

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

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

LEASE REVENUE BONDS (2007)

BOND ANTICIPATION NOTES (2009)

June 30, 2012



MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

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INDEPENDENT AUDITOR'S 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, 2012. In addition, in anticipation of the District's plan to issue Measure RR General Obligation Bond funds, we have conducted a performance audit of the District's use of proceeds from lease revenue bonds (2007) and bond anticipation notes (2009) for the fiscal year ended June 30, 2012.

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 4-5 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/RR 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 audits, we obtained an understanding of the internal controls 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 internal control.

The results of our tests indicated that, in all significant respects, the Mt. San Antonio Community College District expended Measure R General Obligation Bond funds for the year ended June 30, 2012, 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. In addition, the Mt. San Antonio Community College District expended proceeds from the lease revenue bonds and bond anticipation notes for the year ended June 30, 2012, only for the purposes approved by the voters and only on the specific projects developed by the District's Board of Trustees under Measure RR, 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 18, 2012

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

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BACKGROUND INFORMATION

Measure R

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.
- In June 2012, \$29.9 million in general obligation refunding bonds were issued to refund certain outstanding 2005 refunding bonds.

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.

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BACKGROUND INFORMATION (continued)

Measure R (continued)

Pursuant to the requirements of Proposition 39 and related State legislation, the Board of Trustees of the District 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 bond construction funds have been expended only for the authorized bond projects under the Measure R Bond Program.

Measure RR

In November 2008, voters of the District approved an additional general obligation bond proposition (Measure RR) of the Mt. San Antonio Community College District. Measure RR authorized the District to issue up to \$353 million of general obligation bonds to finance various capital projects and related costs, as specified in the bond measure provisions. As of June 30, 2012 no bonds have been sold under Measure RR as the assessed property values in the District were not sufficient for approval of a bond issuance. In order to continue with planned construction projects, the District sought temporary financing sources until such time that the District can obtain Measure RR bond proceeds.

In June 2008, the District issued \$10.8 million in lease revenue bonds to provide the financing of equipment, relocatable structures, and building projects. In April 2010, the District issued \$64.9 million in bond anticipation notes to (a) finance the repair, upgrading, acquisition, construction and equipping of certain District property and facilities and (b) refund the District's outstanding lease revenue bonds.

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BACKGROUND INFORMATION (continued)

Measure RR (continued)

In anticipation that the bond anticipation notes, together with the interest thereon, will be paid from the proceeds of the future sale of Measure RR bonds, the District requested that expenditures paid with the proceeds from lease revenue bonds and bond anticipation notes be audited to ensure funds have been expended only for the authorized Measure RR bond projects described in the Official Statement for the Bond Measure.

In January 2009, the Board of Trustees of the District expanded the scope of the current Measure R Citizens' Oversight Committee and designated it to also serve as the independent bond oversight committee for Measure RR.

OBJECTIVES

The objectives of our Performance Audit were to:

- Obtain documentation for the expenditures charged to the Mt. San Antonio Community College District bond construction funds, bond anticipation note funds (hereinafter referred to as the "BAN funds"), and lease revenue bond funds (hereinafter referred to as the "lease revenue funds").
- Determine whether expenditures for the fiscal year ended June 30, 2012, charged to the bond construction funds, have been made in accordance with the bond project authorization approved by the voters through the approval of Measure R in November 2001 ("Measure R Bond Projects").
- Determine whether expenditures for the fiscal year ended June 30, 2012, charged to the bond anticipation note funds, have been made in accordance with the bond project authorization approved by the voters through the approval of Measure RR in November 2008 ("Measure RR Bond Projects").
- Determine whether expenditures for the fiscal year ended June 30, 2012, charged to the lease revenue bond funds, have been made in accordance with the bond project authorization approved by the voters through the approval of Measure RR in November 2008 ("Measure RR Bond Projects").

