

**MT. SAN ANTONIO
COMMUNITY COLLEGE DISTRICT**

**MEASURE RR GENERAL OBLIGATION BONDS, LEASE
REVENUE BONDS, AND BOND ANTICIPATION NOTES
PERFORMANCE AUDIT**

JUNE 30, 2018

**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT
MEASURE RR GENERAL OBLIGATION BOND FUND,
LEASE REVENUE BONDS, AND BOND ANTICIPATION NOTES**

**PERFORMANCE AUDIT
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JUNE 30, 2018**

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VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT ON PERFORMANCE

Board of Trustees and
Citizens' Oversight Committee
Mt. San Antonio Community College District
Walnut, California

We were engaged to conduct a performance audit of the Mt. San Antonio Community College District's (the District) Measure RR General Obligation Bond Fund (Measure RR) for the year ended June 30, 2018. In addition, as a result of the District's use of Measure RR General Obligation Bond funds to defease temporary financing debt, we have conducted a performance audit of the District's use of proceeds from lease revenues bonds and bond anticipation notes for the year ended June 30, 2018.

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 A, 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 A, 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 Measure RR General Obligation Bond Funds (Measure RR), lease revenues bonds, and bond anticipation notes are in compliance with Proposition 39 as outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 4, 2018

**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT
MEASURE RR GENERAL OBLIGATION BOND FUND,
LEASE REVENUE BONDS, AND BOND ANTICIPATION NOTES**

JUNE 30, 2018

AUTHORITY FOR ISSUANCE

The general obligation bonds associated with Measure RR 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 November 11, 2008, to issue bonds of the District in an aggregate principal amount not to exceed \$353,000,000 to finance the acquisition, construction, modernization, renovation, and equipping of District facilities, and to pay the cost of issuance associated with the Bonds approved by eligible voters within the District. The proposition required approval by at least 55 percent of the votes cast by eligible voters within the District (the 2008 Authorization).

Until the 2013-2014 fiscal year, assessed property values were insufficient to allow the approval of a bond issuance under Measure RR. In order to continue with planned construction projects, the District sought temporary financing sources. In June 2008, the District issued \$10,800,000 in lease revenue bonds to provide financing of equipment, relocatable structures, and building projects. In April 2010, the District issued \$64,900,000 in bond anticipation notes to finance the acquisition, construction, modernization, renovation, and equipping of District facilities and to refinance the District's outstanding lease revenue bonds.

In August 2013, the District issued Election of 2008 Series 2013A and 2013B General Obligation Bonds in the amounts of \$205,586,691 and \$11,715,000, respectively. The bonds were issued to liquidate bond anticipation notes held by the District and to finance the acquisition, construction, modernization, renovation, and equipping of District facilities.

In September 2015, the District issued Election of 2008 Series 2015C General Obligation Bonds in the amount of \$20,000,000. The bonds were issued to finance the acquisition, construction, modernization, renovation, and equipping of District facilities.

In March 2017, the District issued the 2017 General Obligation Bond Anticipation Notes. The notes were issued as capital appreciation notes in the original principal amount of \$89,996,003. The notes mature and are due in full on April 1, 2022 with an appreciated maturity value of \$101,275,000. The notes are payable from either proceeds from the future sale of general obligation bonds or other funds of the District lawfully available for the purpose of repaying the Notes. The District has covenanted in its resolution authorizing the issuance of the notes to take all actions required to authorize, sell, and issue, on or before April 1, 2022, general obligation bonds or certificates of participation in an aggregate principal amount sufficient to pay the maturity value of the notes.

PURPOSE OF ISSUANCE

The net proceeds of the Bonds issued under the 2008 Authorization will be used for the purposes specified in the District bond proposition submitted at the Election, which include the financing of the construction and modernization of certain District property and facilities, the acquisition of equipment and to pay the costs of issuance associated with the Bonds. The proceeds from the Bonds are to be used for projects such as modernization of college technology, upgrading and modernization of college infrastructure, including classrooms and labs, and building new teaching and learning spaces. All projects to be funded under the Measure RR General Obligation Bond must be included in the Board of Trustees' approved Facilities Master Plan, which details the scope of work to be done for each project.

**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT
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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 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 reducing 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 A, Section 1(b)(3)(C) of the California Constitution, and not for any other purpose, including teacher and administrator salaries and other school operating expenses.
2. The community college district must list the specific school facilities projects to be funded in the ballot measure, and must certify that the governing board has evaluated safety, class size reduction and information technology needs in developing the project list.
3. Requires the community college district to appoint a citizen's 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 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

1. Review compliance with the expenditure provision/restrictions in the Measure RR Bond Issuance, as well as approved Board policies.
2. Reviewed the detailed accounting of expenditures to determine if proceeds are being spent on administrative salaries or any other operating expenses.
3. From a sample of construction expenditures from the detailed accounting of expenditures, review expenditures to determine if proceeds expended are for specific projects as listed in the voter approved bond language.
4. Provide a written report regarding any findings and recommendations and present the results to the Board of Trustees and/or the Citizens' Oversight Committee.

