

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

LOS ANGELES COUNTY

**REPORT ON
AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
INCLUDING REPORTS ON COMPLIANCE
June 30, 2006**



MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

AUDIT REPORT

June 30, 2006

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying basic financial statements of the Mt. San Antonio Community College District, as of and for the year ended June 30, 2006 as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

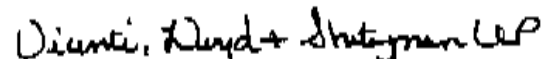
In our opinion, the basic financial statements listed in the aforementioned table of contents present fairly, in all material respects, the financial position of the Mt. San Antonio Community College District as of June 30, 2006, and the results of its operations, changes in net assets and cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 28, 2006 on our consideration of the Mt. San Antonio Community College District's internal control over financial reporting and our tests 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 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.

Board of Trustees
Mt. San Antonio Community College District

The management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Mt. San Antonio Community College District's financial statements. The management's discussion and analysis section, supplementary section and continuing disclosure information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements. The supplementary information, including the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The management's discussion and analysis section and continuing disclosure information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.


VICENTI, LLOYD & STUTZMAN LLP

September 28, 2006

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2006

Introduction

The following discussion and analysis provides an overview of the financial position and activities of the Mt. San Antonio Community College District (the "District") for the year ended June 30, 2006. This discussion is prepared by management and should be read in conjunction with the financial statements and notes thereto which follow this section.

Mt. San Antonio Community College District is a public community college that offers a diversified program designed to develop qualities of general education essential for citizens in a democratic society. The mission of the District is to provide accessible and affordable quality learning opportunities in response to the needs and interests of individuals and organizations; to provide quality transfer, career, and lifelong learning programs that prepare students with knowledge and skills needed for success in an interconnected world; and to advance the state and region's economic growth and global competitiveness through education, training, and services that contribute to continuous workforce improvement.

Mt. San Antonio Community College District has emerged as a leader in education not only in the San Gabriel Valley, but in the State of California. The District is the largest, single-campus community college district in the state. The District proudly celebrates over 59 years of educational excellence. The District will continue to offer access to quality programs and services as well as provide an environment for educational excellence throughout the 21st century.

Accounting Standards

In June 1999, the Governmental Accounting Standard's Board (GASB) released Statement No. 34, "Basic Financial Statement and Management's Discussion and Analysis for State and Local Governments," which established a new reporting format for annual financial statements. In November 1999, GASB released Statement No. 35, "Basic Financial Statement and Management's Discussion and Analysis for Public Colleges and Universities," which applied new reporting standards to public colleges and universities. The Fiscal Accountability and Standards Committee of the California Community Colleges Chancellor's Office recommended that all California community colleges follow the new standards under the Business Type Activity (BTA) model. Nearly all public colleges and universities nationwide have selected the BTA reporting model. As such, the District is reporting according to these standards following the BTA model for reporting these financial statements.

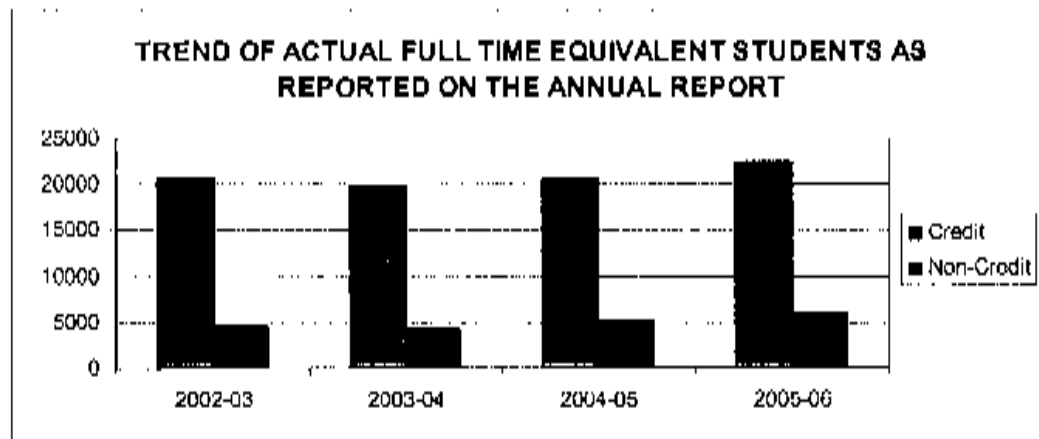
MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006

Financial Highlights

This section is to provide an overview of the District's financial activities. A comparative analysis is included in the Management's Discussion and Analysis using prior year information.

Selected Highlights

- During 2005-06, the total actual full-time equivalent students (FTES) increased from 26,371 to 28,278, which is a 7.23% increase for credit and non-credit courses. Funded credit and non-credit FTES, along with other workload measures, are the basis for the District's state apportionment. It is anticipated that the District will receive full apportionment funding for this increase in FTES. This significant increase in FTES is largely due to a correction in the FTES calculation method.



- On November 6, 2001, the voters of the District approved a \$221 million dollar bond measure with \$40 million issued in May 2003 and \$75 million issued in February 2005. Originally, there were 17 construction projects planned, but due to an increase in construction costs, the District has eliminated three of these projects. There are currently 14 major projects to be undertaken that will provide better facilities for the students, faculty and the community. Ground breaking began for some of the projects during 2001-02 and will continue through 2008, instead of 2011, as originally projected. This change in the completion date for the construction projects is an attempt to decrease the escalating construction costs.
- On August 24, 2005, the Board of Trustees approved the refunding of a portion of the Series "A" and "B" General Obligation Bonds, which resulted in additional bond proceeds in the amount of \$8.6 million.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2006

- During 2005-06, construction was completed for the following projects:

RISCC Computer Lab-Building 28 (Project 17)
Technology Center Renovation-Building 28A, Room 103 (Project 17)
Warehouse Fire Sprinklers (Project 17)
Trailers for Business Division-Buildings 18A and 18B (Project 17)
Major portions of Infrastructure Projects (Project 17)

Financial Statement Presentation and Basis of Accounting

The District's financial report includes three financial statements: The Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets and the Statement of Cash Flows. Additional information regarding these financial statements is provided on the following pages.

The financial statements noted above are prepared in accordance with Governmental Accounting Standard Board Statements No. 34 and 35 which provides an entity wide perspective. Therefore, the financial data presented in these financial statements is a combined total of all District funds including Student Financial Aid Programs.

Also, in accordance with Governmental Accounting Standards Board Statements No. 34 and 35, the financial statements have been prepared under the full accrual basis of accounting which requires that revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. A reconciliation between the fund balances reported on the June 30, 2006 Annual Financial and Budget Report (CCFS-311) based upon governmental accounting principles and the modified accrual basis of accounting and the total net assets recorded on the full accrual basis of accounting is as follows:

Unrestricted Fund Balance	\$ 26,772,282
Restricted Fund Balance	2,642,610
Bond Interest and Redemption Fund Balance	10,069,840
Building Fund Balance	25,907,652
Capital Outlay Funds Balance	6,853,530
All Other Funds	<u>969,915</u>
Total fund balances as reported on the Annual Financial and Budget Report (CCFS-311)	\$ 73,215,829

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used for governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets, net of accumulated depreciation are added to total net assets	\$ 159,025,272
Interest earned but not accrued through June 30, 2006 is added to total net assets	730,431
Inventory purchased but not used at June 30, 2006 is added to total net assets	64,000
Long-term liabilities, including bond, notes payable, and capital leases are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. Long-term liabilities are added to the statement of net assets which reduces the total net assets reported	(109,990,832)
Interest expense related to bonds incurred through June 30, 2006 are required to be accrued under full accrual basis of accounting. This liability is added to the Statement of Net Assets which reduces the total net assets reported	(1,573,398)
The supplemental employee retirement plan liability is not due and payable in the current period and, therefore, not reported as a liability in the governmental funds	(1,993,870)
Amount for 2005-06 property taxes levied for debt service not received as of June 30, 2006	<u>1,194,054</u>
Total net assets	\$120,671,486

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2006

Statement of Net Assets

The Statement of Net Assets presents the assets, liabilities and net assets of the District as of the end of the fiscal year and is prepared using the accrual basis of accounting, which is similar to the accounting basis used by most private-sector organizations. The Statement of Net Assets is a point of time financial statement. The purpose of this statement is to present to the readers a fiscal snapshot of the District. The Statement of Net Assets presents end-of-year data concerning assets (current and non-current), liabilities (current and non-current) and net assets (assets minus liabilities).

From the data presented, readers of the Statement of Net Assets are able to determine the assets available to continue the operations of the District. Readers are also able to determine how much the District owes vendors and employees. Finally, the Statement of Net Assets provides a picture of the net assets and their availability for expenditure by the District.

The difference between total assets and total liabilities (net assets) is one indicator of the current financial condition of the District; the change in net assets is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allocation for depreciation expense.

The Net Assets are divided into three major categories. The first category, invested in capital assets, provides the equity amount in property, plant and equipment owned by the District. The second category is expendable restricted net assets; these net assets are available for expenditure by the District, but must be spent for purposes as determined by external entities and/or donors that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net assets that are available to the District for any lawful purpose of the District.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006

A summarized comparison of the Statement of Net Assets is presented below:

	(in thousands)		Change
	2006	2005	
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 44,069	\$ 35,047	77.54%
Investments	21,479	44,721	-51.97%
Receivables	31,086	15,215	18.59%
Due from component unit	980	1,175	-16.60%
Inventory	64	44	45.45%
Prepaid expenses and deposits	417	17	
Total Current Assets	88,495	86,202	2.66%
Non-Current Assets			
Restricted cash and cash equivalents	13,774	13,128	-2.70%
Student loans receivable, net	114	133	-14.29%
Capital assets, net	159,025	124,735	27.49%
Total Non-Current Assets	171,913	137,996	24.58%
TOTAL ASSETS	\$ 260,408	\$ 224,198	16.15%
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts payable and accrued liabilities	\$ 24,278	\$ 18,834	28.91%
Due to component unit	435	313	38.98%
Deferred revenue	2,995	2,744	9.15%
Amount held in trust for others	43	3,062	-98.60%
Supplemental employee retirement plan payable - current portion	997	997	0.00%
Long-term liabilities - current portion	8,168	5,679	43.83%
Total Current Liabilities	36,916	31,629	16.72%
Non-Current Liabilities			
Supplemental employee retirement plan payable - non-current portion	997	1,994	-50.00%
Long-term liabilities less current portion	101,823	102,265	-0.43%
Total Non-Current Liabilities	102,820	104,259	-1.38%
TOTAL LIABILITIES	139,736	135,888	2.83%
NET ASSETS			
Invested in capital assets, net of related debt	82,373	64,884	26.95%
Restricted	19,188	14,728	50.28%
Unrestricted	19,111	8,698	119.72%
TOTAL NET ASSETS	120,672	88,310	36.62%
TOTAL LIABILITIES AND NET ASSETS	\$ 260,408	\$ 224,198	16.15%

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

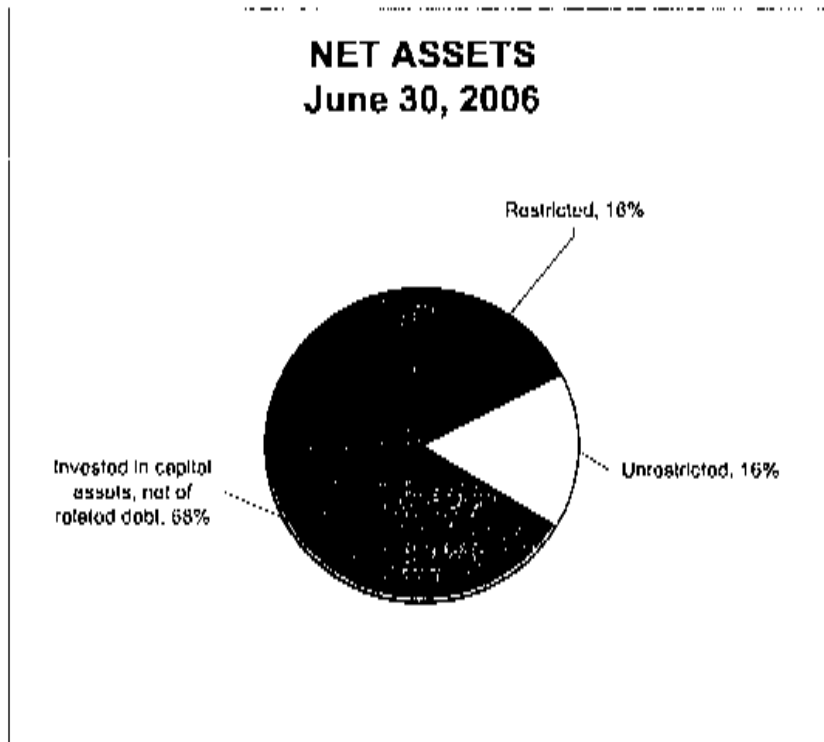
June 30, 2006

- The cash balance increased primarily due to the receipt of an additional \$12.8 million in apportionment funds, which was directly the result of a 2004-05 growth adjustment and the receipt of \$1.1 million in Walnut Redevelopment Funds. Also, as of June 30, 2006, investments matured and were sold, which resulted in an increase in the cash balance in the Bond Construction Fund. The cash flow statement included in these financial statements provides greater detail on the sources and uses of the District's cash.
- Accounts receivable increased primarily due to the deferral of the State apportionment, which increased accounts receivable by \$4.2 million from 2004-05. In addition, the interest income accrual increased by approximately \$500,000, due to the increase in interest rates. The accounts receivable for the Lottery funds decreased approximately \$800,000. In 2004-05, the 3rd and 4th Lottery payment had been recorded as a receivable, but it was only necessary to accrue the 4th quarter Lottery payment for 2005-06.
- Capital assets had a net increase of \$34.2 million. The District had additions of \$45.4 million related to purchases and construction in progress. The District removed approximately \$113,000 in net cost and accumulated depreciation for assets no longer in service and recognized depreciation expense of \$4.3 million during 2005-06. The capital asset section of this discussion and analysis provides greater information.
- Accounts payable and accrued liabilities increased due to timing of expenditures, such as these due to capital construction projects.
- The net change in long-term liabilities (current and non-current portions) is minimal and is mainly related to the debt payments of the Series "A" and Series "B" Bonds and the Refunding of the General Obligation Bonds. The debt section of this discussion and analysis provides greater information.
- In March 2004, the Board of Trustees approved the implementation of a Supplemental Employees Retirement Plan. In 2005-06, the third payment of \$996,935 toward reducing the liability was made, therefore reducing the long-term debt. Additional information related to this liability can be found in Note 13 of the financial statements.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2006



Statement of Revenues, Expenses and Changes in Net Assets

Changes in total net assets as presented on the Statement of Net Assets are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Assets. The purpose of this statement is to present the operating and non-operative revenues earned, whether received or not, by the District, the operating and non-operating expenses incurred, whether paid or not, by the District, and any other revenues, expenses, gains and/or losses earned or incurred by the District. Thus, this Statement presents the District's results of operations.

