

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

LOS ANGELES COUNTY

**REPORT ON
AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
INCLUDING REPORTS ON COMPLIANCE
June 30, 2011**



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MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

AUDIT REPORT
June 30, 2011

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June 30, 2011**

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INDEPENDENT AUDITOR'S 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 (the District), as of and for the year ended June 30, 2011 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, 2011, and the results of its operations, changes in net assets and cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Board of Trustees
Mt. San Antonio Community College District

Accounting principles generally accepted in the United States of America require that the required supplementary information including the management's discussion and analysis and the schedules of postemployment healthcare benefits funding progress and employer contributions, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the Mt. San Antonio Community College District financial statements as a whole. The supplementary section and the continuing disclosure information are presented for purposes of additional analysis and are not a required part of the 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 financial statements of Mt. San Antonio Community College District. The supplementary section including the schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements 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 do not express an opinion or provide any assurance on it.


VICENTI, LLOYD & STUTZMAN LLP

November 14, 2011

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

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, 2011. 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 64 years of educational excellence. The District will continue to offer access to quality programs and services as well as provide an environment for educational excellence throughout the 21st century.

Accounting Standards

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

In June 2004, the Governmental Accounting Standard's Board (GASB) issued Statement No. 45, "Accounting and Financial Reporting by Employers for Post-employment 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 post-employment 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. As such, the District is reporting according to this standard.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

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

- Prior to July 2009, the Los Angeles County Superintendent of Schools provided the District with fiscal, budgetary, and financial management services through a contractual agreement for many years. On August 27, 2008, the Board of Trustees approved the District's application to the Los Angeles County Superintendent of Schools requesting Fiscal Accountability Status. The District began this process by following the steps as defined in Education Code 85266, which required adhering to statutory requirements with specific deadlines. Part of this approval process was to demonstrate to the Los Angeles County Superintendent of Schools that the District had a financial management system in place, as it would no longer be using the County's Finance and Payroll Systems. The integrity and security of the new Banner Finance and Human Resources/Payroll systems were validated by a team of external auditors prior to obtaining Fiscal Accountability status. In addition, the auditors also validated that the District had a system of adequate internal controls, processes and procedures.

Effective July 1, 2009 the District obtained Fiscal Accountability Status as approved by the Los Angeles County Superintendent of Schools. Achieving the Fiscal Accountability Status was necessary, because it allowed the District to implement an integrated management information system without the need for extensive interfaces with the County's systems. This transition has given departments the ability to obtain accurate and timely information that is required to monitor budgets and analyze current financial data in order to ensure sound financial decision making.

As a result of the Fiscal Accountability Status, the District assumed the majority of the responsibilities previously performed by the Los Angeles County Superintendent of Schools for fiscal, budget, human resources/payroll, and financial management systems processing. In addition, the District assumed oversight for the internal audit function for the issuance of payroll and commercial warrants. The Los Angeles County Superintendent of Schools still retains high-level oversight of the District, but is no longer involved in the day-to-day activities. Their new role is to ensure that the District complies with the approved Fiscal Accountability Plan.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

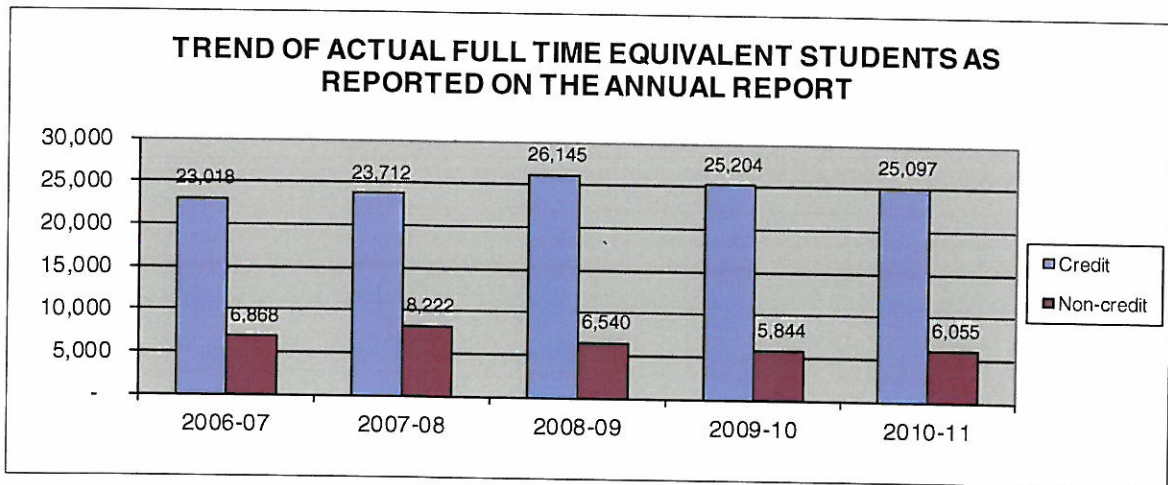
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

This transfer of responsibilities from the Los Angeles County Superintendent of Schools to the District was an enormous undertaking. The time and effort required to obtain Fiscal Accountability Status was achieved by hard work, collaboration, and dedication by the District's staff.

The District has completed its second year operating under the Fiscal Accountability Status, and has successfully complied with the established requirements.

