

**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT**

**LOS ANGELES COUNTY**

**REPORT ON  
AUDIT OF FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
INCLUDING REPORTS ON COMPLIANCE**

**June 30, 2008**



MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

AUDIT REPORT

June 30, 2008

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**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT**

**AUDIT REPORT**

**June 30, 2008**

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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, 2008 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, 2008, 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.

As described in Note 13 to the financial statements, the Mt. San Antonio Community College District adopted the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for the year ended June 30, 2008.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2008 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.

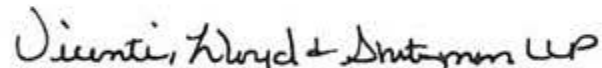
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Board of Trustees  
Mt. San Antonio Community College District

The required supplementary information, such as the management's discussion and analysis and the schedule of funding progress, are not a required part of the basic financial statements, but are 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 basic financial statements. The 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 continuing disclosure information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

  
VICENTI, LLOYD & STUTZMAN LLP

November 21, 2008



# MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008

### 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, 2008. 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 welcome all students and to support them in achieving their personal, educational, and career goals in an environment of academic excellence.

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 61 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 21<sup>st</sup> 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.

In August 2004, the Governmental Accounting Standards Board (GASB) issued Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. The Fiscal Accountability and Standards Committee of the California Community Colleges Chancellor's office recommended that all California community colleges follow these new standards. GASB 45 establishes standards for governmental employers to measure and report their costs and obligations related to postemployment benefits other than pensions, or retiree health benefits. The term "post employment benefits" refers to benefits earned during employment, but taken after employment has ended.

## MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS

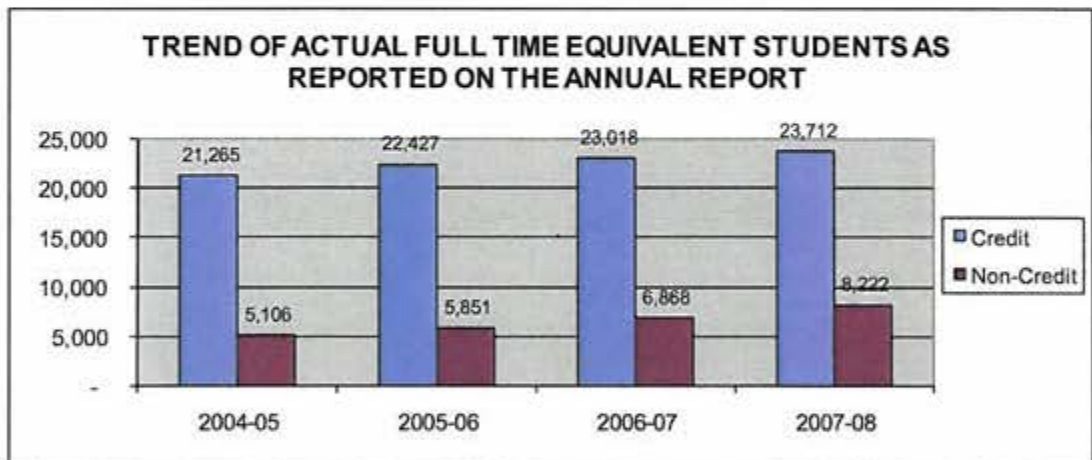
June 30, 2008

#### 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 2007-08, the total actual full-time equivalent students (FTES) increased from 29,886 to 31,934, which is a 6.8% 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 not receive full apportionment funding for this increase in FTES.



- On November 6, 2001, the voters of the District approved a \$221 million dollar bond measure with \$40 million issued in May 2002, \$75 million issued in February 2004 and \$80 million issued in September 2006. Originally, there were 17 construction projects planned, but due to the increase in construction costs, we have eliminated three of these projects, therefore 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 2010, instead of 2009, as previously projected. This change in the completion date is due to the funding schedule of the State funded component of Project 10 Design Technology.
- On August 24, 2005, the Board of Trustees approved the refunding of the Series "A" and "B" General Obligation Bonds, which resulted additional bond proceeds in the amount of \$8.6 million.

**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2008**

- During 2007-08, construction was completed for the following projects:

Staff Parking Lot D-3 (Project 17)  
Music Expansion Building 2 (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, 2008 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	\$ 26,722,017
Restricted Fund Balance	765,483
Bond Interest and Redemption Fund Balance	11,013,436
Building Fund Balance	29,366,418
Capital Outlay Funds Balance	19,094,666
All Other Funds	<u>1,316,136</u>
Total fund balances as reported on the Annual Financial and Budget Report (CCFS-311)	\$ 88,278,156



MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008

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	\$ 244,576,492
Employer contributions to an Other Postemployment Benefit Plan in excess of annual required contributions are recognized as assets which will apply against future required contributions	1,115,336
Issuance costs related to bonds incurred through June 30, 2008 are capitalized, amortized and added to total net assets	2,410,826
Interest earned but not accrued through June 30, 2008 is added to total net assets	926,589
Inventory purchased but not used at June 30, 2008 is added to total net assets	17,558
Long-term liabilities, including bonds payable, 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	(190,692,792)
Interest expense related to bonds incurred through June 30, 2008 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	(2,648,023)
Amount for 2007-08 property taxes levied for debt service not received as of June 30, 2008	<u>1,446,100</u>
Total net assets	<u>\$145,430,242</u>

**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2008**

**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, 2008**

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

	(in thousands)		
	2008	2007*	Change
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 89,591	\$ 120,265	-25.51%
Account receivables, net	18,247	16,385	11.36%
Due from component unit	1,127	973	15.83%
Inventory	18	47	-61.70%
Prepaid expenses and deposits	<u>74</u>	<u>74</u>	-100.00%
<b>Total Current Assets</b>	<u>108,983</u>	<u>137,744</u>	-20.88%
<b>Non-Current Assets</b>			
Restricted cash and cash equivalents	15,636	20,413	-23.40%
Capitalized fees	2,411	2,300	4.83%
Other post employment benefits obligation	1,115		100.00%
Capital assets, net	<u>244,576</u>	<u>207,834</u>	17.68%
<b>Total Non-Current Assets</b>	<u>263,738</u>	<u>230,547</u>	14.40%
<b>TOTAL ASSETS</b>	<u>\$ 372,721</u>	<u>\$ 368,291</u>	1.20%
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities	\$ 25,570	\$ 26,655	-4.07%
Deferred revenue	6,521	6,767	-3.64%
Due to component unit	216	322	-32.92%
Amount held in trust for others	8		100.00%
Supplemental employee retirement plan payable - current portion		997	-100.00%
Long-term liabilities - current portion	<u>8,704</u>	<u>7,884</u>	10.40%
<b>Total Current Liabilities</b>	<u>41,019</u>	<u>42,625</u>	-3.77%
<b>Non-Current Liabilities</b>			
Accrued liabilities	4,282	3,240	32.16%
Long-term liabilities less current portion	<u>181,990</u>	<u>179,300</u>	1.50%
<b>Total Non-Current Liabilities</b>	<u>186,272</u>	<u>182,540</u>	2.04%
<b>TOTAL LIABILITIES</b>	<u>227,291</u>	<u>225,165</u>	0.94%
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	82,773	85,153	-2.79%
Restricted	32,951	20,414	61.41%
Unrestricted	<u>29,706</u>	<u>37,559</u>	-20.91%
<b>TOTAL NET ASSETS</b>	<u>145,430</u>	<u>143,126</u>	1.61%
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 372,721</u>	<u>\$ 368,291</u>	1.20%

\*Certain reclassifications have been made to the summarized financial statements for the year 2006-07 to conform to the 2007-08 summarized financial statement presentation.

## MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008

- The cash balance had a net decrease of \$35.4 million primarily due to payments for Bond Construction Projects for \$36.5 million, a cash increase of \$8.2 million for the receipt of proceeds of Lease Revenue Bonds issued on June 2008 to finance building projects, a cash decrease of \$3.3 million for the deferral of the June apportionment and the increase of operating expenses, and a cash decrease of \$4.3 million for the reduction of property taxes collected in the Bond Interest and Redemption fund. The cash flow statement included in these financial statements provides greater detail on the sources and uses of the District's cash.
- The June apportionment payment was received July 2008, which resulted in an increase in the State apportionment accounts receivable for 2007-08. The accrual for the Lottery funds decreased in 2007-08, as a result of the decline in California Lottery revenues. The accounts receivable increased in the Capital Outlay Project fund because payments for capital projects financed with the new Lease Revenue Bonds were received in August 2008. As a result of moving the Bursar's operations to the College, there is a new accrual for student obligations in the amount of \$226,039.
- Fiscal year 2007-08 was the first year of implementation of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. The district has over funded by \$1.1 million the annual required contribution for Other Post Employment Benefits (OPEB) obligation. Additional information related to this asset can be found in Note 13 of the financial statements.
- Capital assets had a net increase of \$36.7 million. The District had additions of \$51.7 million related to equipment purchases and construction in progress. The District removed approximately \$18,000 in net cost and accumulated depreciation in assets no longer in service and recognized depreciation expense of \$8.9 million during 2007-08. The capital asset section of this discussion and analysis provides greater information.
- While the accounts payable and accrued liabilities balances slightly changed, there were some important changes that need to be mentioned. The accounts payable for the 2007-08 apportionment was reduced by \$1.2 million compared to the 2006-07 accounts payable apportionment. In 2006-07 the District received an increase in property taxes over what it was originally estimated. The accounts payable accruals for supplies, services, capital equipment and construction projects decreased by \$0.5 million. Salaries and benefits payable increased by \$2.9 million mainly because the District is in the process of transferring the contribution for other post employment benefits to the Mt. San Antonio Community College OPEB Trust. The accounts payable had also increased by \$0.5 million for compensated absences as a result of the 5.53% salary increase and changes in the faculty contract for load banking.

