for computers and technology, increase campus security, installation and repair of fire safety equipment, including alarms, smoke detectors, sprinklers, emergency lighting, fire safety doors, increase energy efficiency; relocate facilities and field lab at Mountain Ranch; reduce operating costs and improve job training and academic instruction, and meet legal requirements for disabled access.

- Safety Improvements; Hazardous Materials Removal:

Upgrade existing fire alarms, sprinklers, smoke detectors, intercoms and fire doors; install security systems, exterior lighting, emergency lighting, door locks and fences, install emergency power generators and replace outdated switchgear; remove hazardous materials.

- Expand Job training and Academic Classrooms, Library and Facility Capacity:

Increase classroom capacity for academic and job training classes, including math, business, English, science (including biology, chemistry, physical science) labs, library, physical and health education facilities; repair administration wing; build, upgrade, repair, equip, or expand student services buildings to include academic and job training and counseling centers, study areas, lecture/meeting/seminar rooms, computer hook-up and other student support, as well as fine and performing arts, auto tech year, labs, shops; relocate and build maintenance building to support facilities and free up classroom space.

- Energy Efficiency Improvements; Repair, Replace and Upgrade Electrical, Mechanical, and Energy Systems To Reduce Energy Consumption:

Replace old energy systems, heating, ventilation and air conditioning system and related utility systems; energy efficiency projects designed to increase efficiency.

**SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
MEASURE L GENERAL OBLIGATION BONDS
BACKGROUND INFORMATION**

(Continued)

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT MEASURE L GENERAL OBLIGATION BONDS (Continued)

Delta College – Stockton Campus (Continued)

- Information Technology Wiring and Equipment:

Upgrade electrical systems and wiring for computer technology and Internet access; upgrade and replace outdated technology including computers, laboratory equipment and classroom furnishings.
- Refinance Existing Lease Obligations To Lower Interest Rates and Increase Funds Available For Instruction and Ongoing Maintenance of Classrooms and Buildings.
- Safety and Security; Sites; Site Accessibility; Improve Emergency Access:

Improve pedestrian access routes across campus for safety; improve campus safety and security by adding exterior lighting; implement safety upgrades to relieve gridlock, traffic flow and parking congestion; redesign campus walkways to eliminate unsafe conditions; repair or replace outdated natural gas, water, sewer, storm drain systems; add parking facilities to accommodate increasing student population; remove dangerous asbestos; acquire property to expand student capacity, increase access for emergency vehicles.

San Joaquin Delta College – Education Centers

- Establish an Expanded San Joaquin Delta College Education Center in Tracy/Mountain House Area to Accommodate Growth and Increasing Student Enrollment:

Provide permanent classrooms, labs, library, job training and college transfer counseling facilities in Phase 1 of the Mountain House (Tracy area) Education Center.
- Expand San Joaquin Delta College Education Center in Manteca to Accommodate Growth and Increasing Student Enrollment:

Build a new academic classroom building and upgrade existing classrooms and agricultural buildings to allow more students access to an affordable education. Relocate viticulture program to Manteca Farm.
- Establish San Joaquin Delta College Education Center in Lodi/Galt Area to Accommodate Growth and Increasing Student Enrollment:

Acquire a site(s) in the Lodi/Galt area to provide permanent classrooms, labs, job training and college transfer counseling buildings facilities, and allow local students greater access to an affordable education.

**SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
MEASURE L GENERAL OBLIGATION BONDS
BACKGROUND INFORMATION
(Continued)**

**SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT MEASURE L GENERAL
OBLIGATION BONDS (Continued)**

San Joaquin Delta College – Education Centers (Continued)

- Establish San Joaquin Delta College Education Center in Mother Lode/Foothills Area to Accommodate Growth and Increasing Student Enrollment:

Acquire a site(s) in the Mother Lode/Foothills area to provide permanent classrooms, labs, job training and college transfer counseling buildings facilities, and allow local students greater access to an affordable education. Classrooms will be funded from a combination of local bond money and State matching funds.

On February 2, 2005 the District issued Series 2005A General Obligation Bonds in the amount of \$90,000,000 to improve or construct school facilities. The Current Interest Serial Bonds accrue interest up to a maximum of 4.13% per annum from the date of issuance and are payable on February 1 and August 1 of each year.

On July 2, 2008 the District issued Series 2008B General Obligation Bonds in the amount of \$92,000,582 to improve or construct school facilities. The Current Interest Serial Bonds accrue interest up to a maximum of 8.7% per annum from the date of issuance and are payable on February 1 and August 1 of each year. The Capital Appreciation Bonds do not bear current interest; each Capital Appreciation Bond accretes its value semiannually on February 1 and August 1 of each year over the term to its maturity, from its Denomination Amount on the date of delivery to its stated maturity, with the first scheduled payment on August 1, 2011.

The financial activity related to the Measure L General Obligation Bonds is recorded in the District's Financial Activity Report in Fund 42 and is included in the District's audited financial statements for the year ended June 30, 2011.

**SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
MEASURE L GENERAL OBLIGATION BONDS
OBJECTIVES, SCOPE, METHODOLOGY AND CONCLUSIONS**

OBJECTIVES

The objective of our performance audit was to determine that the District expended Measure L 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 L General Obligation Bond project expenditures for the year ended June 30, 2011 (the "List"). An approximate total of 800 transactions were identified, representing \$11,086,172 in expenditures from July 1, 2010 through June 30, 2011.

METHODOLOGY

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

- Interview District management relating to controls over planning, bidding, contracting, expenditure of bond funds and financial reporting have been put in place and are working as documented.
- Document the District's procedures and controls over planning, bidding, contracting, expenditure of bond funds and financial reporting.
- Perform testing to determine that the District controls over planning, bidding, contracting, expenditure of bond funds and reporting have been put in place and working as documented.
- Verify 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, 2010, presented as part of the Measure L Bond Fund.
- Select a sample of 25 expenditures totaling \$5,307,338. The sample should be selected to provide a representation across specific construction projects, vendors and expenditure amounts. The sample represented 3% of the number of expenditures and 48% of the total expenditure value. Verify that all the expenditures were for authorized projects, as developed by the District's Board of Trustees.

**SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
MEASURE L GENERAL OBLIGATION BONDS
OBJECTIVES, SCOPE, METHODOLOGY AND CONCLUSIONS
(Continued)**

CONCLUSIONS

The results of our tests indicated that, in all significant respects, San Joaquin Delta Community College District expended Measure L General Obligation Bond funds for the year ended June 30, 2011 only for the specific purposes 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.