Generally, operating revenues are earned for providing goods and services to the various customers and constituencies of the District. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues and to fulfill the mission of the District. Non-operating revenues are those received or pledged for which goods and services are not provided; for example, state appropriations are non-operating because they are provided by the legislature to the District without the legislature directly receiving commensurate goods and services for those revenues.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2006

A summarized comparison of the Statement of Revenues, Expenses and Changes in Net Assets is presented below:

	(in thousands)		
	<u>2006</u>	<u>2005*</u>	<u>Change</u>
OPERATING REVENUES			
Net enrollment, tuition and fees	\$ 14,292	\$ 13,868	3.06%
Grants and contracts, non-capital	<u>29,638</u>	<u>28,353</u>	4.53%
Total operating revenues	<u>43,930</u>	<u>42,221</u>	4.05%
Total operating expenses	147,558	138,606	6.46%
Operating loss	(103,628)	(96,385)	7.51%
Non-Operating revenues (expenses), non-capital			
State apportionments, non-capital	91,803	64,884	41.49%
Local property taxes	16,628	20,543	-19.06%
State taxes and other revenues (losses)	4,534	3,510	29.17%
Interest expense	(2,465)	(4,467)	-44.82%
Investment income, net	<u>3,295</u>	<u>1,601</u>	105.81%
Total non-operating revenues (expenses)	<u>113,795</u>	<u>86,071</u>	32.21%
Other revenues, expenses, gains or losses, capital	<u>22,195</u>	<u>22,537</u>	-1.52%
Change in net assets	32,362	12,223	164.76%
Net assets, beginning of year	<u>88,310</u>	<u>76,087</u>	16.06%
Net assets, end of year	<u>\$ 120,672</u>	<u>\$ 88,310</u>	36.65%

*Certain reclassifications have been made to the summarized financial statements for the year 2004-05 to conform to the 2005-06 summarized financial statement presentation.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

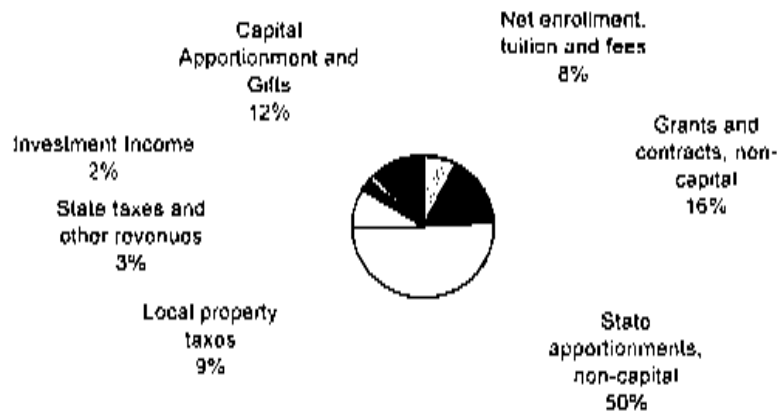
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2006

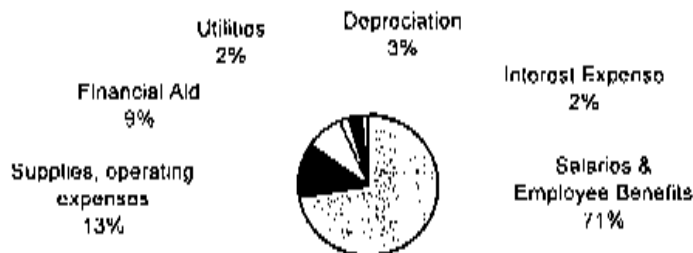
- Net enrollment, tuition and fees increased by approximately 3.1%. This increase is attributed to the net effect of an increase in student enrollment and minimal increase in non-resident tuition and a decrease in various materials fees.
- Non-capital grants and contracts increased due to new federal grants, although state grants decreased. The District received \$1.1 million from the Walnut Redevelopment Funds, which accounts for the increase.
- The increase in operating expenses of 6.5% was directly related to the 4.5% salary and benefit increase and a slight increase in utility costs. Also, as new buildings are completed, depreciation expense increases.
- The District receives its apportionment revenue from the following three sources: State apportionment, property taxes and enrollment fees. Local property taxes continue to be diverted from the community colleges to cities and counties; therefore the District continues to receive more State apportionment in the funding formula than prior to 2004-05. The net increase is due to an increase in funded FTES, a COLA increase from 2.48% to 4.24%, growth funding and a prior year apportionment adjustment due to a correction in the FTES calculation method.
- The decrease in interest expense is primarily due to a reduction in bond interest expense of \$1.2 million as a result of the bond refunding and an increase in bond premium amortization of \$1.0 million.
- Investment interest income increased due to the increase in interest rates.
- Functional expenses are detailed in Note 15 of the financial statements.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006

Revenue
for the Year ended June 30, 2006



Expenses
for the Year Ended June 30, 2006



MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2006

Statement of Cash Flows

The Statement of Cash Flows provides information about cash receipts and cash payments during the fiscal year. This Statement also helps users assess the District's ability to generate positive cash flows, meet obligations as they come due, and the need for external financing.

The Statement of Cash Flows is divided into five parts. The first part reflects operating cash flows and shows the net cash used by the operating activities of the District. The second part details cash received for non-operating, non-investing and non-capital financing purposes. The third part shows cash flows from capital and related financing activities. This part deals with the cash used for the acquisition and construction of capital and related items. The fourth part provides information from investing activities and the amount of interest received. The last section reconciles the net cash used by operating activities to the operating loss reflected on the Statement of Revenues, Expenses and Changes in Net Assets.

	(in thousands)		
	<u>2006</u>	<u>2005*</u>	<u>Change</u>
Cash Provided By (Used in)			
Operating activities	\$ (98,848)	\$ (92,451)	6.92%
Non-capital financing activities	109,593	86,154	27.21%
Capital and related financing activities	(15,698)	(21,782)	-27.93%
Investing activities	<u>24,021</u>	<u>(44,255)</u>	-154.28%
Net change in cash and cash equivalents	19,068	(72,334)	-126.36%
Cash Balance, Beginning of Year	<u>38,175</u>	<u>110,509</u>	-65.46%
Cash Balance, End of Year	<u>\$ 57,243</u>	<u>\$ 38,175</u>	49.95%

* Certain reclassification have been made to the summarized financial statements for the year 2004-05 to conform to the 2005-06 summarized financial statement presentation.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2006, the District had over \$159.0 million invested in net capital assets. Total capital assets of \$195.4 million consist of land, buildings and building improvements, construction in progress, vehicles, data processing equipment and other office equipment; these assets have accumulated depreciation of \$36.3 million. Significant capital asset additions and deletions of \$38.3 million, which is mainly a net increase in construction in progress totaling \$30.3 million, a net increase in equipment totaling \$1.2 million and an increase in site improvements totaling \$6.8 million, occurred during 2005-06. Depreciation expense of \$4.3 million was recorded for the fiscal year, as were net retirements of \$113,000.

During 2005-06, construction was completed for the following projects: RISCC Computer Lab-Building 28 (Project 17), Technology Center Renovation-Building 28A, Room 103 (Project 17), Warehouse Fire Sprinklers (Project 17), Trailers for Business Division-Buildings 18A and 18B (Project 17), and major portions of Infrastructure Projects (Project 17).

Construction in progress during 2005-06 includes the following projects: Science-Building 60, Greenhouse Unit and Animal Care Unit (Agricultural-Phase 2), Child Development Center, Classroom Renovation-Buildings 7, 11, 26, Student Services Renovation-Building 9B, Art Renovation-Building 113/C, Founders Hall Remodel-Building 10, Math and Science-Building 61, Seismic Project and the Music Expansion Project.

Note 5 to the financial statements provide additional information on capital assets. A comparison of capital assets, net of depreciation is summarized below:

	(in thousands)		
	<u>2006</u>	<u>2005</u>	<u>Change</u>
Land	\$ 619	\$ 619	0.00%
Buildings and improvements	98,064	94,442	3.84%
Equipment	3,908	3,575	9.31%
Construction in progress	56,434	26,099	116.23%
Net Capital Assets	<u>\$ 159,025</u>	<u>\$ 124,735</u>	27.49%

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006

Debt

At June 30, 2006, the District had \$111.9 million in debt, primarily due to the outstanding \$6.7 million in Series "A" General Obligation Bonds issued in May, 2002, outstanding \$22.3 million in Series "B" General Obligation Bonds issued in February, 2004 and outstanding \$75.7 million General Obligation Refunding Bonds issued September, 2005. The general obligation bonds were initially issued to fund 17 major projects related to construction and renovation of instructional facilities, laboratories and centers, but as a result of increased construction costs, three of these projects have been eliminated, therefore there are currently 14 major projects. These projects will be completed in phases which began in 2001-02 and are scheduled to end in 2008. The general obligation bonds comprise approximately 97% of the District's total debt. Debt payments on the bond will be funded through property tax receipts collected over the term of the bonds. The District's bond rating of Triple A has not changed from the prior year.

The District implemented a Supplemental Employee Retirement Plan, which was approved by the Board of Trustees on March 26, 2003. This debt is approximately 1.7% of the District's total debt.

Notes 6, 8 through 10 and 13 to the financial statements provide additional information on long-term liabilities. A comparison of long-term debt is summarized below:

	(in thousands)		
	<u>2006</u>	<u>2005</u>	<u>Change</u>
Long-term debt			
Capital leases	\$ 77	\$ 120	-35.83%
Loan Payable	1,085	1,312	-17.30%
General Obligation bonds (including premium)	115,939	106,512	8.85%
General Obligation bonds - Accreted Interest	320	-	100.00%
General Obligation bonds - Deferred Liability	(7,430)	-	100.00%
Supplemental Employee Retirement Plan	<u>1,994</u>	<u>2,991</u>	-33.33%
Total long-term debt	111,985	110,935	0.95%
Less current portion	<u>(9,165)</u>	<u>(6,676)</u>	37.28%
Long term portion	<u>\$ 102,820</u>	<u>\$ 104,259</u>	-1.38%

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2006

Economic Factors that May Affect the Future

As of June 30, 2006, the District's overall financial position is strong due to prior year's prudent fiscal management, which resulted in healthy reserves. Even with the financial challenges of the previous fiscal years, the District was able to increase total net assets by \$32.4 million.

The economic position of the District is closely tied to that of the State of California. As the economy continues to improve, historically, community colleges tend to experience a decline in enrollment. As a result, half of the community college districts in the state received stability funding for 2005-06. Another factor in this statewide enrollment decline may be the increase in enrollment fees from \$18 per unit to \$26 per unit. Community colleges throughout the state will have a significant challenge to maintain current enrollment and to obtain additional growth.

Management will maintain a close watch over resources to maintain our ability to react to internal and external issues if and when they arise.

Subsequent Events

General Obligation Bonds

On July 26, 2006, the Board of Trustees approved the issuance of the Series "C" General Obligation Bonds in the amount of \$80 million, which should be issued sometime in late September.

Enterprise Application Software and Related Services

On July 26, 2006, the Board of Trustees approved the purchase of a new fully integrated Enterprise Application System to replace the College's existing legacy systems. The estimated total cost for the software, hardware, maintenance and implementation over the next ten-year period is \$21.6 million.

Salary and Benefit Increases

Effective July 1, 2006, all Faculty, Management, Confidential and Classified employees will receive a 6.92% salary and benefit increase.

Decrease in Student Enrollment Fees

Effective January 1, 2007, student enrollment fees will decrease from \$26 per unit to \$20 per unit.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006

Requests for Information

The financial report is designed to provide a general overview of the District's finances. Questions concerning this report or requests for additional financial information should be addressed to the Mt. San Antonio Community College District, Office of the Director of Fiscal Services, 1100 North Grand Avenue, Walnut, CA 91789.