- During 2010-11, the total actual full-time equivalent students (FTES) increased from 31,048 to 31,152, which is a 0.33% increase for credit and non-credit courses. This minimal increase was the result of intentionally maintaining the number of courses offered at the same level of the previous year in order to decrease the numbers of unfunded FTES. Funded credit and non-credit FTES are the basis for which the District receives 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 with \$40 million issued in May 2002, \$75 million issued in February 2004, \$80 million issued in September 2006, and \$26 million issued in July 2008. Originally, there were 17 construction projects planned, but due to the increase in construction costs, three of these projects were eliminated; which left 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 2013 for the Agricultural Sciences (Project 5) and the Design Technology (Project 10) buildings. The project close-out for all bond projects is scheduled for 2013.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

- On August 24, 2005, the Board of Trustees approved the refunding of the Series "A" and "B" general obligation bonds, which resulted in additional bond proceeds in the amount of \$8.6 million.
- During 2010-11, construction was completed for the following Measure R bond projects:

Major Portions of Infrastructure Projects (Project 17)

- 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 the science and computer labs, library, fire academy training facility, classrooms for nursing, paramedics and police officers, classrooms for education and vocational job training, a new computer technology center, and the establishment of a 2008 lease revenue bonds escrow account. The District has not been able to issue new bonds as a result of the decline in the economy, which resulted in decreased property valuations.
- As a result of the District's inability to issue general obligation bonds from the November 4, 2008 election for \$353 million, and in order to continue with construction projects, the District issued bond anticipation notes for a total of \$65 million on May 1, 2010. These bonds are currently financing the repair, upgrade, acquisition, construction and equipment of certain District property and facilities and an escrow account has been established to retire the debt for the 2008 lease revenue bonds. When assessed values improve, the District will sell the general obligation bonds authorized in the November 2008 election and retire this obligation.
- The District ended with a significant positive ending balance due exclusively to careful planning, conserving, and sacrificing across the campus. The District will continue with its conservative approach to maintain healthy reserves. These healthy reserves will permit the continuation of many outstanding programs and services for which the District is known, while allowing for careful consideration for the 2012-13 budget plans and beyond.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

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 No. 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 No. 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, 2011 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:

General Fund - Unrestricted Fund Balance	\$	33,813,071
General Fund - Restricted Fund Balance		799,589
Building Fund Balance		7,149,502
Capital Outlay Funds Balance		53,658,078
All Other Funds		<u>1,848,239</u>
Total fund balances as reported on the Annual Financial and Budget Report (CCFS-311)		97,268,479
Bond Interest and Redemption Fund Balance (not reported on CCFS-311)		<u>13,378,624</u>
Total ending fund balances	\$	<u><u>110,647,103</u></u>

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

Total ending fund balances \$ 110,647,103

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Interest earned but not accrued through June 30, 2011 is added to total net assets 314,022

Amount for 2010-11 property taxes levied for debt service not received as of June 30, 2011 1,725,416

Employer contributions for other postemployment retirement benefits in excess of the actuarially determined required contribution are recognized as an asset 1,263,410

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 308,687,617

Long-term liabilities, including general obligation and revenue lease bonds and notes payable 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 (249,477,773)

Issuance costs related to general obligation and revenue lease bonds and incurred through June 30, 2011 are capitalized, amortized and added to total net assets 2,559,222

Interest expense related to bonds incurred through June 30, 2011 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 (2,415,139)

Total net assets \$ 173,303,878

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

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 as 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, 2011

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

	(in thousands)		
	<u>2011</u>	<u>2010*</u>	<u>Change</u>
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 83,324	\$ 99,290	-16.08%
Account receivables, net	34,156	34,262	-0.31%
Due from component unit	42	39	7.69%
Other assets	333	314	6.05%
Total Current Assets	<u>117,855</u>	<u>133,905</u>	-11.99%
Non-Current Assets			
Restricted cash and cash equivalents	13,573	13,967	-2.82%
Capitalized fees	2,559	3,005	-14.84%
Other post employment benefits asset	1,264	86	1369.77%
Capital assets, net	308,688	291,412	5.93%
Total Non-Current Assets	<u>326,084</u>	<u>308,470</u>	5.71%
TOTAL ASSETS	<u>\$ 443,939</u>	<u>\$ 442,375</u>	0.35%
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts payable and accrued liabilities	\$ 11,959	\$ 12,058	-0.82%
Deferred revenue	2,426	3,320	-26.93%
Due to component unit	28	27	3.70%
Amount held in trust for loans	15	16	-6.25%
Long-term liabilities - current portion	12,094	10,421	16.05%
Total Current Liabilities	<u>26,522</u>	<u>25,842</u>	2.63%
Non-Current Liabilities			
Compensated absences	5,280	6,024	-12.35%
Long-term liabilities less current portion	238,833	246,618	-3.16%
Total Non-Current Liabilities	<u>244,113</u>	<u>252,642</u>	-3.38%
TOTAL LIABILITIES	<u>270,635</u>	<u>278,484</u>	-2.82%
NET ASSETS			
Invested in capital assets, net of related debt	66,359	50,605	31.13%
Restricted	68,562	79,413	-13.66%
Unrestricted	38,383	33,873	13.31%
TOTAL NET ASSETS	<u>173,304</u>	<u>163,891</u>	5.74%
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 443,939</u>	<u>\$ 442,375</u>	0.35%

*Certain reclassifications have been made to the summarized financial statements for the year 2009-10 to conform to the 2010-11 summarized financial statement presentation.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

