

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

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

June 30, 2010



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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 conducted a performance audit of the Mt. San Antonio Community College District (the "District"), Measure R General Obligation Bond funds for the year ended June 30, 2010.

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.

Our audit was limited to the objectives listed on page 3 of this report which includes determining the Mt. San Antonio Community College District's compliance with the performance requirements for the Proposition 39 Measure R 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 the Mt. San Antonio 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 control of Mt. San Antonio 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, Mt. San Antonio Community College District expended Measure R General Obligation Bond funds for the year ended June 30, 2010 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.

Vicenti, Lloyd & Stutzman LLP
VICENTI, LLOYD & STUTZMAN LLP

December 15, 2010

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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.

Section 1(b)(3)(C), Article XIII A of the California Constitution, 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 for the authorized bond projects.

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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”).
- Determine whether expenditures from July 1, 2009 through June 30, 2010, charged to the Bond 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 fiscal period from July 1, 2009 through June 30, 2010 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, 2010 were not reviewed or included within the scope of our audit or in this report.

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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, 2010 for the Bond 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, 2010 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 70 transactions totaling \$8,094,574. This represents 54.1% of total expenditures of \$14,967,845. 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 District and may be subject to further revision. The District has incurred cumulative total costs of \$226,709,612 through June 30, 2010 of which \$14,967,845 were expended during fiscal year ended June 30, 2010. The projects are outlined below:

		<u>Total Budget</u>	<u>Actual Costs for Fiscal Year Ended June 30, 2010</u>	<u>Actual Costs May 1, 2002 through June 30, 2010</u>
Project 1	Science Laboratories	\$ 14,382,064	\$ 116,055	\$ 14,273,465
Project 2	Workforce Training Center	290,433		290,433
Project 3	Campus-wide Energy Conservation Program	15,544,445		15,544,445
Project 4	Off-Campus Learning Centers	389		389
Project 5	Agricultural Science	19,114,798	7,165,189	17,367,831
Project 6	Child Development Center	1,835,889	65,927	1,761,772
Project 7	Campus Classroom Improvements	32,964,600	712,291	32,580,458
Project 10	Design and Online Technology Center	13,500,124	1,704,599	3,443,635
Project 11	Physical Education/Wellness Facility and Athletic Fields	10,407,791	71,958	10,400,850
Project 12	Campus Center	75,132		73,882
Project 13	Student Support Services Renovations	7,365,461	99,123	7,313,342
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		9,789,393
Project 17	Campus-wide Improvements	99,241,008	5,032,703	97,754,908
	Bond Investment	156,990		156,990
	Bond Refunding Reserves/Interest Reserves	<u>1,653,557</u>		
		<u>\$ 242,288,862</u>	<u>\$ 14,967,845</u>	<u>\$ 226,709,612</u>
Budget Reconciliation:				
	Measure R Proceeds	\$ 220,999,812		
	Bond Refunding Proceeds	8,600,463		
	Bond Investment Funds	<u>12,688,587</u>		
		<u>\$ 242,288,862</u>		

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RESULTS OF PROCEDURES (continued)

Each of the projects has been given a specific project identification number within the District's Bond 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, 2010.

Costs incurred included the following:

Project 1 - Science Laboratories

Current year expenditures included technology, printing services, inspection services, architectural and construction costs. Costs appear proper for the project.

Project 5 - Agricultural Science

Current year expenditures were technology, architectural, engineering, 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 and architectural costs. Costs appear proper for the project.

Project 7 - Campus Classroom Improvements

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

Project 10 - Design and On-line Technology Center

Costs were for architectural, construction, construction management, testing, inspection and engineering costs. Construction and architectural costs were tested and appear proper for this project.

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 (\$615,321) – Expenditures were incurred related to major repair and replacement. Bond funds are used to meet matching requirements of state funding. Construction costs were tested and appear appropriate for the project.
- 17b. Americans with Disabilities Act (ADA) compliance (\$537,589) – Expenditures incurred were related to exterior improvements, architectural, construction management, and testing fees. Exterior improvement costs were tested and appear appropriate.
- 17e. Campus-wide infrastructure (\$1,372,445) – Expenditures incurred were primarily related to landscape, signage, technology, inspection costs, telecommunications and electrical. Landscape construction expenditures were tested and appear appropriate for the project.
- 17f. Campus-wide improvements (\$1,040,029) – Expenditures were incurred primarily for parking lot improvements, utility improvements, technology, demolition services, building improvements, fuel station upgrades, temporary facilities, and Planetarium renovations. Payments tested were for the Fuel Station Upgrades and technology projects. These expenditures appear appropriate.
- 17g. Music Expansion (\$3,463) – Expenditures were incurred for construction costs related to the Music Expansion Project. Costs appear appropriate for the project.

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RESULTS OF PROCEDURES (continued)

Project 17 – Campus-Wide Improvements (continued)

- 17h. Building 23 Renovation (\$85,007) – Expenditures were incurred for construction and technology. Costs appear appropriate for the project.
- 17i. Math/Science Building (\$450,880) – Construction, construction management, inspection, electrical related soft cost expenses and furniture and equipment were incurred for this project. Construction, construction management, and electrical costs were tested and appear appropriate for the project.
- 17j. Construction Support (\$927,969) – Unallocated construction support costs have been segregated and included in this project category. Support expenditures include master planning, estimating and bond related legal services and 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. Costs for staff services and estimating and legal costs were tested and appear appropriate for 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

The results of our tests indicated that, in all significant respects, the Mt. San Antonio Community College District has properly accounted for the expenditures of the funds held in the Bond Construction Fund and that such expenditures were made on authorized bond projects. Further, it was noted that the funds held in the Bond Construction Fund and expended by the District were not expended for salaries of school administrators or other operating expenditures.