

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

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

June 30, 2007



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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, 2007, 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, 2007.

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

November 6, 2007

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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 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, 2006 through June 30, 2007, 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, 2006 through June 30, 2007 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, 2007 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 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. 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. In September 2006 the District issued an additional \$80 million in bonds, Series C.

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.

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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, 2007 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, 2007 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

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 \$146,269,136 through June 30, 2007 of which \$44,505,186 were expended during fiscal year ended June 30, 2007. The projects are outlined below:

		<u>Total Budget</u>	Actual Costs for Fiscal Year Ended <u>June 30, 2007</u>	Actual Costs May 1, 2002 through <u>June 30, 2007</u>
Project 1	Science Laboratories	\$ 14,108,639	\$ 3,459,377	\$ 13,592,464
Project 2	Workforce Training Center	290,433	-	290,433
Project 3	Campus-wide Energy Conservation Program	15,623,254	3,171,848	15,245,102
Project 4	Off-Campus Learning Centers	388		388
Project 5	Agricultural Science	16,965,301	1,915,069	4,326,513
Project 6	Child Development Center	1,500,889	123,482	1,327,837
Project 7	Campus Classroom Improvements	27,102,883	9,209,528	13,020,168
Project 10	Design and Online Technology Center	13,396,778	198,261	447,587
Project 11	Physical Education/Wellness Facility and Athletic Fields Interest Funded Expenditures	10,236,561	632,017	10,093,708 69,729
Project 12	Campus Center	58,482	-	58,482
Project 13	Student Support Services Renovations	5,748,205	2,120,467	2,810,579
Project 14	Welding/Air Conditioning Programs Interest Funded Expenditures	6,110,690 -	- -	6,091,615 78,575
Project 15	Language Center Interest Funded Expenditures	9,701,052 -	80,076 -	9,696,925 79,134
Project 16	Health Careers Center Interest Funded Expenditures	9,539,926 -	83,201 -	9,539,926 258,437
Project 17	Campus-wide Improvements Landscaping (refunding proceeds) Interest Funded Expenditures Bond Investment	90,612,722 8,600,463 - -	23,434,332 - 72,942 4,586	58,506,745 - 577,801 156,988
		<u>\$ 229,596,666</u>	<u>\$ 44,505,186</u>	<u>\$ 146,269,136</u>

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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, 2007.

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, cabling, and equipment costs. Payments tested included construction, cabling, equipment and relocation expense. Expenditures appear 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. Expenditures appear proper for the project. Current year expenditures reviewed primarily reflected payments to Chevron Corporation with related consulting and testing costs.

Project 5 – Agricultural Science

Current year expenditures were architectural, project management's construction, testing, and inspection costs. Testing included architectural and project management costs. Costs appear proper for the project.

Project 7- Campus Classroom Improvements

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

Project 11- Physical Education/Wellness Facility and Athletic Fields

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

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RESULTS OF PROCEDURES (continued)

Project 13- Student Support Services Renovations

Current year expenditures were for program management, architectural and construction costs. Construction 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 (\$1,272,735)– Expenditures were incurred related to major repair and replacement. Bond funds are used to meet matching requirements of state funding. Detailed expenditures were reviewed and appear appropriate to the project.
- 17e. Campus-wide infrastructure (\$6,126,737) – Expenditures incurred were primarily related to landscape, intersection and fire road improvements, telecommunications and sewer, water, electrical and drainage. Construction expenditures were tested. Expenditures appear appropriate to the project.
- 17f. Campus-wide improvements (\$5,987,873) – Expenditures were primarily incurred for temporary facilities, Staff Center (Founders’ Hall), and parking improvements. Payments tested were for architectural, construction, portable relocation and rent, and equipment. These expenditures appear appropriate to the project.
- 17g. Music Expansion (\$2,167,425) – Expenditures were incurred for architectural, engineering and construction related to the Music Expansion Project. Expenditures were reviewed and appear appropriate to the project.
- 17h. Building 23 Renovation (\$4,057,862) – Costs were for construction and related soft costs. Expenditures tested were for construction remodeling of Building 23 and the new data center. Expenditures appear appropriate to the project.

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RESULTS OF PROCEDURES (continued)

Project 17 – Campus-Wide Improvements (continued)

- 17i. Math/Science Building (\$3,371,992) – Construction and related soft cost expenses were incurred for this project. Detailed costs were reviewed and architectural costs tested. Expenditures appear appropriate to the project.

- 17j. Construction Support (\$434,400) – 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, 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.

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SCHEDULE OF FINDINGS AND RECOMMENDATIONS

Finding 07-1 – Maintenance of Measure R Website

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 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.

Recommendation: 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.

District Response: The District will insure the Citizens' Oversight Committee secretary is aware of the requirement to post documents and reports received by the Committee to the website.