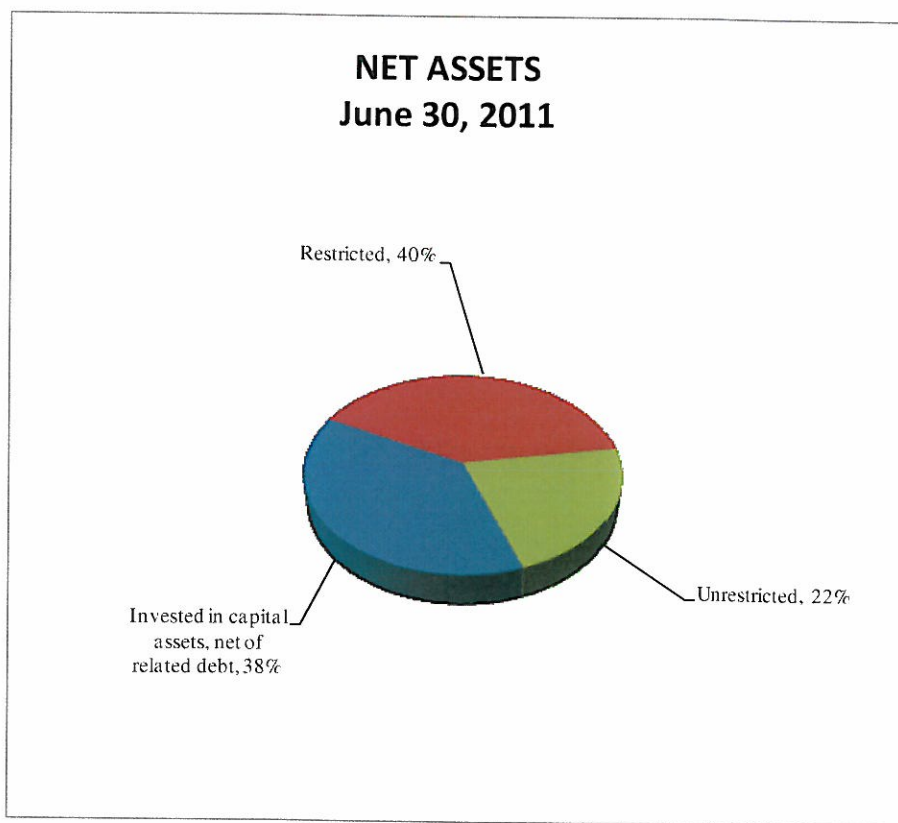
- The total cash balance had a net decrease of \$16.4 million primarily due to payments for the bond construction projects for \$22.3 million; a cash increase of \$5.0 million was the result of reimbursements from the State for the Administration building remodel, Agricultural Sciences building, and Design and Online Technology building; and a cash increase of \$900 thousand for the collection of property taxes in the Bond Interest Redemption Fund for principal and interest payments related to the general obligation bond debt. The cash flow statement included in these financial statements provides greater detail on the sources and uses of the District's cash.
- The total account receivables slightly decreased by \$100,000. The account receivables had a net increase of approximately \$4.9 million in the Unrestricted General Fund mainly due to the increase of the statewide apportionment deferrals from \$703 million to \$832 million, and the decrease in student account receivables, as a result of enforcing the drop for non-payment policy for the student enrollment fees. Conversely, the accounts receivable decreased by \$5 million in the Capital Outlay Project Fund as a result of the State reimbursements received the following fiscal year for the for the Administration building remodel, Agricultural Sciences building, and Design and Online Technology building.
- Capital assets had a net increase of \$17.3 million. The District had additions of \$27.2 million related to equipment purchases, site and site improvement, and construction in progress. The District recognized depreciation expense of \$9.9 million during 2010-11. The capital asset section of this discussion and analysis provides greater information.
- Although the accounts payable and accrued liabilities decrease of a net \$100,000 was minimal, there were significant changes. The accounts payable for the 2010-11 was reduced by \$2.2 million compared to the 2009-10 apportionment owed back to the State as a result of receiving increase property taxes. In contrast, the accrued liabilities increased by \$2.1 million due to the change of the pay-date for the adjunct faculty. The adjunct faculty payroll was paid on the last working day of the month in the fiscal year 2009-10; therefore, there was no payroll accrued on June 30, 2010. In the fiscal year 2010-11, the pay-date was changed to the 10th of the following month for services performed the previous month. As a result, the June 2011 payroll was accrued on June 30, 2011, and paid on July 2012.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

- The District implemented GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions" in fiscal year 2007-08 and GASB Statement No. 43, "Financial Reporting for Post-employment Benefits Plans Other than Pension Plans" in fiscal year 2008-09. With the implementation of GASB Statement No. 43, the District established the Mt. San Antonio Community College District OPEB Trust. Factors such as annual required contribution (ARC), interest income and contributions effect the change in net OPEB obligation. Additional information related to this asset/liability can be found in Note 12 of the financial statements.
- The net decrease of \$6.9 million in our long term liabilities (current and non-current portions) is mainly due to the increase in accreted interest of the bond anticipation notes for \$2.6 million and principle payments by taxpayers of the November 2001 general obligation bonds for \$9.7 million. The debt section of this discussion and analysis provides additional information. Additional information related to long term debt can be found in Note 10 of the financial statements.
- The following is a graphic representation of the Net Assets as of June 30, 2011:



MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

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, 2011

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

	(in thousands)		
	<u>2011</u>	<u>2010*</u>	<u>Change</u>
OPERATING REVENUES			
Net enrollment, tuition and fees	\$ 14,692	\$ 15,832	-7.20%
Grants and contracts, non-capital	<u>58,560</u>	<u>47,254</u>	23.93%
Total operating revenues	<u>73,252</u>	<u>63,086</u>	16.11%
Total operating expenses	<u>212,423</u>	<u>199,129</u>	6.68%
Operating loss	<u>(139,171)</u>	<u>(136,043)</u>	2.30%
Non-Operating revenues (expenses), non-capital			
State apportionments, non-capital	110,039	106,739	3.09%
Local property taxes	17,894	17,562	1.89%
State taxes and other revenues (losses)	4,714	4,692	0.47%
Contributions and grants	119	-	100.00%
Investment income, net	647	709	-8.74%
Transfer to/from fiduciary funds	(2)	5	-140.00%
Interest expense	<u>(10,605)</u>	<u>(9,605)</u>	10.41%
Total non-operating revenues (expenses)	<u>122,806</u>	<u>120,102</u>	2.25%
Other revenues, expenses, gains or losses, capital	<u>25,778</u>	<u>28,835</u>	-10.60%
Change in net assets	9,413	12,894	-27.00%
Net assets, beginning of year	<u>163,891</u>	<u>150,997</u>	8.54%
Net assets, end of year	<u>\$ 173,304</u>	<u>\$ 163,891</u>	5.74%

*Certain reclassifications have been made to the summarized financial statements for the year 2009-10 to conform to the 2010-11 summarized financial statement presentation.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

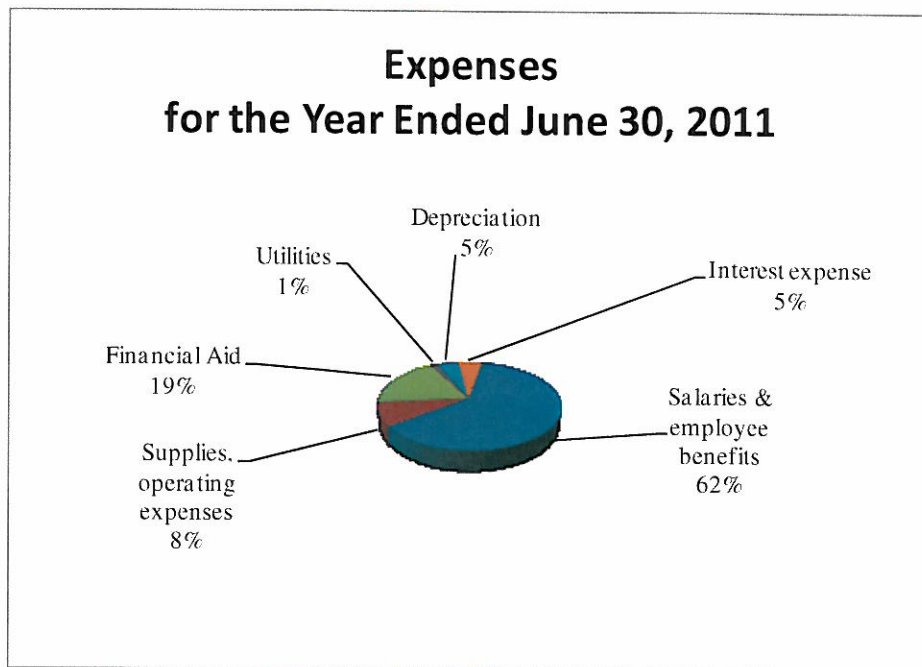
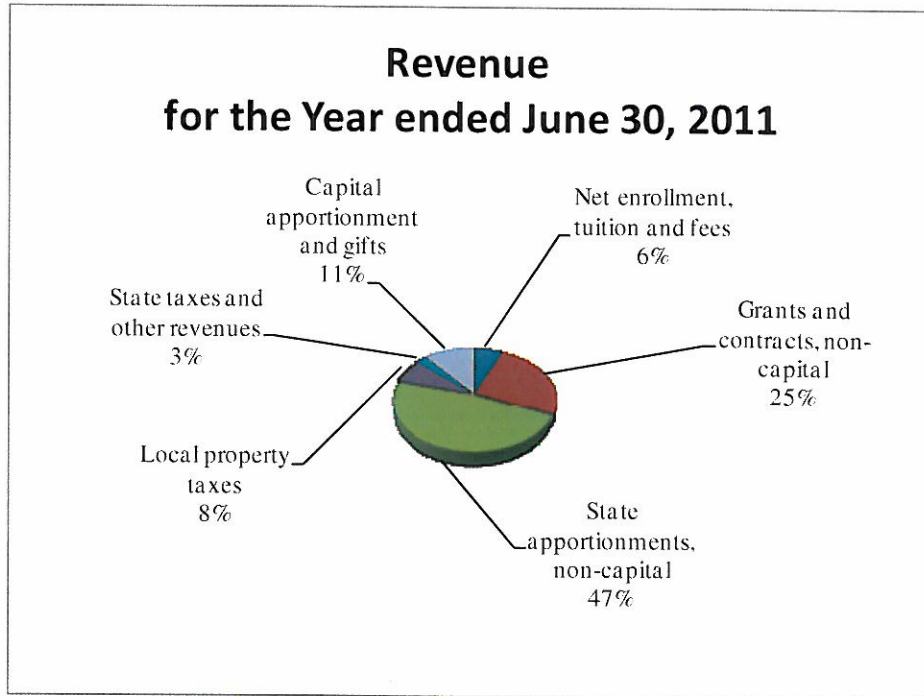
June 30, 2011

