

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

Merced, California

PERFORMANCE AUDIT

June 30, 2004

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Proposition 39 and Measures H and J
General Obligation Bonds*

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Merced Community College District
Merced, California

We have examined the Merced Community College District's (the District's) compliance with the performance requirements for the Proposition 39 and Measures H and J General Obligation Bonds for the fiscal year ended June 30, 2004. 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 examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and accordingly, included examining, on a test basis, evidence about the 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 the District's compliance with specific requirements.

In our opinion, the Merced Community College District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2004.

Matson and Isom

January 18, 2005

PERFORMANCE AUDIT

June 30, 2004

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 fiscal year ended June 30, 2004, 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, 2004. Expenditures incurred after the issuance of the bonds and prior to June 30, 2003, were covered in a previous examination. The expenditures 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, 2004, were not reviewed or included within the scope of our audit.

BACKGROUND INFORMATION

On November 5, 2002, \$53,500,000 and \$11,930,000 for the Merced and Los Banos Campus, respectively, in general obligation bonds were authorized 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 Education Code. The purpose of the Committee is to inform the public, at least annually, regarding the appropriate use of the Bond proceeds. On June 19, 2003, the first series of Bonds in the amount of \$20,000,000 and \$5,140,000 for the Merced and Los Banos Campus, respectively, were issued. The total proceeds from the Bond 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.

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PROCEDURES PERFORMED

We obtained the Bond Project Funds general ledger and the project expenditure summary reports and detail prepared by the District for the fiscal year ended June 30, 2004. 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 Campus Master Plan Bond Project publicized list of intended projects.
- We selected a sample of expenditures in the fiscal year ended June 30, 2004, 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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General Obligation Bonds***RESULTS OF PROCEDURES**

The District utilized Bond funds for 6 projects for the Merced Campus and 3 projects for the Los Banos Campus. The District incurred total expenditures of \$2,451,945 through June 30, 2004, for the following projects:

	<u>Prior</u> <u>Expenditures</u>	<u>June 30, 2004</u> <u>Expenditures</u>	<u>Total</u> <u>Expenditures</u>	<u>Budget</u>
MERCED CAMPUS				
Fire and safety/North Road loop	\$ -	\$ 169,077	\$ 169,077	\$ 1,684,000
Learning Resource Center	31,302	1,121,053	1,152,355	7,618,805
Business Resource Center	-	966	966	4,000,000
Science Building remodel	-	182,369	182,369	671,820
Allied Health Building	-	34,397	34,397	34,400
Building remodel/other projects	-	12,582	12,582	364,368
Eligible Bond Project costs	78,616	107,269	185,885	510,000
LOS BANOS CAMPUS				
New campus site development	-	172,159	172,159	1,384,160
Academic Technology Building	-	131,672	131,672	649,870
Vocational Education Building	-	158,219	158,219	679,545
Eligible Bond project costs	185,312	66,952	252,264	610,000
Total	\$ 295,230	\$ 2,156,715	\$ 2,451,945	\$ 18,206,968

Each of the projects has been given a specific project identification number within the District's Bond Project Funds. Budgets for each project are included in the financial reporting system and actual expenditures are matched against this budget. The eligible bond project costs have not been allocated to the applicable projects. Each project will subsequently share a percentage of these costs based upon a generally accepted allocated method.

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 Proposition 39 and 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.

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MANAGEMENT COMMENTS AND RECOMMENDATIONS

None.