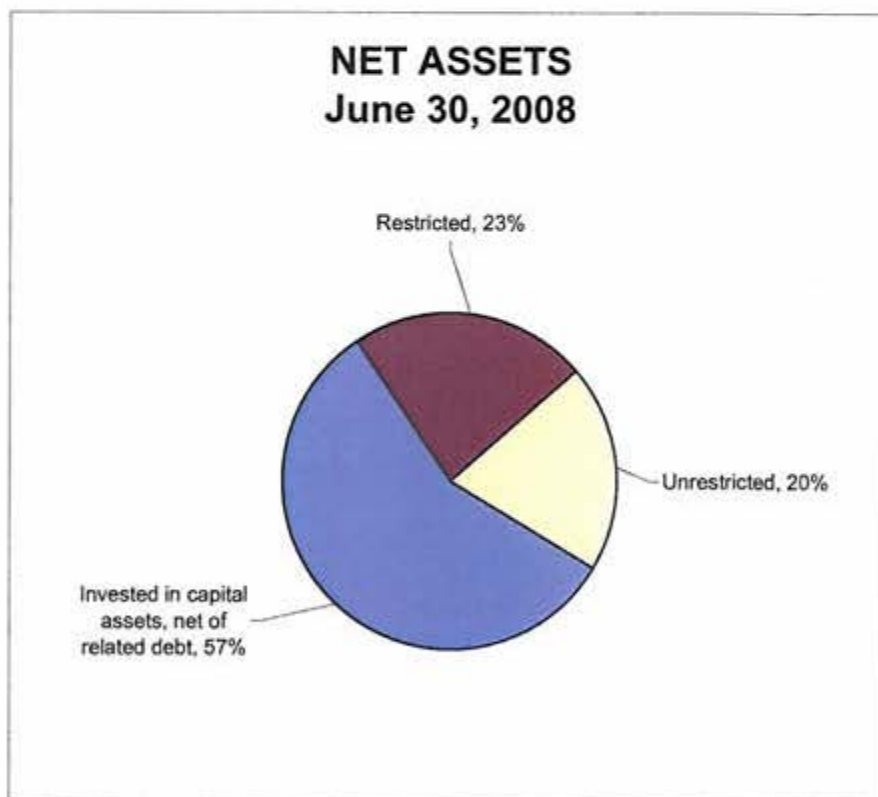


**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2008**

- The net change of \$3.5 million in our long term liabilities (current and non-current portions) is due to the issuance of Lease Revenue Bonds to finance capital equipment and construction projects for \$11.2 million, paying off the loan with the California Energy Commission for the installation of the two thermal energy storage systems for \$213 thousand, and the payment of the general obligation bonds for \$7.5 million. The debt section of this discussion and analysis provided greater information.
- In March 2004, the Board of Trustees approved the implementation of a Supplemental Employees Retirement Plan. The fifth and last payment of \$996,935 to reduce this liability was made in 2007-08.



**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2008**

**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-operating 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, 2008**

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

	(in thousands)		
	<u>2008</u>	<u>2007</u>	<u>Change</u>
<b>OPERATING REVENUES</b>			
Net enrollment, tuition and fees	\$ 14,888	\$ 15,019	-0.87%
Grants and contracts, non-capital	<u>35,083</u>	<u>32,338</u>	8.49%
Total operating revenues	<u>49,971</u>	<u>47,357</u>	5.52%
Total operating expenses	<u>194,490</u>	<u>172,865</u>	12.51%
Operating loss	<u>(144,519)</u>	<u>(125,508)</u>	15.15%
Non-Operating revenues (expenses), non-capital			
State apportionments, non-capital	112,347	102,826	9.26%
Local property taxes	15,425	17,640	-12.56%
State taxes and other revenues (losses)	4,461	6,079	-26.62%
Interest expense	(7,597)	(6,983)	8.79%
Investment income, net	<u>2,154</u>	<u>2,351</u>	-8.38%
Total non-operating revenues (expenses)	<u>126,790</u>	<u>121,913</u>	4.00%
Other revenues, expenses, gains or losses, capital	<u>20,033</u>	<u>26,050</u>	-23.10%
Change in net assets	2,304	22,455	-89.74%
Net assets, beginning of year	<u>143,126</u>	<u>120,671</u>	18.61%
Net assets, end of year	<u>\$ 145,430</u>	<u>\$ 143,126</u>	1.61%

## MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008

- Net enrollment, tuition and fees decreased by 0.87% due to the reduction of instructional materials fees and the reduction of enrollment fees from \$26 per unit to \$20 per unit in Spring 2007. The District revised the instructional materials fees charged to students and eliminated the charges that were not in compliance with the California Code of Regulations.
- Non-capital grants and contracts increased due to augmentation of new and existing Federal and State grants. Some of these grants are the Pell, Addressing Acute Student Needs, Non Credit Matriculation, Basic Skills, and California High School Exit Exam Preparation.
- The increase in operating expenses of 12.51% was directly related to the 5.53% salary and benefit increase, one-time health and welfare increase of \$2.2 million, financial aid grants for students increase of approximately \$1.5 million, and an increase in utilities and operating expenses for \$1.0 million. Also, as new buildings are completed, the depreciation expense increases.
- The District receives its apportionment revenue from the following three sources: State apportionment, property taxes and enrollment fees. Since 2004-05, local property taxes have continued to be diverted from the Community Colleges to cities and counties; therefore we receive more State apportionment in our funding formula than in years prior to 2004-05. The net increase is due to an increase in funded growth FTES and COLA increases.
- The decrease under State taxes and other revenues is primarily due to a decrease in Lottery and State mandated cost revenues. Lottery revenues decreased by approximately \$550,000 and the State did not reimburse mandated cost claims in the fiscal year 2007-08.
- The interest expense increased by \$0.6 million primarily due to the first year of amortization of Series "C" general obligation bonds.
- The other revenues, expenses, gains or losses, capital reflects a decrease of \$6 million. The 7 Remodel Classroom Building, Science Building and other capital projects claims to the State decreased by \$2.7 million. The secured property tax associated with the bond repayment decreased by \$2.0 million. This will vary every year because it is based on assessments and collections. The investment income decreased by \$1.3 million due to the decrease in cash in the Bond Construction Fund.
- Functional expenses are detailed in Note 16 of the financial statements.

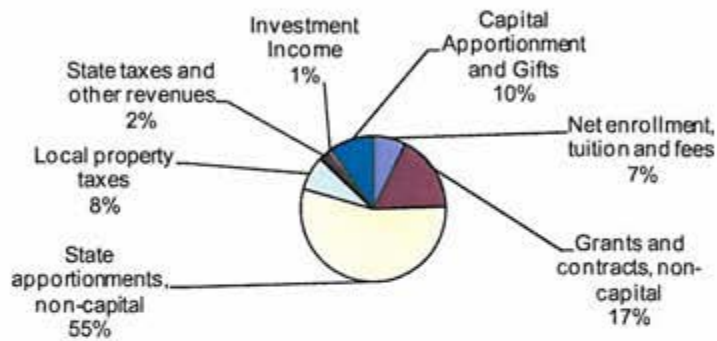


**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT**

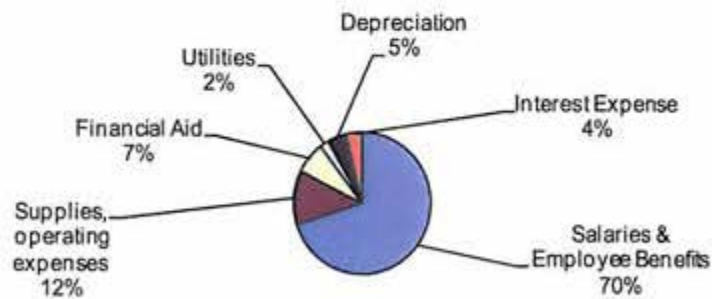
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2008**

**Revenue  
for the Year ended June 30, 2008**



**Expenses  
for the Year Ended June 30, 2008**



MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008

**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>2008</u>	<u>2007</u>	<u>Change</u>
Cash Provided By (Used in)			
Operating activities	\$ (138,748)	\$ (114,400)	21.28%
Non-capital financing activities	131,426	130,781	0.49%
Capital and related financing activities	(30,757)	43,636	-170.49%
Investing activities	<u>2,628</u>	<u>23,418</u>	-88.78%
Net change in cash and cash equivalents	(35,451)	83,435	-142.49%
Cash Balance, Beginning of Year	<u>140,678</u>	<u>57,243</u>	145.76%
Cash Balance, End of Year	<u>\$ 105,227</u>	<u>\$ 140,678</u>	-25.20%

## MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008

- Cash receipts from operating activities are from student enrollment, tuition and other fees and from Federal, State and local grants. Uses of cash are payments to employees, vendors and students related to the instructional programs. The increase in cash used by operating activities is due to a 5.53% salary and benefit increase, one-time health and welfare, and payment to suppliers.
- Cash received from non-capital financing activities is due to additional cash received from State apportionment as a result of an increase in funded growth FTES and COLA. The property tax decreased as a result of the shortfall in property taxes. This area accounts for 84% of non-capital financing activities. Cash received from property taxes also increased and accounts for 12% of the cash generated in this section. The remaining 4% under this section is for Grants and Gifts Other Than Capital Purposes.
- The cash from capital and related financing activities had a net decrease of \$74.4 million. This decrease is primarily contributed to the bond issuance proceeds of \$83.5 million received in 2006-07. For 2007-08, the cash receipt of \$10.9 million is a result of the proceeds for the new Lease Revenue Bonds as explained on Note 10 – Lease Revenue Bonds of the Financial Statements. The cash payment of \$45.7 million for payments to finance construction projects. The cash payments of \$4.9 million for payments made toward the principal and interest of the bond debt. The debt service schedule for principal and interest is shown Note 9 – General Obligation Bonds of the Financial Statements which includes greater detail.
- Cash used from investing activities includes interest earned on cash in bank and cash invested through the Los Angeles County pool. This section mainly includes interest earned from the General Fund. The increase in interest earned in 2007-08 versus 2006-07 is \$0.7 million attributed to the increase of our reserves in 2006-07.

#### **District's Fiduciary Responsibility**

The District includes as a component unit the Mt. San Antonio Auxiliary Services; the Auxiliary is the trustee, or fiduciary, for certain amounts held on behalf of students and clubs. These fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets and are excluded from the other financial statements because their assets cannot be used to finance operations. The Auxiliary is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

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

The District has the responsibility of accounting for the Student Loans and Scholarship Funds. These fiduciary activities are also reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets in the Primary Government column.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008

Capital Asset and Debt Administration

**Capital Assets**

As of June 30, 2008, the District had over \$244.6 million invested in net capital assets. Total capital assets of \$295.8 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 \$51.2 million. Significant capital asset additions and deletions of \$45.4 million, which is mainly a net increase in construction in progress totaling \$32.3 million, an increase in equipment totaling \$3.9 million and an increase in site improvements totaling \$9.5 million, occurred during 2007-08. Depreciation expense of \$8.9 million was recorded for the fiscal year, as were net retirements of \$18 thousand.

During 2007-08, construction was completed for the following projects: Staff Parking Lot D-3 (Project 17), Music Expansion Building 2 (Project 17), and major portions of Infrastructure Projects (Project 17).

Construction in progress during 2007-08 includes the following projects: Greenhouse Unit and Animal Care Unit (Agricultural-Phase 2), Child Development Center Building 70, Classroom Renovation-Buildings 7, 11, 26, Design Technology Center, Student Services Renovation-Building 9B, Building 23 Renovation (Phase 2), Planetarium Remodel, Math and Science-Building 61, Physical Education Remodel Building 45, Administration Building Remodel Building 4, and Parking Lot B improvements.

