

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

**PROPOSITION 39, GENERAL OBLIGATION BONDS
(MEASURE R, NOVEMBER 2001)
FINANCIAL AUDIT**

June 30, 2011



legacy of excellence
1946 – 2011

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

**PROPOSITION 39, GENERAL OBLIGATION BONDS
(MEASURE R, NOVEMBER 2001)
FINANCIAL AUDIT**

June 30, 2011

CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Balance Sheet –Bond Construction Fund.....	2
Statement of Revenues, Expenditures and Change in Fund Balance – Bond Construction Fund.....	3
Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual –Bond Construction Fund.....	4
Notes to Financial Statements	5-10
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.	11-12
Schedule of Findings and Responses.....	13



INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
The Citizens' Oversight Committee
Mt. San Antonio Community College District
1100 North Grand Avenue
Walnut, CA 91789

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the Mt. San Antonio Community College District (the District), as of and for the fiscal year ended June 30, 2011, and have issued our report thereon dated November 14, 2011. We have also audited the accompanying Balance Sheet, Statement of Revenues, Expenditures and Change in Fund Balance and Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual for the Bond Construction Fund of the Mt. San Antonio Community College District as of and for the year ended June 30, 2011. These statements are the responsibility of the District's management. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit of the Bond Construction Fund in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial 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 reasonable assurance about whether the financial statements for the Bond Construction Fund are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Bond Construction Fund financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations for the Bond Construction Fund of the Mt. San Antonio Community College District as of June 30, 2011, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, the Ms. San Antonio Community College District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for the year ended June 30, 2011.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 14, 2011 on our consideration of the Mt. San Antonio Community College District's internal control over the Bond Construction Fund financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over the Bond Construction Fund financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Vicenti, Lloyd & Stutzman LLP
VICENTI, LLOYD & STUTZMAN LLP

November 14, 2011

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

BALANCE SHEET
BOND CONSTRUCTION FUND

June 30, 2011

ASSETS

Cash in County Treasury	\$ 8,359,631
TOTAL ASSETS	\$ 8,359,631

LIABILITIES AND FUND BALANCE

Liabilities

Accounts Payable	\$ 1,210,128
TOTAL LIABILITIES	1,210,128

Fund Balance

Restricted for Capital Projects	7,149,503
TOTAL FUND BALANCE	7,149,503
TOTAL LIABILITIES AND FUND BALANCE	\$ 8,359,631

See the accompanying notes to the financial statements.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCE
BOND CONSTRUCTION FUND

For the Fiscal Year Ended June 30, 2011

REVENUES

Revenues from Local Sources	
Interest Income	\$ 213,438
TOTAL REVENUES	<u>213,438</u>

EXPENDITURES

Supplies and Materials	48,691
Other Expenses and Services	61,837
Capital Outlay	<u>8,532,658</u>
TOTAL EXPENDITURES	<u>8,643,186</u>

Excess of expenditures over revenues (8,429,748)

Fund Balance at Beginning of Year 15,579,251

Fund Balance at End of Year \$ 7,149,503

See the accompanying notes to the financial statements.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
BOND CONSTRUCTION FUND
For the Fiscal Year Ended June 30, 2011**

	<u>Budget*</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Revenues from Local Sources			
Interest Income	\$ 213,438	\$ 213,438	\$
TOTAL REVENUES	<u>213,438</u>	<u>213,438</u>	<u>-</u>
EXPENDITURES			
Supplies and Materials	61,317	48,691	12,626
Other Expenses and Services	156,375	61,837	94,538
Capital Outlay	<u>15,456,587</u>	<u>8,532,658</u>	<u>6,923,929</u>
TOTAL EXPENDITURES	<u>15,674,279</u>	<u>8,643,186</u>	<u>7,031,093</u>
Excess of expenditures over revenues	<u>\$ (15,460,841)</u>	(8,429,748)	<u>\$ 7,031,093</u>
Fund Balance at Beginning of Year		<u>15,579,251</u>	
Fund Balance at End of Year		<u>\$ 7,149,503</u>	

* The budget for revenues reflects estimated amounts to be received in the current year. The budget for expenditures reflects amounts remaining and available for current and subsequent years' expenditures and does not necessarily coincide with actual planned expenditures in the current year.

See the accompanying notes to the financial statements.

**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT
BOND CONSTRUCTION FUND**

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

ACCOUNTING POLICIES

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the *Governmental Accounting Standards Board* and *Audits of State and Local Governmental Units* issued by the American Institute of Certified Public Accountants.

