

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

**PROPOSITION 39, GENERAL OBLIGATION BONDS
(MEASURE R, NOVEMBER 2001)
PERFORMANCE AUDIT**

June 30, 2009



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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
The Citizens' Oversight Committee
Mt. San Antonio Community College District
1100 North Grand Avenue
Walnut, CA 91789

We have examined the Mt. San Antonio Community College District's compliance with the performance requirements for the 2001 Election Measure R General Obligation Bonds ("Bonds") for the fiscal year ended June 30, 2009, 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 the Mt. San Antonio Community College District's compliance with those requirements. Our responsibility is to express an opinion on the Mt. San Antonio Community College District's compliance with such requirements thereof based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about Mt. San Antonio Community College District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Mt. San Antonio Community College District's compliance with specified requirements.

In our opinion, the Mt. San Antonio Community College District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2009.


VICENTI, LLOYD & STUTZMAN ^{LLP}

November 19, 2009

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OBJECTIVES

The objectives of our Performance Audit were to:

- Document the expenditures charged to the Mt. San Antonio Community College District Bond Construction Fund (hereinafter referred to as the “Construction Fund”) established for the Bonds and the net Bond proceeds deposited into the Construction Fund.
- Determine whether expenditures from July 1, 2008 through June 30, 2009, charged to the Construction Fund, have been made in accordance with the bond project authorization approved by the voters through the approval of Measure R in November 2001 (“Bond Projects”).
- Note any incongruities or system weaknesses and provide recommendations for improvement.
- Provide the District Board and the Measure R 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 period from July 1, 2008 through June 30, 2009 and 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 were not included within the scope of our audit. Expenditures incurred subsequent to June 30, 2009 were not reviewed or included within the scope of our audit.

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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 districts and community colleges under certain circumstances and subject to certain conditions. In November 2001, a general obligation bond proposition (Measure R) of the Mt. San Antonio Community College District was approved by the voters of the District. Measure R authorized the District to issue up to \$221 million of general obligation bonds to finance various capital projects and related costs, as specified in the bond measure provisions.

Accordingly, the following bonds were issued:

- In May 2002, the first series of bonds, Series A, in the amount of \$40 million was issued.
- In February 2004, the second series of bonds, Series B, in the amount of \$75 million was issued.
- In September 2005, \$75.7 million in general obligation refunding bonds were issued to refund certain outstanding Series A and Series B bonds. In addition, the refunding bonds generated \$8.6 million in proceeds received by the District (net of the original bond issuance costs).
- In September 2006, the third series of bonds, Series C, in the amount of \$80 million was issued.
- In July 2008, the fourth and final series of bonds, Series D, in the amount of \$26 million was issued.

Total proceeds from the bonds were received by the District (less the original bond issuance costs) and are to be used to finance the construction, acquisition, furnishing and equipping of District facilities.

Pursuant to the requirements of Proposition 39 and related State legislation, the Board of Trustees of the District had appropriately established a Citizens' Oversight Committee in December 2001. The principal purpose of the Citizens' Oversight Committee, as set out in State law, is to inform the public as to the expenditures made using the proceeds of the bonds issued pursuant to the Measure R bond authorization. The Citizens' Oversight Committee is required to issue at least one report annually as to its activities and findings.

California Constitution, Article XIII A, Section 1(b)(3)(c) requires the District to conduct an annual independent performance audit to ensure that funds deposited into the Bond Construction Fund – Measure R Bond Program have been expended only on the specific projects publicized by the District.

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PROCEDURES PERFORMED

We obtained the general ledger and the project expenditure summary reports and detail prepared by the District for the fiscal year ended June 30, 2009 for the Construction Fund. Within the fiscal year audited, we obtained the actual invoices and other supporting documentation for a sample of expenditures to ensure compliance with the requirements of Proposition 39/Measure R funding. We performed the following procedures:

- We reviewed the Campus Master Plan Bond Project publicized list of intended projects.
- We selected a sample of expenditures for the fiscal year ended June 30, 2009 and reviewed supporting documentation to ensure that funds were properly expended on the authorized bond projects, met the requirements for bidding, if applicable, and were not used for salaries of school administrators or other operating expenses of the District. Our sample included 76 transactions totaling \$14,709,183. This represents 55.04% of total expenditures of \$26,725,367. Detailed results of our testing are identified by project beginning on page 6.
- We compared total project expenditures to budgets to determine if there were any expenditures in excess of appropriation.