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>2008</u>	<u>2007</u>	<u>Change</u>
Land	\$ 619	\$ 619	0.00%
Buildings and improvements	153,967	150,012	2.64%
Equipment	8,725	8,250	5.76%
Construction in progress	<u>81,265</u>	<u>48,953</u>	66.01%
Net Capital Assets	<u>\$ 244,576</u>	<u>\$ 207,834</u>	17.68%



**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2008**

**Debt**

At June 30, 2008, the District had \$196.5 million in debt. The balance primarily consists of the remaining debt of \$4.5 million in Series "A" General Obligation Bonds issued in May, 2002, \$13.3 million in Series "B" General Obligation Bonds issued in February, 2004, \$75.3 million General Obligation Refunding Bonds issued September, 2005, and \$76.2 million in Series "C" General Obligation bond issued in September 2006. 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 2010. The general obligation bonds comprise approximately 91% 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.

On June 1, 2008, the California Community College Financing Authority issued a total of \$10.8 million Lease Revenue Bonds on behalf of the district. These new bonds will finance equipment, relocatable structures, and building projects.

The District implemented a Supplemental Employee Retirement Plan, which was approved by the Board of Trustees on March 26, 2003. The district paid off this debt in 2007-08.

Notes 6, 8 through 11 and 14 to the financial statements provide additional information on long-term liabilities. A comparison of long-term debt is summarized below:

	(in thousands)		
	<u>2008</u>	<u>2007</u>	<u>Change</u>
Long-term debt			
Capital leases	\$ 18	\$ 37	-51.35%
Loan payable	621	857	-27.54%
Bonds payable (including premium)	182,675	191,822	-4.77%
Bonds - accreted interest	2,342	1,280	82.97%
Bonds payable - deferred liability	(6,192)	(6,811)	-9.09%
Certificates of Participation (including premium)	11,228		100.00%
Compensated absences	5,809	5,325	9.09%
Supplemental employee retirement plan		997	-100.00%
Total long-term debt	<u>196,501</u>	<u>193,507</u>	1.55%
Less current portion	<u>(10,230)</u>	<u>(10,966)</u>	-6.71%
Long-term portion	<u>\$ 186,271</u>	<u>\$ 182,541</u>	2.04%

## MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008

#### **Economic Factors that May Affect the Future**

As of June 30, 2008, 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 \$4.4 million.

The economic position of the District is closely tied to that of the State of California. As the economy continues to decline, historically, community colleges tend to experience an increase in enrollment. Community colleges are experiencing increase in growth due to the economic situation throughout the state.

Due to the anticipated state budget deficit there is a possibility that community colleges will experience mid-year cuts. Management will maintain a close watch over resources to react to internal and external issues if and when they arise.

#### **Subsequent Events**

On July 9, 2008, the District issued the last series of General Obligation Bonds in the amount of \$26,003,609. These General Obligations Bonds were approved on November 2001 by the voters for a total of \$221 million.

On November 4, 2008 the voters approved General Obligation Bonds for a total of \$353 million. These bonds will finance the repair, upgrade and acquisition of equipment and instructional facilities for Science and Computer Labs, Library, Fire Academy Training Facility, Classrooms for Nursing, Paramedics, and Police Officers, Classrooms for Education and Vocational Job Training, and new Computer Technology Center.

#### **Salary and Benefit Increases**

Effective July 1, 2008, all regular employees will receive a one-time health and welfare benefit increase.

## **BASIC FINANCIAL STATEMENTS**

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET ASSETS  
June 30, 2008

	Primary Government	Component Unit Auxiliary Services
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 89,591,408	\$ 2,350,800
Accounts receivable, net	18,246,948	428,601
Due from Auxiliary Services	1,127,058	
Due from the District		95,110
Inventories	17,558	1,961,951
Prepaid expenses and deposits		22,865
Total Current Assets	<u>108,982,972</u>	<u>4,859,327</u>
Non-Current Assets:		
Restricted cash and cash equivalents	15,635,768	
Notes receivable		76,812
Capitalized fees	2,410,826	
Other postemployment benefits other than pensions (OPEB) asset	1,115,336	
Capital assets, net of accumulated depreciation	<u>244,576,492</u>	<u>834,605</u>
Total Non-Current Assets	<u>263,738,422</u>	<u>911,417</u>
<b>TOTAL ASSETS</b>	<u>\$ 372,721,394</u>	<u>\$ 5,770,744</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts payable	\$ 12,694,345	\$ 450,388
Accrued liabilities	8,701,810	598,998
Accrued interest payable	2,648,023	
Deferred revenue	6,521,444	4,073
Due to Auxiliary Services	216,477	
Due to the District		106,354
Amount held in trust for others	7,822	22,339
Compensated absences - current portion	1,526,172	193,462
Capital leases - current portion	18,335	
Loans payable - current portion	95,002	
Lease revenue bonds payable - current portion	945,000	
General obligation bonds payable - current portion	<u>7,645,133</u>	
Total Current Liabilities	<u>41,019,563</u>	<u>1,375,614</u>
Non-Current Liabilities:		
Compensated absences	4,282,267	
Other postemployment benefits other than pensions (OPEB)		85,416
Loans payable	526,023	
Lease revenue bonds payable	10,283,160	
General obligation bonds payable, net	<u>171,180,139</u>	
Total Non-Current Liabilities	<u>186,271,589</u>	<u>85,416</u>
<b>TOTAL LIABILITIES</b>	<u>227,291,152</u>	<u>1,461,030</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	82,772,676	834,605
Restricted for:		
Scholarships and loans	2,310	
Capital projects	19,094,666	
Debt service	12,989,449	
Other special services	865,483	
Unrestricted	<u>29,705,658</u>	<u>3,475,109</u>
<b>TOTAL NET ASSETS</b>	<u>145,430,242</u>	<u>4,309,714</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 372,721,394</u>	<u>\$ 5,770,744</u>

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, 2008

	<b>Primary Government</b>	<b>Component Unit Auxiliary Services</b>
<b>OPERATING REVENUES</b>		
Enrollment, tuition and other fees (gross)	\$ 19,752,236	\$
Less: Scholarship discounts and allowances	(4,864,156)	_____
Net enrollment, tuition and other fees	14,888,080	-
Grants and contracts, non-capital:		
Federal	17,180,556	
State	15,091,694	
Local	2,810,759	
Auxiliary enterprise sales and charges, net	_____	4,336,896
<b>TOTAL OPERATING REVENUES</b>	<b>49,971,089</b>	<b>4,336,896</b>
<b>OPERATING EXPENSES</b>		
Salaries	111,865,391	2,306,899
Employee benefits	29,751,833	815,957
Supplies, materials and other operating expenses and services	24,880,565	1,003,337
Financial aid	14,763,176	
Utilities	4,302,253	
Depreciation	8,926,923	154,670
<b>TOTAL OPERATING EXPENSES</b>	<b>194,490,141</b>	<b>4,280,863</b>
OPERATING INCOME (LOSS)	<b>(144,519,052)</b>	<b>56,033</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
State apportionments, non-capital	112,347,026	
Local property taxes	15,424,628	
District fees		154,226
State taxes and other revenues	4,463,086	
Loss on disposal of fixed assets	(1,674)	
Interest expense	(7,596,726)	
Investment income, net	2,153,969	269,876
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>126,790,309</b>	<b>424,102</b>
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS OR (LOSSES)	<b>(17,728,743)</b>	<b>480,135</b>
<b>OTHER REVENUES, EXPENSES, GAINS OR (LOSSES)</b>		
State apportionments, capital	4,151,475	
Local property taxes and revenues, capital	12,190,880	
Investment income, capital	3,690,788	
<b>TOTAL OTHER REVENUES, EXPENSES, GAINS OR (LOSSES)</b>	<b>20,033,143</b>	<b>-</b>
INCREASE IN NET ASSETS	<b>2,304,400</b>	<b>480,135</b>
NET ASSETS, BEGINNING OF YEAR	<b>143,125,842</b>	<b>3,829,579</b>
NET ASSETS, END OF YEAR	<b>\$ 145,430,242</b>	<b>\$ 4,309,714</b>

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, 2008**

	<b>Primary Government</b>	<b>Component Unit Auxiliary Services</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Enrollment, tuition and fees	\$ 14,895,488	\$
Federal grants and contracts	16,798,070	
State grants and contracts	14,097,904	
Local grants and contracts	3,054,547	
Payments to suppliers	(32,174,113)	(7,027,245)
Sales		10,447,380
Payments to/on-behalf of employees	(140,265,101)	(2,904,977)
Payments to/on-behalf of students	(14,896,200)	
Other receipts/(payments)	(258,974)	
Net cash provided (used) by operating activities	<u>(138,748,379)</u>	<u>515,158</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
State apportionments and receipts	110,789,056	
Property taxes	15,424,628	
Grants and gifts for other than capital purposes	5,212,394	
Net cash provided by non-capital financing activities	<u>131,426,078</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
State apportionment and receipts for capital purposes	4,138,174	
Property taxes and other local revenue from capital purposes	11,956,986	
District fees		145,660
Net purchase and sale of capital assets	(45,704,176)	(22,692)
Proceeds from capital debt, net of costs	10,904,255	
Principal and interest paid on capital debt, net	(16,827,810)	
Interest on capital investments	4,775,424	
Net cash provided (used) by capital and related financing activities	<u>(30,757,147)</u>	<u>122,968</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	2,628,526	269,876
Net cash provided by investing activities	<u>2,628,526</u>	<u>269,876</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(35,450,922)</b>	<b>908,002</b>
<b>CASH BALANCE - Beginning of Year</b>	<u>140,678,098</u>	<u>1,442,798</u>
<b>CASH BALANCE - End of Year</b>	<u>\$ 105,227,176</u>	<u>\$ 2,350,800</u>
<b>Supplemental Disclosure</b>		
Non cash financing activities		
Reduction on loans payable - usage credits	<u>\$ 8,422</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, 2008

	<u>Primary Government</u>	<u>Component Unit Auxiliary Services</u>
<b>Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities</b>		
<b>CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Net Operating Income/(Loss)	\$ (144,519,052)	\$ 56,033
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation expense	8,926,923	154,670
Changes in assets and liabilities:		
Accounts and student loans receivable, net	(3,931,177)	(12,913)
Due from Auxiliary Services	(153,871)	
Due from District		47,695
Inventories	29,415	(69,002)
Prepaid expenses	74,198	5,372
Notes receivable		8,304
Other postemployment benefit assets	(1,115,336)	
Accounts payable and accrued liabilities	2,446,706	300,387
Due to Auxiliary Services	(105,103)	
Deferred revenue	111,801	425
Compensated absences	484,052	5,173
Due to District		29,049
Due to fiduciary funds		(10,035)
Supplemental employee retirement plan payable	(996,935)	
Net cash provided (used) by operating activities	<u>\$ (138,748,379)</u>	<u>\$ 515,158</u>
Breakdown of ending cash balance:		
Cash and cash equivalents	\$ 89,591,408	\$ 2,350,800
Restricted cash and cash equivalents	15,635,768	
Total	<u>\$ 105,227,176</u>	<u>\$ 2,350,800</u>

See the accompanying notes to the financial statements.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2008

	<u>Primary Government Student Loans and Scholarship Fund</u>	<u>Component Unit Auxiliary Services  Agency Funds</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 295,863	\$ 3,450,054
Accounts receivable	35,195	161,675
Due from the District		121,367
<b>TOTAL ASSETS</b>	<u>\$ 331,058</u>	<u>\$ 3,733,096</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 1,182	\$ 50,523
Other accrued liabilities		122,911
Due to the District		1,020,704
Compensated absences		4,024
Amount held in trust for others		2,534,934
Amount held in trust for loans	91,733	
<b>TOTAL LIABILITIES</b>	<u>92,915</u>	<u>3,733,096</u>
<b>NET ASSETS</b>		
Reserved for scholarships	238,143	
<b>TOTAL NET ASSETS</b>	<u>238,143</u>	<u>-</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 331,058</u>	<u>\$ 3,733,096</u>

See the accompanying notes to the financial statements.

