



MATSON
& ISOM

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

Merced, California

PERFORMANCE AUDIT

June 30, 2012

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June 30, 2012

*Merced Community College District
Proposition 39 and Measures H and J
General Obligation Bonds*

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Merced Community College District
Merced, California

We have audited the Merced Community College District's (the District) compliance with the performance requirements for the Proposition 39 and Measures H and J General Obligation Bonds for the fiscal year ended June 30, 2012. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted this performance audit in accordance with generally accepted government auditing standards applicable to performance audits contained in *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 recommendations and conclusions based on our audit objectives. We believe that evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Our performance audit does not provide a legal determination on the District's compliance with specific requirements.

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2012.

Matson and Isom

November 16, 2012
Chico, California

PERFORMANCE AUDIT

June 30, 2012

Merced Community College District Proposition 39 and Measures H and J General Obligation Bonds

OBJECTIVES

The objectives of our performance audit were to document the expenditures charged to the voter approved Proposition 39 and Measures H and J General Obligation Bonds (the Bonds); determine whether expenditures for the fiscal year ended June 30, 2012, 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, 2012. Expenditures incurred after the issuance of the bonds and prior to July 1, 2011, were covered in a previous audit. The expenditures included all object and project codes associated with the Bonds 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, 2012, were not reviewed or included within the scope of our audit.

BACKGROUND INFORMATION

On November 5, 2002, \$53,500,000 and \$11,930,000 in general obligation bonds were authorized for the Merced campus and Los Banos campus, respectively, by an election held within the Merced Community College District (the District). A Citizens Oversight Committee (the Committee) was appointed on February 4, 2003, to comply with the California Constitution and the *California Education Code*. The purpose of the Committee is to inform the public, at least annually, regarding the appropriate use of the Bonds' proceeds. On June 19, 2003, the first series of Bonds in the amount of \$20,000,000 and \$5,140,000 for the Merced campus and Los Banos campus, respectively, were issued. On August 1, 2005, the second series of Bonds in the amount of \$6,790,000 for the Los Banos campus were issued. On August 1, 2006, the District issued a second series of Bonds for the Merced campus in the amount of \$24,000,000. On November 16, 2006, the District refunded the Los Banos campus Series 2003 and Series 2005 Bonds in the amount of \$10,740,000. On February 28, 2012, the District partially refunded the Merced campus Series 2003 Bonds in the amount of \$13,070,000. The total proceeds from the Bonds issuance 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), requires an annual performance audit be conducted to ensure that funds have been expended only on the specific projects publicized by the District.

PERFORMANCE AUDIT

June 30, 2012

Merced Community College District Proposition 39 and Measures H and J General Obligation Bonds

PROCEDURES PERFORMED

We obtained the Bonds project funds general ledger and the project expenditure summary reports and detail prepared by the District for the fiscal year ended June 30, 2012. Within the year audited, we obtained the actual invoices and other supporting documentation for a sample of expenditures to ensure compliance with the Bonds' funding. We performed the following procedures:

- We reviewed the Facilities Master Plan publicized list of intended projects and the full text ballot proposition.
- We verified that the District created the required debt service fund and capital outlay fund in order to account for the Bonds 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 outlined in the Committee Bylaws.
- We selected a sample of expenditures in the fiscal year ended June 30, 2012, 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 expenses of the District.

PERFORMANCE AUDIT

June 30, 2012

*Merced Community College District
Proposition 39 and Measures H and J
General Obligation Bonds***RESULTS OF PROCEDURES**

The District utilized the Bonds funds for 23 projects for the Merced campus and 7 projects for the Los Banos campus. The District incurred total expenditures of \$51,328,166 through June 30, 2012, for the following projects:

	Prior Expenditures	June 30, 2012 Expenditures	Total Expenditures	Budget	Status
MERCED CAMPUS					
Agriculture Science and Technology building	\$ 55,807	\$ -	\$ 55,807	\$ 12,272,000	In progress
Access for persons with disabilities	-	9,757	9,757	561,475	In progress
Administration building remodel	2,191,794	-	2,191,794	2,191,885	Completed
Allied Health building	2,838,432	-	2,838,432	2,838,432	Completed
Allied Health parking lot	177,228	-	177,228	177,228	Completed
Business Resource Center	7,529,606	-	7,529,606	7,529,606	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	268,698	1,400	270,098	500,000	In progress
Fire and safety (North Road Loop)	1,596,627	-	1,596,627	1,596,627	Completed
Learning Resource Center	8,309,966	-	8,309,966	8,309,966	Completed
Leshner building remodel	2,750,845	-	2,750,845	2,750,845	Completed
Mechanized Agriculture building	13,454	-	13,454	13,454	Completed
Miscellaneous remodels	-	-	-	2,725,079	Not started
Parking Lot J	556,065	-	556,065	556,065	Completed
Science building remodel	4,112,355	-	4,112,355	4,112,355	Completed
Science Swing space	1,918,335	-	1,918,335	1,918,335	Completed
Student Union building	1,470,398	-	1,470,398	1,470,398	Completed
Theater remodel	36,496	76,636	113,132	912,473	In progress
Vocational building remodel	54,638	-	54,638	1,720,000	In progress
Way Finding project	-	-	-	400,000	Not started
Subtotal	38,180,703	87,793	38,268,496	56,856,182	
LOS BANOS CAMPUS					
Academic/Vocational Technology building	9,688,638	48,349	9,736,987	9,736,987	Completed
Bond administrative/custodial fees	56,479	2,800	59,279	63,779	Completed
Bond issuance costs	133,800	-	133,800	133,800	Completed
Parking lot	210,973	-	210,973	210,973	Completed
New campus site development	1,616,770	-	1,616,770	1,623,024	Completed
Off site development	934,064	-	934,064	934,064	Completed
Operations and maintenance facilities	430,103	-	430,103	436,327	Completed
Subtotal	13,070,827	51,149	13,121,976	13,138,954	
Total	\$ 51,251,530	\$ 138,942	\$ 51,390,472	\$ 69,995,136	

Each project has been given a specific project identification number within the District's Bonds project funds. Budgets for each project are included in the financial reporting system and actual expenditures are matched against this budget. The eligible Bonds project costs have been allocated to the applicable projects as they are completed. Each project will share a percentage of the remaining costs based upon a generally accepted allocation method.

CONCLUSION

Based upon the procedures performed, we found that for the items tested, the District has properly accounted for the proceeds and expenditures of the 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.