

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, 2013



MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

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June 30, 2013

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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, 2013. 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, 2013.

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 findings and conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusion based on our audit objectives.

Our audit was limited to the objectives listed on pages 4-5 of this report which includes determining the District's compliance with the performance requirements for the Proposition 39 Measure R/RR General Obligation Bonds under Section 1(b)(3)(C) of Article XIII A of the California Constitution and under certain provisions of Sections 15264 and 15272 – 15286 of the California Education Code. Management is responsible for the District's compliance with those requirements.

Solely to assist us in planning and performing our performance audit, we obtained an understanding of the internal controls of the 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 and certain provisions of Sections 15264 and 15272 – 15286 of the California Education Code. Accordingly, we do not express any assurance on internal control.

The results of our tests indicated that for the fiscal year ended June 30, 2013 the District complied, in all significant respects, with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution, and certain provisions of Sections 15264 and 15272 – 15286 of the California Education Code. In addition, the District expended proceeds from the lease revenue bonds and bond anticipation notes for the fiscal year ended June 30, 2013, 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
Glendora, CA

November 26, 2013

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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 and appointed its initial members. The principal purpose of the Citizens' Oversight Committee, as set out in state law, is to inform the public as to the expenditures of 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) of Article XIII A of the California Constitution requires the District to conduct an annual independent performance audit to ensure that the proceeds of the bonds deposited into the Measure R funds have been expended only for the authorized bond projects. Consistent with this provision, Section 15286 of the California Education Code requires the performance audit to be conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and be submitted to the Citizens' Oversight Committee by March 31st of each year.

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, 2013 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 Ballot 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 charged to the bond construction funds for the fiscal year ended June 30, 2013 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 charged to the BAN funds for the fiscal year ended June 30, 2013 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 charged to the lease revenue funds for the fiscal year ended June 30, 2013 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 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, 2013. Our sample selection considered object and project codes associated with the Measure R and related Measure RR Bond Projects. However, not all planned projects incurred expenditures in the current year, and not all projects with expenditures were tested. 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, 2013 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, 2013 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, 2013 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	38	\$ 1,744,379	\$ 1,999,338	87%
Lease Revenue Funds	6	67,808	87,503	77%
BAN Funds	135	6,567,875	15,983,940	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.

We reviewed documentation, including the District's website, to verify compliance with certain bond oversight requirements of the California Education Code, including the membership make-up of the Citizens' Oversight Committee, publication of committee proceedings, and issuance of an annual report to the public.

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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 \$241,776,671 through June 30, 2013 of which \$1,999,338 were expended during fiscal year ended June 30, 2013. The projects and related costs are outlined below:

		Total Budget	Actual Costs for Fiscal Year Ended June 30, 2013	Cumulative Costs through June 30, 2013
Project 1	Science Laboratories	\$ 14,407,522	\$ 67,070	\$ 14,359,842
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	34,188	19,712,530
Project 6	Child Development Center	1,800,848	17,511	1,800,774
Project 7	Campus Classroom Improvements	32,940,965	18,830	32,784,841
Project 10	Design and On-line Technology Center	13,700,123	1,271,007	13,586,549
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	7,364,880	2,815	7,364,282
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	100,340,623	587,917	99,953,650
Bond Investment		156,990		156,990
Bond Refunding Reserves/Interest Reserves		73,922		
		<u>\$ 242,603,634</u>	<u>\$ 1,999,338</u>	<u>\$ 241,776,671</u>
Budget Reconciliation:				
	Measure R Proceeds	\$ 220,999,812		
	Bond Refunding Proceeds	8,606,226		
	Bond Investment Funds	12,997,596		
		<u>\$ 242,603,634</u>		

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RESULTS OF PROCEDURES (continued)

The following list outlines the detailed expenditures tested for the fiscal year ended June 30, 2013. The costs tested appear appropriate for the respective projects.

Project 1 – Science Laboratories

Current year expenditures tested included supervision and inspection services.

Project 5 – Agricultural Science

Current year expenditures tested included landscape services.

Project 7 – Campus Classroom Improvements

Current year expenditures tested included inspection services.

Project 10 – Design and On-line Technology Center

Current year expenditures tested included construction, electrical, landscape and irrigation, equipment, furniture, and labor and material costs for installation of furniture.