**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
 For the Fiscal Year Ended June 30, 2008

	<b>Primary Government Student Loans and Scholarship Fund</b>
<b>ADDITIONS</b>	
Donations	\$ 182,823
<b>TOTAL ADDITIONS</b>	182,823
<b>DEDUCTIONS</b>	
Scholarships awarded	169,217
<b>TOTAL DEDUCTIONS</b>	169,217
Change in Net Assets	13,606
<b>NET ASSETS, BEGINNING OF YEAR</b>	224,537
<b>NET ASSETS, END OF YEAR</b>	\$ 238,143

See the accompanying notes to the financial statements.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

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, 2008

**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, 2008

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 \$1,237,660 on June 30, 2008, which represents withholdings payable. The Warrant Pass-Through Fund is not reported in the basic financial statements.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

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

**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.

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, 2008

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, superceded 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

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

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. 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. In addition, accounts receivable also includes 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.

3. Inventories

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

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

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. Prepaid Expenses

Payments made to vendors for goods or services that will benefit periods beyond June 30, 2008, 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 goods or services are consumed.

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. Capitalized Fees

Amounts paid for fees and underwriting costs associated with long-term debt are capitalized and amortized to interest expense over the life of the liability. These costs are amortized using the straight-line method.

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, 2008

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 with a whole month convention 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 salaries and benefits payable.

11. Due to Auxiliary

Due to Auxiliary consists primarily of expenses related to the Bookstore and service fees.

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, 2008

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, 2008

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 2009 will be recorded in the year computed by the State.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

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 basic financial statements 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 \$1,231,000 for STRS.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

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, 2008

**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.

21. New Accounting Pronouncements

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 is effective for the District in fiscal year 2007-08. The statement requires governmental agencies to record and disclose the actuarially determined cost of postemployment benefits other than pensions 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(s) for amortizing the total unfunded actuarial accrued liability for a period not to exceed 30 years. A detailed disclosure is provided at Note 13.

**NOTE 2 - 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, 2008, \$14,472,370 of the District's bank balance of \$14,599,035 was exposed to credit risk as follows:

Uninsured and collateral held by pledging bank's trust department not in the District's name	\$ 3,541,838
Uninsured and collateral deposits <sup>(1)</sup>	<u>10,930,532</u>
	<u>\$14,472,370</u>

<sup>(1)</sup> Deposits held with trustee in money market funds are rated AAA or better by Standard and Poor, as required by the District's investment policy.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

**NOTE 2 - DEPOSITS:** (continued)

**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, 2008, as provided by the pool sponsor, was \$95,841,387. 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.

**NOTE 3 - ACCOUNTS RECEIVABLE:**

The accounts receivable balance as of June 30, 2008 consists of the following:

Federal and State	\$12,681,939
Miscellaneous	5,338,970
From Students	<u>226,039</u>
	<u>\$18,246,948</u>

**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.



**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**NOTE 5 - CAPITAL ASSETS:**

The following provides a summary of changes in capital assets for the year ended June 30, 2008:

	<u>Balance</u> <u>June 30,2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30,2008</u>
Land	\$ 619,480	\$	\$	\$ 619,480
Site and site improvements	184,326,414	9,504,880		193,831,294
Equipment	16,563,596	3,870,411	(311,720)	20,122,287
Construction in progress	48,952,481	38,355,510	(6,043,156)	81,264,835
Total cost	<u>250,461,971</u>	<u>51,730,801</u>	<u>(6,354,876)</u>	<u>295,837,896</u>
Less accumulated depreciation for:				
Site and site improvements	(34,313,864)	(5,550,354)		(39,864,218)
Equipment	<u>(8,314,132)</u>	<u>(3,376,569)</u>	293,515	<u>(11,397,186)</u>
Total accumulated depreciation	<u>(42,627,996)</u>	<u>(8,926,923)</u>	293,515	<u>(51,261,404)</u>
Governmental capital assets, net	<u>\$ 207,833,975</u>	<u>\$ 42,803,878</u>	<u>\$ (6,061,361)</u>	<u>\$ 244,576,492</u>

**NOTE 6 - CAPITAL LEASES:**

The District leases equipment valued at approximately \$351,000 under agreements which provide for title to pass upon expiration of the lease period. Future minimum lease payments are as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	<u>\$ 18,335</u>	<u>\$ 741</u>	<u>\$ 19,076</u>

Current year expenditures for capital leases is approximately \$21,000. The District will receive no sublease rental revenues nor pay any contingent rentals for this equipment.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

**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>Year Ended</u> <u>June 30,</u>	<u>Lease Payment</u>
2009	\$133,252
2010	19,272
2011	<u>12,920</u>
Total	<u>\$165,444</u>

Current year expenditures for operating leases is approximately \$357,000. The District will receive no sublease rental revenues nor pay any contingent rentals for these properties.

**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 2007-08, the District repaid \$15,106 to the City, and received \$8,422 in facility usage credit. The remaining balance of \$350,469 is reflected as a liability on the statement of net assets.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

**NOTE 8 - LOANS PAYABLE:** (continued)

**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%. During fiscal year 2007-08, the District paid off the balance which included \$150,227 of principal and \$3,400 of interest.

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%. During fiscal year 2007-08 the District paid \$62,728 in principal and \$9,557 in interest payments.

Annual loan payments outstanding as of June 30, 2008 are as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 64,649	\$ 7,637	\$ 72,286
2010	66,603	5,683	72,286
2011	68,616	3,670	72,286
2012	<u>70,688</u>	<u>1,598</u>	<u>72,286</u>
	<u>\$270,556</u>	<u>\$ 18,588</u>	<u>\$289,144</u>

**NOTE 9 – GENERAL OBLIGATION BONDS:**

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.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

**NOTE 9 – GENERAL OBLIGATION BONDS: (continued)**

The bonds were issued to refund certain outstanding general obligation bonds (\$40,000,000 Series A issued May 2, 2002 and \$75,000,000 Series B issued February 4, 2004) of the District and to pay for certain capital improvements.

The proceeds associated with the refunding were deposited in an escrow fund for future repayment. At June 30, 2008 the outstanding balance of the defeased debt to be paid by the escrow agent totaled \$64,314,450. 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.

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

The capital appreciation bonds were issued with maturity dates of September 1, 2008 through September 1, 2012. Prior to the applicable maturity date, each bond will accrete interest on the principal component.

**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2008**

**NOTE 9 – GENERAL OBLIGATION BONDS: (continued)**

The outstanding bonded debt of Mt. San Antonio Community College District at June 30, 2008 is:

Date of Issue	Interest Rate %	Final Maturity Date <sup>(1)</sup>	Amount of Original Issue	Outstanding July 1, 2007	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2008
5/1/2002 A	3.25-5.25%	5/1/2027	\$ 40,000,000	\$ 5,585,000	\$ -	\$ 1,115,000	\$ 4,470,000
2/4/2004 B	2.75-5.0%	8/1/2028	75,000,000	16,040,000		2,740,000	13,300,000
9/6/2005	3.5-5.0%	8/4/2017	75,745,843	75,295,843			75,295,843
9/8/2006 C	4.0-5.0%	9/1/2031	79,996,203	79,996,203		3,770,000	76,226,203
			<u>\$ 270,742,046</u>	<u>\$ 176,917,046</u>	<u>\$ -</u>	<u>\$ 7,625,000</u>	<u>\$ 169,292,046</u>

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

The annual requirements to amortize all bonds payable, outstanding as of June 30, 2008, are as follows:

Year Ended June 30	Principal	Accreted Interest	Interest	Total
2009	\$ 7,645,133	\$ 9,867	\$ 7,122,524	\$ 14,777,524
2010	8,306,062	18,938	6,831,788	15,156,788
2011	8,833,296	36,704	6,512,007	15,382,007
2012	9,759,018	50,982	6,151,688	15,961,688
2013	9,382,694	117,306	5,708,487	15,208,487
2014-2018	51,740,843	15,754,157	21,148,631	88,643,631
2019-2023	20,910,000		15,406,500	36,316,500
2024-2028	26,550,000		9,655,065	36,205,065
2029-2032	26,165,000		2,661,838	28,826,838
Total Debt Service	169,292,046	<u>\$ 15,987,954</u>	<u>\$ 81,198,528</u>	<u>\$ 266,478,528</u>
Unamortized bond premium (1)	13,383,408			
Unamortized bond deferred liability (2)	<u>(6,191,982)</u>			
Total	<u>\$ 176,483,472</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 Bond included total premiums of \$17,869,815. This amount will be amortized using the straight line method. Amortization of \$1,521,469 was recognized during 2007-08.
- (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 of \$619,198 was recognized during the 2007-08 year.

**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**NOTE 9 – GENERAL OBLIGATION BONDS: (continued)**

At June 30, 2008, \$2,341,800, in accreted interest has been accrued and included in long-term debt.

Associated issuance costs are recorded as capitalized fees on the statement of net assets. The Bonds included issuance costs of \$2,713,698. This amount will be amortized using the straight-line method. Amortization of \$219,516 was recognized during 2007-08.

**NOTE 10 – LEASE REVENUE BONDS:**

The District has entered into a long-term lease agreement to provide for the financing of equipment, relocatable structures, and building projects. The agreement is between the Mt. San Antonio Community College District as the "District" and the California Community College Financing Authority as the "Authority"

The California Community College Financing Authority is a legally separate entity which was formed for the sole purpose of acquiring equipment and capital outlay and then leasing such items to California community college districts.

**Series 2008A Issue:**

On June 1, 2008, the Authority issued \$10,835,000 in Lease Revenue Bonds, on behalf of the District.

The bonds were issued to (a) finance certain public capital improvements; (b) fund capitalized interest on a portion of the Bonds; (c) purchase surety bonds for deposit into debt service reserve accounts with respect to the District; and (d) pay the costs of issuance of the Bonds.

The District will repay the debt by making lease payments on May 1, and November 1, beginning November 1, 2008 and terminating on May 1, 2018. Interest rates range from 3.50% to 4.67% for the length of the issuance.