- Net enrollment, tuition and fees decreased by approximately 7.2%. This decrease is due to the economic decline as more students are returning to school and are eligible for Board of Governors (BOG) fee waivers.
- Non-capital grants and contracts had a net increase of 23.9% as a result of the increase of Federal financial aid awarded to students, such as Pell grants. This increase is a direct result of the current economic times, as unemployed workers are returning to school along with the increase in outreach efforts made by the District. Categorical programs such as CARE, Disabled Student Program Services (DSPS), Enrollment Growth for Nursing, Extended Opportunity Program and Services (EOPS), and Credit and Noncredit Matriculation slightly decreased again.
- The net increase in operating expenses of 6.7% was directly related to the one-time retirement incentive, of \$1.5 million, offered to District employees, and the increase of financial aid grants, of \$12.6 million, for students.
- 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 increase of 3.1% is mainly due to the 2010-11 growth/restoration funds.
- Interest expense increased by \$1.0 million primarily due to the accreted interest of the bond anticipation notes. The associated capitalized fees and interest expense were recognized in the fiscal year 2010-11.
- The category "Other revenues, (expenses), gains or (losses), capital" reflects a net decrease of \$3.1 million. This is due to a decrease in reimbursements from the State for a total of \$3.9 million for the Agricultural Sciences building, the Administration building remodel, and the Design and Online Technology building. In addition, the secured property tax associated with the general obligation bonds repayment increased by approximately \$300 thousand. This will vary every year, based on assessed valuations and tax collections. Finally, the investment income increased by \$300 thousand. Essentially this is due to the large cash balance maintained in the Bond Anticipation Notes fund net the decrease in interest income due the spending down of cash in the bond building fund. In April 28, 2010, the District issued bond anticipation notes for \$65 million, the cash balance as of June 30, 2011 decreased to \$44.9 million.
- Functional expenses are detailed in Note 14 of the financial statements.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011



MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

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 obtain 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, disclosing 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>2011</u>	<u>2010*</u>	<u>Change</u>
Cash Provided By (Used in)			
Operating activities	\$ (128,384)	\$ (130,200)	-1.39%
Non-capital financing activities	126,924	125,429	1.19%
Capital and related financing activities	(15,676)	34,123	-145.94%
Investing activities	<u>776</u>	<u>800</u>	-3.00%
Net change in cash and cash equivalents	(16,360)	30,152	-154.26%
Cash Balance, Beginning of Year	<u>113,257</u>	<u>83,105</u>	36.28%
Cash Balance, End of Year	<u>\$ 96,897</u>	<u>\$ 113,257</u>	-14.45%

*Certain reclassifications have been made to the summarized financial statements for the year 2009-10 to conform to the 2010-11 summarized financial statement presentation.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

- 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 net decrease in cash used by operating activities is primarily due to the change of pay-date for the adjunct faculty. The June 2011 payroll was paid in fiscal year 2011-12.
- Cash received from “Non-capital financing activities” increased primarily due to the continuous increases in statewide apportionment deferrals. The statewide deferrals were \$504 million for fiscal year 2008-09, \$703 million for fiscal year 2009-10 and \$832 million for fiscal year 2010-11, as a result of this, the cash collected in this category was greater in fiscal year 2010-11 than in fiscal year 2009-10. The District received an increase in property taxes over what was originally estimated; therefore, a payable for the State apportionment was recognized. These areas account for 82% of non-capital financing activities. Cash received from property taxes also increased and accounts for 14% 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 \$49.8 million. This decrease is primarily caused by the bond issuance proceeds of \$66.1 million and the establishment of a 2009 revenue lease escrow account for \$9.6 million in 2009-10. Factors contributing to the net decrease in cash were: the increase in cash for the receipt of state reimbursements for the Administration building remodel, Agricultural Sciences building, and Design and Online Technology building; and the decrease in payments toward the principal and interest of the November 2001 general obligation bond debt. The debt service schedule for principal and interest are shown in Note 7 – General Obligation Bonds of the financial statements.
- Cash provided by “investing activities” includes interest earned on bank accounts and cash invested through the Los Angeles County pool. This revenue primarily consists of interest earned in the General Fund. The decrease in interest received in 2010-11 versus 2009-10 was \$24,000, which was attributed to the decrease in cash primarily in the General Fund as well as the decrease in interest rates.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

District's Fiduciary Responsibility

The District includes Mt. San Antonio Auxiliary Services as a component unit. The Auxiliary is the trustee, or fiduciary, for certain amounts held on behalf of student clubs and organizations. 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 Mt. San Antonio Community College District OPEB Trust was established in 2008-09. The Trust is an irrevocable government trust for the purpose of funding post-employment health benefits. The District acts as the fiduciary of the Trust and the financial activity of the Trust has been discretely presented in the financial statements.

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

The District has the responsibility of accounting for the Associated Student Trust. These fiduciary activities are reported in a separate Statement of Fiduciary Net Assets under the Primary Government column.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2011, the District had over \$308.7 million invested in net capital assets. Total cost of capital assets of \$386.9 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 \$78.3 million. Significant capital asset additions and deletions of \$27.2, million which is mainly an increase in construction in progress totaling \$24.5 million, a net increase in equipment totaling \$1.2 million and an increase in site improvements totaling \$1.5 million, occurred during 2010-11. Depreciation expense of \$9.9 million was recorded for the fiscal year.

During 2010-11, construction was completed for major portions of Infrastructure Projects (Project 17).