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 area:

- 17f. Campus-wide improvements – Current year expenditures tested included design and construction documents for the Founders Hall project and architect services, testing and inspection, and construction for the Administration Remodel Site Improvements 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 \$11,000,756 and \$50,407,780 through June 30, 2013 with the use of lease revenue funds and BAN funds, respectively. The projects and costs are outlined below:

Lease Revenue Funds

	<u>Total Budget</u>	<u>Actual Costs for Fiscal Year Ended June 30, 2013</u>	<u>Cumulative Costs through June 30, 2013</u>
Project 7 Campus Classroom Improvements	\$ 3,725,707	\$	\$ 3,725,707
Project 17 Campus-wide Improvements	<u>7,300,674</u>	<u>87,503</u>	<u>7,275,049</u>
	<u>\$ 11,026,381</u>	<u>\$ 87,503</u>	<u>\$ 11,000,756</u>

Budget Reconciliation:

Lease Revenue Bond Proceeds	\$ 10,904,256
Bond Investment Funds	<u>122,125</u>
	<u>\$ 11,026,381</u>

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 – Current year expenditures tested included labor, safety fees, purchase of equipment, and flooring installation. Costs were tested and appear proper for the project.

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RESULTS OF PROCEDURES (continued)

BAN Funds

		<u>Total Budget</u>	<u>Actual Costs for Fiscal Year Ended June 30, 2013</u>	<u>Cumulative Costs through June 30, 2013</u>
Project A	Library, Learning Resources and Campus Center	\$ 197,529	\$	\$ 197,529
Project B	Business and Computer Technology	526,083	224,575	469,105
Project C	Child Development Center	16,728,825	5,168,413	13,649,692
Project D	Athletics Complex Phase 2	38,772		38,772
Project E	Career and Technical Education Building Renovation	92,043	27,035	92,043
Project F	Classroom Building Renovation	4,567,312	130,982	4,344,328
Project G	Laboratory Building Expansion Sciences	792,701	746,214	782,340
Project H	Fire Academy	215,030		106,161
Project J	Parking, Public Safety, and Traffic Improvements	357,984	72,845	357,984
Project K	Scheduled Maintenance	2,667,683	1,004,453	1,962,431
Project L1	Infrastructure Improvement Utilities, Site, Traffic, Energy	5,400,412	1,512,315	3,106,542
Project L3	Temporary Space	1,672,486	479,123	701,870
Project L4	Demolition	280,000	165,082	165,082
Project L5	Administration Building Remodel	1,121,246	102,369	1,104,173
Project L6	Contingency	65,431		
Project L7	Campus-wide Improvement Projects	16,182,317	3,762,527	8,408,218
Project L8	Construction Support	5,865,192	2,588,007	5,325,509
	Lease Revenue Bonds (COPS) Debt Retirement	9,596,001		9,596,001
	Bond Investment/Interest Reserves	80,705		
		<u>\$ 66,447,752</u>	<u>\$ 15,983,940</u>	<u>\$ 50,407,780</u>

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RESULTS OF PROCEDURES (continued)

The following list outlines the detailed expenditures tested for the fiscal year ended June 30, 2013. The costs tested appear appropriate for the respective projects.

Project B – Business and Computer Technology

Current year expenditures tested included architect and engineering consulting fees.

Project C – Child Development Center

Current year expenditures tested included architectural design, demolition, construction, project management, inspection services, mechanical and HVAC, labor and material for mold abatement, plumbing, and electrical.

Project F – Classroom Building Renovation

The classroom building renovation project has been sub-divided into two categories. Not all project categories had expenditures during the period tested. Expenditures were tested in the following area:

- F1. Phase 1 – Building 45 Renovation – Current year expenditures tested included inspection services, program and construction management, release of retention for plumbing services, and labor.

Project G – Laboratory Building Expansion – Sciences

Current year expenditures tested included professional consulting services, construction, and inspection services for the Astronomy Dome – Building 60.