**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**NOTE 10 – LEASE REVENUE BONDS: (continued)**

The remaining lease payments will be made as follows:

Year Ended June 30	Principal	Interest	Total
2009	\$ 945,000	\$ 397,974	\$ 1,342,974
2010	925,000	416,050	1,341,050
2011	965,000	379,050	1,344,050
2012	1,005,000	340,450	1,345,450
2013	1,045,000	296,050	1,341,050
2013-2017	<u>5,950,000</u>	<u>764,200</u>	<u>6,714,200</u>
Totals	<u>\$ 10,835,000</u>	<u>\$ 2,593,774</u>	<u>\$ 13,428,774</u>

Associated issuance costs are recorded as capitalized fees on the statement of net assets. The lease revenue bonds included issuance costs of \$363,219. This amount will be amortized using the straight-line method. Amortization of \$33,019 was recognized during 2007-08.

**NOTE 11 - LONG-TERM DEBT:**

A schedule of changes in long-term debt for the year ended June 30, 2008 is shown below:

	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008	Amounts Due in One Year
Capital leases	\$ 36,866	\$	\$ 18,531	\$ 18,335	\$ 18,335
Loan payable-City of Walnut	373,997		23,528	350,469	30,353
Energy loans payable	483,513		212,957	270,556	64,649
General obligation bonds:					
Bonds payable	176,917,046		7,625,000	169,292,046	7,645,133
Premium	14,904,877		1,521,469	13,383,408	
Accreted interest	1,280,230	1,061,570		2,341,800	
Deferred liability	(6,811,180)		(619,198)	(6,191,982)	
Lease revenue bonds:					
Lease revenue bonds payable		10,835,000		10,835,000	945,000
Premium		432,474	39,314	393,160	
Compensated absences	5,324,387	484,052		5,808,439	1,526,172
Supplemental employee retirement plan	996,935		996,935		
Total	<u>\$ 193,506,671</u>	<u>\$ 12,813,096</u>	<u>\$ 9,818,536</u>	<u>\$ 196,501,231</u>	<u>\$ 10,229,642</u>

**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**NOTE 12 - 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) and part-time, seasonal and temporary employees and employees not covered by STRS or PERS are members of the Alliance of Schools for Cooperative Insurance Programs (ASCIP).

**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.

**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 2007-08 was 8.25% 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, 2008

**NOTE 12 - EMPLOYEE RETIREMENT PLANS: (continued)**

**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 2007-08 was 9.306% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

**Contributions to STRS and PERS**

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

<u>Year Ended</u> <u>June 30,</u>	<u>STRS</u>		<u>PERS</u>	
	<u>Required</u> <u>Contribution</u>	<u>Percent</u> <u>Contributed</u>	<u>Required</u> <u>Contribution</u>	<u>Percent</u> <u>Contributed</u>
2006	\$4,189,665	100%	\$2,333,493	100%
2007	4,623,329	100%	2,595,079	100%
2008	5,298,122	100%	2,704,482	100%

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

**NOTE 12 - EMPLOYEE RETIREMENT PLANS: (continued)**

**MetLife**

**Plan Description**

MetLife is a defined contribution plan qualifying under §401(a) and §501 of the Internal Revenue Code that is administered by Alliance of Schools for Cooperative Insurance Programs (ASCIP). 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 ASCIP 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 \$875,315 during the fiscal year. The total amount of covered compensation was \$11,670,873. Total contributions made is 100% of the amount of contributions required for fiscal year 2007-08.

**NOTE 13 – POSTEMPLOYMENT HEALTHCARE BENEFITS:**

**Plan Description**

The District administers a single-employer defined benefit healthcare plan (the Retiree Health Plan). The plan provides medical benefits to eligible retirees and their spouses in accordance with provisions established through negotiations between the District and the bargaining unions representing employees. Plan provisions are renegotiated each three-year bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

**NOTE 13 – POSTEMPLOYMENT HEALTHCARE BENEFITS: (continued)**

**Eligibility**

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.

Retirees and beneficiaries receiving benefits	477
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>878</u>
Total	<u>1,355</u>

**Funding Policy**

The contribution requirements are established and may be amended by the District. The required contribution is based on projected pay-as-you-go financing requirements, with an annual adjustment to fully fund the actuarially determined annual required contribution. For fiscal year 2007-08, the District contributed \$6,436,678 to the plan, including \$3,696,981 for current year premiums. The District pays for 100% of coverage.

**Annual OPEB Cost and Net OPEB Obligation**

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The District has elected to amortize the unfunded actuarial liability over 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed, and changes in the District's net OPEB obligation (asset):

**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**NOTE 13 – POSTEMPLOYMENT HEALTHCARE BENEFITS: (continued)**

**Annual OPEB Cost and Net OPEB Obligation (continued)**

Annual required contribution (ARC)	\$ 5,319,342
Interest on net OPEB obligation	-
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost (expense)	5,319,342
Contributions made	<u>(6,436,678)</u>
Change in net OPEB obligation	(1,115,336)
Net OPEB obligation - Beginning of Year <sup>(1)</sup>	<u>-</u>
Net OPEB obligation (asset) - End of Year	<u><u>\$ (1,115,336)</u></u>

<sup>(1)</sup> GASB Statement No. 45 provides for prospective implementation, therefore the beginning net OPEB obligation is set at zero as of the beginning of the initial year.

The District's annual OPEB cost for the year, the percentage of annual OPEB cost contributed, and the net OPEB obligation for fiscal year ended 2008 was as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2008	\$ 5,319,342	100.0%	\$ -

Fiscal year 2007-08 was the year of implementation of GASB Statement No. 45 and the District elected to implement prospectively, therefore, prior year comparative data is not available. In future years, three-year trend information will be presented.



MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

**NOTE 13 – POSTEMPLOYMENT HEALTHCARE BENEFITS: (continued)**

**Funding Status and Funding Progress**

As of April 1, 2007, the most recent actuarial valuation date, the plan was 57% funded. The actuarial accrued liability for benefits was \$93.4 million, and the actuarial value of assets held with the SCCCD-JPA was \$52.9 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$40.5 million. The covered payroll (annual payroll of active employees covered by the plan) was \$72,296,089, and the ratio of the UAAL to the covered payroll was 55.9%. In June 2008, the District established the Mt. San Antonio Community College District OPEB Trust. Irrevocable contributions to the trust of \$55.8 million were made from the SCCCD-JPA to the Trust in July, 2008.

Actuarial valuations of an ongoing benefit plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets, if any, is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, if any, consistent with the long-term perspective of the calculations.

The actuarial cost method used in determining the benefit obligations is the Entry Age Normal Cost method. The actuarial assumptions included a 5.5 percent investment rate of return (net of administrative expenses) which is a blended rate of the expected long-term investment returns on plan assets and on the employers own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 4.0 percent which included a 3.0 percent inflation assumption. The UAAL is being amortized over 30 years.

**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**NOTE 14 – 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 paid benefits of \$996,935 annually over five years totaling \$4,984,676. The final payment was made during 2007-08.

**NOTE 15 - 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 plans and dental and vision insurance plans for its member districts. Mt. San Antonio Community College District pays a premium commensurate with the level of coverage requested. In addition, ASCIP maintains defined pension plans for employees not covered by STRS or PERS (see Note 12).

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 September 2007 estimates a present value of future post retirement medical benefits of \$116,800,000 for the District. The JPA balance at June 30, 2008 applicable to Mt. San Antonio Community College District for retiree benefits was approximately \$55.8 million. In July 2008, the District transferred these reserves to the Mt. San Antonio Community College District OPEB Trust as described in Note 13.

**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**NOTE 15 - JOINT POWERS AGREEMENT: (continued)**

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.

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. For the fiscal year 2007-08, the District did not sell any delinquent ad valorem property taxes to the Authority nor did the District receive any revenue for corrections in tax calculations.

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

	ASCIP 6/30/2007 <u>(Audited)</u>	SCCCDC-JPA 6/30/2007 <u>(Audited)</u>	SELF 6/30/2007 <u>(Audited)</u>	PIPS 6/30/2007 <u>(Audited)</u>
		Workers' Compensation Insurance Fund	Retiree Health Insurance Fund	
Total assets	\$183,290,906	\$ 18,654,866	\$ 79,015,109	\$215,903,000
Total liabilities	<u>118,424,651</u>	<u>1,595,168</u>	<u>                    </u>	<u>185,793,000</u>
Net assets	\$ <u>64,866,255</u>	\$ <u>17,059,698</u>	\$ <u>79,015,109</u>	\$ <u>21,244,744</u>
Total revenues	\$162,002,583	\$ 8,057,780	\$ 8,812,136	\$ 47,931,000
Total expenditures	<u>135,225,057</u>	<u>7,652,344</u>	<u>871,682</u>	<u>45,867,000</u>
Change in net assets	\$ <u>26,777,526</u>	\$ <u>405,436</u>	\$ <u>7,940,454</u>	\$ <u>15,287,984</u>

**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**NOTE 16 - FUNCTIONAL EXPENSE:**

	<u>Salaries</u>	<u>Employee Benefits</u>	<u>Supplies, Materials, Utilities, Other Expenses and Services</u>	<u>Student Aid and Other Uses</u>	<u>Depreciation</u>	<u>Total</u>
Instructional	\$ 68,574,057	\$ 14,760,495	\$ 2,571,382	\$	\$	\$ 85,905,934
Academic Support	10,048,644	2,823,574	807,617			13,679,835
Student Services	10,903,158	3,145,264	1,596,404			15,644,826
Operation & Maintenance of Plant	5,121,944	2,055,970	5,861,455			13,039,369
Institutional Support	11,041,530	5,409,801	5,121,304			21,572,635
Community Services and Economic Development	2,473,818	521,079	1,050,268			4,045,165
Ancillary Services and Auxiliary Operations	3,702,240	1,035,650	1,240,541			5,978,431
Student Aid				14,763,176		14,763,176
Other Outgo			10,933,847			10,933,847
Depreciation Expense					8,926,923	8,926,923
Totals by Object	<u>\$ 111,865,391</u>	<u>\$ 29,751,833</u>	<u>\$ 29,182,818</u>	<u>\$ 14,763,176</u>	<u>\$ 8,926,923</u>	<u>\$ 194,490,141</u>

**NOTE 17 - COMMITMENTS AND CONTINGENCIES:**

**A. State and Federal Allowances, Awards and Grants**

The District has received state and federal funds for specific purposes 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.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

**NOTE 17 - COMMITMENTS AND CONTINGENCIES: (continued)**

**B. Purchase Commitments**

As of June 30, 2008 the District was committed under various capital expenditure purchase agreements for various projects totaling approximately \$19.2 million to be funded from bond proceeds and State funding for capital outlay projects.

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 18 - SUBSEQUENT EVENT:**

**General Obligation Bonds**

On July 9, 2008 the District offered for sale \$26,003,609.15 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.

