



Financial and Performance Audits  
Measure G General Obligation Bond Construction Fund  
June 30, 2019

Citrus Community College District



Financial Audit  
Measure G General Obligation Bond Construction Fund  
June 30, 2019  
Citrus Community College District

**CITRUS COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND CONSTRUCTION FUND (MEASURE G)**

**FINANCIAL AUDIT  
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JUNE 30, 2019**

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## **FINANCIAL SECTION**



CPAs & BUSINESS ADVISORS

## INDEPENDENT AUDITOR'S REPORT

Board of Trustees and Citizens' Oversight Committee  
Citrus Community College District  
General Obligation Bond  
Glendora, California

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

We have audited the accompanying financial statements of the Citrus Community College District (the District), General Obligation Bond Construction Fund (Measure G), as of and for the year ended June 30, 2019, 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 controls 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 audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend upon the auditor's judgment, including the assessment of the risks of material misstatement of financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's General Obligation Bond Construction Fund (Measure G) 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 General Obligation Bond Construction Fund (Measure G) internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

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 General Obligation Bond Construction Fund (Measure G) of the District at June 30, 2019, 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.

## **Emphasis of Matter**

As discussed in Note 1, the financial statements of the General Obligation Bond Construction Fund specific to Measure G are intended to present the financial position and the changes in financial position attributable to the transactions of that Fund. They do not purport to, and do not, present fairly the financial position of the District as of June 30, 2019, and the changes 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 Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2019, on our consideration of the District's General Obligation Bond Construction Fund (Measure G) internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to solely 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 effectiveness of the District's General Obligation Bond Construction Fund (Measure G) internal control over 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 General Obligation Bond Construction Fund (Measure G) internal control over financial reporting and compliance.

Rancho Cucamonga, California  
November 23, 2019

**CITRUS COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND CONSTRUCTION FUND (MEASURE G)**

**BALANCE SHEET  
JUNE 30, 2019**

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**ASSETS**

Investments	\$ 5,989,349
Accounts receivable	30,287
<b>Total Assets</b>	<b>\$ 6,019,636</b>

**LIABILITIES AND FUND BALANCE**

**LIABILITIES**

Accounts payable	\$ 200,663
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**FUND BALANCE**

Reserved for capital projects	5,818,973
<b>Total Liabilities and Fund Balance</b>	<b>\$ 6,019,636</b>

The accompanying notes are an integral part of these financial statements.

**CITRUS COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND CONSTRUCTION FUND (MEASURE G)**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2019**

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**REVENUES**

Local revenues	<u>\$ 121,988</u>
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**EXPENDITURES**

Salaries	109,620
Benefits	46,200
Capital outlay	<u>1,017,873</u>
<b>Total Expenditures</b>	<u>1,173,693</u>

<b>EXCESS OF EXPENDITURES OVER REVENUES</b>	<b>(1,051,705)</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>6,870,678</b>
<b>FUND BALANCE, END OF YEAR</b>	<b><u>\$ 5,818,973</u></b>

The accompanying notes are an integral part of these financial statements.

# **CITRUS COMMUNITY COLLEGE DISTRICT GENERAL OBLIGATION BOND CONSTRUCTION FUND (MEASURE G)**

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019**

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Citrus Community College District General Obligation Bond Construction Fund (Measure G) conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA). The District's General Obligation Bond Construction Fund (Measure G) accounts for the financial transactions in accordance with the policies and procedures of the California Community Colleges Budget and Accounting Manual.

#### **Financial Reporting**

The audited financial statements include only the General Obligation Bond Construction Fund (Measure G) of Citrus Community College District (the District). This Fund was established to account for the receipt of proceeds of general obligation bond issuances and the expenditures of those proceeds under the General Obligation Bond Election of March 2, 2004. These financial statements are not intended to present fairly the financial position and the changes in financial position of the District in compliance with accounting principles generally accepted in the United States of America.

#### **Fund Accounting**

The operations of the General Obligation Bond Construction Fund (Measure G) 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.

#### **Basis of Accounting**

The Bond Fund is accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. These fund financial statements do not include the adoption of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as the District was not required to adopt GASB Statement No. 54 under the reporting requirements of GASB Statement No. 35.

