

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

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

June 30, 2004

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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 examined the Mt. San Antonio Community College District's compliance with the performance requirements for the Mt. San Antonio Community College District's General Obligation Bonds 2001 Election, Series A and Series B ("Bonds") for the fiscal year ended June 30, 2004, under the applicable provisions of Section 1(b)(3)(c) or 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, 2004.

VICENTI, LLOYD & STUTZMAN LLP

October 1, 2004

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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 General Obligation Bonds Building Fund (hereinafter referred to as the “Building Fund”) established for the Bonds and the net Bond proceeds deposited into the Building Fund.
- Determine whether expenditures from July 1, 2003 through June 30, 2004, charged to the Building 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, 2003 through June 30, 2004 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, 2004 were not reviewed or included within the scope of our audit.

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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 in the amount of \$40 million was issued. On February 4, 2004, the second series of bonds 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. California Constitution, Article 13A, 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.

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, 2004 for the Building 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, 2004 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.

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RESULTS OF PROCEDURES

The District put forward 17 projects for use with the bond funding. The District has incurred cumulative total costs of \$47,816,198 through June 30, 2004 of which \$29,431,622 were expended during fiscal year ended June 30, 2004. The projects are outlined below:

	<u>Total Budget</u>	<u>Actual Costs for Fiscal Year Ended June 30, 2004</u>	<u>Actual Costs May 1, 2002 through June 30, 2004</u>
• Project 1 – Science Laboratories	\$ 20,000,000	\$ 409,831	\$ 2,309,109
• Project 2 – Workforce Training Center	7,200,000	10,897	290,433
• Project 3 – Campus-wide Energy Conservation Program ⁽¹⁾	11,626,000	5,270,331	11,822,962
• Project 4 – Off-Campus Learning Centers	8,133,675		388
• Project 5 – Agricultural Science	16,500,000	53,287	1,170,864
• Project 6 – Child Development Center/ Early Childhood Learning Lab	6,400,000		
• Project 7 – Campus Classroom Improvements	10,817,936	244,279	476,536
• Project 8 & 9 – Business/Computer Lab Remodel and Technology Center	16,600,000		
• Project 10 – Design and Online Technology Center	10,000,000	157,016	157,016
• Project 11 – Physical Education/ Wellness Facility and Athletic Fields ⁽²⁾	17,500,000	3,271,407	3,847,122
• Project 12 – Campus Center	13,300,000	9,732	58,482
• Project 13 – Student Support Services Renovations	2,000,000	48,624	267,480
• Project 14 – Welding/Air Conditioning Programs ⁽²⁾	3,000,000	2,878,292	3,157,579
Interest Funded Expenditures		6,350	6,350
• Project 15 – English as a Second Language Building ⁽²⁾	9,000,000	5,585,226	6,396,892
• Project 16 – Health Careers Center	10,100,000	6,061,948	6,964,407
Interest Funded Expenditures		8,685	8,685
• Project 17 – Campus-wide Improvements ⁽²⁾	58,822,389	5,274,769	10,740,945
Interest Funded Expenditures		<u>140,948</u>	<u>140,948</u>
	<u>\$221,000,000</u>	<u>\$29,431,622</u>	<u>\$47,816,198</u>

Each of the projects has been given a specific project identification number within the District's Building Fund. Budgets for each project are included in the financial reporting system and actual expenditures are matched against this budget.

⁽¹⁾ The cost associated with an annual maintenance agreement was not originally budgeted. Future costs will be paid from unrestricted funds.

⁽²⁾ Infrastructure costs are included in actual project costs. Budgets for these costs are included in Project 17e – Campus-Wide Infrastructure. As projects are completed, total infrastructure costs will be moved from these projects to project 17e.

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RESULTS OF PROCEDURES (continued)

The following outlines results of testing related to material expenditures incurred as of June 30, 2004. Projects with insignificant expenditures and projects with no activity for the audit period were not included.

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

Project 1 – Science Laboratories

Current year expenditures were incurred for plan check fees for the new Science Building as well as leases of temporary facilities for the Natural Science division office and landscaping modifications. Expenditures appear appropriate to the project.

Project 3 – Campus-Wide Energy Conservation Program

Current year expenditures were incurred for the construction of a cogeneration plant and for the installation of a central plant to provide chilled water throughout the campus. Expenditures appear appropriate to the project.

Project 7 – Campus Classroom Improvements

Current year expenditures were incurred for the lease of temporary classroom facilities during renovation of permanent classrooms and architectural services for renovation of buildings 7, 11 and 26. Expenditures appear appropriate to the project.

Project 10 – Design and Online Technology Center

Current year expenditures were incurred for architectural services for the construction of the center and for preparation of the project proposal. Expenditures appear appropriate to the project.

Project 11 – Physical Education/Wellness Facility and Athletic Fields

An architect was retained to develop a plan for improving the athletic fields as well as expanding parking adjacent to the baseball field. Current year expenditures also included paving of parking areas and masonry, landscaping and construction of the athletic fields. Expenditures appear appropriate to the project.

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RESULTS OF PROCEDURES (continued)

Project 14 – Welding/Air Conditioning Programs

Current year expenditures were incurred for architectural and engineering services and the construction of classroom buildings for the welding and air conditioning programs. Expenditures appear appropriate to the project.

Project 15 – ESL Building

Current year expenditures were incurred for the construction of a new ESL Building. Expenditures were also incurred for plan check fees. Expenditures appear appropriate to the project.

Project 16 – Health Careers Center

Current year expenditures were incurred for the construction of a new Health Careers Building. Expenditures were also incurred for plan check fees. Expenditures appear appropriate to 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 Match – Expenditures were incurred related to repair and replacement of HVAC units, plumbing, electrical hardscape, asbestos abatement and swimming pool renovation. 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, telecommunications and sewer, water, electrical and drainage planning. Expenditures appear appropriate to the project.

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RESULTS OF PROCEDURES (continued)

Project 17 – Campus-Wide Improvements (continued)

- 17f. Campus-wide improvements – Expenditures were incurred for architectural services for the Art Complex renovation. Health Services and Auxiliary Services building design and construction and Staff Center renovation. These expenditures appear appropriate to the project.
- 17h. Construction Office Renovation (Building 23) - An architect was retained to provide architectural and engineering services. Expenditures were also incurred for the relocation of the Construction Office building. Expenditures appear appropriate to the project.
- 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. Current year expenditures also included architectural services for the campus master plan update. 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 Building Fund and that such expenditures were made on authorized bond projects. Further it was noted that the funds held in the Building Fund and expended by the District were not expended for salaries of school administrators or other operating expenditures. Our audit does not provide a legal determination on Mt. San Antonio Community College District's compliance with those requirements.