**REQUIRED SUPPLEMENTARY INFORMATION**

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF POSTEMPLOYMENT HEALTHCARE BENEFITS FUNDING PROGRESS  
For the Fiscal Year Ended June 30, 2008

<u>Fiscal Year Ended</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (AVA)</u>	<u>Actuarial Accrued Liability (Entry Age Normal Method) (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funding Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
6/30/2008	4/1/2007	\$ 52,900,505	\$ 93,378,693	\$ 40,478,188	57.0%	\$ 72,296,089	55.9%

Note: The plan's segregated assets were held in the Southern California Community College JPA, and were subsequently transferred to the Mt. San Antonio Community College District OPEB Trust in July 2008. As the assets held by the JPA are excluded from the District's assets, management believes they are appropriately reported as plan assets.

Fiscal year 2008 was the year of implementation of GASB Statement No. 45 and the District elected to implement prospectively, therefore, prior year comparative data is not available. In future years, three year trend information will be presented.

See the accompanying notes to the required supplementary information.



**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Fiscal Year Ended June 30, 2008**

**NOTE 1 - PURPOSE OF SCHEDULE:**

**Schedule of Postemployment Healthcare Benefits Funding Progress**

This schedule is prepared to show information for the most recent actuarial valuation and in future years, the information from the three most recent actuarial valuations in accordance with Statement No. 45 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The schedule is intended to show trends about the funding progress of the District's actuarially determined liability for postemployment benefits other than pensions.

**SUPPLEMENTARY INFORMATION**

## MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

### HISTORY AND ORGANIZATION

June 30, 2008

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>
Manuel Baca	President	November 30, 2011
Fred Chyr	Vice President	November 30, 2011
Dr. David K. Hall	Clerk	November 30, 2009
Rosanne M. Bader	Member	November 30, 2011
Judy Chen Haggerty	Member	November 30, 2009
Isaiah Deresa	Student Trustee	May 31, 2008
Cheryl Jamison	Student Trustee	May 31, 2009

#### DISTRICT EXECUTIVE OFFICERS

Dr. John S. Nixon	President/CEO*
Dr. Virginia Burley	Vice President, Instruction**
Michael D. Gregoryk	Vice President, Administrative Services
Dr. Jack Miyamoto	Interim Vice President, Human Resources
Dr. Audrey Yamagata-Noji	Vice President, Student Services

\* Dr. John S. Nixon became Interim President/CEO effective July 1, 2007 and President/ CEO effective February 27, 2008.

\*\*Dr. Virginia Burley became Interim Vice President, Instruction effective July 1, 2007, and Vice President, Instruction effective June 25, 2008.

**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Fiscal Year Ended June 30, 2008**

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures
<b>Federal Categorical Aid Programs:</b>			
<b>Student Financial Aid Cluster:</b>			
<b>Department of Education:</b>			
Direct			
Student Financial Aid Cluster:			
Student Financial Aid Administrative Expenses	84.000	N/A	\$ 69,883
Supplemental Educational Opportunities Grant (SEOG)	84.007	N/A	373,537
Federal Work Study	84.033	N/A	333,035
Pell	84.063	N/A	12,248,598
Direct Loans - William D. Ford Program	84.268	N/A	16,424
Academic Competitiveness	84.375	N/A	68,850
<b>Department of Agriculture:</b>			
Passed through the California Department of Education:			
Child Nutrition Program	10.555	03755	56,823
<b>Department of Labor:</b>			
Pass through the Employment Development Department:			
Workforce Investment Act: Associate Degree for Nursing (RN) Programs			
Fostering Student Success	17.258	(1)	171,660
Passed through California Community College Chancellor's Office:			
California Transportation and Logistics Institute (CATLI)	17.269	(1)	9,276
<b>National Science Foundation:</b>			
Direct			
Course, Curriculum and Laboratory Improvement (CCLI):			
Enhancing Student Learning	47.076	N/A	34,613
Advance Technological Education (ATE):			
Regional Information Systems Security Center	47.076	N/A	143,753
<b>Small Business Development Center:</b>			
Passed through Long Beach Community College District:			
Small Business Development Center	59.037	(1)	290,754
<b>Department of Education:</b>			
Direct			
Workforce Investment Act, Title II: Adult Education and Family Literacy Act, Section 225/231	84.002A	N/A	741,232
Addressing Acute Student Needs	84.031S	N/A	632,311
Upward Bound	84.047A	N/A	353,617
Parent in School Program	84.335A	N/A	105,400
Passed through California Community College Chancellor's Office:			
Vocational and Applied Technology Education Act, Family and Consumer Sciences	84.048	(1)	264,129
Vocational and Applied Technology Education Act, Tech Prep	84.243	(1)	76,631
Vocational and Applied Technology Education Act, Title I, Part C	84.048	03578	843,151

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, 2008**

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures
<b>Department of Veterans Affairs Regional Office:</b>			
Direct			
Veteran's Education	84.065	N/A	3,577
<b>Department of Health &amp; Human Services :</b>			
Passed through California Community College Chancellor's Office:			
Temporary Assistance for Needy Families (TANF)	93.558	(1)	106,357
Temporary Assistance for Needy Families (TANF)-CDC Program	93.558	(1)	26,276
Passed through Los Angeles County Office of Education:			
LEA Medi-Cal Administrative Activities (MAA)	93.778	(1)	12,244
<b>Corporation for National and Community Service (CNCS):</b>			
Passed through the Community College Foundation:			
Americorps National Service Awards	94.006	(1)	76,036
Total Federal Expenditures			<u>\$ 17,058,167</u>
<b>Reconciliation to Federal Revenue:</b>			
Total federal program expenditures			\$ 17,058,167
Revenues in excess of expenditures related to federal entitlement program:			
LEA Medi-Cal Administrative Activities (MAA)			122,389
Total Federal Revenue			<u>\$ 17,180,556</u>
<b>Student Financial Aid Loan Programs:</b>			
<u>Perkins Program</u>	84.038		
Mt. San Antonio Community College District had the following loan balance outstanding as of 6/30/08:			\$ 3,000
<u>FELP Loan Program</u>	84.032		
During the fiscal year ended June 30, 2008, the Mt. San Antonio Community College District processed the following amounts of new loans under the FELP Program:			1,126,525
Total Student Financial Aid Loan Programs			<u>\$ 1,129,525</u>

Note: (1) Pass-through entity identifying number not readily available.  
N/A Pass-through entity identifying number not applicable

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, 2008

Program Name	Program Revenues				Total	Total Program Expenditures
	Cash Received	Accounts Receivable	Deferred Revenue	Accounts Payable		
State Categorical Aid Programs:						
Basic Skills & Immigrant Education	\$ 2,874,221	\$	\$ 1,171,180	\$	\$ 1,703,041	\$ 1,703,041
Board Financial Assistance Program (BFAP)	851,795		53,493		798,302	798,302
Cal Works	330,876				330,876	330,876
Cal Works - Child Care	168,366				168,366	168,366
California High School Exit Exam Preparation Grant (CAHSEE)	292,042	107,645	56,024		343,663	343,663
CARE	191,545				191,545	191,545
Child Care and Development Fund Capacity Project		12,091			12,091	12,091
Child Care Food Program	2,571				2,571	2,571
Child Care General Center	288,359	183,060			471,419	471,419
Child Development Instructional Materials		2,234			2,234	2,234
Child Development Training Consortium	5,975	3,719			9,694	9,694
Disabled Student Program Services (DSPS)	2,197,076				2,197,076	2,197,076
Economic Development:						
Center of Excellence	190,606	5,148			195,754	195,754
Industry Driven Regional Collaborative	387,296	63,323	132,501		318,118	318,118
Small Business Development Center (SBDC)	42,000	8,000			50,000	50,000
Contract Education South	226,633		57,989		168,644	168,644
Enrollment Growth AA Nursing	223,792				223,792	223,792
Regional Health Occupational Resource Center (RHORC)	193,543	7,902			201,445	201,445
Equal Employment Opportunity	61,661		34,625		27,036	27,036
Extended Opportunities Program and Services (EOPS)	1,040,322				1,040,322	1,040,322
Instructional Equipment and Library Materials	326,359		191,207		135,152	135,152
Matriculation - Credit	1,530,427		144,358		1,386,069	1,386,069
Matriculation - Noncredit	1,457,110		1,011		1,456,099	1,456,099
Renovation for Capacity Building for Nursing Program Expansion	813,348		470,202		343,146	343,146
Staff Development	70,982		6,294		64,688	64,688
State Preschool, Full Day	57,077	34,316			91,393	91,393
State Preschool, Half Day	50,504	31,772			82,276	82,276
Technology Block Grant	25,894		12,866		13,028	13,028
Telecommunications and Technology Infrastructure Program (TTIP) Grant	78,965		75,689		3,276	3,276
Transfer Articulation	5,000				5,000	5,000
<b>Total State Programs</b>	<b>\$ 13,984,345</b>	<b>\$ 459,210</b>	<b>\$ 2,407,439</b>	<b>\$ -</b>	<b>\$ 12,036,116</b>	<b>\$ 12,036,116</b>

See the accompanying notes to the supplementary information.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT  
ANNUAL (ACTUAL) ATTENDANCE  
For the Fiscal Year Ended June 30, 2008

	Annual - Factored FTES		
	Reported Data	Audit Adjustments	Revised Data
<b>A. Summer Intersession (Summer 2007 only)</b>			
1. Noncredit <sup>1</sup>	3,387.15		3,387.15
2. Credit	1,540.75		1,540.75
<b>B. Summer Intersession (Summer 2008 - Prior to July 1, 2008)</b>			
1. Noncredit <sup>1</sup>	1,246.68		1,246.68
2. Credit	0.70		0.70
<b>C. Primary Terms (Exclusive of Summer Intersession)</b>			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	18,237.08		18,237.08
(b) Daily Census Contact Hours	2,314.59		2,314.59
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit <sup>1</sup>	3,587.61		3,587.61
(b) Credit	936.51		936.51
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	286.80		286.80
(b) Daily Census Contact Hours	395.85		395.85
(c) Noncredit Independent Study/Distance Education Courses	N/A		N/A
<b>D. Total FTES</b>	<u>31,933.72</u>	<u>-</u>	<u>31,933.72</u>
<b>Supplemental Information (subset of above information)</b>			
E. In-Service Training Courses (FTES)	N/A		
H. Basic Skills courses and Immigrant Education			
(a) Noncredit <sup>1</sup>	6,629.59		
(b) Credit	2,208.29		
<b>CCFS 320 Addendum</b>			
CDCP Noncredit FTES	6,399.00		
<b>Centers FTES</b>			
(a) Noncredit	N/A		
(b) Credit	N/A		

<sup>1</sup> Including Career Development and College Preparation (CDCP) FTES  
N/A - Workload Measure is not applicable

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, 2008**

The audit resulted in no adjustments to the fund balances reported on the June 30, 2008 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,