FUND STRUCTURE

The Statement of Revenues, Expenditures, and Change in Fund Balance is a statement of financial activities of the Bond Construction Fund related to the current reporting period. Expenditures frequently include amounts for buildings, equipment, etc. Consequently, these statements do not purport to present the result of operations or the net income or loss for the period as would a statement of income for a profit-type organization.

BASIS OF ACCOUNTING

The Bond Construction Fund of the Mt. San Antonio Community College District (the District) is maintained on the modified accrual basis of accounting. As such, revenues are recognized when they become susceptible to accrual, which is to say, when they become both measurable and available to finance expenditures of the current period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered).

Cash in the County Treasury is recorded at cost, which approximates fair value, in accordance with the requirements of GASB Statement No. 31.

BUDGET

The Statement of Revenues, Expenditures and Change in Fund Balances – Budget and Actual includes a column entitled “Budget”. The amounts in this column represent the budget adopted by the Board and all amendments throughout the year.

**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT
BOND CONSTRUCTION FUND**

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

FUND BALANCE CLASSIFICATION

During the current fiscal year, the District implemented the reporting model required by GASB Statement No. 54. Therefore, the governmental fund financial statements present fund balance classifications that comprise a hierarchy based on the extent to which the District is bound to honor constraints on the specific purposes for which amounts can be spent. Restricted fund balances are amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The Bond Projects fund balance is therefore classified as restricted.

CAPITAL ASSETS AND LONG-TERM DEBT

The accounting and reporting treatment applied to the capital assets and long-term liabilities associated with the Bond Construction Fund are determined by its measurement focus. The Bond Construction Fund is accounted for on a spending or “financial flow” measurement focus. This means that only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered a measure of “available spendable resources”. Thus, the capital assets and long-term liabilities associated with the Bond Construction Fund are accounted for in the basic financial statements of the District.

ESTIMATES

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 - DEPOSITS – CASH IN COUNTY TREASURY:

In accordance with Education Code Section 41001, the District maintains all of its cash in the Los Angeles County Treasury as part of the common investment pool. These pooled funds are carried at cost which may differ from fair value. The fair market value of the District’s deposits for the Bond Construction Fund in this pool as of June 30, 2011, as provided by the pool sponsor, was \$8,360,979.

**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT
BOND CONSTRUCTION FUND**

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

NOTE 2 - DEPOSITS – CASH IN COUNTY TREASURY: (continued)

The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et. seq. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The funds maintained by the County are either secured by federal depository insurance or are collateralized. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

NOTE 3 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS:

No excess of expenditures over appropriations, by major object amounts, occurred in the Bond Construction Fund.

NOTE 4 – BONDED DEBT:

On November 6, 2001, \$221 million in general obligation bonds were authorized by an election held within the Mt. San Antonio College District under Proposition 39/Measure R. Proceeds from the sale of the bonds will be used to finance the construction, acquisition, furnishing and equipping of District facilities.

On September 7, 2005 the District offered for sale \$75,745,843 in general obligation refunding bonds. The bonds were issued as Current Interest Bonds in the aggregate principal amount of \$63,945,000 and as Capital Appreciation Bonds in the aggregate principal amount of \$11,800,843.

The bonds were issued to refund certain outstanding general obligation bonds (\$40,000,000 Series A issued May 1, 2002 and \$75,000,000 Series B issued February 4, 2004) of the District and to pay for certain capital improvements.

The proceeds associated with the refunding were deposited in an escrow fund for future repayment. At June 30, 2011 the outstanding balance of the defeased debt to be paid by the escrow agent totaled \$64,314,450. Of this amount \$20,144,450 and \$44,170,000 are scheduled to be repaid in May 2012 and August 2014, respectively. These bonds are considered fully defeased and are not recorded on the basic financial statements of the District. The difference in cash flow requirements related to this refunding amounted to a savings of approximately \$12,176,000. These savings result in a re-calculation of the collections and payments towards bond payoffs and are included in the consolidated schedule noted on the subsequent page.

**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT
BOND CONSTRUCTION FUND**

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011**

NOTE 4 – BONDED DEBT: (continued)

The capital appreciation bonds were issued with maturity dates of August 1, 2016 through August 1, 2017. Prior to the applicable maturity date, each bond will accrete interest on the principal component. Accreted interest accrued is included as long-term debt in the basic financial statements of the District.

On September 8, 2006 the District offered for sale \$79,996,203 in general obligation bonds. The bonds are the third series (Series C) of general obligation bonds authorized by the November 6, 2001 election. The bonds were issued as Current Interest Bonds in the aggregate principal amount of \$78,755,000 and as Capital Appreciation Bonds in principal amount of \$1,241,203.