**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT
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JUNE 30, 2018

SCOPE OF THE AUDIT

The scope of our performance audit covered the period of July 1, 2017 to June 30, 2018. 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, 2018, 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 period July 1 2017 through June 30, 2018, for Measure RR, lease revenue bonds, and the bond anticipation notes. 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 Article XIII A, Section 1(b)(3)(C) of the California Constitution and Measure RR as to the approved bond projects list. We performed the following procedures:

1. We selected a sample of expenditures for the period starting July 1, 2017 and ending June 30, 2018, and reviewed supporting documentation to ensure that such funds were properly expended on the specific projects listed in the ballot text.
2. Our sample included transactions totaling \$20,719,360. This represents 40 percent of the total expenditures of \$51,703,269.
3. Based on our testing, we verified that funds from the Measure RR General Obligation Bond Fund (Measure RR) and the bond anticipation notes were expended for the construction, renovation, furnishing and equipping of District facilities constituting authorized bond projects.

Fund	Dollar Value of Transactions Tested	Total Project Expenditures	Percentage of Total Expenditures
Lease Revenue Bonds	\$ -	\$ -	0%
BAN Funds	\$ 16,820,046	\$ 40,550,678	41%
Bond Construction Fund #2 and #3, Measure RR	\$ 3,899,314	\$ 11,152,591	35%
Total	\$ 20,719,360	\$ 51,703,269	40%

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 held in the Measure RR General Obligation Bond Fund (Measure RR), the lease revenue bonds fund, and the bond anticipation notes fund, and that such expenditures were made for authorized Bond projects. Further, it was noted that funds held in the Measure RR General Obligation Bond Fund the lease revenue bonds fund, and the bond anticipation notes 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.

UNAUDITED SUPPLEMENTARY INFORMATION

**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT
 MEASURE RR GENERAL OBLIGATION BOND FUND,
 LEASE REVENUE BONDS, AND BOND ANTICIPATION NOTES**

**LEASE REVENUE BONDS SCHEDULE OF PROJECT BUDGETS
 AND EXPENDITURES (UNAUDITED)
 FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Total Budget</u>	<u>Actual Costs for Fiscal Year Ended June 30, 2018</u>	<u>Cumulative Costs through June 30, 2018</u>
Project 7 Campus Classroom Improvements	\$ 3,725,707	\$ -	\$ 3,725,707
Project 17 Campus-Wide Improvements	7,483,183	(25,407)	7,260,559
	<u>\$ 11,208,890</u>	<u>\$ (25,407)</u>	<u>\$ 10,986,266</u>
Budget Reconciliation:			
Lease Revenue Bond Proceeds	\$ 10,904,255		
Interest Earned	304,635		
	<u>\$ 11,208,890</u>		

**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT
MEASURE RR GENERAL OBLIGATION BOND FUND,
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**BOND ANTICIPATION NOTES 2010 SCHEDULE OF PROJECT BUDGETS
AND EXPENDITURES (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2018**

	Total Budget	Actual Costs for Fiscal Year Ended June 30, 2018	Cumulative Costs through June 30, 2018
Project A Library, Learning Resources, and Campus Center	\$ 197,529	\$ -	\$ 197,529
Project B Business and Computer Technology	526,083	14,695	525,354
Project C Child Development Center	16,703,151	-	16,668,996
Project D Athletics Complex Phase 2	38,772	-	38,772
Project E Career and Technical Education Building Renovation	92,043	-	92,043
Project F Classroom Building Renovation	4,487,812	-	4,486,364
Project G Laboratory Building Expansion-Sciences	791,201	-	789,634
Project H Fire Academy	106,161	-	106,161
Project I Public Transportation Center	100,000	51,752	51,752
Project J Parking, Public Safety, and Traffic Improvements	581,551	-	581,551
Project K Scheduled Maintenance	2,572,648	43,651	2,484,073
Project L1 Infrastructure Improvement (Utilities, Site, Traffic, Energy, Landscape)	5,177,828	51,080	5,099,253
Project L3 Temporary Space	1,783,564	12,149	1,676,049
Project L4 Demolition	261,813	-	261,813
Project L5 Administration Building Remodel	1,157,380	-	1,120,131
Project L6 Contingency	-	-	-
Project L7 Campus-Wide Improvement Projects	15,938,307	71,395	15,709,885
Project L8 Construction Support	6,404,567	1,301	6,275,357
Lease Revenue Bonds (COPS) Debt Retirement	9,596,001	-	9,596,001
Bond Investment/Interest Reserves	32,119	-	-
	\$ 66,548,530	\$ 246,023	\$ 65,760,718
Budget Reconciliation:			
BAN Issuance	\$ 64,999,815		
Interest Earned	1,528,914		
Additional Proceeds	19,801		
	\$ 66,548,530		