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OBJECTIVES (continued)

- Note incongruities, system weaknesses, or non-compliance with specific Education Code Sections (15278-15282) related to oversight of fund expenditures and provide recommendations for improvement.
- Provide the District Board and the 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 year ended June 30, 2012. Our sample selection considered all object and project codes associated with the Measure R and related Measure RR Bond Projects. The propriety of expenditures for capital projects and maintenance projects funded through sources other than the funds described above, including interest thereon, were not included within the scope of our audit. Expenditures incurred subsequent to June 30, 2012 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 summary reports and detail prepared by the District for the fiscal year ended June 30, 2012 for the bond construction funds, lease revenue funds, and BAN funds.

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 and Measure RR funding. We performed the following procedures:

- For Measure R, we reviewed the Campus Master Plan Bond Project publicized list of intended projects. For Measure RR, we reviewed the list of intended projects published in the Official Ballot.

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PROCEDURES PERFORMED (continued)

- We selected a sample of expenditures for the fiscal year ended June 30, 2012 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. The following table illustrates the sample selected for each source of funding, as well as the percentage of total expenditures tested.

Fund	Number of Transactions Tested	Dollar Value of Transactions Tested	Total Project Expenditures	Percentage of Total Expenditures
Bond Construction Funds	47	\$ 3,380,063	\$ 4,424,535	76%
Lease Revenue Funds	4	336,360	725,813	46%
BAN Funds	68	4,650,259	11,413,659	41%

Detailed results of our testing are identified by project beginning on page 8.

- We compared total project expenditures to budgets to determine if there were any expenditures in excess of appropriation.

Each of the projects has been given a specific project identification number and budget within the District's financial reporting system. Actual expenditures are matched against the budget to prevent cost overruns.

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RESULTS OF PROCEDURES

Measure R Bond Projects – Bond Construction Funds

In 2001, the District put forward, as adopted by the Board of Trustees, 17 projects for use with the Measure R 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 \$239,777,333 through June 30, 2012 of which \$4,424,534 were expended during fiscal year ended June 30, 2012. The projects and related costs are outlined below:

		<u>Total Budget</u>	<u>Actual Costs for Fiscal Year Ended June 30, 2012</u>	<u>Cumulative Costs through June 30, 2012</u>
Project 1	Science Laboratories	\$ 14,382,064	\$ 8,359	\$ 14,292,772
Project 2	Workforce Training Center	290,433		290,433
Project 3	Campus-wide Energy Conservation Program	15,544,446		15,544,446
Project 4	Off-Campus Learning Centers	389		389
Project 5	Agricultural Science	19,754,858	249,345	19,678,342
Project 6	Child Development Center	1,800,848	34,491	1,783,263
Project 7	Campus Classroom Improvements	32,916,423	6,840	32,766,011
Project 10	Design and On-line Technology Center	13,700,125	3,688,990	12,315,542
Project 11	Physical Education/Wellness Facility and Athletic Fields	10,406,541		10,400,851
Project 12	Campus Center	73,882		73,882
Project 13	Student Support Services Renovations	7,367,768	1,140	7,361,467
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	9,789,393		9,789,393
Project 17	Campus-Wide Improvements	100,381,971	435,369	99,365,733
Bond Investment		156,990		156,990
Bond Refunding Reserves/Interest Reserves		55,311		
		<u>\$ 242,579,261</u>	<u>\$ 4,424,534</u>	<u>\$ 239,777,333</u>
Budget Reconciliation:				
Measure R Proceeds		\$ 220,999,812		
Bond Refunding Proceeds		8,600,463		
Bond Investment Funds		12,978,986		
		<u>\$ 242,579,261</u>		

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RESULTS OF PROCEDURES (continued)

The following list outlines the detailed expenditures tested for the fiscal year ended June 30, 2012.

Project 5 - Agricultural Science

Current year expenditures included construction, electrical, landscape and irrigation, and finishings. Costs were tested and appear proper for the project.

Project 6 – Child Development Center

Current year expenditures were for architectural services. Costs were tested and appear proper for the project.