Construction in progress during 2010-11 includes the following projects:

Agricultural Science building 80, Child Development Center building 70; Design Technology Center; Physical Education remodel building 45; and Administration building remodel.

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

	(in thousands)		
	<u>2011</u>	<u>2010</u>	<u>Change</u>
Land	\$ 619	\$ 619	0.00%
Buildings and improvements	229,709	236,115	-2.71%
Equipment and collections	5,474	6,259	-12.54%
Construction in progress	<u>72,886</u>	<u>48,419</u>	50.53%
Net Capital Assets	<u>\$ 308,688</u>	<u>\$ 291,412</u>	5.93%

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

Debt

On June 30, 2011, the District had \$256.2 million in debt. The balance primarily consists of the remaining debt of \$1.1 million in Series "A" general obligation bonds issued in May 2002, \$8.1 million in Series "B" general obligation bonds issued in February 2004, \$59.6 million general obligation refunding bonds issued September 2005, \$75.7 million in Series "C" general obligation bonds issued in September 2006, and \$24.6 million in Series "D" general obligation bonds issued in July 2008. The general obligation bonds were initially issued to fund 17 major projects related to construction and renovation of instructional facilities, laboratories and centers. As a result of increased construction costs, three of these projects have been eliminated; which left 14 major projects. These projects will be completed in phases which began in 2001-02 and are scheduled to end in 2013. The general obligation bonds comprise approximately 70% of the District's total long-term 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 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, a new computer technology center, and the pay off of the 2008 lease revenue bonds. The District has not been able to issue new bonds as a result of the decline in the economy, which resulted in decreased property valuations.

On May 1, 2010, the District issued bond anticipation notes for a total of \$66.1 million. These bonds are currently financing the repair, upgrade, acquisition, construction and equipment of certain District property and facilities; and an escrow account has been established to retire the debt for the 2008 lease revenue bonds. These bonds have been issued in anticipation of proceeds from general obligation bonds for \$353 million authorized in the election of November 4, 2008.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

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

	(in thousands)		
	<u>2011</u>	<u>2010</u>	<u>Change</u>
Long-term debt			
Loan payable	\$ 318	\$ 422	-24.64%
Compensated absences	6,729	6,678	0.76%
Bond anticipation notes (including premium)	65,854	66,067	-0.32%
Bond anticipation notes - accreted interest	2,566	-	100.00%
Bonds payable (including premium)	178,533	189,743	-5.91%
Bonds - accreted interest	6,541	5,107	28.08%
Bonds payable - deferred liability	<u>(4,334)</u>	<u>(4,954)</u>	-12.52%
Total long-term debt	256,207	263,063	-2.61%
Less current portion	<u>(12,095)</u>	<u>(10,421)</u>	16.06%
Long-term portion	<u>\$ 244,112</u>	<u>\$ 252,642</u>	-3.38%

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

Economic Factors that May Affect the Future

As of June 30, 2011, 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 \$9.4 million.

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

Based on the Governor's 2011-12 budget, Mt. SAC's apportionment has been reduced by approximately \$7.9 million. The District has eliminated vacant positions and implemented budget reductions for the fiscal year 2011-12. The District reduced 2011-12 course offerings by 1,609 FTES and plans to reduce an additional 415 FTES for the winter and spring 2012 semesters. There is increased possibility that the State "trigger cuts" will be enacted in December 2011, reducing apportionment revenues further. Tier One "trigger cuts" will be \$766,407 (One-time) and Tier Two "trigger cuts" will be \$ 1,839,377 (Ongoing).

Subsequent Events

The District ended the fiscal year 2010-11 with a healthy fund balance as result of planned expenditure reductions. In 2012-13, the District will need to address the issue of lack of ongoing revenue increases along with the increased ongoing expenditures to find solutions to reduce the structural budget deficit.

The Board of Trustees approved a two percent ongoing salary increase, plus \$755 annual increase in employee health benefits for the Faculty, effective July 1, 2011. The Board of Trustees also approved a two percent one-time salary increase for Managers, Supervisors and Confidential employees, effective July 1, 2011. These increases will be funded from the District's Unassigned Fund Balance.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

Fiscal Independence

Effective July 1, 2009, the District obtained Fiscal Accountability Status as approved by the Los Angeles County Superintendent of Schools. After two years of operation, under the Fiscal Accountability Status, the District submitted an application to the Los Angeles County Superintendent of Schools and the State Chancellor's Office to obtain Fiscal Independence status, in August 2011.

Under Education Code, Section 85266.5, Fiscal Independence is granted upon the approval of the Board of Governors of the California Community College Systems Office, based largely on the recommendation from the Los Angeles County Superintendent of Schools and the Los Angeles County Auditor/Controller, based on the results of an assigned independent Certified Public Accountant firm's survey of the District's accounting controls. Obtaining Fiscal Independence status, allows the District to have broad authority to issue warrants without the review or approval of the Los Angeles County Superintendent of Schools or the Los Angeles County Auditor/Controller.

Based on the District's excellent reputation for fiscal management, validation of the internal controls by a team of external auditors, a recommendation from the Los Angeles County Superintendent of Schools, and a recommendation from the Los Angeles Auditor-Controller; the State Chancellor's Office submitted a request to the Board of Governors to grant Fiscal Independence status to the District. On November 7, 2011, the Board of Governors approved the District's Fiscal Independence status, effective July 1, 2012.