**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT
MEASURE RR GENERAL OBLIGATION BOND FUND,
LEASE REVENUE BONDS, AND BOND ANTICIPATION NOTES**

**MEASURE RR GENERAL OBLIGATION BOND FUND
SCHEDULE OF PROJECT BUDGETS AND EXPENDITURES (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2018**

		Total Budget	Actual Costs for Fiscal Year Ended June 30, 2018	Cumulative Costs through June 30, 2018
Project A	Library, Learning Resources, and Campus Center	\$ 1,218,276	\$ 43,177	\$ 894,244
Project B	Business and Computer Technology	40,680,554	4,965,638	40,198,384
Project C	Child Development Center	2,468,988	-	2,468,988
Project D	Athletics Complex Phase 2	6,254,348	361,914	5,922,174
Project E	Career and Technical Education Building Renovation	-	-	-
Project F	Classroom Building Renovation	-	-	-
Project G	Laboratory Building Expansion-Sciences	-	-	-
Project H	Fire Academy	3,534,454	17,237	3,468,715
Project I	Public Transportation Center	-	-	-
Project J	Parking, Public Safety, and Traffic Improvements	4,536,122	-	4,536,122
Project K	Scheduled Maintenance	6,525,961	688,811	5,976,268
Project L1	Infrastructure Improvement (Utilities, Site, Traffic, Energy, Landscape)	23,200,852	1,181,303	22,595,298
Project L3	Temporary Space	16,785,594	1,818,998	15,448,501
Project L4	Demolition	398,016	3,194	396,264
Project L5	Administration Building Remodel	1,287,764	29,222	1,238,212
Project L6	Contingency	-	-	-
Project L7	Campus-Wide Improvement Projects	46,507,240	1,394,822	43,240,001
Project L8	Construction Support	15,416,743	648,275	15,109,902
	Interest Reserves	763,347	-	-
		\$ 169,578,259	\$ 11,152,591	\$ 161,493,073

Budget Reconciliation:

Measure RR Proceeds	\$ 164,721,295
Interest Earned	2,982,636
Proceeds for Legal Settlements	1,874,328
	\$ 169,578,259

**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT
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LEASE REVENUE BONDS, AND BOND ANTICIPATION NOTES**

**BOND ANTICIPATION NOTES 2017 SCHEDULE OF PROJECT BUDGETS
AND EXPENDITURES (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2018**

		Total Budget	Actual Costs for Fiscal Year Ended June 30, 2018	Cumulative Costs through June 30, 2018
Project A	Library, Learning Resources, and Campus Center	\$ 3,150,000	\$ 589,316	\$ 589,316
Project B	Business and Computer Technology	20,122,442	12,711,618	20,013,069
Project C	Child Development Center	-	-	-
Project D	Athletics Complex Phase 2	39,145,012	17,468,155	19,625,341
Project E	Career and Technical Education Building Renovation	-	-	-
Project F	Classroom Building Renovation	-	-	-
Project G	Laboratory Building Expansion-Sciences	-	-	-
Project H	Fire Academy	-	-	-
Project I	Public Transportation Center	-	-	-
Project J	Parking, Public Safety, and Traffic Improvements	4,084,935	1,576,107	1,576,107
Project K	Scheduled Maintenance	3,500,001	665,170	684,821
Project L1	Infrastructure Improvement (Utilities, Site, Traffic, Energy, Landscape)	3,444,237	1,048,174	1,070,614
Project L3	Temporary Space	3,884,001	2,102,297	2,105,751
Project L4	Demolition	-	-	-
Project L5	Administration Building Remodel	50,000	4,443	4,443
Project L6	Contingency	-	-	-
Project L7	Campus-Wide Improvement Projects	4,455,125	145,878	145,878
Project L8	Construction Support	7,950,000	3,993,497	4,135,115
	Restricted Fund Balance - BAN Projects	9,441	-	-
	Restricted Fund Balance - BAN Interest	1,059,573	-	-
		\$ 90,854,767	\$ 40,304,655	\$ 49,950,455

Budget Reconciliation:

BAN Issuance	\$ 89,785,753
Interest Earned	1,059,573
Additional Proceeds	9,441
	\$ 90,854,767

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT
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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2018**

None reported.

**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT
MEASURE RR GENERAL OBLIGATION BOND FUND,
LEASE REVENUE BONDS, AND BOND ANTICIPATION NOTES**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2018**

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