

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

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

June 30, 2008



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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
Schedule of Findings and Recommendations.....	9
Schedule of Prior Year Findings and Recommendations.....	10

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, 2008, 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, except for the item disclosed in the schedule of findings and recommendations, the Mt. San Antonio Community College District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2008.

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

November 10, 2008

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

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

June 30, 2008

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, 2007 through June 30, 2008, 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, 2007 through June 30, 2008 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, 2008 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, 2008

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 primary 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. 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). In September 2006 the District issued an additional \$80 million in bonds, Series C. Proceeds received (net of issuance costs) 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, 2008

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, 2008 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, 2008 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 83 transactions totaling \$20,210,576. This represents 52.2% of total expenditures of \$38,744,575. 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.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

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

June 30, 2008

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 \$185,016,400 through June 30, 2008 of which \$38,744,575 were expended during fiscal year ended June 30, 2008. The projects are outlined below:

		Total Budget	Actual Costs for Fiscal Year Ended June 30, 2008	Actual Costs May 1, 2002 through June 30, 2008 (1)
Project 1	Science Laboratories	\$ 14,128,639	\$ 435,923	\$ 14,028,386
Project 2	Workforce Training Center	470,433		290,433
Project 3	Campus-wide Energy Conservation Program	15,624,659	291,016	15,536,118
Project 4	Off-Campus Learning Centers	389		389
Project 5	Agricultural Science	17,965,205	834,394	5,160,906
Project 6	Child Development Center	1,660,889	291,782	1,619,620
Project 7	Campus Classroom Improvements	30,003,571	12,538,499	25,558,668
Project 10	Design and Online Technology Center	11,729,008	1,041,002	1,488,588
Project 11	Physical Education/Wellness Facility and Athletic Fields	10,357,356	117,435	10,280,871
Project 12	Campus Center	58,482		58,482
Project 13	Student Support Services Renovations	6,458,207	2,992,144	5,802,721
Project 14	Welding/Air Conditioning Programs	6,181,760	11,572	6,181,760
Project 15	Language Center	9,776,059		9,776,059
Project 16	Health Careers Center	9,798,362		9,798,362
Project 17	Campus-wide Improvements	95,155,865	20,190,808	79,278,047
	Bond Investment	156,990		156,990
	Bond Refunding Reserves	6,525,463		-
	Interest Funded Reserves	4,335,089		-
		<u>\$ 240,386,426</u>	<u>\$ 38,744,575</u>	<u>\$ 185,016,400</u>
Budget Reconciliation:				
	Measure R Proceeds	\$ 220,999,812		
	Bond Refunding Proceeds	8,600,463		
	Bond Investment Funds	10,786,151		
		<u>\$ 240,386,426</u>		

Note (1) - Actual Costs have been adjusted due to a correction of \$2,689 in total expenditures for Project 17 as well as for minor rounding adjustments.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

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

June 30, 2008

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, 2008.

Costs incurred included the following:

Project 1 – Science Laboratories

Current year expenditures included technology, testing, construction, construction management and inspection. Expenditures were reviewed and appear to be proper for project.

Project 3- Campus-wide Energy Conservation Program

Expenditures tested on this project were to the Chevron Corporation under the energy services contract with the district. Payments to Chevron were tested and appear to be proper.

Project 5 – Agricultural Science

Current year expenditures were architectural, project management's construction, testing, and inspection costs. Construction costs were tested. Costs 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. Costs appear proper to the project.

Project 7- Campus Classroom Improvements

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

Project 10- Design and On-line Technology Center

Costs were for construction and related soft costs. Costs were reviewed and appear proper to these projects.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

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

June 30, 2008

RESULTS OF PROCEDURES (continued)

Project 11- Physical Education/Wellness Facility and Athletic Fields

Costs were for construction related to student parking lots and pedestrian crossing. Costs appear proper for the project.

Project 13- Student Support Services Renovations

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

Project 17 – Campus-Wide Improvements

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

- 17a. Scheduled Maintenance and Scheduled Maintenance Match (\$1,128,414) – 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.
- 17e. Campus-wide infrastructure (\$952,840) – Expenditures incurred were primarily related to landscape, intersection and fire road improvements, telecommunications and sewer, water, electrical and drainage. Construction management expenditures were tested. Expenditures appear appropriate to the project.
- 17f. Campus-wide improvements (\$1,944,505) – Expenditures were primarily incurred for temporary facilities, Staff Center (Founders' Hall), and parking improvements. Payments tested were for architectural and construction. These expenditures appear appropriate to the project.
- 17g. Music Expansion (\$720,249) – Expenditures were incurred for architectural, engineering and construction related to the Music Expansion Project. Expenditures tested were for construction and appear appropriate to the project.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

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

June 30, 2008

RESULTS OF PROCEDURES (continued)

Project 17 – Campus-Wide Improvements (continued)

- 17h. Building 23 Renovation (\$4,622,344) – Costs were for construction, technology and related soft costs. Expenditures tested were for architecture, technology and construction. Expenditures appear appropriate to the project.
- 17i. Math/Science Building (\$10,122,501) – Construction and related soft cost expenses were incurred for this project. Detailed costs were reviewed and construction costs tested. Expenditures appear appropriate to the project.
- 17j. Construction Support (\$577,596) – 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.

However, we did note a matter which should be considered related to procedural requirements in the accompanying schedule of findings and recommendations. Our audit does not provide a legal determination on Mt. San Antonio Community College District's compliance with those requirements.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

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PERFORMANCE AUDIT

June 30, 2008

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

Finding 08-1 – Maintenance of Measure R Website

Original Finding No. 07-1

Finding: 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.

Recommendation: Update and maintain the website by posting documents and reports received by the Citizens' Oversight Committee.

District Response: The website will continue to display Citizens' Oversight Committee (COC) meeting minutes, agendas, the approved projects information, annual audit reports and reports issued by the COC. Any special project reports and documents provided to the COC will be available for review in the Office of the Vice President of Administrative Services.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

PROPOSITION 39, GENERAL OBLIGATION BONDS
(MEASURE R, NOVEMBER 2001)
PERFORMANCE AUDIT
June 30, 2008

SCHEDULE OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

<u>Finding No.</u>	<u>Finding</u>	<u>Recommendation</u>	<u>Current Status</u>
07-1	<p><u>Maintenance of Measure R Website</u></p> <p>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 to keep the community informed of committee activities. It also requires that reports made by the Committee be available on the website. We noted that the District had established its Measure R Website and was posting approved minutes to the website. However, in reviewing the website, we noted documents and reports given to the Committee are not on the website and that the report of the Committee to the community was not posted to the website.</p>	<p>Update and maintain the website by timely posting of agendas for meetings, posting of documents and reports received by the Citizens' Oversight Committee, the approved minutes of committee meetings and of reports made by the Committee.</p>	<p>Partially Implemented. Reports by the committee are posted to the website. However, reports and documents given to the committee are not posted to the website. (See current year finding 08-1)</p>