BASIC FINANCIAL STATEMENTS

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET ASSETS
June 30, 2006

	<u>Primary Government</u>	<u>Component Unit Auxiliary Services</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 40,469,418	\$ 664,238
Investments	21,478,469	
Accounts receivable, net	21,085,449	400,073
Due from Auxiliary Services	980,382	
Due from the District		376,657
Inventories	64,000	1,852,663
Prepaid expenses and deposits	316,458	18,820
Total Current Assets	<u>88,494,176</u>	<u>3,312,441</u>
Non-Current Assets		
Restricted cash and cash equivalents	12,774,155	
Cash investment for Auxiliary Services		28,972
Notes receivable		93,420
Student loans receivable, net	113,953	
Capital assets, net of accumulated depreciation	159,025,372	1,059,066
Total Non-Current Assets	<u>171,913,380</u>	<u>1,181,458</u>
TOTAL ASSETS	\$ 260,407,556	\$ 4,493,899
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 12,521,264	\$ 158,711
Accrued liabilities	7,203,853	610,201
Deferred revenue	2,995,274	13,758
Compensated absences	4,552,598	171,300
Due to Auxiliary Services	434,989	
Due to the District		105,615
Amount held in trust for others	43,390	13,736
Supplemental employee retirement plan payable - current portion	996,935	
Capital leases - current portion	40,541	
Loans payable - current portion	232,740	
Bonds payable - current portion	7,895,000	
Total Current Liabilities	<u>36,916,584</u>	<u>1,073,321</u>
Non-Current Liabilities		
Supplemental employee retirement plan payable	996,935	
Capital leases	36,866	
Loans payable	852,458	
Bonds payable, net	100,933,227	
Total Non-Current Liabilities	<u>102,819,486</u>	<u>-</u>
TOTAL LIABILITIES	139,736,070	1,073,321
NET ASSETS		
Invested in capital assets, net of related debt	82,572,470	1,059,066
Restricted for		
Scholarships and loans	1,160	
Capital projects	6,853,528	
Debt service	9,690,501	
Other special services	3,642,610	
Unrestricted	19,111,217	2,361,512
TOTAL NET ASSETS	120,671,486	3,420,578
TOTAL LIABILITIES AND NET ASSETS	\$ 260,407,556	\$ 4,493,899

See the accompanying notes to the financial statements.

MT, SAN ANTONIO COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2006

	<u>Primary Government</u>	<u>Component Unit Auxiliary Services</u>
OPERATING REVENUES		
Enrollment, tuition and other fees (gross)	\$ 19,887,234	\$
Less: Scholarship discounts and allowances	<u>(5,595,038)</u>	.....
Net enrollment, tuition and other fees	14,292,196	-
Grants and contracts, non-capital:		
Federal	15,486,683	
State	9,556,501	
Local	4,694,738	
Auxiliary enterprise sales and charges, net	.....	3,418,410
TOTAL OPERATING REVENUES	43,930,118	3,418,410
OPERATING EXPENSES		
Salaries	87,053,169	2,073,964
Employee benefits	21,231,316	683,189
Supplies, materials and other operating expenses and services	18,896,579	900,304
Financial aid	12,771,783	
Utilities	3,312,221	
Depreciation	..... 4,293,522	126,806
TOTAL OPERATING EXPENSES	147,558,590	3,784,463
OPERATING (LOSS)	(103,628,472)	(366,053)
NON-OPERATING REVENUES (EXPENSES)		
State apportionments, non-capital	91,803,380	
Local property taxes	16,627,782	
District fees		178,078
State taxes and other revenues	4,647,547	
Loss on disposal of fixed assets	(103,738)	
Interest expense	(2,465,059)	
Investment income, net	3,294,853	288,116
TOTAL NON-OPERATING REVENUES (EXPENSES)	113,799,765	466,194
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS OR (LOSSES)	..... 10,166,293	100,141
OTHER REVENUES, EXPENSES GAINS OR (LOSSES)		
State apportionments, capital	9,789,779	
Local property taxes and revenues, capital	12,396,603	
Gifts, capital	8,751	.....
TOTAL OTHER REVENUES, EXPENSES, GAINS OR (LOSSES)	22,195,133	-
INCREASE IN NET ASSETS	32,361,426	100,141
NET ASSETS, BEGINNING OF YEAR	..... 88,310,060	..... 3,320,447
NET ASSETS, END OF YEAR	\$ 120,671,486	\$ 3,420,578

See the accompanying notes to the financial statements.

MC, SAN ANTONIO COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2006

	Primary Government	Component Unit Auxiliary Services
CASH FLOWS FROM OPERATING ACTIVITIES		
Enrollment, tuition and fees	\$ 13,832,161	\$
Federal grants and contracts	14,720,039	
State grants and contracts	9,999,216	
Local grants and contracts	4,444,935	
Payments to suppliers	(18,936,623)	
Sales		8,824,824
Payments to/on-behalf of employees	(107,972,238)	(2,882,770)
Payments to/on-behalf of students	(12,234,393)	(6,527,601)
Other receipts/(payments)	(2,701,634)	
Net cash used by operating activities	<u>(98,848,337)</u>	<u>(585,547)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
State apportionments and receipts	92,965,535	
Property taxes	<u>16,627,782</u>	
Net cash provided by non-capital financing activities	<u>109,593,317</u>	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from capital debt	85,216,420	
State apportionment and receipts for capital purposes	10,028,918	
Property taxes and other local revenue from capital purposes	11,532,202	
Grants and gifts for capital purposes	8,751	
District fees		8,928
Net purchase and sale of capital assets	(38,707,252)	(197,496)
Principal and interest paid on capital debt	(9,088,357)	
Deposit to refunding escrow agent to defense capital debt	(75,745,378)	
Payment of bond issue costs	(870,579)	
Interest on capital investments	1,927,621	
Net cash used by capital and related financing activities	<u>(15,697,654)</u>	<u>(188,568)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net purchase/maturity of investments	23,205,598	
Interest on investments	816,086	288,109
Net cash provided by investing activities	<u>24,021,684</u>	<u>288,109</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	19,069,010	(486,006)
CASH BALANCE - Beginning of Year	<u>38,174,563</u>	1,179,216
CASH BALANCE - End of Year	<u>\$ 57,243,573</u>	<u>693,210</u>
Supplemental Disclosure		
Non-cash financing activities		
Reduction on loans payable - usage credits	<u>\$ 10,052</u>	

See the accompanying notes to the financial statements.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2006

	<u>Primary Government</u>	<u>Component Unit Auxiliary Services</u>
<u>Reconciliation of Operating Loss to Net Cash Used by Operating Activities</u>		
CASH USED BY OPERATING ACTIVITIES		
Net Operating Loss	\$ (103,628,472)	\$ (366,053)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation expense	4,293,522	126,806
Changes in assets and liabilities:		
Accounts and student loans receivable, net	(1,269,162)	117,600
Due from Auxiliary Services	194,734	
Due from District		(41,386)
Inventories	(20,505)	(19,194)
Prepaid expenses	(416,458)	(3,071)
Notes receivable		5,190
Accounts payable and accrued liabilities	4,826,729	(41,040)
Due to Auxiliary Services	122,138	
Deferred revenue	328,168	(13,422)
Compensated absences	736,410	18,381
Due to District		(269,980)
Due to fiduciary funds		(99,030)
Amounts held in custody for others	(3,018,506)	(348)
Supplemental employee retirement plan payable	(996,935)	
Net cash used by operating activities	<u>\$ (98,848,337)</u>	<u>\$ (585,547)</u>
Breakdown of ending cash balance:		
Cash and cash equivalents	\$ 44,069,418	\$ 661,238
Restricted cash and cash equivalents	12,774,155	
Cash investment for Auxiliary Services		28,972
Total	<u>\$ 57,243,573</u>	<u>693,210</u>

See the accompanying notes to the financial statements.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS - COMPONENT UNIT
June 30, 2006

	<u>Auxiliary Services</u>	
	<u>Student Loans and Scholarship Fund</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 224,217	\$ 4,647,190
Cash with the District		14,419
Accounts receivable	33,822	184,856
Due from the District		<u>58,332</u>
TOTAL ASSETS	<u>\$ 258,039</u>	<u>\$ 4,904,797</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$	\$ 2,405
Other accrued liabilities		109,236
Deferred revenue		1,690,138
Due to the District		874,767
Compensated absences		26,294
Amount held in trust for loans	86,500	
Amount held in trust for others		<u>2,201,957</u>
TOTAL LIABILITIES	<u>86,500</u>	<u>4,904,797</u>
NET ASSETS		
Reserved for scholarships	171,539	
TOTAL NET ASSETS	171,539	-
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 258,039</u>	<u>\$ 4,904,797</u>

See the accompanying notes to the financial statements.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - COMPONENT UNIT
For the Fiscal Year Ended June 30, 2006

	<u>Auxiliary Services</u> <u>Student Loans</u> <u>and Scholarship</u> <u>Fund</u>
ADDITIONS	
Donations	\$ 259,084
TOTAL ADDITIONS	<u>259,084</u>
DEDUCTIONS	
Scholarships awarded	<u>235,733</u>
TOTAL DEDUCTIONS	235,733
Change in Net Assets	23,351
NET ASSETS, BEGINNING OF YEAR	<u>148,188</u>
NET ASSETS, END OF YEAR	<u>\$ 171,539</u>

See the accompanying notes to the financial statements.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. REPORTING ENTITY

The District is the level of government primarily accountable for activities related to public education. The governing authority consists of elected officials who, together, constitute the Board of Trustees.

The District considered its financial and operational relationships with potential component units under the reporting entity definition of GASB Statement No. 14, The Financial Reporting Entity. The basic, but not the only, criterion for including another organization in the District's reporting entity for financial reports is the ability of the District's elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one entity is dependent on another and that the dependent unit should be reported as part of the other.

Oversight responsibility is derived from the District's power and includes, but is not limited to: financial interdependency; selection of governing authority; designation of management; ability to significantly influence operations; and accountability for fiscal matters.

Based upon the requirements of GASB Statement No. 14, and as amended by GASB Statement No. 39, Determining Whether Certain Organizations are Component Units, certain organizations warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the District, including their ongoing financial support of the District or its other component units. A legally separate, tax-exempt organization should be reported as a component unit of the District if all of the following criteria are met:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the District, its component units, or its constituents.
2. The District, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization that the District, or its component units, is entitled to, or has the ability to otherwise access, are significant to the District.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

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

A. REPORTING ENTITY (continued)

Based upon the application of the criteria listed above, the following potential component unit has been included in the District's reporting entity:

Mt. San Antonio College Auxiliary Services - The Auxiliary is a separate not-for-profit corporation formed to promote and assist the educational program of the District. The Board of Directors are comprised of the President/CEO and Vice President of Administrative Services for the District along with the Associated Students' President and two other members appointed by the President/CEO. In addition, the Auxiliary shall not carry on any activities not approved by the President/CEO of the District. Upon dissolution of the Auxiliary, net assets, other than trust funds, will be distributed to the District. The financial activities of the Auxiliary have been discreetly presented.

Based upon the application of the criteria listed above, the following potential component unit has been excluded from the District's reporting entity:

Mt. San Antonio College Foundation - The Foundation is a separate not-for-profit corporation. The Foundation is not included as a Component Unit because the third criterion was not met; the economic resources received and held by the Foundation are not significant to the District.

Separate financial statements for the Auxiliary and the Foundation can be obtained through the District.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

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

B. FINANCIAL STATEMENT PRESENTATION

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, Basic Financial Statements and Management Discussion and Analysis for State and Local Governments and Statement No. 35, Basic Financial Statements and Management Discussion and Analysis of Public College and Universities, issued in June and November 1999 and Audits of State and Local Governmental Units issued by the American Institute of Certified Public Accountants. The financial statement presentation required by GASB No. 34 and No. 35 provides a comprehensive, entity-wide perspective of the District's financial activities. Fiduciary activities, with the exception of Student Financial Aid Programs, are excluded from the basic financial statements. The Fiduciary activities of the District's component unit are reported separately in the Fiduciary statements.

The District operates a Warrant Pass-Through agency fund as a holding account for amounts collected from employees for Federal taxes, State taxes and other contributions. The District had cash in the County Treasury amounting to \$1,286,653 on June 30, 2006, which represents withholdings payable. The Warrant Pass-Through Fund is not reported in the basic financial statements.

C. BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

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

C. BASIS OF ACCOUNTING (continued)

For financial reporting purposes, the District is considered a special-purpose government engaged in business-type activities. Accordingly, the District's basic financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated with exception of those between the District and its component unit.

For internal accounting purposes, the budgetary and financial accounts of the District have been recorded and maintained in accordance with the Chancellor's Office of the California Community College's Budget and Accounting Manual.

To ensure compliance with the California Education Code, the financial resources of the District are divided into separate funds for which separate accounts are maintained for recording cash, other resources and all related liabilities, obligations and equities.

By state law, the District's Governing Board must approve a budget no later than September 15. A public hearing must be conducted to receive comments prior to adoption. The District's Governing Board satisfied these requirements. Budgets for all governmental funds were adopted on a basis consistent with generally accepted accounting principles (GAAP).

These budgets are revised by the District's Governing Board during the year to give consideration to unanticipated income and expenditures. Formal budgetary integration was employed as a management control device during the year for all budgeted funds. Expenditures cannot legally exceed appropriations by major object account.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

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

C. BASIS OF ACCOUNTING (continued)

In accordance with GASB Statement No. 20, the District follows all GASB statements issued prior to November 30, 1989 until subsequently amended, superseded or rescinded. The District has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989 unless FASB conflicts with GASB. The District has elected to not apply FASB pronouncements issued after the applicable date.