#### **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 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, as needed, to give consideration to unanticipated revenues and expenditures primarily resulting from events unknown at the time of budget adoption. The District employs budget control by major object. Expenditures cannot legally exceed appropriations by major object account.

# **CITRUS COMMUNITY COLLEGE DISTRICT GENERAL OBLIGATION BOND CONSTRUCTION FUND (MEASURE G)**

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019**

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### **Encumbrances**

The District 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 and all outstanding encumbrances lapse at June 30, unless designated as a commitment of the District.

### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

### **Fund Balance - Governmental Funds**

As of June 30, 2019, the fund balance of the General Obligation Bond Construction Fund (Measure G) was classified as follows:

**Restricted** - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation, or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

### **NOTE 2 - INVESTMENTS**

#### **Policies and Practices**

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

#### **Investment in County Treasury**

In accordance with the *Budget and Accounting Manual*, the District maintains substantially all of its cash in the County Treasury as part of the common investment pool. The District is considered to be an involuntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which are recorded on the amortized cost basis.

**CITRUS COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND CONSTRUCTION FUND (MEASURE G)**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

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**General Authorizations**

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the Los Angeles County Investment Pool. The District maintains a General Obligation Bond Construction Fund (Measure G) investment of \$5,989,349 with the Los Angeles County Investment Pool, with an average maturity of 547 days.

**Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the Los Angeles County Investment Pool is not required to be rated, nor has it been rated as of June 30, 2019.

**CITRUS COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND CONSTRUCTION FUND (MEASURE G)**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

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**NOTE 3 - FAIR VALUE MEASUREMENTS**

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs, other than Level 1 prices, such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the Los Angeles County Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

The District's fair value measurements were as follows at June 30, 2019:

Investment Type	Fair Value	Uncategorized
Los Angeles County Investment Pool	\$ 5,983,604	\$ 5,983,604

All assets have been valued using a market approach, with quoted market prices.

**NOTE 4 - ACCOUNTS RECEIVABLE**

Receivables at June 30, 2019 consisted of accrued interest for a total of \$30,287.

**NOTE 5 - ACCOUNTS PAYABLE**

Accounts payable at June 30, 2019 consisted of capital outlay costs for a total of \$200,663.

**CITRUS COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND CONSTRUCTION FUND (MEASURE G)**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

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**NOTE 6 - FUND BALANCE**

The fund balance at June 30, 2019 was restricted for capital projects in the amount of \$5,818,973.

**NOTE 7 - BONDED DEBT**

**Description of Debt**

On March 2, 2004, the voters of the District approved Measure G, which allowed the District to issue \$121,000,000 of general obligation bonds to be used to finance the acquisition, construction, and modernization of certain property and District facilities. The debt is being paid by the District's Bond Interest and Redemption Fund.

A schedule of changes in long-term obligations related to the general obligation bonds for the year ended June 30, 2019, is shown below:

	Balance			Balance June 30, 2019	Due in One Year
	July 1, 2018	Additions	Deductions		
<b>General Obligation Bonds, 2004 Election</b>					
Series C	\$ 7,691,925	\$ 463,083	\$ 1,105,000	\$ 7,050,008	\$ -
2013 Refunding	10,910,000	-	670,000	10,240,000	700,000
Series D	22,096,884	966,114	75,000	22,987,998	175,000
Series E	9,805,000	-	-	9,805,000	-
2015 Refunding	48,185,000	-	1,310,000	46,875,000	1,440,000
Unamortized Premium	9,950,226	-	806,361	9,143,865	-
<b>Total Bonds</b>	<b>\$ 108,639,035</b>	<b>\$ 1,429,197</b>	<b>\$ 3,966,361</b>	<b>\$ 106,101,871</b>	<b>\$ 2,315,000</b>

**General Obligation Bonds**

**Series C General Obligation Bonds**

In June 2009, \$29,995,302 of Citrus Community College District, Election of 2004, Series C Bonds were issued with a final maturity date of June 1, 2034. The bonds were issued as current interest bonds in the principal amount of \$26,405,000 and capital appreciation bonds in the aggregate principal amount of \$3,590,302. The bonds carry interest rates ranging from 3.00 percent to 5.25 percent, depending on the maturity of the related bonds. Interest is payable semiannually on December 1 and June 1 of each year. The outstanding principal balance of these bonds at June 30, 2019 was \$7,050,008.

