

**MERCED COMMUNITY
COLLEGE DISTRICT
PROPOSITION 39 AND
MEASURES H AND J GENERAL
OBLIGATION BONDS**

MERCED, CALIFORNIA

PERFORMANCE AUDIT

YEAR ENDED JUNE 30, 2018

**MERCED COMMUNITY COLLEGE DISTRICT PROPOSITION 39
AND MEASURES H AND J GENERAL OBLIGATION BONDS**

**TABLE OF CONTENTS
JUNE 30, 2018**

	<u>PAGE</u>
Independent Auditor's Report	1
Objectives	2
Scope of the Audit	2
Background Information	2
Procedures Performed	3
Results of Procedures Performed	3
Performance Audit Schedule	4
Conclusion	5
Management Comments and Recommendations	5

INDEPENDENT AUDITOR'S REPORT

**Citizens' Oversight Committee and
Board of Trustees
Merced Community College District
Merced, California**

We have conducted a performance audit of the Merced Community College District's (the District's) Measures H and J General Obligation Bonds for the year ended June 30, 2018.

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

Our audit was limited to the objectives listed on page 2 of this report which includes determining compliance with the performance requirements for the Proposition 39 and Measures H and J 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 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. Accordingly, we do not express any assurance on the internal controls.

The results of our tests indicated that, in all significant respects, the Merced Community College District expended Measures H and J General Obligation Bond funds for the year ended June 30, 2018 only for the specific projects developed by the District's Board of Trustees and approved by the voters, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

December 12, 2018

MERCED COMMUNITY COLLEGE DISTRICT PROPOSITION 39 AND MEASURES H AND J GENERAL OBLIGATION BONDS

PERFORMANCE AUDIT JUNE 30, 2018

OBJECTIVES

The objectives of our performance audit were to document the expenditures charged to Measures H and J General Obligation Bonds (the Bonds) which were approved under Proposition 39; determine whether expenditures for fiscal year ended June 30, 2018 charged to the Bond Projects Funds have been made in accordance with project budgets and guidelines; note any incongruities or system weaknesses; and provide recommendations for improvements.

SCOPE OF THE AUDIT

The scope of our performance audit covered the fiscal year ended June 30, 2018. Expenditures incurred after the issuance of the bonds and prior to July 1, 2017, were covered in a previous examination. The expenditures included all account 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, 2018 were not reviewed or included within the scope of our audit.

BACKGROUND INFORMATION

On November 5, 2002, voters approved Measure H, a \$53,500,000 general obligation bond authorization for the District. The first series of bonds in the amount of \$20,000,000 was issued on June 19, 2003. The second series of bonds in the amount of \$24,000,000 was issued on August 1, 2006. The 2012 Refunding Bonds were issued on February 28, 2012 for \$13,070,000, which partially refunded the outstanding bonds issued on June 19, 2003. The 2014 Refunding Bonds were issued on August 1, 2014 for \$21,965,000, which partially refunded the outstanding bonds issued August 1, 2006.

On November 5, 2002, voters approved Measure J, an \$11,930,000 general obligation bond authorization for the District. The first series of bonds in the amount of \$5,140,000 was issued on June 19, 2003. The second series of bonds in the amount of \$6,790,000 was issued on August 1, 2005. The 2006 Refunding Bonds were issued on November 16, 2006 for \$10,740,000, which refunded the outstanding bonds issued on June 19, 2003 and August 1, 2005, respectively.

A Citizens Oversight Committee (the Committee) was appointed on February 4, 2003, to comply with the California Constitution and the Education Code. The purpose of the Committee is to inform the public, at least annually, regarding the appropriate use of the bond proceeds. California Constitution, Article XIII A, Section 1(b)(3), requires an annual performance audit to ensure that the funds have been expended only on the specific projects publicized by the District.

MERCED COMMUNITY COLLEGE DISTRICT PROPOSITION 39 AND MEASURES H AND J GENERAL OBLIGATION BONDS

PERFORMANCE AUDIT JUNE 30, 2018

PROCEDURES PERFORMED

We obtained the Bond Projects Funds general ledger and the project expenditure summary reports and detail prepared by the District for the fiscal year ended June 30, 2018. Within the year audited, we obtained the actual invoices and other supporting documentation for a sample of expenditures to ensure compliance with Proposition 39 and Measures H and J General Obligation Bond funding. We performed the following procedures:

- We reviewed the list of projects being performed to verify that the list of intended projects is consistent with the Colleges' Facilities Projects Lists.
- We verified that the District created the required debt service fund and capital outlay fund in order to account for the bond proceeds and expenditures.
- We verified that the proceeds from the sale of bonds were deposited in an appropriate debt service fund and a capital outlay projects fund.
- We determined that the Committee is fulfilling its duties as required by Education Code 15278 and as outlined in the Citizens' Bond Oversight Committee Bylaws.
- We selected a sample of expenditures in the fiscal year ended June 30, 2018, 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 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 expenditures of the District.