1. Cash and Cash Equivalents

Cash in the County treasury is recorded at cost, which approximates fair value, in accordance with the requirements of GASB Statement No. 31. The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

2. Accounts Receivable

Accounts receivable consists primarily of amounts due from the Federal government, State and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grant and contracts. Accounts receivable are recorded net of estimated uncollectible amounts. The District recognized for budgetary and financial reporting purposes any amount of state appropriations deferred from the current fiscal year and appropriated from the subsequent fiscal year for payment of current year costs as a receivable in the current year.

3. Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2006, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

MI. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

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

C. BASIS OF ACCOUNTING (continued)

4. Due from Auxiliary

Due from Auxiliary consists primarily of Spring enrollment fees collected and amounts due for workers compensation.

5. Inventories

Inventories are presented at cost on an average basis and are expensed when used. Inventory consists of expendable instructional, custodial, health and other supplies held for consumption.

6. Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents are those amounts externally restricted as to use pursuant to the requirements of the District's grants, contracts, debt service requirements and amounts held for the District's component unit.

7. Student Loans Receivable, Net

Student loans receivable consist of loan advances to students awarded under the student financial aid programs the District administers for federal agencies. Student loans receivable are recorded net of cancelled principal. The receivables are held in trust for the awarding federal agency.

8. Capital Assets

Capital assets are recorded at cost at the date of acquisition. Donated capital assets are recorded at their estimated fair value at the date of donation. For equipment, the District's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life of greater than one year. Buildings valued at a cost of \$150,000 or more as well as renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Interest incurred during construction is not capitalized.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

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

C. BASIS OF ACCOUNTING (continued)

8. Capital Assets (continued)

The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend the asset's life is recorded in operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 50 years for buildings and building improvements, 10 years for land improvements, 8 years for equipment and vehicles and 3 years for technology.

9. Accounts Payable

Accounts payable consists of amounts due to vendors.

10. Accrued Liabilities

Accrued liabilities consist of salary and benefits payable of \$5,630,455 and accrued interest payable of \$1,573,398 on bonded debt.

11. Due to Auxiliary

Due to Auxiliary consists primarily of expenses related to the Bursar's Office and Bookstore.

12. Deferred Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Deferred revenue is recorded to the extent cash received on specific projects and programs exceed qualified expenditures.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

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

C. BASIS OF ACCOUNTING (continued)

13. Compensated Absences

In accordance with GASB Statement No. 16, accumulated unpaid employee vacation benefits are recognized as liabilities of the District as compensated absences in the Statement of Net Assets.

The District has accrued a liability for the amounts attributable to load banking hours within compensated absences. Load banking hours consist of hours worked by instructors in excess of a full-time load for which they may carryover for future paid time off.

Sick leave benefits are accumulated without limit for each employee. The employees do not gain a vested right to accumulated sick leave.

Accumulated employee sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires within the constraints of the appropriate retirement systems.

14. Net Assets

Invested in capital assets, net of related debt: This represents the District's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted net assets expendable: Restricted expendable net assets include resources in which the District is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

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

C. BASIS OF ACCOUNTING (continued)

14. Net Assets (continued)

Restricted net assets – nonexpendable: Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. The District had no restricted net assets – nonexpendable.

Unrestricted net assets: Unrestricted net assets represent resources available to be used for transactions relating to the general operations of the District, and may be used at the discretion of the governing board to meet current expenses for any purpose.

15. State Apportionments

Certain current year apportionments from the state are based upon various financial and statistical information of the previous year.

Any prior year corrections due to the recalculation in February of 2007 will be recorded in the year computed by the State.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

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

C. BASIS OF ACCOUNTING (continued)

16. Property Taxes

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on November 15 and March 15. Unsecured property taxes are payable in one installment on or before August 31.

Real and personal property tax revenues are reported in the same manner in which the County auditor records and reports actual property tax receipts to the Department of Education. This is generally on a cash basis. A receivable has not been recognized in the General Fund for property taxes due to the fact that any receivable is offset by a payable to the State for revenue limit purposes. Property taxes for debt service purposes have been accrued in the basic financial statements.

17. On-Behalf Payments

GASB Statement No. 24 requires that direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits to the State Teachers Retirement System on behalf of all Community Colleges in California. However, a fiscal advisory was issued by the California Department of Education instructing districts not to record revenue and expenditures for these on-behalf payments. The amount of on-behalf payments made for the District is estimated at \$1,024,000 for STRS.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

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

C. BASIS OF ACCOUNTING (continued)

18. Classification of Revenues

The District has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as student fees, net of scholarship discounts and allowances, and federal and most state and local grants and contracts.

Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as state apportionments, taxes, and other revenue sources that are defined as nonoperating revenues by GASB No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting, and GASB No. 33, such as investment income.

19. Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statement of revenues, expenses, and changes in net assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the District, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as operating revenues in the District's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the District has recorded a scholarship discount and allowance.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

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

C. BASIS OF ACCOUNTING (continued)

20. 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 AND INVESTMENTS:

A. Deposits

Custodial Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial risk. As of June 30, 2006, \$267,741 of the District's bank balance of \$391,998 was exposed to credit risk as follows:

Uninsured and collateral held by pledging bank's trust department not in the District's name	\$267,741
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Cash in County

In accordance with the Budget and Accounting Manual, the District maintains substantially 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 approximates fair value. The fair market value of the District's deposits in this pool as of June 30, 2006, as provided by the pool sponsor, was \$57,090,164. Interest earned is deposited quarterly into participating funds, except for the Restricted General Fund, Student Financial Aid Fund and Warrant Pass-Through Fund, in which case interest earned is credited to the General Fund. Any investment losses are proportionately shared by all funds in the pool.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 2 - DEPOSITS AND INVESTMENTS: (continued)

B. Investments

California Government Code Sections 16430, 53601, and 53602 allows governmental entities to invest surplus moneys in certain eligible securities. In addition, the District's investment policy, Board Policy Section 770, limits its investment choices to those allowed by California Government Code. The District did not violate any provisions of the California Government Code during the 2005-06 fiscal year.

Investments at June 30, 2006 are presented below:

<u>Investment</u>	<u>Maturities</u>	<u>Standard & Poor's Rating</u>	<u>Fair Value</u>
Federal Agency Discount Notes	7/7/2006 - 8/15/2006	AAA	\$20,156,610
Federal Agency Notes	8/15/2006	AAA	1,512,692
Total			\$21,669,302

The investments are carried at cost on the financial statements which approximates fair value. Cost at June 30, 2006 is \$21,478,469.

Interest Rate Risk

The District has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The maximum maturity of any single issue is five years.

Concentration of Credit Risk

The District places no limit on the amount that may be invested in Federal Agency or government-sponsored enterprises. However, the District does diversify its investments by security type and maturities to prevent incurring unreasonable or avoidable credit risk. All of the District's investments are in Federal Agency Notes; 14% are invested in Federal Home Loan Bonds; and 86% are invested in the Federal Home Loan Mortgage Corporation. These government-sponsored agency securities are not guaranteed by the U.S. government.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 3 - ACCOUNTS RECEIVABLE:

The accounts receivable balance as of June 30, 2006 consists of the following:

Federal and State	\$18,025,832
Miscellaneous	<u>3,059,617</u>
	\$21,085,449

NOTE 4 - INTERFUND TRANSACTIONS:

Interfund transfers consist of operating transfers from funds receiving resources to funds through which the resources are to be expended. Interfund receivables and payables result when the interfund transfer is transacted after the close of the fiscal year. Interfund activity has been eliminated in the basic financial statements.

NOTE 5 - CAPITAL ASSETS:

The following provides a summary of changes in capital assets for the year ended June 30, 2006:

	<u>Balance</u> <u>June 30, 2005</u>	<u>Additions (1)</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2006</u>
Land	\$ 619,480	\$	\$	\$ 619,480
Site and site improvements	121,177,100	6,787,080		127,964,180
Equipment	9,141,297	1,576,113	(377,783)	10,339,627
Construction in progress	<u>26,099,175</u>	<u>37,121,384</u>	<u>(6,787,080)</u>	<u>56,433,479</u>
Total cost	<u>157,037,052</u>	<u>45,484,577</u>	<u>(7,164,863)</u>	<u>195,356,766</u>
Less accumulated depreciation for:				
Site and site improvements	(26,735,790)	(3,164,271)		(29,900,061)
Equipment	(5,566,472)	(1,129,251)	264,290	<u>(6,431,433)</u>
Total accumulated depreciation	(32,302,262)	(4,293,522)	264,290	(36,331,494)
Governmental capital assets, net	<u>\$ 124,734,790</u>	<u>\$ 41,191,055</u>	<u>\$ (6,900,573)</u>	<u>\$ 159,025,272</u>

(1) Additions in total costs include \$6,787,080 in construction in progress completed and reclassified as site and site improvements

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 6 - CAPITAL LEASES:

The District leases equipment valued at approximately \$366,000 under agreements which provide for title to pass upon expiration of the lease period. Future minimum lease payments are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006-07	\$ 40,541	\$ 4,677	\$ 45,218
2007-08	18,531	2,280	20,811
2008-09	<u>18,335</u>	<u>741</u>	<u>19,076</u>
Total	<u>\$ 77,407</u>	<u>\$ 7,698</u>	<u>\$ 85,105</u>

The District will receive no sublease rental revenues nor pay any contingent rentals for this equipment.

NOTE 7 - OPERATING LEASES:

Operating Leases

The District has entered into various operating leases for modular buildings with lease terms in excess of one year. Future minimum lease payments under these agreements are as follows:

<u>Fiscal Year</u>	<u>Lease Payment</u>
2006-07	\$280,608
2007-08	186,732
2008-09	98,864
2009-10	<u>2,952</u>
Total	\$569,156

Current year expenditures for operating leases is approximately \$188,000. The District will receive no sublease rental revenues nor pay any contingent rentals for these properties.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 8 - LOANS PAYABLE:

A. City of Walnut

The District has entered into an agreement on November 24, 1993 with the Walnut Improvement Agency (the Agency) on behalf of the City of Walnut (the City) whereby the Agency shall contribute a maximum of \$1,000,000 to the District for construction of the Performing Arts Center. The District will reimburse the City for the Agency's contribution over a period of 20 years. The District must pay the City on a quarterly basis as of March 31, June 30, September 30 and December 31, \$1 for every ticket sold for all performances during the respective quarters and receive credit towards the loan for the City's usage of the facility.

During fiscal year 2005-06, the District repaid \$16,187 to the City, and received \$10,052 in facility usage credit. The remaining balance of \$394,945 is reflected as a liability on the Statement of Net Assets.

B. California Energy Commission

On July 26, 2001 the District entered into a loan agreement for \$962,617 with the California Energy Commission for use in the installation of two thermal energy storage systems. The annual interest rate for the loan is 3%.

Annual loan payments outstanding as of June 30, 2006 are as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$145,827	\$ 7,800	\$153,627
2008	150,227	3,400	153,627
	\$296,054	\$ 11,200	\$307,254

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 8 - LOANS PAYABLE: (continued)

B. California Energy Commission (continued)

On July 20, 2001 the District entered into a loan agreement for \$647,134 with the California Energy Commission for use in the installation of energy efficient lighting. The annual interest rate for the loan is 3%.

Annual loan payments outstanding as of June 30, 2006 are as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 60,913	\$ 11,374	\$ 72,287
2008	62,729	9,557	72,286
2009	64,649	7,637	72,286
2010	66,603	5,683	72,286
2011	68,617	3,670	72,287
2012	<u>70,688</u>	<u>1,598</u>	<u>72,286</u>
	\$394,199	\$ 39,519	\$433,718

NOTE 9 - 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 (Series A and B) of the District and to pay for certain capital improvements.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 9 - BONDED DEBT: (continued)

The proceeds associated with the refunding were deposited in an escrow fund for future repayment. At June 30, 2006 the outstanding balance of the defeased debt to be paid by the escrow agent totaled \$68,315,000. These bonds are considered fully defeased and are not recorded on the financial statements. The difference in cash flow requirements related to this refunding amounted to a savings of approximately \$12,176,000. The present value of economic gain to the District amounts to approximately \$2,653,000. 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.

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.

The outstanding bonded debt of Mt. San Antonio Community College District at June 30, 2006 is:

<u>Date of Issue</u>	<u>Interest Rate %</u>	<u>Maturity Date (1)</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2005</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year (2)</u>	<u>Outstanding June 30, 2006</u>
5/1/02 A	3.25-5.50%	5/1/2027	\$ 40,000,000	\$ 27,795,000	\$	\$ 21,085,000	\$ 6,710,000
2/4/04 B	2.5-5.25%	8/1/2028	75,000,000	75,000,000		52,640,000	22,360,000
9/7/05	3.5-5.0%	8/1/2017		-	75,745,843		75,745,843
			<u>\$ 115,000,000</u>	<u>\$ 102,795,000</u>	<u>\$ 75,745,843</u>	<u>\$ 73,725,000</u>	<u>\$ 104,815,843</u>

(1) Revised maturity date on non-refunded portion:

Series A 5/1/2012

Series B 8/1/2014

(2) Redeemed current year to refunded bond escrow agents:

Series A \$19,945,000

Series B \$48,370,000

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 9 - BONDED DEBT: (continued)

The annual requirements to amortize all bonds payable, outstanding as of June 30, 2006, are as follows:

Year Ended June 30	Principal	Accreted Interest	Interest	Total
2007	\$ 7,895,000	\$	\$ 3,847,951	\$ 11,742,951
2008	7,625,000		3,589,549	11,214,549
2009	7,510,000		3,330,224	10,840,224
2010	8,140,000		3,039,488	11,179,488
2011	8,600,000		2,719,707	11,319,707
2012-2016	53,245,000		6,933,606	60,178,606
2017-2018	<u>11,800,843</u>	<u>15,754,157</u>	(3)	<u>27,555,000</u>
Total Debt Service	104,815,843	<u>\$ 15,754,157</u>	<u>\$ 23,460,525</u>	<u>\$ 144,030,525</u>
Unamortized bond premium, net of costs (1)	11,122,612			
Unamortized bond, deferred liability (2)	<u>(7,430,378)</u>			
Total	<u>\$ 108,508,077</u>			

(1) Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The bonds issued in February, 2004 included a premium of \$4,881,623 and issuance costs of \$1,002,500. The refunding bonds issued in September, 2005 included a premium of \$9,470,577 and issuance costs of \$870,579. The net amount of \$12,479,121 is amortized using the straight-line method. Amortization of \$1,194,876 was recognized during the 2005-06 year.