**CITRUS COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND CONSTRUCTION FUND (MEASURE G)**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

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**2013 General Obligation Refunding Bonds**

On April 24, 2013, \$13,130,000 of Citrus Community College District, 2013 General Obligation Refunding Bonds were issued to advance refund and defease a portion of the District's Election of 2004 General Obligation Bonds, Series A and to pay all legal, financial, and contingent costs in connection with the issuance of the Bonds. The bonds were issued with a final maturity date of August 1, 2029. Interest rates range from 2.00 percent to 5.00 percent, depending on the maturity of the related bonds. Interest is payable semiannually on February 1 and August 1 of each year. The outstanding principal balance of these bonds at June 30, 2019 was \$10,240,000.

**Series D General Obligation Bonds**

On June 11, 2014, \$18,997,251 of Citrus Community College District, Election of 2004, Series D Bonds were issued with a final maturity date of August 1, 2038. The bonds were issued as current interest bonds in the principal amount of \$620,000, capital appreciation bonds in the aggregate principal amount of \$6,750,369, and convertible capital appreciation bonds in the aggregate principal amount of \$11,626,882. The bonds carry interest rates ranging from 2.00 percent to 5.00 percent, depending on the maturity of the related bonds. Interest is payable semiannually on February 1 and August 1 of each year. The outstanding principal balance of these bonds at June 30, 2019 was \$22,987,998.

**Series E General Obligation Bonds**

On March 10, 2015, \$10,005,000 of Citrus Community College District, Election of 2004, Series E Bonds were issued with a final maturity date of August 1, 2035, and interest rates ranging from 2.50 percent to 3.50 percent, depending on the maturity of the related bonds. Interest is payable semiannually on February 1 and August 1 of each year. The outstanding principal balance of these bonds at June 30, 2019 was \$9,805,000.

**2015 General Obligation Refunding Bonds**

On March 10, 2015, \$48,685,000 of Citrus Community College District, 2015 General Obligation Refunding Bonds were issued to advance refund and defease a portion of the District's Election of 2004 General Obligation Bonds, Series B and Series C, and to pay all legal, financial, and contingent costs in connection with the issuance of the Bonds. The bonds were issued with a final maturity date of August 1, 2031. Interest rates range from 2.00 percent to 5.00 percent, depending on the maturity of the related bonds. Interest is payable semiannually on February 1 and August 1 of each year. The outstanding principal balance of these bonds at June 30, 2019 was \$46,875,000.

**CITRUS COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND CONSTRUCTION FUND (MEASURE G)**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

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The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds		Accrued		Bonds	
				July 1, 2018	Outstanding	Interest Addition	Redeemed	Outstanding	June 30, 2019
2009	2034	3.00-5.25%	\$ 29,995,302	\$ 7,691,925	\$ 463,083	\$ 1,105,000	\$ 7,050,008		
2013	2030	2.00-5.00%	13,130,000	10,910,000	-	670,000	10,240,000		
2014	2039	2.00-5.00%	18,997,251	22,096,884	966,114	75,000	22,987,998		
2015	2036	2.50-3.50%	10,005,000	9,805,000	-	-	9,805,000		
2015	2032	2.00-5.00%	48,685,000	48,185,000	-	1,310,000	46,875,000		
				\$ 98,688,809	\$ 1,429,197	\$ 3,160,000	\$ 96,958,006		

**Debt Service Requirements**

The Series C General Obligation Bonds mature through 2034 as follows:

Fiscal Year	Principal		Accrued Interest*	Total
	(Including accrued interest to date)			
2020	\$ -		\$ -	\$ -
2021	-		-	-
2022	-		-	-
2023	-		-	-
2024	-		-	-
2025-2029	-		-	-
2030-2034	7,050,008		11,224,992	18,275,000
Total	\$ 7,050,008		\$ 11,224,992	\$ 18,275,000

\* Interest that is accrued at a discount from the face value of the bonds, and no interest payment is made until maturity.