RESULTS OF PROCEDURES PERFORMED

The District utilized Measure H Bond funds for 23 projects. The District incurred net expenditures of \$500 during the fiscal year ended June 30, 2018, for the Measure H projects listed on the following page.

The District utilized Measure J Bond funds for 10 projects. The District incurred total expenditures of \$107,194 during the fiscal year ended June 30, 2018, for the Measure J projects listed on the following page.

**MERCED COMMUNITY COLLEGE DISTRICT PROPOSITION 39
AND MEASURES H AND J GENERAL OBLIGATION BONDS**

**PERFORMANCE AUDIT
JUNE 30, 2018**

	<u>Prior</u> <u>Expenditures</u>	<u>June 30, 2018</u> <u>Expenditures</u>	<u>Total</u> <u>Expenditures</u>	<u>Budget</u>	<u>Status</u>
MERCED CAMPUS - Measure H Bond Projects					
Agriculture Science and Technology building	\$ 64,877		\$ 64,877	\$10,447,688	In progress
Access for Persons with Disabilities	28,035		28,035	561,475	In progress
Administration Building Remodel	2,185,157		2,185,157	2,185,157	Completed
Allied Health Building	2,838,432		2,838,432	2,838,434	Completed
Allied Health Parking Lot	177,228		177,228	177,228	Completed
Business Resource Center	7,521,615		7,521,615	7,521,615	Completed
Central Plant Upgrades	3,501,548		3,501,548	3,501,548	Completed
Child Development Center	738,176		738,176	738,176	Completed
Communications Building	1,232		1,232	1,232	Completed
Dump Site Replacement	59,003		59,003	59,003	Completed
Eligible Bond Project Costs	281,033	\$ 500	281,533	500,000	In progress
Fire and Safety (North Road Loop)	1,596,627		1,596,627	1,596,628	Completed
Learning Resource Center	8,301,251		8,301,251	8,301,251	Completed
Leshner Building Remodel	2,731,651		2,731,651	2,731,651	Completed
Mechanized Agriculture Building	13,454		13,454	13,454	Completed
Miscellaneous Remodels				1,611,112	Not started
Parking Lot J	556,065		556,065	556,065	Completed
Science Building Remodel	4,112,355		4,112,355	4,112,356	Completed
Science Swing Space	1,911,720		1,911,720	1,911,720	Completed
Student Union Building	1,456,748		1,456,748	1,456,748	Completed
Theater Remodel	886,344		886,344	886,344	Completed
Vocational Building Remodel	59,268		59,268	2,478,646	In progress
Way Finding Project	281,947		281,947	400,000	In progress
Subtotal	<u>39,303,766</u>	<u>500</u>	<u>39,304,266</u>	<u>54,587,531</u>	
LOS BANOS CAMPUS - Measure J Bond Projects					
Academic/Vocational Technology Building	9,741,881		9,741,881	9,741,881	Completed
Access for Persons with Disabilities	212	10,389	10,601	10,601	Completed
Bond Administrative/Custodial Fees	70,589	1,980	72,569	72,569	Completed
Bond Issuance Costs	133,800		133,800	133,800	Completed
Cell Antenna Expansion		27,055	27,055	27,055	Completed
Food Forest		67,770	67,770	67,770	Completed
New Campus Site Development	1,589,209		1,589,209	1,589,209	Completed
Off Site Development	934,064		934,064	934,064	Completed
Operations and Maintenance Facilities	430,103		430,103	430,103	Completed
Parking Lot	301,239		301,239	301,239	Completed
Subtotal	<u>13,201,097</u>	<u>107,194</u>	<u>13,308,291</u>	<u>13,308,291</u>	
Total	<u>\$ 52,504,863</u>	<u>\$ 107,694</u>	<u>\$52,612,557</u>	<u>\$67,895,822</u>	

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

**MERCED COMMUNITY COLLEGE DISTRICT PROPOSITION 39
AND MEASURES H AND J GENERAL OBLIGATION BONDS**

**PERFORMANCE AUDIT
JUNE 30, 2018**

CONCLUSION

Based upon the procedures performed, we found that, for the items tested, the Merced Community College District has properly accounted for the expenditures of the Measures H and J General Obligation Bonds. Further, it was noted that the funds were not used for salaries of school administrators or other operating expenditures. Our audit does not provide a legal determination on the District's compliance with specific requirements.

MANAGEMENT COMMENTS AND RECOMMENDATIONS

None.