BASIC FINANCIAL STATEMENTS

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET ASSETS
June 30, 2011

	<u>Primary Government</u>	<u>Component Unit Auxiliary Services</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 83,324,259	\$ 1,836,836
Accounts receivable, net	34,156,255	358,055
Due from Auxiliary Services	42,304	
Due from the District		13,194
Inventories		1,656,741
Prepaid expenses and deposits	332,370	16,812
Total Current Assets	<u>117,855,188</u>	<u>3,881,638</u>
Non-Current Assets:		
Restricted cash and cash equivalents	13,573,241	
Notes receivable		45,672
Capitalized fees	2,559,222	
Other postemployment benefits other than pensions (OPEB) asset	1,263,410	
Capital assets, net of accumulated depreciation	<u>308,687,617</u>	<u>578,728</u>
Total Non-Current Assets	<u>326,083,490</u>	<u>624,400</u>
TOTAL ASSETS	<u>\$ 443,938,678</u>	<u>\$ 4,506,038</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 6,127,762	\$ 264,044
Accrued liabilities	3,415,719	169,602
Accrued interest payable	2,415,139	
Deferred revenue	2,425,851	
Due to Auxiliary Services	28,031	
Due to the District		25,192
Amount held in trust for loans or others	15,194	20,917
Compensated absences - current portion	1,449,236	143,053
Loans payable - current portion	111,313	
General obligation bonds payable - current portion	<u>10,534,039</u>	
Total Current Liabilities	<u>26,522,284</u>	<u>622,808</u>
Non-Current Liabilities:		
Compensated absences	5,280,095	
Other postemployment benefits other than pensions (OPEB)		205,504
Loans payable	207,116	
Bond anticipation note payable	68,419,365	
General obligation bonds payable, net	<u>170,205,940</u>	
Total Non-Current Liabilities	<u>244,112,516</u>	<u>205,504</u>
TOTAL LIABILITIES	<u>270,634,800</u>	<u>828,312</u>
NET ASSETS		
Invested in capital assets, net of related debt	66,359,347	578,728
Restricted for:		
Scholarships and loans	2,827	
Capital projects	53,658,077	
Debt service	14,068,347	
Other special services	832,021	
Unrestricted	<u>38,383,259</u>	<u>3,098,998</u>
TOTAL NET ASSETS	<u>173,303,878</u>	<u>3,677,726</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 443,938,678</u>	<u>\$ 4,506,038</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, 2011

	Primary Government	Component Unit Auxiliary Services
OPERATING REVENUES		
Enrollment, tuition and other fees (gross)	\$ 24,433,587	\$
Less: Scholarship discounts and allowances	(9,742,028)	
Net enrollment, tuition and other fees	14,691,559	-
Grants and contracts, non-capital		
Federal	45,827,169	
State	10,904,596	
Local	1,829,157	
Auxiliary enterprise sales and charges, net		3,213,127
TOTAL OPERATING REVENUES	73,252,481	3,213,127
OPERATING EXPENSES		
Salaries	109,953,058	1,712,856
Employee benefits	28,408,445	650,703
Supplies, materials and other operating expenses and services	18,710,863	820,720
Financial aid	42,198,981	
Utilities	3,235,626	
Depreciation	9,916,003	136,343
TOTAL OPERATING EXPENSES	212,422,976	3,320,622
OPERATING LOSS	(139,170,495)	(107,495)
NON-OPERATING REVENUES (EXPENSES)		
State apportionments, non-capital	110,038,878	
Local property taxes	17,893,739	
State taxes and other revenues	4,714,452	
Contributions and grants	119,000	
Investment income, net	646,779	11,456
Transfers to Student Loans & Scholarship Trust	(1,752)	
Interest expense	(10,605,735)	
TOTAL NON-OPERATING REVENUES (EXPENSES)	122,805,361	11,456
LOSS BEFORE OTHER REVENUES, EXPENSES, GAINS OR (LOSSES)	(16,365,134)	(96,039)
OTHER REVENUES, EXPENSES, GAINS OR (LOSSES)		
State apportionments, capital	6,299,266	
Local property taxes and revenues, capital	18,484,304	
Investment income, capital	945,002	
Gain on disposal of fixed assets	48,956	
TOTAL OTHER REVENUES, EXPENSES, GAINS OR (LOSSES)	25,777,528	-
INCREASE (DECREASE) IN NET ASSETS	9,412,394	(96,039)
NET ASSETS, BEGINNING OF YEAR	163,891,484	3,773,765
NET ASSETS, END OF YEAR	\$ 173,303,878	\$ 3,677,726

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, 2011

	Primary Government	Component Unit Auxiliary Services
CASH FLOWS FROM OPERATING ACTIVITIES		
Enrollment, tuition and fees	\$ 15,242,628	\$
Federal grants and contracts	45,999,749	
State grants and contracts	9,751,970	
Local grants and contracts	1,984,534	
Payments to suppliers	(21,725,040)	(5,444,488)
Sales		7,723,681
Payments to/on-behalf of employees	(137,386,423)	(2,363,963)
Payments to/on-behalf of students	(42,249,279)	
Other receipts/(payments)	(1,578)	263,530
Net cash provided (used) by operating activities	<u>(128,383,439)</u>	<u>178,760</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
State apportionments and receipts	104,151,464	
Property taxes	18,017,550	
Grants and gifts for other than capital purposes	4,756,633	
Transfer out to Student Loans & Scholarship Trust	(1,752)	
Net cash provided by non-capital financing activities	<u>126,923,895</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
State apportionment and receipts for capital purposes	11,220,867	
Property taxes and other local revenue for capital purposes	18,717,464	
District fees		
Net purchase and sale of capital assets	(29,189,104)	(20,951)
Principal and interest paid on capital debt, net	(17,362,321)	
Interest on capital investments	937,047	
Net cash provided (used) by capital and related financing activities	<u>(15,676,047)</u>	<u>(20,951)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	775,581	11,456
Net cash provided by investing activities	<u>775,581</u>	<u>11,456</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(16,360,010)	169,265
CASH BALANCE - Beginning of Year	<u>113,257,510</u>	<u>1,667,571</u>
CASH BALANCE - End of Year	<u>\$ 96,897,500</u>	<u>\$ 1,836,836</u>
Breakdown of ending cash balance:		
Cash and cash equivalents	\$ 83,324,259	\$ 1,836,836
Restricted cash and cash equivalents	13,573,241	
Total	<u>\$ 96,897,500</u>	<u>\$ 1,836,836</u>
Supplemental Disclosure		
Non cash financing activities:		
Reduction on loans payable - usage credits	\$ 22,673	
In kind contributions - capital assets	54,000	

