CERRITOS COMMUNITY COLLEGE DISTRICT

PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE CC BOND PROGRAM
PERFORMANCE AUDIT

Period Ended December 31, 2004
CERRITOS COMMUNITY COLLEGE DISTRICT

PROPOSITION 39 GENERAL OBLIGATION BONDS
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December 31, 2004

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INDEPENDENT AUDITOR’S REPORT

The Board of Trustees
The Measure CC Citizens’ Oversight Committee
Cerritos Community College District
11110 East Alondra Boulevard
Norwalk, CA 90650

We have examined the Cerritos Community College District’s compliance with the performance requirements for the Proposition 39/Measure CC General Obligation Bonds for the period ended December 31, 2004, 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 Cerritos Community College District’s compliance with those requirements. Our responsibility is to express an opinion on the Cerritos Community College District’s compliance with such requirements thereof based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants 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 Cerritos Community College District’s compliance with specified requirements.

In our opinion, except for the items disclosed in the Schedule of Findings and Recommendations, the Cerritos Community College District complied, in all material respects, with the aforementioned requirements for the period ended December 31, 2004.

April 5, 2005
OBJECTIVES

The objectives of our Performance Audit were to:

- Document the expenditures charged to the Cerritos Community College District Building Fund – Measure CC Bond Program.

- Determine whether expenditures charged to the Building Fund – Measure CC Bond Program, have been made in accordance with the bond project list approved by the voters through the approval of Measure CC in March 2004.

- Note any incongruities or system weaknesses and provide recommendations for improvement.

- Provide the District Board and the Measure CC Citizens’ Oversight Committee with a performance audit as required under the provisions of the California Constitution and Proposition 39.

SCOPE OF THE AUDIT

The scope of our performance audit covered the period of July 1, 2004 to December 31, 2004. The expenditures tested 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, other than the proceeds of the bonds, were not included within the scope of our audit. Expenditures incurred subsequent to December 31, 2004, were not reviewed or included within the scope of our audit or in this report.
BACKGROUND INFORMATION

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 March 2004, a general obligation bond proposition (Measure CC) of the Cerritos Community College District was approved by the voters of that District. Measure CC authorized the District to issue up to $210,000,000 of general obligation bonds to finance various capital projects and related costs, as specified in the bond measure provisions.

Pursuant to the requirements of Proposition 39, and related State legislation, the Board of Trustees of the District has 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 CC 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 Building Fund – Measure CC Bond Program have been expended only for the authorized bond projects.
PROCEEDURES PERFORMED

We obtained the general ledger and the project expenditure summary reports and detail prepared by the District for the period of July 1, 2004 to December 31, 2004, for the Building Fund – Measure CC Bond Program. Within the period audited, we obtained the actual invoices and other supporting documentation for a sample of expenditures to ensure compliance with the requirements of Proposition 39 and Measure CC as to the bond projects. We performed the following procedures:

- We reviewed the projects listed to be funded with general obligation bond proceeds as set out in the Measure CC election documents.

- We selected a sample of expenditures for the period under audit and reviewed supporting documentation to ensure that such funds were properly expended on the authorized bond projects.

- We verified that funds from the Building Fund – Measure CC Bond Program were generally expended for the construction, reconstruction, acquisition, furnishing and equipping of District facilities constituting the authorized bond projects and we verified that funds held in the Building Fund – Measure CC Bond Program were not used for salaries of school administrators or other operating expenses of the District.
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CONCLUSION

Based upon our procedures performed, we found that for the items tested, the Cerritos Community College District has properly accounted for the expenditures of the funds held in the Building Fund – Measure CC Bond Program and that such expenditures were made for authorized bond projects, except as noted in the accompanying Schedule of Findings and Recommendations. Furthermore, it was noted that the funds held in the Building Fund – Measure CC Bond Program, and expended by the District, were not expended for salaries of school administrators or other operating expenditures.

Our examination also disclosed an instance of non-compliance related to the procedural requirements of Proposition 39 that is disclosed in the accompanying Schedule of Findings and Recommendations.
FINDING 04-1 – PROCEDURAL REQUIREMENTS OF PROPOSITION 39

FINDING: During our review of the District website, we noted that the Measure CC Citizen’s Oversight Committee meeting minutes are not currently posted. Per Section 15280 of the Education Code, minutes of committee proceedings shall be public record and made available on the internet maintained by the District.

RECOMMENDATION: The District should make all Measure CC Citizens’ Oversight Committee meeting minutes available to the public by updating the website on a regular basis.

DISTRICT RESPONSE: The District has scheduled its second meeting on June 21, 2005. At that meeting, the December 6, 2004 minutes will be presented to the committee for approval and will then be posted immediately. In the future, if there is a several month span between meetings, the minutes will be posted as “DRAFT – Not Yet Approved” on the website to keep information flowing at a reasonable rate of speed.

FINDING 04-2 – EXPENDITURE TESTING

FINDING: During our testing, we noted an expenditure that was improperly charged to the Measure CC Bond Program for the period ended December 31, 2004. The expenditure was for Landscaping for the Administrative Quad Atrium in the amount of $34,425. This type of service/work was not identified on the voter approved project list and, therefore, should not be charged to the Measure CC Bond Program.

RECOMMENDATION: Only expenditures that meet the requirements of Proposition 39 and are in accordance with the voter approved project list should be recorded in the Measure CC Bond Program. The expenditure referenced above should be transferred out of the Measure CC Bond Program.

DISTRICT RESPONSE: The District concurs with the recommendation. The above mentioned expenditure was transferred out of the Measure CC Bond Program.