Project 10 - Design and On-line Technology Center

Current year expenditures included construction, construction management, electrical, and hardware equipment. Costs were tested and appear proper for this project.

Project 17 - Campus-Wide Improvements

The campus-wide improvement project has been sub-divided into nine categories. Not all project categories had expenditures during this period. Expenditures were reviewed in the following three areas:

- 17a. Scheduled maintenance – Expenditures incurred were related to DSA inspection services for various small projects on campus. Costs were tested and appear appropriate for the project.
- 17f. Campus-wide improvements – Expenditures were incurred for lighting and security for the Planetarium project. Costs were tested and appear appropriate for the project.
- 17j. Construction support – Expenditures were incurred for legal services. Costs were tested and appear appropriate for the project.

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RESULTS OF PROCEDURES (continued)

Related Measure RR Bond Projects – Lease Revenue and BAN Funds

In 2008, the District put forward, as adopted by the Board of Trustees, the Official Ballot for Measure RR which describes the projects to be completed with the bond funding. Project costs have been expended using proceeds from lease revenue bonds and bond anticipation notes, which will be repaid using Measure RR proceeds. Budget amounts below were provided by the District and may be subject to further revision. The District has incurred cumulative total costs of \$10,913,253 and \$34,423,840 through June 30, 2012 with the use of lease revenue funds and BAN funds, respectively. The projects and costs are outline below:

Lease Revenue Funds

	<u>Total Budget</u>	<u>Actual Costs for Fiscal Year Ended June 30, 2012</u>	<u>Cumulative Costs through June 30, 2012</u>
Project 7 Campus Classroom Improvements	\$ 3,725,707	\$	\$ 3,725,707
Project 17 Campus-wide Improvements	<u>7,300,554</u>	<u>725,813</u>	<u>7,187,546</u>
	<u>\$ 11,026,261</u>	<u>\$ 725,813</u>	<u>\$ 10,913,253</u>
Budget Reconciliation:			
Lease Revenue Bond Proceeds	\$ 10,904,256		
Bond Investment Funds	<u>122,005</u>		
	<u>\$ 11,026,261</u>		

The following list outlines the detailed expenditures tested for the fiscal year ended June 30, 2012.

Project 17 – Campus-wide Improvements

The campus-wide improvement project has been sub-divided into four categories. Not all project categories had expenditures during the period tested. Expenditures were tested in the following area:

- Admin. Administration Building Remodel – Project expenditures included construction and electrical services. Costs were tested and appear proper for the project.

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RESULTS OF PROCEDURES (continued)

BAN Funds

		Total <u>Budget</u>	Actual Costs for Fiscal Year Ended <u>June 30, 2012</u>	Cumulative Costs through <u>June 30, 2012</u>
Project A	Library, Learning Resources and Campus Center	\$ 197,529	\$	\$ 197,529
Project B	Business and Computer Technology	366,083	33,697	244,530
Project C	Child Development Center	16,481,936	2,668,939	8,481,278
Project D	Athletics Complex Phase 2	38,772		38,772
Project E	Career and Technical Education Building Renovation	80,008		65,008
Project F	Classroom Building Renovation	4,567,310	1,371,669	4,213,346
Project G	Laboratory Building Expansion Sciences	755,160	12,572	36,126
Project H	Fire Academy	215,030		106,161
Project J	Parking, Public Safety, and Traffic Improvements	285,139	5,100	285,139
Project K	Scheduled Maintenance	2,196,188	363,518	957,978
Project L1	Infrastructure Improvement Utilities, Site, Traffic, Energy	4,676,142	957,569	1,594,226
Project L3	Temporary Space	749,320	30,375	222,747
Project L4	Demolition	220,000		
Project L5	Administration Building Remodel	1,073,999	1,001,805	1,001,805
Project L6	Contingency	188,414		
Project L7	Campus-wide Improvement Projects	20,356,387	3,214,492	4,645,692
Project L8	Construction Support	4,016,576	1,856,903	2,737,502
	Lease Revenue Bonds (COPS) Debt Retirement	9,596,001		9,596,001
	Bond Investment/Interest Reserves	307,053		
		<u>\$ 66,367,047</u>	<u>\$ 11,516,639</u>	<u>\$ 34,423,840</u>

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RESULTS OF PROCEDURES (continued)

The following list outlines the detailed expenditures tested for the fiscal year ended June 30, 2012.

