

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

**MERCED, CALIFORNIA**

**PERFORMANCE AUDIT**

**YEAR ENDED JUNE 30, 2015**

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

**TABLE OF CONTENTS  
JUNE 30, 2015**

---

|   | <b><u>PAGE</u></b> |
|---|--------------------|
| 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**

**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, 2015.

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, 2015 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 23, 2015**

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

## PERFORMANCE AUDIT JUNE 30, 2015

---

### 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, 2015 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, 2015. Expenditures incurred after the issuance of the bonds and prior to July 1, 2014, 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, 2015 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, 2015

---

### 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, 2015. 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, 2015, 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 \$167,138 during the fiscal year ended June 30, 2015, for the Measure H projects listed on the following page.

The District utilized Measure J Bond funds for 8 projects. The District incurred total expenditures of \$750 during the fiscal year ended June 30, 2015, 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, 2015**

|   | <u>Prior</u><br><u>Expenditures</u> | <u>June 30, 2015</u><br><u>Expenditures</u> | <u>Total</u><br><u>Expenditures</u> | <u>Budget</u>        | <u>Status</u> |
|---|-------------------------------------|---|-------------------------------------|----------------------|---------------|
| <b>MERCED CAMPUS - Measure H Bond Projects</b>    |                                     |   |                                     |                      |               |
| Agriculture Science and Technology building       | \$ 55,807                           | \$ 5,000                                    | \$ 60,807                           | \$ 13,008,000        | In progress   |
| Access for persons with disabilities              | 11,669                              |   | 11,669                              | 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                       | 277,553                             | 2,480                                       | 280,033                             | 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                            |                                     |   |                                     | 2,173,357            | 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                              | 1,720,000            | In progress   |
| Way Finding project                               | 122,289                             | 159,658                                     | 281,947                             | 400,000              | In progress   |
| <b>Subtotal</b>                                   | <u>39,115,192</u>                   | <u>167,138</u>                              | <u>39,282,330</u>                   | <u>56,951,442</u>    |               |
| <b>LOS BANOS CAMPUS - Measure J Bond Projects</b> |                                     |   |                                     |                      |               |
| Academic/Vocational Technology building           | 9,741,881                           |   | 9,741,881                           | 9,741,881            | Completed     |
| Access for persons with disabilities              | 212                                 |   | 212                                 | 10,000               | In progress   |
| Bond Administrative/Custodial fees                | 65,879                              | 750   | 66,629                              | 66,629               | Completed     |
| Bond issuance costs                               | 133,800                             |   | 133,800                             | 133,800              | Completed     |
| Parking lot                                       | 210,973                             |   | 210,973                             | 210,973              | 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     |
| <b>Subtotal</b>                                   | <u>13,106,121</u>                   | <u>750</u>                                  | <u>13,106,871</u>                   | <u>13,116,659</u>    |               |
| <b>Total</b>                                      | <u>\$ 52,221,313</u>                | <u>\$ 167,888</u>                           | <u>\$ 52,389,201</u>                | <u>\$ 70,068,101</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, 2015**

---

**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.