**CITRUS COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND CONSTRUCTION FUND (MEASURE G)**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

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The 2013 Refunding Bonds mature through 2030 as follows:

Fiscal Year	Current Interest to Maturity			Total
	Principal			
2020	\$ 700,000	\$ 458,200		\$ 1,158,200
2021	725,000	429,700		1,154,700
2022	760,000	400,000		1,160,000
2023	790,000	369,000		1,159,000
2024	895,000	330,825		1,225,825
2025-2029	5,180,000	954,175		6,134,175
2030	1,190,000	29,750		1,219,750
Total	<u>\$ 10,240,000</u>	<u>\$ 2,971,650</u>		<u>\$ 13,211,650</u>

The Series D General Obligation Bonds mature through 2039 as follows:

Fiscal Year	Principal		Current Interest to Maturity		Total
	(Including accrued interest to date)	Accrued Interest*			
2020	\$ 172,839	\$ 2,161	\$ 19,900		\$ 194,900
2021	291,675	13,325	19,900		324,900
2022	467,624	42,376	19,900		529,900
2023	660,812	69,188	18,650		748,650
2024	435,000	-	8,700		443,700
2025-2029	2,587,971	982,029	-		3,570,000
2030-2034	5,503,593	3,161,407	-		8,665,000
2034-2039	12,868,484	2,601,516	-		15,470,000
Total	<u>\$ 22,987,998</u>	<u>\$ 6,872,002</u>	<u>\$ 87,050</u>		<u>\$ 29,947,050</u>

\* Interest that is accrued at a discount from the face value of the bonds, and no interest payment is made until maturity.

**CITRUS COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND CONSTRUCTION FUND (MEASURE G)**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

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The Series E General Obligation Bonds mature through 2036 as follows:

Fiscal Year	Current Interest to Maturity		
	Principal	Maturity	Total
2020	\$ -	\$ 389,400	\$ 389,400
2021	-	389,400	389,400
2022	-	389,400	389,400
2023	-	389,400	389,400
2024	-	389,400	389,400
2025-2029	1,005,000	1,888,113	2,893,113
2030-2034	6,300,000	1,088,750	7,388,750
2035-2036	2,500,000	87,500	2,587,500
<b>Total</b>	<b>\$ 9,805,000</b>	<b>\$ 5,011,363</b>	<b>\$ 14,816,363</b>

The 2015 Refunding Bonds mature through 2032 as follows:

Fiscal Year	Current Interest to Maturity		
	Principal	Maturity	Total
2020	\$ 1,440,000	\$ 2,286,050	\$ 3,726,050
2021	2,745,000	2,192,275	4,937,275
2022	2,955,000	2,060,625	5,015,625
2023	3,165,000	1,907,625	5,072,625
2024	3,410,000	1,743,250	5,153,250
2025-2029	19,950,000	5,928,250	25,878,250
2030-2032	13,210,000	1,014,000	14,224,000
<b>Total</b>	<b>\$ 46,875,000</b>	<b>\$ 17,132,075</b>	<b>\$ 64,007,075</b>

**NOTE 8 - COMMITMENTS AND CONTINGENCIES**

As of June 30, 2019, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately \$130,000.

**Litigation**

The District is not currently a party to any legal proceedings related to the General Obligation Bond Construction Fund (Measure G).



## **INDEPENDENT AUDITOR'S REPORT**



**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***

Board of Trustees and Citizens' Oversight Committee  
Citrus Community College District  
General Obligation Bond  
Glendora, California

We have audited, in accordance with the 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 financial statements of the Citrus Community College District (the District), General Obligation Bond Construction Fund (Measure G), as of and for the year ended June 30, 2019, and the related notes to the financial statements, and have issued our report thereon dated November 23, 2019.

#### **Emphasis of Matter**

As discussed in Note 1, the financial statements of the General Obligation Bond Construction Fund specific to Measure G are intended to present the financial position and the changes in financial position attributable to the transactions of that Fund. They do not purport to, and do not, present fairly the financial position of the District as of June 30, 2019, and the changes 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.

#### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's General Obligation Bond Construction Fund (Measure G) internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's General Obligation Bond Construction Fund (Measure G) internal control. Accordingly, we do not express an opinion on the effectiveness of the District's General Obligation Bond Construction Fund (Measure G) 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's General Obligation Bond Construction Fund (Measure G) 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.

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 General Obligation Bond Construction Fund (Measure G) 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 noncompliance 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 General Obligation Bond Construction Fund (Measure G) 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 General Obligation Bond Construction Fund (Measure G) internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rancho Cucamonga, California  
November 23, 2019



## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**CITRUS COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND CONSTRUCTION FUND (MEASURE G)**

**FINANCIAL STATEMENT FINDINGS  
JUNE 30, 2019**

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None reported.