	(Budget) 2009		2008		2007		2006	
	Amount	%	Amount	%	Amount	%	Amount	%
<b>COMBINED GENERAL FUND:</b>								
<b>Revenue</b>								
Federal	\$ 4,141,180	2.46	\$ 4,310,924	2.48	\$ 4,464,053	2.85	\$ 4,678,301	3.68
State	125,704,128	74.67	129,601,667	74.43	120,675,700	76.92	103,640,589	81.42
County and Local	32,023,398	19.02	33,667,921	19.34	35,665,929	22.73	33,985,457	26.70
Total Revenue	<u>161,868,706</u>	<u>96.15</u>	<u>167,580,512</u>	<u>96.25</u>	<u>160,805,682</u>	<u>102.50</u>	<u>142,304,347</u>	<u>111.80</u>
<b>Expenditures</b>								
Academic Salaries	71,310,568	42.36	71,472,991	41.05	62,340,301	39.74	54,904,925	43.13
Classified Salaries	38,318,406	22.76	38,709,325	22.23	34,331,776	21.88	30,981,568	24.34
Employee Benefits	30,358,392	18.03	31,406,677	18.04	26,926,706	17.16	21,951,962	17.25
Supplies and Materials	4,183,200	2.48	3,491,070	2.00	4,954,496	3.16	3,263,836	2.56
Other Operating Expenses and Services	18,335,897	10.89	15,836,244	9.10	13,829,614	8.81	12,494,731	9.82
Capital Outlay	3,224,543	1.92	4,423,910	2.54	6,596,960	4.21	2,767,905	2.17
Other Uses	2,622,034	1.56	8,779,025	5.04	7,912,432	5.04	922,060	0.73
Total Expenditures	<u>168,353,040</u>	<u>100.00</u>	<u>174,119,242</u>	<u>100.00</u>	<u>156,892,285</u>	<u>100.00</u>	<u>127,286,987</u>	<u>100.00</u>
Other Financing Sources	-	-	20,002	0.01	677,939	0.43	9,755	0.01
Change in Fund Balance	\$ (6,484,334)	(3.85)	\$ (6,518,728)	(3.74)	\$ 4,591,336	2.93	\$ 15,027,115	11.81
Ending Fund Balance	\$ 21,003,166	12.48	\$ 27,487,500	15.79	\$ 34,006,228	21.67	\$ 29,414,892	23.11
Available Reserve Balance	\$ 15,118,304	8.98	\$ 15,839,049	9.10	\$ 13,582,480	8.66	\$ 12,824,752	10.08
Full-time Equivalent Students	30,245		31,934		29,886		28,278	
Total Long-Term Debt	\$ 212,934,043		\$ 189,309,805		\$ 185,412,974		\$ 112,845,066	

**IMPORTANT NOTES:**

Available reserve balance is the amount designated for general reserve and any other remaining undesignated amounts in the General Fund. The 2009 budget reserve balance was estimated using the budgeted contingency reserve balances less 2008 amounts reserved for revolving accounts.

All percentages are of total unrestricted and restricted expenditures combined.

The 2009 budget is the Plan and Budget adopted by the Board of Trustees on August 27, 2008.

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 BUDGETARY COMPARISON FOR THE COMBINED GENERAL FUND  
For the Fiscal Year Ended June 30, 2008

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
<b>Revenue from Federal Sources</b>			
Higher Education Act	\$ 1,877,442	\$ 1,055,811	\$ (821,631)
Job Training Partnership Act	184,984	171,661	(13,323)
Temporary Assistance for Needy Families	152,161	132,633	(19,528)
Student Financial Aid		333,035	333,035
Veterans Education		3,577	3,577
Vocational and Technical Education Act	1,343,237	1,183,910	(159,327)
Other Federal Revenue	2,267,693	1,430,297	(837,396)
<b>Revenue from State Sources</b>			
General Apportionments	107,937,660	112,347,025	4,409,365
Categorical Apportionments	12,624,381	10,612,479	(2,011,902)
Other State Revenues	8,558,711	6,642,163	(1,916,548)
<b>Revenue from Local Sources</b>			
Property Taxes	17,722,000	15,424,628	(2,297,372)
Interest and Investment Income	1,233,171	2,364,910	1,131,739
Student Fees and Charges	13,234,367	13,433,516	199,149
Other Local Revenue	2,758,761	2,444,867	(313,894)
<b>TOTAL REVENUES</b>	<u>169,894,568</u>	<u>167,580,512</u>	<u>(2,314,056)</u>
<b>EXPENDITURES</b>			
Academic Salaries	72,015,190	71,472,991	542,199
Classified Salaries	39,372,199	38,709,325	662,874
Employee Benefits	32,103,757	31,406,677	697,080
Supplies and Materials	4,041,264	3,491,070	550,194
Other Operating Expenses & Services	20,830,984	15,836,244	4,994,740
Capital Outlay	5,825,137	4,423,910	1,401,227
<b>TOTAL EXPENDITURES</b>	<u>174,188,531</u>	<u>165,340,217</u>	<u>8,848,314</u>
Excess (deficiency) of revenues over expenditures	<u>(4,293,963)</u>	<u>2,240,295</u>	<u>6,534,258</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from the Sale of Equipment	-	16,531	16,531
Interfund Transfers In	3,471	3,471	-
Interfund Transfers Out	(6,615,135)	(8,173,494)	(1,558,359)
Student Financial Aid	(1,156,974)	(605,531)	551,443
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(7,768,638)</u>	<u>(8,759,023)</u>	<u>(990,385)</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>\$ (12,062,601)</u>	<u>(6,518,728)</u>	<u>\$ 5,543,873</u>
Fund Balances at Beginning of Year		<u>34,006,228</u>	
Fund Balances at End of Year		<u>\$ 27,487,500</u>	

See the accompanying notes to the required supplementary information.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION  
For the Fiscal Year Ended June 30, 2008

**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, 2008 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 State General Apportionment**

The Schedule of Workload Measures for State General Apportionment 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 Budgetary 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.

**OTHER INDEPENDENT AUDITORS' REPORTS**



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

Board of Trustees  
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 (the District) as of and for the year ended June 30, 2008, and have issued our report thereon dated November 21, 2008. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 08-2 to be a significant deficiency in internal control over financial reporting.



**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 significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe the significant deficiency described above to be 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 or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 08-1.

Mt. San Antonio Community College District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board, 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

November 21, 2008





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

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

Compliance

We have audited the compliance of Mt. San Antonio Community College District (the 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, 2008. The 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 the District's management. Our responsibility is to express an opinion on the 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 the 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 of the District's compliance with those requirements.

In our opinion, the 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, 2008.

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

Internal Control Over Compliance

The management of the 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 the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was to the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board, 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

November 21, 2008



## 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, 2008, and have issued our report thereon dated November 21, 2008.

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 2008 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.
- Whether the District claimed for apportionment purposes only the attendance of students actively enrolled in a course section as of the census date.

## REPORT ON STATE COMPLIANCE

- 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 Gann Limit Calculation was properly calculated and supported by adequate documentation.
- 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 the District spent an amount equal to or greater than the amount provided by the State for scheduled maintenance and special repairs. Funds provided by the State must be to supplement, not supplant, District scheduled maintenance funds. The amount expended for plant maintenance and operations during the base year of 1995-96 was \$7,096,615.
- 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 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.

In our opinion, except for finding 08-1 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.

## REPORT ON STATE COMPLIANCE

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board, 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

November 21, 2008

## **FINDINGS AND RECOMMENDATIONS**

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
SUMMARY OF AUDITOR RESULTS

June 30, 2008

*Financial Statements*

Type of auditor's report issued: Unqualified

Internal control over financial reporting:  
Material weakness(es) identified?      Yes   X   No  
Significant deficiencies 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  
Significant deficiencies identified not considered  
to be material weaknesses?      Yes   X   None reported

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

Any audit findings disclosed that are required to be  
reported in accordance with Circular A-133,  
Section .510(a)      Yes   X   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, 84.268 and 84.375	Student Financial Assistance Cluster of Programs
84.031S	Addressing Acute Student Needs

Dollar threshold used to distinguish between Type A  
and Type B programs: \$ 511,745

Auditee qualified as low-risk auditee?      Yes   X   No



MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
RELATED TO FINANCIAL STATEMENTS

June 30, 2008

FINDING 08-1 – STATE COMPLIANCE:  
CONCURRENT ENROLLMENT

Original Finding No. 06-2

**Finding:** Procedures should be in place to adequately calculate and monitor for compliance with the concurrent enrollment ten percent and five percent rules. Per Education Code Section 76002(a)(4), the District shall not receive State apportionment for special part-time and full-time students enrolled in physical education courses as defined below:

- Five Percent Rule – courses where the ratio of special part-time and full-time students is in excess of five percent of the District’s total reported FTES (Full Time Equivalent Students) of special part-time and full-time students
- Ten Percent Rule – courses where the ratio of special part-time and full-time students exceeds ten percent of total enrollment in each course section

Our testing noted that monitoring procedures are not in place over concurrent enrollment. Based upon the reports provided, we determined that the District was in compliance in regards to the five percent rule; however, we identified seven physical education course sections with enrollment of special part-time and full-time students in excess of ten percent of total enrollment. Non-compliance courses are as follows:

<u>Term</u>	<u>Course</u>			<u>Percentage</u>
Summer 07	PE4A-2	103831	Badminton Beginning	11.11%
Summer 07	E-I40C-2	104220	Tennis Advanced	20.00%
Fall 07	PE4C-2	106354	Badminton Advanced	14.28%
Spring 08	PE4B-2	111066	Badminton Intermediate	16.66%
Spring 08	PE-S2-2	110937	Basketball	10.52%
Spring 08	PE-48	111054	Lifeguard Training	15.78%

Course sections in excess of ten percent are an indication of non-compliance and overstated the FTES claimed on the CCFS-320 report by .62 FTES. Although the District is not required to adjust for FTES less than one, continued lack of monitoring procedures could subject the District to future non-compliance and misstatement of FTES that could result in an adjustment to the CCFS-320.

**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT**

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

**June 30, 2008**

**FINDING 08-1 – STATE COMPLIANCE:**

**CONCURRENT ENROLLMENT**

**(continued)**

**Recommendation:** Develop procedures to monitor and exclude the FTES generated as of the census date for physical education courses in excess of the ten percent and five percent maximums from the CCFS-320 report. No revisions to the CCFS-320 for the 2007-08 fiscal year is necessary as the non-compliance is less than one FTES.

**District Response:** This audit finding should be eliminated with the implementation of the Student Administration System (BANNER), which will allow us the opportunity to successfully exclude all special admits from Physical Education classes. Our original intention was to have BANNER on-line for 2008-09. However, the implementation was delayed until 2009-10.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
RELATED TO FINANCIAL STATEMENTS

June 30, 2008

**FINDING 08-2 – INTERNAL CONTROLS:**  
**PAYROLL – SEGREGATION OF DUTIES**

**Original Finding No. 07-4**

**Finding:** Internal controls within the payroll function should include proper segregation of duties. Individuals responsible for the payroll processing function should not have the responsibility and system access to make personnel changes (pay rate increases/changes, new pay positions, etc). Currently, the Human Resources Department enters new employees into the payroll system, while, the Payroll Department enters pay rate changes and special pay position information, such as reassigned time. Additionally, certain payroll staff have the responsibility to enter new hourly employees into the payroll system. Weaknesses in internal control increase the possibility of overpayment of employees through changing of pay rates or establishment of fictitious pay positions for current employees.