Project C – Child Development Center

Current year expenditures included architectural services, demolition, construction, plumbing and site utilities, HVAC, project management, and fire sprinkler installation. Costs were tested and appear appropriate for this project.

Project F – Classroom Building Renovation

Current year expenditures included electrical services, construction, and the purchase of furniture. Costs were tested and appear appropriate for the project.

Project K – Scheduled Maintenance

The scheduled maintenance project has been sub-divided into 21 categories. Not all project categories had expenditures during the period tested. Expenditures were reviewed for the following areas:

- K11. Building 2 Waterproofing – Expenditures incurred related to waterproof painting services. Costs were tested and appear appropriate for this project.
- K14. Health Center Flooring – Expenditures incurred related to the installation of flooring. Costs were tested and appear appropriate for this project.

Project L1 – Infrastructure Improvement (Utilities, Site, Traffic, Energy)

The infrastructure improvement project has been sub-divided into 23 categories. Not all project categories had expenditures during the period tested. Expenditures were reviewed for the following areas:

- L1-V. Electronic Security Systems – Expenditures related to the installation and upgrade of an access control system. Costs were tested and appear appropriate for this project.

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RESULTS OF PROCEDURES (continued)

Project L1 – Infrastructure Improvement (continued)

L1-P. Utility Infrastructure NW Quadrant – Expenditures related to the addition of a chilled water line. Costs were tested and appear appropriate for this project.

Project L5 – Administration Building Remodel

Current year expenditures included construction services, flooring, electrical, and the purchase of furniture. Costs were tested and appear appropriate for this project.

Project L7 – Campus-wide Improvement Projects

The campus-wide improvement project has been sub-divided into 17 categories. Not all project categories had expenditures during the period tested. Expenditures were reviewed in the following areas:

L7-B. Building 12 Renovation for Classroom Space – Expenditures included project management services, construction, and DSA fees. Costs were tested and appear appropriate for this project.

L7-C1. Building 47 Facilities Plan Room and Renovation – Expenditures primarily included architectural services. Costs were tested and appear appropriate for this project.

L7-C2. Food Service Building – Expenditures primarily included architectural services. Costs were tested and appear appropriate for this project.

L7-C8. Student Service Annex – Expenditures primarily included architectural services. Costs were tested and appear appropriate for this project.

L7-C11. Administration Remodel – Expenditures primarily included construction, electrical, and installation of flooring. Costs were tested and appear appropriate for this project.

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RESULTS OF PROCEDURES (continued)

Project L7 – Campus-wide Improvement Projects (continued)

L7-C12. Agricultural Sciences – Expenditures primarily included general construction and labor. Costs were tested and appear appropriate for this project.

L7-C13. Design and Online Technology – Expenditures primarily included construction and electrical services. Costs were tested and appear appropriate for this project.

L7-C14. Building 6 Remodel AV Storage Area – Expenditures primarily included electrical work. Costs were tested and appear appropriate for this project.

Project L8 – Construction Support

Current year expenditures related to District salaries, bond legal expenditures, and engineering services. District salaries were for a Project Coordinator and a Project Administrator. Costs were tested and appear 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 associated with bond construction funds, lease revenue funds, and BAN funds. Additionally, expenditures associated with bond construction funds were made on authorized Measure R bond projects, and expenditures associated with lease revenue funds and BAN funds were made on authorized Measure RR bond projects. Further, the bond construction funds, lease revenue funds, and BAN funds were not used for salaries of school administrators or other operating expenditures.