The capital appreciation bonds were issued with maturity dates of September 1, 2008 through September 1, 2012. Prior to the applicable maturity date, each bond will accrete interest on the principal component. Accreted interest accrued is included as long-term debt in the basic financial statements of the District.

On July 9, 2008 the District offered for sale \$26,003,609 in general obligation bonds. The bonds are the fourth series (Series D) of general obligation bonds authorized by the November 6, 2001 election. The bonds were issued as Current Interest Bonds in the aggregate principal amount of \$20,065,000 and as Capital Appreciation Bonds in principal amount of \$5,938,609.

The capital appreciation bonds were issued with maturity dates of June 1, 2010 through June 1, 2018. Prior to the applicable maturity date, each bond will accrete interest on the principal component. Accreted interest accrued is included as long-term debt in the basic financial statements of the District.

The outstanding bonded debt of the District at June 30, 2011 is:

Date of Issue	Interest Rate %	Final Maturity Date ⁽¹⁾	Amount of Original Issue	Outstanding July 1, 2010	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2011
5/1/2002 A	3.25-5.25%	5/1/2027	\$ 40,000,000	\$ 2,250,000	\$	\$ 1,120,000	\$ 1,130,000
2/4/2004 B	2.75-5.0%	8/1/2028	75,000,000	9,870,000		1,790,000	8,080,000
9/7/2005	3.5-5.0%	8/1/2017	75,745,843	65,295,843		5,690,000	59,605,843
9/8/2006 C	4.0-5.0%	9/1/2031	79,996,203	75,925,008		233,296	75,691,712
7/9/2008 D	2.92-5.0%	6/1/2033	26,003,609	25,430,293		827,863	24,602,430
			<u>\$ 296,745,655</u>	<u>\$ 178,771,144</u>	<u>\$ -</u>	<u>\$ 9,661,159</u>	<u>\$ 169,109,985</u>

⁽¹⁾ Revised maturity date on non-refunded portion:
Series A 5/1/2012
Series B 8/1/2014

**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT
BOND CONSTRUCTION FUND**

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011**

NOTE 4 – BONDED DEBT: (continued)

The annual requirements to amortize the bonds payable, outstanding as of June 30, 2011, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Accreted Interest</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 10,534,039	\$ 165,961	\$ 7,184,570	\$ 17,884,570
2013	10,124,019	265,980	6,807,693	17,197,692
2014	12,217,408	182,592	6,196,631	18,596,631
2015	13,237,021	217,979	5,627,450	19,082,450
2016	14,145,731	254,270	4,996,200	19,396,201
2017-2021	29,956,767	16,528,233	21,933,950	68,418,950
2022-2026	29,900,000		15,839,683	45,739,683
2027-2031	38,695,000		7,694,744	46,389,744
2031-2033	10,300,000		339,625	10,639,625
Total Debt Service	<u>\$ 169,109,985</u>	<u>\$ 17,615,015</u>	<u>\$ 76,620,546</u>	<u>\$ 263,345,546</u>

The repayment of the debt related to the general obligations bonds is accounted for in the District's Bond Interest and Redemption Fund which is part of the District's basic financial statements. The recognition of premiums on bonds is recorded as long-term liabilities and the recognition of issuance costs is recognized as capitalized fees in the basic financial statements of the District.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT
BOND CONSTRUCTION FUND

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

NOTE 5 – COMMITMENTS AND CONTINGENCIES:

A. Purchase Commitments

As of June 30, 2011 the District was committed under various capital expenditure purchase agreements for bond projects totaling approximately \$4.5 million.

B. Litigation

The District is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the District's Bond Construction Fund financial statements.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees
The Citizens' Oversight Committee
Mt. San Antonio Community College District
1100 North Grand Avenue
Walnut, California 91789

We have audited the Balance Sheet, Statement of Revenues, Expenditures and Change in Fund Balance and Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual for the Bond Construction Fund of the Mt. San Antonio Community College District as of and for the year ended June 30, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of American and the standards applicable to financial audits contain in *Government Auditing Standards*, issued by the Comptroller General of the United.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Mt. San Antonio Community College District's internal control over Bond Construction Fund financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the fund financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies, in internal control such that there is reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Internal Control Over Financial Reporting (continued)

Our consideration of internal control over Bond Construction Fund financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be a material weakness, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mt. San Antonio Community College District's fund financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Trustees, the Citizens' Oversight Committee and management. It is not intended to be and should not be used by anyone other than these specified parties.


VICENTI, LLOYD & STUTZMAN LLP

November 14, 2011

**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT
BOND CONSTRUCTION FUND**

SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2011

There were no findings and responses related to the financial audit of the Bond Construction Fund for the years ended June 30, 2010 or June 30, 2011.