

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

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

June 30, 2006

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CONTENTS

	<u>Page</u>
Independent Auditors' Report.....	1
Objectives.....	2
Scope of the Audit.....	2
Background Information	3
Procedures Performed.....	4
Results of Procedures	5-8
Conclusion	8



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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, 2006, 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, 2006.

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

September 28, 2006

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

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

June 30, 2006

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, 2005 through June 30, 2006, 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, 2005 through June 30, 2006 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, 2006 were not reviewed or included within the scope of our audit.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

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

June 30, 2006

BACKGROUND INFORMATION

On November 6, 2001, \$221 million in general obligation bonds were authorized by an election held within the Mt. San Antonio Community College District. A Citizens' Oversight Committee was appointed in December 2001 to comply with the California Constitution and Education Code. The purpose of the Committee is to inform the public at least annually regarding the appropriate use of the bond proceeds. On May 1, 2002 the first series of bonds, Series A, in the amount of \$40 million was issued. On February 4, 2004, the second series of bonds, Series B, in the amount of \$75 million was issued. The 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. On September 7, 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) and are to be used to finance the construction, acquisition, furnishing and equipping of District facilities. California Constitution, Article XIII A, Section 1(b)(3)(c) requires an annual performance audit be conducted to ensure that funds have been expended only on the specific projects publicized by the District.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

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

June 30, 2006

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, 2006 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 in the fiscal year ending June 30, 2006 and reviewed supporting documentation to ensure that funds were properly expended on the specific projects outlined on the publicized list and met the requirements for bidding, if applicable.
- We compared total project expenditures to budgets to determine if there were any expenditures in excess of appropriation.
- We verified that funds were generally used for the construction, acquisition, furnishing and equipping of District facilities and we verified that funding was not used for salaries of school administrators or other operating expenses of the District.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

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

June 30, 2006

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 \$101,763,950 through June 30, 2006 of which \$31,155,311 were expended during fiscal year ended June 30, 2006. The projects are outlined below:

		Total Budget	Actual Costs for Fiscal Year Ended June 30, 2006	Actual Costs May 1, 2002 through June 30, 2006
Project 1	Science Laboratories	\$ 12,736,000	\$ 7,485,694	\$ 10,133,087
Project 2	Workforce Training Center	290,433	-	290,433
Project 3	Campus-wide Energy Conservation Program	15,073,254	43,554	12,073,254
Project 4	Off-Campus Learning Centers	389	-	388
Project 5	Agricultural Science	15,010,337	817,808	2,411,444
Project 6	Child Development Center/Early Childhood Learning Lab	16,000,000	1,021,222	1,204,355
Project 7	Campus Classroom Improvements	21,333,949	1,791,573	3,810,640
Project 10	Design and Online Technology Center	7,324,514	6,048	249,326
Project 11	Physical Education Facility and Athletic Fields	11,026,561	647,957	9,461,691
	Interest Funded Expenditures		9,179	69,729
Project 12	Campus Center	58,482	-	58,482
Project 13	Student Support Services Renovations	4,300,000	159,610	690,112
Project 14	Welding/Air Conditioning Programs	6,110,690	94,779	6,091,615
	Interest Funded Expenditures		3,808	78,575
Project 15	Language Center	9,701,052	333,462	9,616,849
	Interest Funded Expenditures		-	79,134
Project 16	Health Careers Center	9,536,124	355,772	9,456,725
	Interest Funded Expenditures		13,616	258,437
Project 17	Campus-wide Improvements	92,498,215	18,157,656	35,072,413
	Landscaping (refunding proceeds)	8,600,463	-	-
	Interest Funded Expenditures		154,022	504,859
	Bond Investment		59,551	152,402
		<u>\$ 229,600,463</u>	<u>\$ 31,155,311</u>	<u>\$ 101,763,950</u>

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

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

June 30, 2006

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 results of testing related to expenditures incurred as of June 30, 2006.

Construction management costs have been incurred and shared by all projects. Other costs incurred included the following:

Project 1 – Science Laboratories

Current year expenditures primarily included construction costs for facilities. Expenditures appear proper for project.

Project 5 – Agricultural Science

Current year expenditures were primarily planning costs. Costs appear proper for the project.

Project 6- Child Development Center/Early Childhood Learning Lab

Current year expenditures were primarily planning costs. Costs appear proper for the project.

Project 7- Campus Classroom Improvements

Items tested were planning costs. Charges appear proper to the project.

Project 11- Physical Education Facility and Athletic Fields

Costs were primarily for planning, construction management and gym floor replacement and appear proper for the project.

Project 13- Student Support Services Renovations

Current year expenditures were for program management, architectural and other planning costs. Expenditures appear proper for the project.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

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

June 30, 2006

RESULTS OF PROCEDURES (continued)

Project 16- Health Career Center

Current year expenditures were primarily construction costs and appear to be proper for the project.

Project 17 – Campus-Wide Improvements

Campus-wide improvement project has been sub-divided into nine specific projects. Significant expenditures were incurred in the following five projects:

- 17a. Scheduled Maintenance and Scheduled Maintenance Match – Expenditures were incurred related to repair and replacement of HVAC units, plumbing, electrical, lighting, asbestos abatement and telephones. Bond funds are used to meet matching requirements of state funding. Expenditures appear appropriate to the project.
- 17e. Campus-wide infrastructure – Expenditures were incurred related to landscape, fire road upgrade telecommunications and sewer, water, electrical and drainage. Expenditures appear appropriate to the project.
- 17f. Campus-wide improvements – Expenditures were incurred for temporary facilities, Art renovation, Staff Center (Founders' Hall), Oden Hall, and other projects. These expenditures appear appropriate to the project.
- 17g. Music Expansion – Expenditures were incurred for architectural, engineering and construction related to the Music Expansion Project. Expenditures appear appropriate to the project.
- 17i. Math/Science Building- Planning expenses were incurred for this project. Expenditures appear appropriate for the project.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

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

June 30, 2006

RESULTS OF PROCEDURES (continued)

Project 17 – Campus-Wide Improvements (continued)

- 17j. Construction Support – All 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 for use with bond funds. In addition, the cost related to the performance audit of the bond fund was recorded in this project. This expenditure has been determined by the District's legal counsel to be appropriate.

CONCLUSION

Based upon our procedures performed, 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. Our audit does not provide a legal determination on Mt. San Antonio Community College District's compliance with those requirements.