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RESULTS OF PROCEDURES

In 2001, the District put forward, as adopted by the Board of Trustees, 17 projects for use with the bond funding in a Master Plan. During 2005, the Master Plan was reconfigured to better accommodate the projects and improvements associated with bond funding. Several of the original Measure R projects have been modified to balance cost effectiveness of bond funds, state funding priorities and campus needs. Budget amounts below were provided by the Facilities Department and may be subject to further revision. The District has incurred cumulative total costs of \$211,741,767 through June 30, 2009 of which \$26,725,367 were expended during fiscal year ended June 30, 2009. The projects are outlined below:

		<u>Total Budget</u>	<u>Actual Costs for Fiscal Year Ended June 30, 2009</u>	<u>Actual Costs May 1, 2002 through June 30, 2009</u>
Project 1	Science Laboratories	\$ 14,213,481	\$ 129,024	\$ 14,157,410
Project 2	Workforce Training Center	290,433		290,433
Project 3	Campus-wide Energy Conservation Program	15,573,355	8,327	15,544,445
Project 4	Off-Campus Learning Centers	389		389
Project 5	Agricultural Science	17,786,205	5,041,736	10,202,642
Project 6	Child Development Center	1,700,889	76,225	1,695,845
Project 7	Campus Classroom Improvements	32,385,899	6,309,499	31,868,167
Project 10	Design and Online Technology Center	11,729,008	250,448	1,739,036
Project 11	Physical Education/Wellness Facility and Athletic Fields	10,338,541	48,021	10,328,892
Project 12	Campus Center	73,882	15,400	73,882
Project 13	Student Support Services Renovations	7,245,333	1,411,498	7,214,219
Project 14	Welding/Air Conditioning Programs	6,181,760		6,181,760
Project 15	Language Center	9,776,059		9,776,059
Project 16	Health Careers Center	9,798,362	(8,969) ⁽¹⁾	9,789,393
Project 17	Campus-wide Improvements	94,107,887	13,444,158	92,722,205
	Bond Investment	156,990		156,990
	Bond Refunding Reserves	6,251,309		
	Interest Funded Reserves	4,229,167		
		<u>\$ 241,838,949</u>	<u>\$ 26,725,367</u>	<u>\$ 211,741,767</u>

Budget Reconciliation:	
Measure R Proceeds	\$ 220,999,812
Bond Refunding Proceeds	8,600,463
Bond Investment Funds	12,238,674
	<u>\$ 241,838,949</u>

(1) - Accounts payable accrual cancellation.

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RESULTS OF PROCEDURES (continued)

Each of the projects has been given a specific project identification number within the District's Construction Fund. Budgets for each project are included in the financial reporting system and actual expenditures are matched against this budget.

The following outlines our review of detailed expenditures with selective testing related to expenditures incurred as of June 30, 2009.

Costs incurred included the following:

Project 1 - Science Laboratories

Current year expenditures included technology, architectural and construction. Architectural expenditures were tested and appear to be proper for the project.

Project 5 - Agricultural Science

Current year expenditures were architectural, construction management, construction, testing, and inspection costs. Construction costs were tested and appear proper for the project.

Project 6 - Child Development Center

Current year expenditures were primarily for construction management, architectural, testing and related costs. Construction management costs were tested and appear proper to the project.

Project 7 - Campus Classroom Improvements

Current year expenditures were primarily for construction with related soft costs, technology furniture and equipment. Items tested were construction costs for classrooms renovation. Costs appear proper for the project.