**CITRUS COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND CONSTRUCTION FUND (MEASURE G)**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2019**

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There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.



Performance Audit  
Measure G General Obligation Bond Construction Fund  
June 30, 2019  
Citrus Community College District

**CITRUS COMMUNITY COLLEGE DISTRICT  
MEASURE G GENERAL OBLIGATION BONDS  
2004 ELECTION**

**PERFORMANCE AUDIT  
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JUNE 30, 2019**

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CPAs & BUSINESS ADVISORS

## INDEPENDENT AUDITOR'S REPORT ON PERFORMANCE

Board of Trustees and Citizens' Oversight Committee  
Citrus Community College District  
General Obligation Bond  
Glendora, California

We were engaged to conduct a performance audit of Citrus Community College District (the District) General Obligation Bond Construction Fund (Measure G) funds for the year ended June 30, 2019.

We conducted this performance audit in accordance with the standards applicable to performance 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 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 within the report which includes determining the District's compliance with the performance requirements as referred to in Proposition 39 and outlined in Article XIII, Section 1(b)(3)(C) of the California Constitution. Management is responsible for the District's compliance with those requirements.

In planning and performing our performance audit, we obtained an understanding of the District's internal control in order to determine if the internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39 and outlined in Article XIII, Section 1(b)(3)(C) of the California Constitution. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

The results of our tests indicated that the District's General Obligation Bond Construction Fund (Measure G) funds are in compliance with Proposition 39 as outlined in Article XIII, Section 1(b)(3)(C) of the California Constitution.

Rancho Cucamonga, California  
November 23, 2019

# **CITRUS COMMUNITY COLLEGE DISTRICT MEASURE G GENERAL OBLIGATION BOND**

**JUNE 30, 2019**

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## ***AUTHORITY FOR ISSUANCE AND PURPOSE***

The Measure G General Obligation Bonds (the Bonds) were 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 District received authorization from an election held on March 2, 2004, to issue bonds of the District in an aggregate principal amount not to exceed \$121,000,000 to finance the acquisition, construction, modernization, and equipping of District sites and facilities. The Measure required approval by at least 55 percent of the votes cast by eligible voters within the District.

## ***AUTHORITY FOR THE AUDIT***

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, community college districts, or county offices of education for the following: "construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of rental property for school facilities", upon approval by 55 percent of the electorate. In addition to reduction of the approval threshold from two-thirds to 55 percent, Proposition 39 and the enacting legislation (AB 1908 and AB 2659) requires the following accountability measures as codified in *Education Code Sections 15278-15282*:

1. Requires that the proceeds from the sale of the bonds be used only for the purposes specified in Article XIII, Section 1(b)(3)(C) of the California Constitution, and not for any other purpose, including teacher and administrator salaries and other district operating expenses.
2. The community college district must list the specific facilities projects to be funded in the ballot measure, and must certify that the governing board has evaluated safety and information technology needs in developing the project list.
3. Requires the community college district to appoint a citizens' oversight committee.
4. Requires the community college district to conduct an annual independent financial audit and performance audit in accordance with the *Government Auditing Standards* issued by the Comptroller General of the United States of the bond proceeds until after all of the proceeds have been expended.
5. Requires the community college district to conduct an annual independent performance audit to ensure that the funds have been expended only on the specific projects listed.

## ***OBJECTIVES OF THE AUDIT***

The objective of our audit is to meet the compliance requirement to perform a "performance audit" as referred to in Proposition 39 and outlined in Subparagraph (C) of paragraph (3) of subdivision (b) of Section 1 of Article XIII, of the California Constitution. Our audit was conducted in accordance with generally accepted standards for performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and will include tests of the accounting records of the District and other procedures we consider necessary to enable us to provide conclusions to our audit objectives.

# **CITRUS COMMUNITY COLLEGE DISTRICT MEASURE G GENERAL OBLIGATION BOND**

**JUNE 30, 2019**

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## ***SCOPE OF THE AUDIT***

The scope of our performance audit covered the period of July 1, 2018 through June 30, 2019. The population of expenditures tested included all 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 proceeds of the Bonds, were not included within the scope of the audit. Expenditures incurred subsequent to June 30, 2019, were not reviewed or included within the scope of our audit or in this report.