(2) The difference between the reacquisition price and the net carrying amount on refunded debt is deferred and amortized as a component of interest expense over the life of the new debt. Payments to the refunding escrow agent exceeded the existing carrying value of the refunded debt by \$7,430,378. Amortization will begin in 2006-07.

(3) At June 30, 2006, \$320,150, in accreted interest has been accrued and included in long-term debt.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 10 - LONG-TERM DEBT:

A schedule of changes in long-term debt for the year ended June 30, 2006 is shown below:

	<u>Balance</u> <u>June 30, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2006</u>	<u>Amounts</u> <u>Due in</u> <u>One Year</u>
Capital Leases	\$ 120,146	\$	\$ 42,739	\$ 77,407	\$ 40,511
Loan Payable-City of Walnut	421,184		26,239	394,945	26,000
Energy Loans Payable	890,928		200,675	690,253	206,740
Bonds Payable	102,795,000	75,745,843	73,725,000	104,815,843	7,895,000
Bond Premium	3,717,490	8,599,998	1,194,876	11,122,612	
Bonds Payable, Deferred Liability		(7,430,378)		(7,430,378)	
Bonds - Accreted Interest		320,150		320,150	
Supplemental Employee Retirement Plan	2,990,805		996,935	1,993,870	996,935
Total	<u>\$ 110,935,553</u>	<u>\$ 77,235,613</u>	<u>\$ 76,186,464</u>	<u>\$ 111,984,702</u>	<u>\$ 9,165,216</u>

NOTE 11 - EMPLOYEE RETIREMENT PLANS:

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of the State Teachers' Retirement System (STRS) and classified employees are members of the Public Employees' Retirement System (PERS).

State Teachers' Retirement System (STRS)

Plan Description

The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from STRS, 7667 Folsom Boulevard, Sacramento, CA 95826.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 11 - EMPLOYEE RETIREMENT PLANS: (continued)

State Teachers' Retirement System (STRS) (continued)

Funding Policy

Active plan members are required to contribute 8.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2005-06 was 8.25% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

Public Employees' Retirement System (PERS)

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

Funding Policy

Active plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution for fiscal year 2005-06 was 9.116% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 11 - EMPLOYEE RETIREMENT PLANS: (continued)

Contributions to STRS and PERS

The District's contributions to STRS and PERS for each of the last three fiscal years is as follows:

Year Ended June 30,	STRS		PERS	
	Required Contribution	Percent Contributed	Required Contribution	Percent Contributed
2004	\$3,320,832	100%	\$2,197,885	100%
2005	3,733,269	100%	2,309,641	100%
2006	4,189,665	100%	2,333,493	100%

Los Angeles Regionalized Insurance Services Authority (LARISA)

Plan Description

The Los Angeles Regionalized Insurance Services Authority (LARISA) is a defined contribution plan qualifying under §401(a) and §501 of the Internal Revenue Code. The plan covers part-time, seasonal and temporary employees and employees not covered by §3121(b)(7)(F) of the Internal Revenue Code. The benefit provisions and contribution requirements of plan members and the District are established and may be amended by the LARISA Board of Trustees.

Funding Policy

Contributions of 3% of covered compensation of eligible employees are made by the employer and 4.5% are made by the employee. Total contributions, employer and employee combined, were made in the amount of \$557,379 during the fiscal year. The total amount of covered compensation was \$7,432,391. Total contributions made is 100% of the amount of contributions required for fiscal year 2005-06.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 12 - RETIREE BENEFITS:

The District currently provides retiree medical or Medicare supplement coverage for employees that have rendered at least five years of service for the District and have retired at the age of 50 for PERS retirees or the age of 55 for STRS retirees. These benefits provide for both the employee and their spouse until death. For employees hired after January, 1996, these benefits are no longer provided for the spouse. In addition, the employee must have at least ten years of service credit. At June 30, 2006, there were 465 retirees participating in the plan. The District did not contribute to the reserve in 2005-06 and the District has budgeted a contribution of \$2,717,988 for these benefits in 2006-07.

As described in Note 14, the District is a member of SCCCD-JPA which holds the reserves for the retiree health programs.

Prior to June 30, 2005, in addition to the eligibility requirements noted above, employees were required to contribute 4% of their annual salary. The District determined that the practice of requiring employees to contribute a portion of their salary for their retiree benefits is in conflict with the Public Employees' Medical and Hospital Care Act. On November 16, 2005, the Board of Trustees approved the discontinuance of the District's practice and approved a refund to all employees who contributed to the fund of approximately \$3 million. Refund payments were made in December 2005 from the District's retiree benefit fund.

NOTE 13 - SUPPLEMENTAL EMPLOYEE RETIREMENT PLAN:

On March 26, 2003, the Board of Trustees approved the implementation of the District's Supplemental Employee Retirement Plan for Full-Time Faculty, Classified Employees and Management Employees.

A total of 29 full-time faculty, 8 managers, 32 classified staff and 2 confidential employees are participating. The District will pay benefits of \$996,935 annually over five years totaling \$4,984,676. The first payment was made during 2003-04. The total remaining liability of \$1,993,870 has been reflected in these financial statements.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 14 - JOINT POWERS AGREEMENT:

The Mt. San Antonio Community College District participates in five joint powers agreement (JPA) entities; the Alliance of Schools for Cooperative Insurance Programs (ASCIP); the Southern California Community College District Joint Powers Agency (SCCCD-JPA); the Schools Excess Liability Fund (SELF); the Protected Insurance Programs for Schools (PIPS); and the California Statewide Tax Authority (the Authority). The relationship between the District and the JPAs is such that none of the JPAs are a component unit of the District for financial reporting purposes, as explained on the following pages.

ASCIP arranges for and provides property and liability insurance for its member districts. Mt. San Antonio Community College District pays a premium commensurate with the level of coverage requested.

SCCCD-JPA provides workers' compensation coverage and a reserve to be used toward funding long-term retiree health insurance liabilities for its six member districts. Payments transferred to funds maintained under the JPA are expensed when made. Based upon an actuarial study, District administrators are of the opinion that the procedures for accumulating and maintaining reserves are sufficient to cover future contingencies under potential workers' compensation claims; however, the reserve for retiree health insurance is not yet sufficient to cover future potential payments. An actuarial study dated March 2005 estimates a present value of future post retirement medical benefits of \$82,200,000 for the District and \$4,100,000 for Mt. San Antonio College Auxiliary. The JPA balance at June 30, 2005 applicable to Mt. San Antonio Community College District was approximately \$49,800,000 and approximately \$2,400,000 was applicable to the Mt. San Antonio College Auxiliary.

SELF arranges for and provides a self-funded or additional insurance for excess liability for approximately 1,100 public educational agencies. SELF is governed by a board of 16 elected voting members, elected alternates, and two ex-officio members. The board controls the operations of SELF, including selection of management and approval of operating budgets, independent of any influence by the members beyond their representation on the board. Each member pays an annual contribution based upon that calculated by SELF's board of directors and shares surpluses and deficits proportionately to its participation in SELF.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 14 - JOINT POWERS AGREEMENT: (continued)

PIPS provides workers' compensation reinsurance protection to its membership for public schools and community colleges throughout California.

The Authority purchases delinquent ad valorem property taxes from school agencies in Los Angeles County to receive additional unrestricted revenues through financing of property tax delinquencies. The Authority is a pass through entity and financial information is not available.

Condensed financial information of ASCIP, SCCCD-JPA, SELF, and PIPS for the most current information available is as follows:

	ASCIP 6/30/2005 (Audited)	SCCCD-JPA 6/30/2005 (Audited)	SELF 6/30/2006 (Unaudited)	PIPS 6/30/2005 (Audited)
		Workers' Compensation Insurance Fund	Retiree Health Insurance Fund	
Total assets	\$108,715,729	\$16,940,326	\$69,382,949	\$ 18,814,993
Total liabilities	78,635,152	1,009,372	9,664	18,422,226
Net assets	\$ 30,080,577	\$15,930,954	\$69,373,285	\$ 392,767
Total revenues	\$ 60,547,515	\$ 7,584,791	\$ 5,048,476	\$175,489,825
Total expenditures	53,589,469	6,846,397	56,030	175,146,863
Change in net assets	\$ 6,958,046	\$ 738,394	\$ 4,992,446	\$ 342,962

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 15 - FUNCTIONAL EXPENSE:

	Salaries	Employee Benefits	Supplies, Materials, Utilities, Other Expenses and Services	Student Aid and Other Uses	Depreciation	Total
Instructional	\$ 54,506,706	\$ 11,012,087	\$ 2,984,226	\$	\$	\$ 68,503,019
Academic Support	5,996,165	1,342,074	722,645			8,060,884
Student Services	9,043,875	2,209,833	1,412,446			12,666,154
Operation & Maintenance of Plant	4,093,708	1,419,266	5,103,529	263,163		10,879,666
Institutional Support	9,025,874	4,268,247	4,613,916			17,908,037
Community Services and Economic Development	1,983,905	364,532	988,900			3,337,337
Ancillary Services and Auxiliary Operations	2,404,777	616,087	1,235,162			4,256,026
Student Aid		38		12,508,620		12,508,658
Other Outgo	(1,841)	(848)	5,147,976			5,145,287
Depreciation Expense					4,293,522	4,293,522
Totals by Object	<u>\$ 87,053,169</u>	<u>\$ 21,231,316</u>	<u>\$ 22,208,800</u>	<u>\$ 12,771,783</u>	<u>\$ 4,293,522</u>	<u>\$ 147,558,590</u>

NOTE 16 - COMMITMENTS AND CONTINGENCIES:

A. State and Federal Allowances, Awards and Grants

The District has received state and federal funds for specific purposes, including reimbursement of mandated costs, that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

B. Purchase Commitments

As of June 30, 2006 the District was committed under various capital expenditure purchase agreements for various projects totaling approximately \$28,601,759 to be funded from bond proceeds.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 16 - COMMITMENTS AND CONTINGENCIES: (continued)

B. Purchase Commitments (continued)

In July 2006, the Board authorized the acquisition of a fully integrated Enterprise Application System (EAS) to replace several of its legacy information systems with a strategic, scalable, non-propriety system to enhance academic and administrative services to campus constituents. Total costs are estimated to be \$21.6 million over a ten year timeline with funding provided from the Unrestricted General Fund. Funding for the first three years of implementation will come from a designated EAS reserve; thereafter, ongoing maintenance will be funded as usual.

C. 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 financial statements.

NOTE 17 - SUBSEQUENT EVENTS:

A. General Obligation Bonds

On September 8, 2006 the District offered for sale \$79,996,203 in general obligation bonds. The bonds are authorized by an election conducted within the district on November 6, 2001 under Proposition 39/Measure R. The bonds are issued in order to finance the construction, acquisition, furnishing and equipping of District facilities.

B. GASB Statement No. 45

The Governmental Accounting Standards Board (GASB) has recently issued Statement No. 45 outlining new accounting standards for governmental agencies regarding other post-employment benefits. The statement would be effective for phase one GASB Statement No. 34 implementers in fiscal year 2007-08. The statement requires governmental agencies to record and disclose the actuarially determined cost based on the benefits expected to be earned by employees in the future, as well as those benefits the employees have already earned. Annual required contributions shall include the employer's normal cost and a provision for amortizing the total unfunded actuarial accrued liability for a period not to exceed 30 years. The statement also requires that an actuarial valuation be performed every two years for a plan with more than 200 members and every three years for plans with fewer than 200 members.

SUPPLEMENTARY INFORMATION

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

HISTORY AND ORGANIZATION

June 30, 2006

Mt. San Antonio Community College District is a public community college that has been serving the people of Baldwin Park, Bassett, Charter Oak, Covina, Diamond Bar, Southern portion of Glendora, Hacienda Heights, Industry, Irwindale, La Puente, La Verne, Pomona, Rowland Heights, San Dimas, Valinda, Walnut and West Covina since 1946.

The District maintains its campus on 421 acres of land in the City of Walnut, California, in the Eastern portion of Los Angeles County. Mt. San Antonio Community College District is accredited by the Western Association of Schools and Colleges.