Project 10 - Design and On-line Technology Center

Costs were for architectural, construction management and engineering costs. Engineering costs were tested and appear proper to these projects.

Project 11 - Physical Education/Wellness Facility and Athletic Fields

Costs were related to architectural and other construction related costs. Costs appear proper for the project.

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RESULTS OF PROCEDURES (continued)

Project 13 - Student Support Services Renovations

Current year expenditures were for program management, architectural and construction costs and furniture and equipment. Construction costs were tested and appear proper for the project.

Project 17 - Campus-Wide Improvements

Campus-wide improvement project has been sub-divided into nine categories. Expenditures were incurred in the following eight areas:

- 17a. Scheduled Maintenance and Scheduled Maintenance Match (\$792,209) – Expenditures were incurred related to major repair and replacement. Bond funds are used to meet matching requirements of state funding. Construction and construction management costs were tested and appear appropriate to the project. Engineering costs were tested and appear proper.
- 17b. Americans with Disabilities Act (ADA) compliance (\$727,857) – Expenditures incurred were related to exterior improvements, architectural and testing fees. Exterior improvement costs were tested and appear appropriate.
- 17e. Campus-wide infrastructure (\$678,143) – Expenditures incurred were primarily related to landscape, intersection and fire road improvements, telecommunications and sewer, water, electrical and drainage. Retention related to construction expenditures were tested. Expenditures appear appropriate to the project.
- 17f. Campus-wide improvements (\$1,284,491) – Expenditures were incurred primarily for temporary facilities and Planetarium renovations. Payments tested were for the Planetarium remodel project. These expenditures appear appropriate to the project.
- 17g. Music Expansion (\$84,348) – Expenditures were incurred for construction testing and inspection related to the Music Expansion Project. Expenditures tested were for construction and appear appropriate to the project.

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RESULTS OF PROCEDURES (continued)

Project 17 – Campus-Wide Improvements (continued)

- 17h. Building 23 Renovation (\$276,007) – Expenditures were incurred for construction and technology. Expenditures tested were for architecture which appear appropriate to the project.
- 17i. Math/Science Building (\$9,291,423) – Construction, related soft cost expenses and furniture and equipment were incurred for this project. Detailed costs were reviewed and construction costs tested. Expenditures appear appropriate to the project.
- 17j. Construction Support (\$309,680) – Unallocated construction support costs have been segregated and included in this project. Support expenditures included the purchase of equipment and supplies to be used by construction management. This project cost center is also used for amounts paid to the construction management firm for staff services for clerical accounting and special projects related to the bond for both the fiscal services and purchasing departments. These expenditures appear appropriate use of bond funds. In addition, the cost related to the performance audit of the bond fund is recorded in this project. This expenditure has been determined by the District's legal counsel to be appropriate.

CONCLUSION

Based upon our procedures performed in accordance with attestation standards established by the American Institute of Certified Public Accountants, we found that for the items tested, the Mt. San Antonio Community College District has properly accounted for the expenditures of the funds held in the Construction Fund and that such expenditures were made on authorized bond projects. Further it was noted that the funds held in the Construction Fund and expended by the District were not expended for salaries of school administrators or other improper operating expenditures.

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SCHEDULE OF FINDINGS AND RECOMMENDATIONS

There were no findings and recommendations for the fiscal year ended June 30, 2009.

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SCHEDULE OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

<u>Finding No.</u>	<u>Finding</u>	<u>Recommendation</u>	<u>Current Status</u>
08-1	<u>Maintenance of Measure R Website</u> Original Finding No. 07-1 Education Code section 15280 requires that documents and reports provided to the Citizens' Oversight Committee and minutes of proceedings of the Committee be made available on a website maintained by the District. It also requires that reports made by the Committee be available on the website to keep the community informed of committee activities. We noted that the District established its Measure R website and posts approved minutes to the website. However, in reviewing the website, we noted documents and reports given to the Committee are not included on the website.	Update and maintain the website by posting documents and reports received by the Citizens' Oversight Committee.	Implemented.