## ***PROCEDURES PERFORMED***

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2019, for the Measure G General Obligation Bond Construction Funds. Within the period audited, we obtained the actual invoices and other supporting documentation for all expenditures to ensure compliance with the requirements of Article XIII A, Section 1(b)(3)(C) of the California Constitution and Measure G as to the approved bond projects list. We performed the following procedures:

1. Determined District procedures for disbursement of funds related to the voter approved Measure G General Obligation Bonds were applied in accordance with laws and regulations, as well as policies approved by the Board of Trustees. This was accomplished through the inspection of specified documents evidencing certain types of transactions and detailed attributes thereof; including, but not limited to, the specific documents related to bid procedures for contracts and services, invoices for services rendered, and other appropriate documents deemed necessary to provide a basis for the results of our objective.
2. Reviewed the detailed accounting of expenditures to determine if proceeds were being spent on administrative salaries or any other expense that would otherwise be the obligation of the General Fund.
3. From a sample of construction expenditures from the detailed accounting of expenditures, reviewed expenditures to determine if proceeds expended were for specific projects as listed in the voter approved bond language. Expenditures from all projects were included in the sample.

## ***CONCLUSION***

### **Procedure 1**

Determined District procedures for disbursement of funds related to the voter approved Measure G General Obligation Bonds were applied in accordance with laws and regulations, as well as policies approved by the Board of Trustees. This was accomplished through the inspection of specified documents evidencing certain types of transactions and detailed attributes thereof; including, but not limited to, the specific documents related to bid procedures for contracts and services, invoices for services rendered, and other appropriate documents deemed necessary to provide a basis for the results of our objective.

# **CITRUS COMMUNITY COLLEGE DISTRICT MEASURE G GENERAL OBLIGATION BOND**

**JUNE 30, 2019**

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## **Results**

We included 95 percent of all expenditures charged to the Measure G Bond funds for the 2018-2019 fiscal year in our audit. Based upon our audit of actual invoices and purchase orders, there were no exceptions noted in the District's procedures related to the disbursement of Measure G Bond funds. The District used formal bid procedures for those contracts over the construction bid level requirements and informal bid procedures for those contracts below the construction bid level to select contractors for the various projects in accordance with Education Code requirements and District policy. Budgets for specific projects were approved and monitored in accordance with Board requirements.

## **Procedure 2**

Reviewed the detailed accounting of expenditures to determine if proceeds were being spent on administrative salaries or any other expense that would otherwise be the obligation of the General Fund.

## **Results**

The results of our tests indicated that, in all respects, the District did not spend Measure G proceeds on administrative salaries or any other expense that would otherwise be the obligation of the General Fund.

## **Procedure 3**

From a sample of construction expenditures from the detailed accounting of expenditures, reviewed expenditures to determine if proceeds expended were for specific projects as listed in the voter approved bond language. Expenditures from all projects were included in the sample.

**CITRUS COMMUNITY COLLEGE DISTRICT  
MEASURE G GENERAL OBLIGATION BOND**

**JUNE 30, 2019**

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**Results**

The results of our tests indicated that, in all respects, the District has expended proceeds exclusively for specific projects as listed in the voter approved bond language. Further, it was noted that funds held in the Measure G General Obligation Bond Fund, and expended by the District, were used for salaries of administrators only to the extent they perform administrative oversight work on construction projects as allowable per Opinion 04-110 issued on November 9, 2004 by the State of California Attorney General. Our audit sample included 95 percent of expenditures for the 2018-2019 fiscal year.

<b><u>Category of Expense</u></b>	<b>Expenditures Incurred</b>	<b>Expenditures Tested</b>	<b>Percentage of Total</b>
Salaries and benefits	\$ 155,820	\$ 155,820	100%
Capital outlay	1,017,873	958,787	94%
<b>Total</b>	<b>\$ 1,173,693</b>	<b>\$ 1,114,607</b>	<b>95%</b>

**CITRUS COMMUNITY COLLEGE DISTRICT  
MEASURE G GENERAL OBLIGATION BOND**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2019**

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None reported.

**CITRUS COMMUNITY COLLEGE DISTRICT  
MEASURE G GENERAL OBLIGATION BOND**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2019**

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There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.