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RESULTS OF PROCEDURES (continued)

Project K – Scheduled Maintenance

The scheduled maintenance project has been sub-divided into 24 categories. Three additional categories were added since the prior year. Not all project categories had expenditures during the period tested. Expenditures were reviewed for the following areas:

- K4. Miscellaneous Interior Improvements – Current year expenditures tested included labor and materials.
- K11. Building 2 Waterproofing – Current year expenditures tested included labor and materials.
- K12. Library Security Upgrades – Current year expenditures tested included labor and materials.
- K13. Building 26 Air Handlers – Current year expenditures tested included engineering services.
- K19. Farm Drainage Repairs – Current year expenditures tested included labor and materials.
- K20. Boiler Repair / Replacement – Current year expenditures tested included the purchase of boilers and labor and materials for repairs and installation.
- K21. Building 28B Fire Alarm Upgrade – Current year expenditures tested included abatement services, labor and materials, and the installation of new ceiling tiles.
- K22. Scheduled Maintenance 2012/13 – Current year expenditures tested included labor and materials.
- K24. Rekey Various Buildings – Current year expenditures tested included the purchase of materials.

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RESULTS OF PROCEDURES (continued)

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

The infrastructure improvement project has been sub-divided into 24 categories. One additional category was added since the prior year. Certain project categories have been further divided into multiple projects to allow for tracking of different buildings or activities. Not all project categories had expenditures during the period tested. Expenditures were reviewed for the following areas:

- L1-A. San Jose Hills Entrance Intersection – Current year expenditures tested included project management.
- L1-D. Temple and Bonita Intersection – Current year expenditures tested included the purchase of equipment, inspection services, and construction.
- L1-E. Bonita and Walnut Intersection – Current year expenditures tested included landscaping and construction.
- L1-H2. Wildlife Sanctuary Improvements – Current year expenditures tested included engineering and landscaping.
- L1-I2. Campus Interior Site Improvements South of Building 12 – Current year expenditures tested included architectural design services.
- L1-Q1. Utility Infrastructure SW Building 47 – Current year expenditures tested included architectural planning and engineering services.
- L1-T. Utility Infrastructure Farm – Current year expenditures tested included labor costs.
- L1-U1. Energy Projects, Building 60 – Current year expenditures tested included engineering services.
- L1-U2. Energy Projects, Building 23A – Current year expenditures tested included construction, labor, and materials.

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RESULTS OF PROCEDURES (continued)

Project L3 – Temporary Space

The temporary space project has been sub-divided into 11 categories. Not all project categories had expenditures during the period tested. Expenditures were reviewed for the following areas:

- L3-B. Temporary Space, Building 23 Upgrade – Current year expenditures tested included architectural design.
- L3-E. Temporary Space, Renovation for Counseling – Current year expenditures tested included labor.

Project L4 – Demolition

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

- L4-A. Building 21 Demolition – Current year expenditures tested included abatement and demolition.
- L4-D. Remove Building 37 – Current year expenditures tested included labor.

Project L7 – Campus-wide Improvement Projects

The campus-wide improvement project has been sub-divided into 21 categories. Four additional categories were added since the prior year. 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 – Current year expenditures tested included architectural design and construction.
- L7-C1. Building 47 Facilities Plan Room and Renovation – Current year expenditures tested included program management.

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RESULTS OF PROCEDURES (continued)

Project L7 – Campus-wide Improvement Projects (continued)

- L7-C2. Food Service Building – Current year expenditures tested included architectural planning and design and survey services
- L7-C8. Student Service Annex – Current year expenditures tested included architectural design, construction, and lease payments associated with a mobile classroom.
- L7-C11. Administration Remodel – Current year expenditures tested included release of retention for plumbing and site utilities, construction management, and labor and materials.
- L7-C12. Agricultural Sciences – Current year expenditures tested included engineering, architectural planning, and HVAC improvements.
- L7-C13. Design and Online Technology – Current year expenditures tested included inspection services, construction, and labor.
- L7-C15. Building 40 Renovation – Current year expenditures tested included a feasibility study.
- L7-C16. SIM Lab Remodel – Current year expenditures tested included labor and materials.
- L7-C18. Building 1A Remodel Printmaking – Current year expenditures tested included architectural design.

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RESULTS OF PROCEDURES (continued)

Project L8 – Construction Support

Current year expenditures tested included District salaries, legal consultation related to various construction contracts, architectural planning and design, professional services for the utility master plan, planning studies, and building inspection services. District salaries were charged only to the BAN fund and included costs for a Project Administrator, a Senior Construction Project Manager, an Account Clerk II (construction accountant), two Construction Project Managers, and three Construction / Project Specialists.

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.

In addition, the results of our tests indicated that, in all significant respects, the District complied with the applicable California Education Code requirements for which the purpose of a Citizens' Oversight Committee is established. Our audit does not provide a legal determination on the District's compliance with these requirements.