BOARD OF TRUSTEES

<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
Judy Chen Haggerty	President	November 30, 2009
Manual Baen	Vice President	November 30, 2007
Rosanne M. Bader	Clerk	November 30, 2007
Fred Chyr	Member	November 30, 2007
Dr. David K. Hall	Member	November 30, 2009
Gisselle Regalado	Student Trustee	May 31, 2006

DISTRICT EXECUTIVE OFFICERS

Christopher C. O'Hearn	President/CEO
Dr. John S. Nixon	Vice President, Instruction
Michael D. Gregoryk	Vice President, Administrative Services (effective July 25, 2005)
Dr. Jack Miyamoto	Interim Vice President, Human Resources
Gary Nellesen	Interim Vice President, Administrative Services (through July 25, 2005)
Dr. Audrey Yamagata-Noji	Vice President, Student Services

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2006

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures
Federal Categorical Aid Programs:			
Department of Agriculture			
Passed through the California Department of Education.			
Child Nutrition Program	10.555	03755	\$ 58,032
Department of Labor			
Passed through the Employment Development Department			
Workforce Investment Division:			
Title I-O - One-Stop Nurses Pathway for Licensure	17.250	(1)	86,672
Title I - Workforce Investment Act: Adult Special Program	17.250	(1)	136,252
Workforce Investment Act: Fostering Student Success	17.258	(1)	157,881
National Endowment for the Humanities			
Direct			
Institute of Museum and Library Services (IMLS)			
Research for the Status Planetarium Grant	45.312	N/A	49,200
National Science Foundation			
Direct			
Planning Forward to Create an Undergraduate Research Center (URC) at Community College	47.049	N/A	30,012
Course, Curriculum and Laboratory Improvement (CCLI) Enhancing Student Learning	47.076	N/A	2,774
Advance Technological Education (ATF)			
Regional Information Systems Security Center	47.076	N/A	318,647
Establishing a Chemical Laboratory Technician Program	47.076	N/A	229,645
Small Business Development Center			
Passed through California State University at Northridge			
Passed through Long Beach Community College District	59.037	(1)	189,513
	59.037	(1)	61,962
Department of Education			
Direct			
Student Financial Aid Cluster			
Pell	84.063	N/A	10,210,370
Supplemental Educational Opportunities Grant (SEOG)	84.007	N/A	380,980
Federal Work Study	84.043	N/A	315,585
Student Financial Aid Administrative Expenses	84.000	N/A	68,761
Workforce Investment Act, Title II, Adult Education and Family Literacy Act, Section 225/231	84.002A	N/A	863,708
Upward Bound	84.047A	N/A	327,831
Parent in School Program	84.335A	N/A	59,000
Passed through California State University San Bernardino			
Title V - Strengthening Institutions			
Improving Access to Information Systems at Hispanic Serving Institutions	84.031	(1)	58,132
Passed through California Community College Chancellor's Office			
Title I, Part C - Vocational and Applied Technology Education Act	84.048	13924	1,497,908

See the accompanying notes to the supplementary information.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2006**

<u>Program Name</u>	<u>Federal Catalog Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Program Expenditures</u>
Department of Veterans Affairs Regional Office			
Direct:			
Veteran's Education	84 065	N/A	3,452
Department of Health & Human Services			
Passed through the California Community College Chancellor's Office:			
Temporary Assistance for Needy Families (TANF)	93.558	(1)	129,733
Temporary Assistance for Needy Families (TANF) CDC Program	93.588	(1)	36,180
Passed through California Department of Health Services:			
Maternal & Child Care Health Services Block Grant to States	93.994	(1)	20,339
Passed through Los Angeles County Office of Education:			
LEA Medi-Cal Administrative Activities (MAA)	93.773	(1)	52,436
Corporation for National and Community Service (CNCS)			
Passed through the Community College Foundation:			
AmeriCorps National Service Awards	94 006	(1)	41,678
Total Federal Expenditures			<u>\$ 15,386,683</u>
Student Financial Aid Loan Programs:			
Loans Outstanding			
Mt. San Antonio Community College District had the following loan balance outstanding as of 6/30/06:			
Perkins Program	84.038		\$ 113,953
FELP Loan Program			
During the fiscal year ended June 30, 2006, the Mt. San Antonio Community College District processed the following amounts of new loans under the FELP Program:			
	84.032		752,985
Federal Direct Loan Program			
During the fiscal year ended June 30, 2006, the Mt. San Antonio Community College District processed the following amounts of new loans under the William D. Ford Program:			
	84.268		24,293
Total Student Financial Aid Loan Programs			<u>\$ 891,231</u>

Note: (1) Pass-through entity identifying number not readily available.

See the accompanying notes to the supplementary information.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF STATE FINANCIAL ASSISTANCE - GRANTS
For the Fiscal Year Ended June 30, 2006

Program Name	Program Expenditure			Program Revenues			Total Program Expenditures
	Current Year	Prior Year Carryover	Total	Cash Received	Accounts Receivable	Deferred Revenue		Total
State-Congressional Aid Programs:							
Associate Degree Nursing Capacity Building - Nursing Book Grant	\$ 342,696	\$ 21,251	\$ 463,947	\$ 463,947	\$ -	\$ 121,593	\$ 342,354
Board Financial Assistance Program (BFAF)	610,927	38,819	649,746	649,746	-	-	649,746
Cal Works	563,077	10,244	573,321	573,660	15,263	-	573,923
CARE	136,282	-	136,282	136,282	6,023	-	136,305
Center of Excellence	178,875	14,065	192,940	192,940	42,685	-	192,940
Child Care and Development Fund Capacity Project	9,843	-	9,843	4,745	2,382	-	7,127
Child Care General Center	391,457	-	391,457	358,900	22,497	-	391,487
Child Development Instructional Materials	2,013	19,44	21,457	2,013	-	406	2,419
Child Development Training Consortium	11,262	19,44	30,706	11,900	-	-	11,900
Child Student Program Services (CSPS)	1,518,009	5,281	1,523,290	1,523,294	7,779	42,247	1,573,320
Economic Development/Contract Ed Support	179,590	13,492	193,082	143,602	23,528	-	167,130
Economic Development/Endowment Growth - AA Nursing	63,937	23,528	87,465	63,937	18,219	-	82,156
Economic Development/Regional Health Occupational Resource Center	178,875	20,584	199,459	180,255	1,964	-	182,219
Economic Development-Small Business Development Center (SBDC)	140,590	-	140,590	118,062	22,488	-	140,550
Equal Employment Opportunity	26,619	25,776	52,395	56,279	-	27,256	29,023
Extended Opportunities Program and Services (EOPS)	835,021	26,120	861,141	887,929	-	-	887,929
Foster Parent Training Program	4,590	-	4,590	-	3,266	-	3,266
2005 Developmental/Innovative Fund Nurse Residency	34,400	3,172	37,572	35,278	2,011	-	37,289
Marine Education Center	698,190	-	698,190	898,160	11,446	-	909,606
Marine Education Nonsect	855,806	14,380	870,186	970,193	1,077	-	971,270
Marine Education Resource Program	2,542	-	2,542	-	-	1,648	1,648
Regional Consortium - Los Angeles and Orange County	6,810	-	6,810	261,846	-	261,846	261,846
Renovation for Capacity Building for Nursing Program Expansion	251,846	-	251,846	261,846	-	-	261,846
State Development	79,889	561	80,450	66,282	13,487	561	79,869
State Preschool - Full Day	74,311	-	74,311	54,753	19,516	-	74,269
Technology Block Grant	292,443	-	292,443	292,443	-	280,733	292,176
Telecommunications and Technology Infrastructure Program (TTIP) Grant	52,332	34,894	87,226	107,226	-	40,351	66,925
Total State Programs	\$ 7,879,382	\$ 662,077	\$ 8,541,459	\$ 8,365,353	\$ 201,969	\$ 967,282	\$ 7,600,482

See the accompanying notes to the supplementary information.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR PROGRAM-BASED FUNDING
For the Fiscal Year Ended June 30, 2006

Categories

A.	Credit Full-Time Equivalent Students	
	Weekly census	16,920.46
	Daily census	736.43
	Actual hours of attendance	549.33
	Independent study/work experience	507.49
	Summer intersession	3,713.01
	Total	<u>22,426.72</u>
B.	Non-Credit FTES	
	Actual hours of attendance	3,271.63
	Summer intersession	2,579.30
	Total	<u>5,850.93</u>
C.	Gross Square Footage	
	Existing facilities	<u>1,304,863</u>
D.	FTES in Leased Facilities	<u>536.46</u>

See the accompanying notes to the supplementary information.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT WITH AUDITED FUND BALANCES
For the Fiscal Year Ended June 30, 2006

The audit resulted in no adjustments to the fund balances reported on the June 30, 2006 Annual Financial and Budget Report (CCFS-311) based upon governmental accounting principles. Additional entries were made to comply with the GASB 34/35 reporting requirements. These entries are not considered audit adjustments for purposes of this reconciliation.

See the accompanying notes to the supplementary information.

MT, SAN ANTONIO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
For the Fiscal Year Ended June 30,

	<u>(Budget) 2007</u>		<u>2006</u>		<u>2005</u>		<u>2004</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<u>COMBINED GENERAL FUND:</u>								
<u>Revenue</u>								
Federal	\$ 4,121,599	2.69	\$ 4,678,301	3.68	4,525,916	3.79	\$ 4,189,615	3.85
State	109,028,122	71.21	103,640,589	81.42	76,055,763	63.77	55,503,198	51.03
County and Local	36,203,510	23.65	33,985,457	26.70	36,797,769	30.85	50,679,467	46.59
Total Revenue	149,353,231	97.54	142,304,347	111.80	117,379,448	98.41	110,372,280	101.46
<u>Expenditures</u>								
Academic Salaries	60,446,198	39.48	59,904,925	43.13	50,483,150	42.33	44,784,955	41.17
Classified Salaries	34,296,489	22.40	30,981,568	24.34	28,470,116	23.87	26,022,943	23.92
Employee Benefits	27,193,983	17.96	21,951,962	17.25	20,642,513	17.31	19,182,961	17.63
Supplies and Materials	5,387,511	3.52	3,263,836	2.56	2,861,285	2.40	2,564,228	2.36
Other Operating Expenses and Services	16,611,109	10.86	12,094,731	9.82	12,601,060	10.56	11,892,198	10.93
Capital Outlay	7,915,727	5.17	2,767,905	2.17	3,516,262	2.95	2,573,100	2.37
Other Uses	1,230,331	0.80	922,060	0.72	699,932	0.59	1,760,425	1.62
Total Expenditures	153,101,298	100.00	137,286,987	100.00	119,274,318	100.00	108,780,810	100.00
Other Financing Sources	642,740	-	9,755	0.01	8,114	0.01	47,397	-
Change in Fund Balance	\$ (3,105,327)	(2.03)	\$ 15,027,115	11.81	\$ (1,886,756)	(1.58)	\$ 1,638,867	1.51
Ending Fund Balance	\$ 26,409,565	17.18	\$ 29,414,892	23.11	\$ 14,337,777	12.06	\$ 16,274,533	14.96
Available Reserve Balance	\$ 13,232,807	8.64	\$ 12,824,752	10.08	\$ 11,048,012	9.26	\$ 9,565,020	8.79
Full-time Equivalent Students	29,008		28,378		25,815		24,012	
Total Long-Term Debt	\$ 102,819,486		\$ 108,292,468		\$ 107,218,062		\$ 109,434,796	

IMPORTANT NOTES:

Available reserve balance is the amount designated for general reserve and any other remaining undesignated amounts in the General Fund. The 2007 budget reserve balance was estimated using the budgeted contingency reserve balances less 2006 amounts reserved for revolving accounts.

All percentages are of total unrestricted and restricted expenditures combined.

The 2007 budget is the Plan and Budget adopted by the Board of Trustees on August 30, 2006.

The California Community College Chancellor's Office has provided guidelines that recommend an ending fund balance of 3% of unrestricted expenditures as a minimum with a prudent ending fund balance being 5% of unrestricted expenditures. In addition, the District's Board policy requires a 10% unrestricted ending fund balance.

Long-term debt is reported for the District as a whole and includes debt related to all funds. Long-term debt excludes unamortized premium and unamortized deferred liability on bonded debt.

See the accompanying notes to the supplementary information.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF BUDGETED COMPARISON FOR THE COMBINED GENERAL FUND
For the Fiscal Year Ended June 30, 2006

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Revenue from Federal Sources			
Higher Education Act	1,385,514	748,857	(636,657)
Temporary Assistance for Needy Families	167,736	165,913	(1,823)
Student Financial Aid	393,329	315,585	(77,744)
Veterans Education		3,452	3,452
Vocational and Technical Education Act	1,609,563	1,497,908	(111,655)
Other Federal Revenue	2,464,676	1,946,587	(518,089)
Revenue from State Sources			
General Apportionments	88,138,940	91,803,380	3,664,440
Categorical Apportionments	6,785,672	6,267,402	(518,270)
Other State Revenues	5,353,092	5,569,807	216,715
Revenue from Local Sources			
Property Taxes	21,696,267	16,627,782	(5,068,485)
Interest and Investment Income	793,078	778,401	(14,677)
Student Fees and Charges	13,325,445	13,500,315	174,870
Other Local Revenue	4,358,489	3,078,958	(1,279,531)
TOTAL REVENUES	<u>146,471,801</u>	<u>142,304,347</u>	<u>(4,167,454)</u>
EXPENDITURES			
Academic Salaries	55,451,883	54,904,925	546,958
Classified Salaries	32,424,347	30,981,568	1,442,779
Employee Benefits	22,847,120	21,951,962	895,158
Supplies and Materials	5,113,625	3,263,836	1,849,789
Other Operating Expenses & Services	16,451,344	12,494,731	3,956,613
Capital Outlay	4,096,394	2,767,905	1,328,489
TOTAL EXPENDITURES	<u>136,384,713</u>	<u>126,364,927</u>	<u>10,019,786</u>
Excess (deficiency) of revenues over expenditures	<u>10,087,088</u>	<u>15,939,420</u>	<u>5,852,332</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from the Sale of Equipment		9,755	9,755
Interfund Transfers Out	(360,597)	(311,888)	48,709
Student Financial Aid	(677,784)	(610,172)	67,612
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,038,381)</u>	<u>(912,305)</u>	<u>126,076</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>\$ 9,048,707</u>	<u>15,027,115</u>	<u>\$ 5,978,408</u>
Fund Balances at Beginning of Year		14,387,777	
Fund Balances at End of Year		<u>\$ 29,414,892</u>	

See the accompanying notes to the supplementary information

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO THE SUPPLEMENTARY INFORMATION

For the Fiscal Year Ended June 30, 2006

NOTE 1 - PURPOSE OF SCHEDULES:

A. Schedules of Expenditures of Federal Awards and State Financial Assistance

The audit of the Mt. San Antonio Community College District for the year ended June 30, 2006 was conducted in accordance with OMB Circular A-133, which requires a disclosure of the financial activities of all federally funded programs. To comply with A-133 and state requirements, the Schedule of Federal Awards and the Schedule of State Financial Assistance was prepared for the Mt. San Antonio Community College District on the modified accrual basis of accounting.