**Recommendation:** To improve internal control, an individual or department outside the payroll function, such as Human Resources Department personnel, should have the responsibility of entering all pay rate changes and special assignment position assignments into the payroll system. The Payroll Department should not have access to this function in the payroll system.

**District Response:** The District is currently in the process of implementing a new Human Resources/Payroll system, which should be in use by January 2009. As part of this implementation, the current business practices between Human Resources and Payroll Departments have been reviewed and new internal controls will be put into place.

It is the intent of the District that when the new system is in place, Human Resources will have update access to enter all new hires, pay rate changes, etc. and Payroll will only have query access. This change will ensure proper segregation of duties within the Payroll and Human Resources Departments.

**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT**

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

**June 30, 2008**

There were no findings and questioned costs related to federal awards for the year ended June 30, 2008.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT  
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
June 30, 2008

Original Finding No.	Finding	Recommendation	Current Status
07-1	<p><b><u>STATE COMPLIANCE: STUDENT FEES – INSTRUCTIONAL MATERIAL FEES AND HEALTH FEES</u></b></p> <p>As defined by the California Code of Regulations Sections 59400-59408, Instructional and Other Materials, any instructional material provided (purchased) by the student must have both continuing value to the students outside of the classroom setting and must be tangible personal property that is owned or primarily controlled by the student. Such materials include, but are not limited to, textbooks, tools, equipment, clothing, and those materials, which are necessary for a student's vocation training and employment. During testing of instructional materials fees, it was determined that 9 out of 10 fees selected were for document duplication (printing fees) which does not meet the above criteria. Fees charged for instructional materials that do not meet the specified criteria represent non-compliance.</p>	<p>The District must continue efforts to review all materials fees charged to determine if they meet the criteria of a) have continuing value to the students outside the classroom setting and b) are tangible personal property that is owned or primarily controlled by the student. Fees charged for classes that do not meet the criteria should not be imposed.</p>	<p>Implemented.</p>

**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT**  
**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
**June 30, 2008**

Original Finding No.	Finding	Recommendation	Current Status
07-2	<p><b><u>STATE COMPLIANCE: CONCURRENT ENROLLMENT</u></b></p> <p>Procedures should be in place to adequately calculate and monitor for compliance with the concurrent enrollment ten percent and five percent rules. Per Education Code Section 76002(a)(4), the district shall not receive State apportionment for special part-time and full-time students enrolled in physical education courses as defined below:</p> <ul style="list-style-type: none"> <li>• Five Percent Rule – courses where the ratio of special part-time and full-time students is in excess of five percent of the district’s total reported FTES (Full Time Equivalent Students) of special part-time and full-time students</li> <li>• Ten Percent Rule – courses where the ratio of special part-time and full-time students exceeds ten percent of total enrollment in each course section</li> </ul> <p>Our testing noted that monitoring procedures are not in place over concurrent enrollment. Based upon the reports provided, we determined there was no non-compliance with questioned percentages in regards to the five percent rule; however, we identified seven physical education course sections with enrollment of special part-time and full-time students in excess of ten percent of total enrollment. Non-compliance courses are as follows:</p>	<p>Develop procedures to monitor and exclude the FTES generated as of census date for physical education courses in excess of the ten percent and five percent maximum from the CCFS-320 report. No revisions to the CCFS-320 for the 2006-07 fiscal year is necessary as the non-compliance is less than one FTES.</p>	<p>Not implemented. See current year finding 08-1.</p>

**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT**  
**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
**June 30, 2008**

<b>Original Finding No.</b>	<b>Finding</b>	<b>Recommendation</b>	<b>Current Status</b>
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**07-2**     **STATE COMPLIANCE: CONCURRENT ENROLLMENT**  
**(continued)**

<u>Term</u>	<u>Course</u>			<u>Percentage</u>
Summer 06	PE19	88483	Care/Prev-Act/Sport Injury	20.00%
Summer 06	PE-F2A-2	88595	Body Building, Beginning	16.66%
Summer 06	PE-I33-2	88572	Kickboxing	10.34%
Fall 06	PE-F34-2	93105	Cardio Respiratory Training	14.28%
Winter 07	PE-S24C-2	99186	Volleyball Advanced	11.11%
Spring 07	PE-F38-2	98535	Aerobics	20.00%
Spring 07	PE-I4B-2	98553	Badminton Intermediate	11.11%

Course sections in excess of ten percent are an indication of non-compliance and overstated the FTES claimed on the CCFS-320 report by .97 FTES. Although the District is not required to adjust for FTES less than one, continued lack of monitoring procedures could subject the District to future non-compliance and misstatement of FTES that could result in an adjustment to the CCFS-320.



MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT  
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
June 30, 2008

Original Finding No.	Finding	Recommendation	Current Status
07-3	<p><b><u>STATE COMPLIANCE: NON CREDIT MATRICULATION EXPENDITURES</u></b></p> <p>Per the State Chancellor's Office and the Contracted District Audit Manual:</p> <ul style="list-style-type: none"> <li>• The District must request permission to incur expenditures for equipment, materials or services not listed in the colleges' approved Matriculation plan. In addition, expenditures should be approved by the appropriate local campus Vice President (or appropriate Matriculation administrator) prior to transmittal to the Chancellor's Office for approval.</li> <li>• The college has an obligation to provide facilities for its programs and services. Matriculation funds are not intended to be used for the rent of property on which the program is established or maintained.</li> </ul> <p>During the review of Non Credit Matriculation program expenditures, a camcorder was purchased with Matriculation funds, as well as, a lease payment made for the facility used to accommodate the Matriculation program. Both expenditures do not comply with the guidelines outlined by the State. The amounts of questioned costs were \$577.23 for the camcorder and \$1,017.55 for the lease payment.</p>	<p>Transfer unallowable expenditures to a more appropriate funding source. Ensure the appropriate persons are aware of both allowable and unallowable costs that can be charged to the Non Credit Matriculation program.</p>	<p>Implemented.</p>

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT  
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
June 30, 2008

Original Finding No.	Finding	Recommendation	Current Status
07-4	<p><b><u>INTERNAL CONTROLS: PAYROLL – SEGREGATION OF DUTIES</u></b></p> <p>Internal controls within the payroll function should include proper segregation of duties. Individuals responsible for the payroll processing function should not have the responsibility and system access to make personnel changes (pay rate increases/changes, new pay positions, etc). Currently, the Human Resources Department enters new employees into the payroll system, while, the Payroll Department enters pay rate changes and special pay position information, such as reassigned time. Additionally, certain payroll staff have the responsibility to enter new hourly employees into the payroll system. Weaknesses in internal control increase the possibility of overpayment of employees through changing of pay rates or establishment of fictitious pay positions for current employees.</p>	<p>To improve internal control, an individual or department outside the payroll function, such as Human Resources Department personnel, should have the responsibility of entering all pay rate changes and special assignment position assignments into the payroll system. The Payroll Department should not have access to this function in the payroll system.</p>	<p>Not implemented. See current year finding 08-2.</p>

**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT**  
**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
**June 30, 2008**

<b>Original Finding No.</b>	<b>Finding</b>	<b>Recommendation</b>	<b>Current Status</b>
07-5	<p><b><u>INTERNAL CONTROLS: CHILD DEVELOPMENT - SEGREGATION OF DUTIES</u></b></p> <p>Internal controls over cash handling within the Child Development Center should contain adequate segregation of duties. Adequate segregation of duties within the cash receipts function should include the collection and calculation of cash receipts, and the preparation of deposits being performed as separate functions. Currently, the same employee collects and counts the funds upon receipt, prepares a receipt, and also prepares the deposit slip, before sending the funds to the District for deposit. The Child Development Center issues three part receipts to all customers and submits one copy to the District with the deposit. However, the Child Development Center has not established internal controls that require the review or reconciliation of cash collections and receipts to deposits and therefore a risk of an error or irregularity going undetected is present.</p>	<p>To improve the segregation of duties the collection of money and preparation of the bank deposit should be two separate functions done by different individuals. Also, once the deposit is prepared, an individual outside the cash receipting function, such as the supervisor, should reconcile deposits to cash receipts issued. Once the deposit is received by the district, staff at the District should recalculate the total cash received and if there are any discrepancies the Child Development Center should be notified immediately.</p>	<p>Implemented.</p>

**CONTINUING DISCLOSURE INFORMATION**

**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT**  
**CONTINUING DISCLOSURE INFORMATION (UNAUDITED)**  
**June 30, 2008**

Assessed valuation for fiscal year 2007-08	\$62,374,579,756	(2)
Secured tax levies for fiscal year 2007-08	\$ 14,520,170	(1)
Secured tax delinquencies for fiscal year 2007-08	\$ 778,721	(1)
Secured tax collections for fiscal year 2007-08	\$ 13,741,449	(1)

**2007-08 LARGEST LOCAL SECURED TAXPAYERS**  
**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT (2)**

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2007-08 Assessed Valuation</u>	<u>% of Total (3)</u>
1.	Puente Hills Mall LLC	Shopping Center/Mall	\$ 173,420,400	0.28%
2.	Plaza West Covina LLC	Shopping Center/Mall	141,424,847	0.23
3.	Eastland Shopping Center LLC - Lessee	Shopping Center	130,493,711	0.21
4.	Fairway Sub A, B & C LLC	Industrial	111,579,118	0.18
5.	Crow Family Holdings Industrial LP	Industrial	101,717,683	0.16
6.	James Campbell Company LLC	Commercial	99,681,851	0.16
7.	Eastland Shopping Center LLC	Shopping Center	97,390,833	0.16
8.	Realty Associates Fund VIII LP	Industrial	85,677,647	0.14
9.	Santee Dairies Inc.	Dairy	68,025,554	0.11
10.	UDR the Crest LP	Apartments	63,335,237	0.10
11.	Metropolitan Life Insurance Co.	Office Building	59,352,826	0.10
12.	Adcor Realty Corp.	Industrial	59,068,200	0.09
13.	IKEA Property Inc.	Commercial	53,704,571	0.09
14.	PK I La Verne Town Center LP	Shopping Center	50,263,000	0.08
15.	PPC WR Apartments LLC	Apartments	49,022,030	0.08
16.	Aslan Emerald Ridge LLC	Apartments	46,856,482	0.08
17.	PPC Raintree LLC	Apartments	46,605,680	0.07
18.	Windsor at Victoria Heights SPE LLC	Apartments	43,995,865	0.07
19.	Ten West Associates LLC	Office Building	40,983,600	0.07
20.	Pacific Castle Colima LP	Shopping Center	<u>40,887,720</u>	<u>0.07</u>
			<u>\$1,563,486,855</u>	<u>2.53%</u>

- (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 2007-08 of \$62,374,579,756.