B. Schedule of Workload Measures for Program-Based Funding

The Schedule of Workload Measures for Program-Based Funding represents the basis of apportionment of the Mt. San Antonio Community College District's annual source of funding.

C. Reconciliation of Annual Financial and Budget Report with Audited Fund Balances

This schedule reports any audit adjustments made to the fund balances of all funds as reported on the Form CCFS-311.

D. Schedule of Financial Trends and Analysis

This schedule is prepared to show financial trends of the General Fund (combined) over the past three fiscal years as well as the current year budget. This schedule is intended to identify if the District faces potential fiscal problems and if they have met the recommended available reserve percentages.

E. Schedule of Budgeted Comparison for the Combined General Fund

Continuing disclosure for the general obligation bond requires a budgetary comparison be presented for the General Fund (combined). This schedule presents the final General Fund budget as of the fiscal year end, actual amounts at fiscal year end and the variance between the final budget and actual amounts.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO THE SUPPLEMENTARY INFORMATION

For the Fiscal Year Ended June 30, 2006

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS:

There were no excesses of expenditures over appropriations, by major object accounts occurring in any governmental funds of the District.



**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**

Chairman

ROYCE A. STUTZMAN

Partners

PETER F. GAUTHMAN

ROBERT S. CHAMBERLAIN

WADE N. McMEILLIN

KAROL HILGEMANN NEUBAUER

CAROL POSEY

GRACE M. FRYBARGER

MARY ANN QUAY

LINDA M. SADDLEMIER

Principal

JUDITH A. WERNER

Senior Managers

JENNIFER COOPER

TIMOTHY D. FRYER

DEBORAH QUINCY FRIEDL

JANA HOFFMAN

THOMAS M. MCCLELLAN

SHARON PROBERT

COLLEEN K. TAYLOR

Board of Trustees
 Mt. San Antonio Community College District
 1100 North Grand Avenue
 Walnut, California 91789

We have audited the financial statements of Mt. San Antonio Community College District (the District) as of and for the year ended June 30, 2006, and have issued our report thereon dated September 28, 2006. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Mt. San Antonio Community College District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Mt. San Antonio Community College District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs at item 06-1.

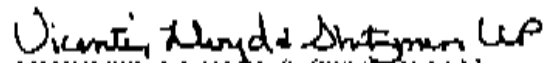
**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mt. San Antonio Community College District's 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 instances of noncompliance and other matters that are required to be reported under Government Auditing Standards which are described in the accompanying schedule of findings and questioned costs.

This report is intended solely for the information and use of the Board, management, the California Department of Finance, the State Chancellor's Office and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


VICENTI, LLOYD & STUTZMAN LLP

September 28, 2006



**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Chairman
ROYAL A. STUTZMAN

Partners
PETER F. GARDNER
RICHIE W. GRAYSON
WADE N. McMELEN
KAREN HICKMAN NEUBERT
CAROL MOY
GEMMA M. PLOTTARD
MARY ANN QUAY
LINDA M. SAGHET MBE

Principal
JERRI A. WENNER

Senior Managers
JANETTE CASER
TIMOTHY D. EVANS
DORAZA OJEDRA FLORES
TINA HERRON
FRANK M. McCOLETTA
SHARON PUGH
COLLEEN K. TAYLOR

Board of Trustees
Mt. San Antonio Community College District
1100 North Grand Avenue
Walnut, California 91789

Compliance

We have audited the compliance of the Mt. San Antonio Community College District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. Mt. San Antonio Community College District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Mt. San Antonio Community College District's management. Our responsibility is to express an opinion on Mt. San Antonio Community College District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Mt. San Antonio Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Mt. San Antonio Community College District's compliance with those requirements.

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

As described in item 06-5 in the accompanying schedule of findings and questioned costs, Mt. San Antonio Community College District did not comply with requirements regarding Section B, Allowable Costs/Cost Principals that are applicable to Title I-C VTEA, Regional Information Systems Security Center and establishing a Chemical Laboratory Technician Program. Compliance with such requirements is necessary, in our opinion, for Mt. San Antonio Community College District to comply, in all material respects, with requirements applicable to that program. In addition, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133, which are not considered to be material noncompliance and are also described in item 06-5.

In our opinion, except for the noncompliance described in the preceding paragraph, Mt. San Antonio Community College District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of the Mt. San Antonio Community College District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Mt. San Antonio Community College District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Mt. San Antonio Community College District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 06-5.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

This report is intended solely for the information and use of the Board, management, the California Department of Finance, the State Chancellor's Office and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

September 28, 2006



Chairman

ROBERT A. STUTZMAN

Partners

PETER L. GARDNER

ROBERT S. GAYLOR

WALTER N. McMULLEN

KARIN ELIZABETH NELSON

CHIEF FINANCIAL OFFICER

TERESA M. THAYER

MASSY ANN CLAY

LESLIE M. GARDNER

Principal

JUDITH A. WILSON

Senior Managers

JANET L. GARDNER

THOMAS D. FEAR

FRANCIS DORRINE T. JOSE

TRACY H. HAYES

DAVID M. MCGEEHAN

BRADLEY J. K.

CHRISTOPHER K. LARSON

REPORT ON STATE COMPLIANCE

Board of Trustees
Mt. San Antonio Community College District
1100 North Grand Avenue
Walnut, California 91789

We have audited the basic financial statements of Mt. San Antonio Community College District, as of and for the year ended June 30, 2006, and have issued our report thereon dated September 28, 2006.

Our examination was made in accordance with auditing standards generally accepted in the United States of America and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In connection with our audit, we performed an audit for compliance as required in Part II, State and Federal Compliance Requirements for those programs identified in the California Department of Finance's 2006 transmittal of audit requirements for community colleges. The objective of the examination of compliance applicable to Mt. San Antonio Community College District is to determine with reasonable assurance:

- Whether the District's salaries of classroom instructors equal or exceed 50 percent of the District's current expense of education in accordance with Section 84362 of the Education Code.
- Whether the District has the appropriate documentation to support the FTES, if any, that are claimed for instructional service agreements/contracts.
- Whether the District has the ability to support timely accurate and complete information for workload measures used in the calculation of State General Apportionment
- Whether the District has acted to ensure that the residency of each student is properly classified and that only the attendance of California residents is claimed for apportionment purposes.

REPORT ON STATE COMPLIANCE

- Whether the District claimed for apportionment purposes only the attendance of students actively enrolled in a course section as of the census date.
- Whether District has complied with all requirements necessary to claim FTES for the attendance of concurrently enrolled K-12 pupils.

Whether the District had local funds to support at least 75 percent of the credit matriculation activities and that all matriculation expenditures are consistent with the District's State approved matriculation plan.

- Whether the District's salaries of instructors teaching FTES generating classes, school counselors providing advisement, student services at the Dean level or above, and financial aid officers conducting need analysis, are not considered supportable charges against either Extended Opportunity Programs and Services (EOP&S) or Disabled Student Program Services (DSP&S) accounts unless their activities require them to perform additional functions for the EOP&S or DSP&S program which are beyond the scope of services provided to all students in the normal performance of the regular duty assignments.

Whether the District is reporting the total amount that students should have paid for enrollment fees for the purpose of determining the District's share of annual apportionment.

- Whether the District expended CalWORKS program State and TANF funds to provide specialized student support services, curriculum development, or instruction to eligible CalWORKS students.

Whether all District courses that qualify for State apportionment are open to enrollment by the general public unless specifically exempted by statute.

Whether the District has adopted regulations consistent with the "Standards of Scholarship" contained in the California Code of Regulations and has published statements of those regulations in the College catalog.

- Whether the District has adopted policies or regulations regarding the authority of the District to require students to provide various types of instructional materials and whether the District has advised students of the exemptions from payment of health fees and established a process to ensure that students may claim the exemptions.

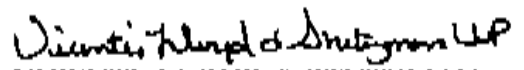
Whether the District completed the noncredit course self assessment conducted in April 2005.

REPORT ON STATE COMPLIANCE

In our opinion, except for findings 06-2 through 06-4 described in the accompanying schedule of findings and questioned costs, Mt. San Antonio Community College District complied with the compliance requirements for the state programs listed and tested above. Nothing came to our attention as a result of the aforementioned procedures to indicate that Mt. San Antonio Community College District had not complied with the terms and conditions of state assisted educational programs not selected for testing.

Our examination of compliance made for the purposes set forth in the preceding paragraph of this report would not necessarily disclose all instances of noncompliance.

This report is intended solely for the information and use of the Board of Trustees, management, the California Department of Finance, and the State Chancellor's Office and is not intended to be and should not be used by anyone other than these specified parties.


VICENTI, LLOYD & STUTZMAN LLP

September 28, 2006

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDITOR RESULTS
June 30, 2006

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:
Material weakness(es) identified? Yes X No
Reporting condition(s) identified not considered
to be material weaknesses? X Yes _____ None reported
Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:
Material weakness(es) identified? _____ Yes X No
Reporting condition(s) identified not considered
to be material weaknesses? X Yes _____ None reported

Type of auditor's report issued on compliance for
major programs: Qualified

Any audit findings disclosed that are required to be
Reported in accordance with Circular A-133,
Section .510(a) X Yes _____ No

Identification of major programs tested:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.000, 84.007, 84.032, 84.033, 84.063, 84.038 and 84.268	Student Financial Assistance Cluster of Programs
84.048	Vocational and Applied Technology Education Act
47.076	Regional Information Systems Security Center
84.047A	Upward Bound
47.076	Establishing a Chemical Laboratory Technician Program

Dollar threshold used to distinguish between Type A
and Type B programs: \$ 488,337

Auditee qualified as low-risk auditee? X Yes _____ No

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FINANCIAL STATEMENTS**

June 30, 2006

FINDING 06-1 – CAPITAL ASSETS

Finding: Procedures are not in place to capture donated or disposed assets on the capital asset listing. During testing, donated items noted in the board minutes were not included as current year additions. In addition, items identified on the "Sale of Equipment" disposal list were not removed from the capital asset listing or could not be identified for removal as the inventory ID tags had been discarded.

Questioned Costs: Donated items were subsequently added to the capital asset listing and are therefore included in the total capital assets reported in the financial statements. Identifiable disposed assets were fully depreciated resulting in a zero net carrying value and items disposed but not removed from the capital asset listing due to missing tags are considered to be most likely fully depreciated.

Recommendation: To ensure that the capital asset listing is complete procedures should be established that address the process for communicating the receipt of donated equipment and sold or disposed equipment to the purchasing department to make the necessary adjustments to the capital asset listing. In addition, performing a physical inventory and reconciliation on a regularly scheduled basis will help ensure items missed through the addition and disposal process are eventually recognized or deleted.

District Response: The District has established purchasing procedures which improve the control and valuation of the District's assets and that address the deficiencies noted in the finding. Taking these actions will ensure that the capital asset inventory log is complete with regard to donated equipments and disposal of surplus equipment.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FINANCIAL STATEMENTS**

June 30, 2006

FINDING 06-2 – CONCURRENT ENROLLMENT

Finding:

Ten Percent Rule:

- Per Education Code section 76002(a)(4), a community college district may not receive state apportionment for special part-time and full-time students enrolled in physical education courses where the ratio of special part-time and full-time students exceeds ten percent of total enrollment in each course section. It was noted during testing that five physical education course sections that enrollment of special part-time and full-time students exceeded ten percent of total enrollment. Course sections in excess of ten percent are an indication of non-compliance and overstates the FTES claimed on the CCPS-320 report. The following courses were noted:

- Summer 05, PE19, 076472, Care/Prev-Act/Sport Inj
- Summer 05, PE-118A, 076211, Beg Golf
- Summer 05, PE-133-2, 076456, Kickboxing
- Spring 06, PE 48, 087007, Lifeguard Training
- Spring 06, PE-14B-2, 086413, Intermediate Badminton

Questioned Costs: N/A

Recommendation: The FTES generated by this finding total .64 FTES. Although the District is not required to adjust for FTES less than one, the District should develop procedures to exclude the FTES generated for physical education courses in excess of the ten percent maximum from the CCPS-320 report.

District Response: As noted in the finding the cumulative total of FTES is less than one and the California Community College's Chancellor's Office does not accept amendments to the CCPS-320 reports for minor changes. However, the District is implementing new protocols that will limit the enrollment of special admits, even those with continuing student status, in PE classes to five percent.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FINANCIAL STATEMENTS
June 30, 2006**

FINDING 06-2 – CONCURRENT ENROLLMENT
(continued)

Finding:

Five Percent Rule:

- Per Education Code section 76002(a)(4) a community college district may not receive state apportionment for special part-time and full-time students enrolled in physical education courses in excess of five percent of the district's total reported FTES of special part-time and full-time students. During testing it was noted that procedures are not in place to calculate and monitor compliance. Reports are not maintained and were therefore not available to verify compliance at the census date. A review of enrollment based on data as of the test date indicated the following questioned percentages:
- Questioned percentages identified in our review were:
 - The Spring 2006 academic term had 19 concurrently enrolled students in PE courses and 264 concurrently enrolled students in all offered courses, arriving at 7.19 percent.
 - The Summer 2005 academic term had 38 concurrently enrolled students in PE courses and 690 concurrently enrolled students in all offered courses, arriving at 5.5 percent.

Although not specific to census date, this could indicate noncompliance and misstatement of FTES on the CCFS-320 report.

Questioned Costs: N/A

Recommendation: The District should develop procedures to monitor the FTES generated for physical education courses in excess of the five percent maximum. Documentation of this evaluation process and of compliance as of census dates should be required for audit. FTES generated for concurrently enrolled students in PE courses found to be in excess of the five percent rule should be excluded from the CCFS-320 report.

District Response: Maintaining a certain percentage of enrollment as a constant relationship to total enrollment across a term is impossible. Students add and drop classes continuously, and the percentage of special admits enrolled in PE classes in relationship to total enrollment of special admits in all classes changes daily. It was suggested to the California Community College's Chancellor's Office to give guidance to field auditors that would allow for a reasonable range of percentage of special admits enrolled in PE classes to determine compliance with the law. However, the District will continue to monitor the enrollment of special admits in PE classes, holding the ratio as close to five percent as possible and will not amend the Annual CCFS 320 as the District has no practical way of calculating affected FTES.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FINANCIAL STATEMENTS**

June 30, 2006

FINDING 06-3 – NONCREDIT COURSE SELF-ASSESSMENTS

Finding: State Compliance requirements within the Contracted District Audit Manual indicate that Districts were required to submit a completed non credit course self assessment for “lab type” settings to the State by April 2005. Districts were then required to complete non credit course self assessments for all additional noncredit courses and to have this documentation available for review upon request; the memo from the California Community College Chancellor’s Office, dated April 4, 2005, indicates that the District is responsible for completing the checklists within a few months of the memo. It was noted that the District completed and submitted the non credit course self assessments for its “lab type setting” courses to the State by April 2005 however they did not complete the self assessments for the remainder of noncredit courses.

Questioned Costs: N/A

Recommendation: The District should complete noncredit course self assessments for all noncredit courses. However, subsequently completed self-assessments do not mitigate the compliance finding.

District Response: The Community Education Division is subsequently completing the required self-assessment for all non-credit courses. To date the District has completed the self assessments for ESL, Older Adult, Basic Skills, and High School courses. The self-assessments for all other courses, mostly vocational in nature, are still in progress.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FINANCIAL STATEMENTS**

June 30, 2006

FINDING 06-4 – CalWORKs

Finding:

CalWorks Expenditures:

State Compliance requirements indicate that expenditures for the CalWORKs program must directly provide support to eligible CalWORKs recipient-students and must be related to at least one of the following CalWORKs program components: (a) Work Study, (b) Curriculum Development, (c) Coordination - includes case management and counseling, (d) Job Placement/Job Development, (e) Instruction, and (f) Child Care. It was noted during testing that food costs and instructional supplies are purchased with CalWORKs funds both of which do not directly provide support to eligible CalWORKs recipient-students. These expenditures were used to maintain the child care component of the program and directly supported the children of the CalWORKs recipient-students.

CalWorks Eligibility:

State Compliance requirements in the Contracted District Audit Manual require Districts to determine if a student is eligible for CalWORKs benefits each academic term through documentation from the County Welfare Department. Within Los Angeles County this department is referred to as the Department of Public Social Services. During eligibility testing it was noted that four out of eleven students did not have adequate documentation from the Department of Public Social Services each academic term.

The documentation obtained for two of the four students was the Golden State Advantage EBT Card received from the Department of Public Social Services. However, the card does not indicate that the student has current cash-aid status and in addition the card is not required to be returned to the Department of Public Social Services once the student no longer receives assistance. Therefore, the card itself does not prove eligibility.

The documentation obtained from the remaining 2 out of 4 students was correspondence with the students Greater Avenues to Independence (GAIN) worker located at Department of Public Social Services. Correspondence with the student's GAIN worker can constitute verification of eligibility, as is outlined in the District's Program and Budget Plan. However, this correspondence was obtained for only one semester and not each academic term. The students tested were enrolled for the entire 2005/2006 academic year and participated in the CalWORKs program for the entire year.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FINANCIAL STATEMENTS**

June 30, 2006

FINDING 06-4 – CalWORKs
(continued)

Finding: (continued)

Note: Mt. San Antonio Community College District submitted a Program and Budget Plan for the 2005/2006 academic year to the State for approval; the plan outlined the District's procedures for determining eligibility. The plan indicated that the student's eligibility is established each term by verifying the following 1) current GAIN contract, 2) status of sanction cancellation notices, 3) current cash-aid status, 4) student's continuous enrollment and 5) progress in the county's welfare to work plan. The State determined that the process is clear, comprehensive, conducted with sufficient frequency and is coordinated with their local Department of Public Social Services and therefore is adequate.

Questioned Costs:

- CalWORKs expenditures - \$6,875
- CalWORKs eligibility – \$2,734 for reimbursement of expenses for one ineligible student. Generally funding received and costs for services provided are not accounted for on an individual student basis.

Recommendation: We recommend that program personnel increase their awareness of unallowable costs for the CalWORKs program and perform sufficient eligibility verification procedures to ensure services are received by eligible participants.

District Response:

CalWORKs Expenditures:

The CalWORKs program understands that the program guidelines do not provide clarity regarding the purchase of food and instructional supplies that are used in supporting for the care of the children whose parents are eligible CalWORKs recipients. However, since the Child Development Center provides services for children who are not to be served with CalWORKs funds, it becomes challenging to separate the cost incurred directly for eligible students from those who are not CalWORKs funded children. As a result of the finding, the CalWORKs program will modify the way in which CalWORKs funds are expended in providing child care services. A reimbursement process will be established with Fiscal Services and the CalWORKs program to pay for the child care services provided to eligible CalWORKs students for child care services rendered.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FINANCIAL STATEMENTS**

June 30, 2006

FINDING 06-4 – CalWORKs
(continued)

District Response: (continued)

CalWORKs Eligibility:

The CalWORKs program also understands that State Compliance Requirements in the Contracted District Audit Manual require Districts to determine if a student is eligible for CalWORKs benefits through each academic term through documentation from the County Welfare Department. Since this audit occurred the program has modified the way in which it verifies the eligibility status of its students. Prior to the beginning of each term the student is sent a TANF Verification form. This form is generated by the Mt. San Antonio College CalWORKs Program. The student takes this form to their designated County Welfare Department for verification that they and their children are receiving cash-aid for the appropriate term. The student is required to return this form within the first two weeks of each semester.

The CalWORKs program will work closely with Fiscal Services and the Child Development Center to improve our awareness of unallowable costs for the CalWORKs program. In addition, a new process is already in place to perform sufficient eligibility verification procedures and will aid the program in ensuring services are received by eligible participants.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FEDERAL AWARDS**

June 30, 2006

FINDING 06-5 – FEDERAL PAYROLL DISTRIBUTION

Federal Program:

Title I-C VTEA

Upward Bound,

National Science Foundation:

Regional Information Systems Security Center

Chemical Laboratory Technician Program

Temporary Assistance for Needy Families (TANF)

Federal Catalog Number: 84.048, 84.047A, 47.076 and 93.558

Compliance Requirement: B. Allowable Costs/Cost Principals

Finding: The payroll distribution system used to support the salaries and benefits charged to programs for multi-funded and single-funded employees does not meet all of the standards as required by OMB Circular A-21. An acceptable payroll distribution system for professorial and professional staff includes the preparation of reports that reflect an after the fact reporting of the percentage distribution of activity for employees whether from single or multiple funding sources. Reports must reasonably reflect the activities performed by the employee and confirm through signature of the employee and supervisor that the distribution of activity represents a reasonable estimate of the work performed. Reports must be prepared each academic term, but no less frequently than every six months.

Questioned Costs: Includes salaries and benefits for all multi-funded permanent professorial or professional staff. Questioned costs have not been quantified for single funded employees because we do not believe there is evidence that employees are being charged inappropriately to the above mentioned programs; however, the District should be aware that if a federal audit was to occur, funding could be in jeopardy.

Title I-C VTEA \$ 82,460

National Science Foundation: Regional Information Systems Security Center \$ 57,680

National Science Foundation: Chemical Laboratory Technician Program \$ 83,763

Recommendation: To comply with payroll distribution standards per OMB Circular A-21, the District must implement a payroll distribution system that meets all required standards. The District's system must include at least semi-annually a statement that the work was performed and payroll charges are reasonable in relation to the work performed signed by the employee and the appropriate responsible official(s). In addition the system must provide for an independent internal evaluation of the system to ensure integrity of the records and compliance with the above standards.

District Response: The District is in the process of developing time reporting forms and procedures to be in compliance with the standards of OMB Circular A-21. The District will monitor the compliance of the time reporting forms for all federal programs. The Grant Office in coordination with the Fiscal Services is preparing all of the after-the-fact time reporting records for the Federal Programs in question.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2006

Original Finding No.	Finding	Recommendation	Current Status
05-1	<p><u>COURSE REPETITION</u></p> <p>According to California Code of Regulations, Section 55763(b), the District may adopt procedures or regulations concerning courses for which standardized work has not been recorded. If the District allows for such repetition, the procedures or regulations shall indicate that course repetition shall be permitted only upon petition of the student and with written permission of the governing board, or its designee, based upon finding that special circumstances exist which justify repetition. Although the sample of repeating students tested met the District's repeat policy, for 7 out of 9 students in our sample, petitions to repeat forms were not maintained by the authorizing departments or Admissions and Records for audit purposes. Without adequate documentation, the District is not in compliance with requirements if written authorization is not maintained and justification for repetition is not documented.</p>	<p>Maintain written authorization for course repetition and document the reason why the petition to repeat was approved in the Student Information System (SIS).</p>	<p>Implemented.</p>

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

June 30, 2006

Original Finding No.	Finding	Recommendation	Current Status
05-2	<p><u>SEMI-ANNUAL CERTIFICATIONS</u></p> <p>Federal Programs: Title V Strengthening Institution - Hispanic Serving Institutions & Temporary Assistance for Needy Families (TANF) Federal Catalog number: 84.031S, 93.558 Compliance Requirement: B. Allowable Costs/ Cost Principles</p>	<p>Implement the completion of semi-annual certifications to properly document and account for employees charged to a single cost objective.</p>	<p>Certification and documentation for Title V has been completed and submitted. The District is developing compliant documentation procedures for all programs. See current year finding 06-5.</p>
	<p>Semi-annual certifications should be completed to support time and efforts for employees whose salaries are charged to a single cost objective. Our review determined that semi-annual certifications are not obtained. Salaries charged to a categorically funded program must have proper documentation. OMB Circular A-25 requires that a semi-annual certification be completed in addition to the maintenance of payroll records. If semi-annual certifications are not done, categorical funding could be disallowed due to inadequate documentation.</p>		

CONTINUING DISCLOSURE INFORMATION

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT
CONTINUING DISCLOSURE INFORMATION (UNAUDITED)
June 30, 2006

Assessed valuation for fiscal year 2005-06	\$52,627,356,785	(2)
Secured tax levies for fiscal year 2005-06	\$ 12,268,753	(1)
Secured tax delinquencies for fiscal year 2005-06	\$ 1,238,055	(1)
Secured tax collections for fiscal year 2005-06	\$ 10,674,622	(1)

2005-06 LARGEST LOCAL SECURED TAXPAYERS
MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT (2)

<u>Property Owner</u>	<u>Land Use</u>	<u>2005-06 Assessed Valuation</u>	<u>% of Total(3)</u>
1. Pasco Colima LLC	Commercial	\$ 153,778,411	0.29%
2. Plaza West Covina LLC	Shopping Center	138,215,633	0.26
3. Majestic Realty Co.	Industrial	136,532,563	0.26
4. Santee Dairies Inc.	Industrial	104,897,674	0.20
5. Crow Family Holdings Industrial Limited	Industrial	101,209,518	0.19
6. Estate of James Campbell	Commercial	89,262,473	0.17
7. Eastland Shopping Center LLC	Shopping Center	87,632,112	0.17
8. RR and C Development Co.	Office Building	87,501,562	0.17
9. RVIP Puente Hills LLC	Commercial	65,218,931	0.12
10. New Age Kaleidoscope LLC	Commercial	61,823,209	0.12
11. ODR the Crest LP	Apartments	60,656,659	0.12
12. Metropolitan Life Insurance Co.	Office Building	57,048,092	0.11
13. Majestic Fullerton Road LLC	Industrial	54,271,989	0.10
14. PFG Park D & E LP	Industrial	53,601,931	0.10
15. IKEA Property Inc.	Commercial Store	51,619,160	0.10
16. Centro Watt Property Owner II LLC	Shopping Center	51,129,540	0.10
17. Industry East Land LLC, Lessee	Industrial	46,347,337	0.09
18. Calwest Industrial Properties LLC	Industrial	39,792,559	0.08
19. Innsbruck Concourse LP	Industrial	38,776,103	0.07
20. SCI Plaza at Puente Hills Fund	Commercial	36,186,500	0.07
		\$1,515,501,956	2.88%

Total 2005-06 Local Secured Assessed Valuation was \$52,627,356,785.

(1) Information obtained from the Los Angeles County Auditor-Controller's Office.

(2) Information obtained from California Municipal Statistics, Inc.

(3) % of total assessed valuation for fiscal year 2005-06 of \$52,627,356,785.