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, 2011

	<u>Primary Government</u>	<u>Component Unit Auxiliary Services</u>
Reconciliation of Operating Loss to <u>Net Cash Provided (Used) by Operating Activities</u>		
CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Net Operating Loss	\$ (139,170,495)	\$ (107,495)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Depreciation expense	9,916,003	136,343
Provision for doubtful accounts, tuition and fees	31,208	
Changes in assets and liabilities:		
Accounts and student loans receivable, net	590,678	(91,063)
Due from Auxiliary Services	(3,019)	
Due from District		(1,774)
Inventories	10,400	180,726
Prepaid expenses	(28,122)	2,278
Notes receivable		10,380
Other postemployment benefit obligation	(1,177,238)	4,120
Accounts payable and accrued liabilities	2,247,539	70,540
Due to Auxiliary Services	1,441	
Deferred revenue	(851,520)	(2,329)
Compensated absences	51,179	(9,453)
Due to District		(11,277)
Amount held in trust	(1,493)	(2,236)
Net cash provided (used) by operating activities	<u>\$ (128,383,439)</u>	<u>\$ 178,760</u>

See the accompanying notes to the financial statements.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2011

	Primary Government		Component Unit Auxiliary Services
	Student Loans and Scholarship Trust	Associated Student Trust	Agency Funds
ASSETS			
Cash and cash equivalents	\$ 181,004	\$ 1,570,794	\$ 940,771
Accounts receivable	38,817	22	16,643
Due from the District			14,837
TOTAL ASSETS	<u>219,821</u>	<u>1,570,816</u>	<u>972,251</u>
LIABILITIES			
Accounts payable	1,008	1,997	4,140
Due to the District			17,112
Amount held in trust for others		1,568,819	950,999
Amount held in trust for loans	101,959		
TOTAL LIABILITIES	<u>102,967</u>	<u>1,570,816</u>	<u>972,251</u>
NET ASSETS			
Reserved for scholarships	116,854		
TOTAL NET ASSETS	<u>\$ 116,854</u>	<u>\$ -</u>	<u>\$ -</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, 2011

	Primary Government Student Loans and Scholarship Trust
ADDITIONS	
Donations	\$ 500,807
TOTAL ADDITIONS	500,807
DEDUCTIONS	
Scholarships awarded	688,692
TOTAL DEDUCTIONS	688,692
OTHER SOURCES (USES)	
Transfers from District	1,752
Transfers from Associated Student Trust	48,073
TOTAL OTHER SOURCES (USES)	49,825
Change in Net Assets	(138,060)
NET ASSETS, BEGINNING OF YEAR	254,914
NET ASSETS, END OF YEAR	\$ 116,854

See the accompanying notes to the financial statements.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT
STATEMENT OF OTHER POSTEMPLOYMENT BENEFITS PLAN NET ASSETS
June 30, 2011

	Primary Government	Component Unit Auxiliary Services
	<u>Retiree Benefit Trust</u>	<u>Retiree Benefit Trust</u>
ASSETS		
Cash and cash equivalents	\$ 12,767,416	\$ 159,648
Contributions receivable	1,848,157	
Accrued interest receivable	262,046	24,079
Investments	<u>52,574,940</u>	<u>2,623,285</u>
TOTAL ASSETS	<u>\$ 67,452,559</u>	<u>\$ 2,807,012</u>
TOTAL NET ASSETS HELD IN TRUST FOR OTHER POSTEMPLOYMENT BENEFITS	<u>\$ 67,452,559</u>	<u>\$ 2,807,012</u>

See the accompanying notes to the financial statements.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

STATEMENT OF CHANGES IN OTHER POSTEMPLOYMENT BENEFITS PLAN NET ASSETS
For the Fiscal Year Ended June 30, 2011

	Primary Government	Component Unit Auxiliary Services
	Retiree Benefit Trust	Retiree Benefit Trust
ADDITIONS		
Contributions	\$ 1,848,157	\$
Interest and investment income	1,618,049	93,167
Net realized/unrealized gains (losses)	<u>738,543</u>	<u>(61,665)</u>
TOTAL ADDITIONS	<u>4,204,749</u>	<u>31,502</u>
DEDUCTIONS		
Services and other operating expenses	<u>142,777</u>	<u>8,152</u>
TOTAL DEDUCTIONS	<u>142,777</u>	<u>8,152</u>
Increase in Net Assets	4,061,972	23,350
NET ASSETS HELD IN TRUST FOR OTHER POSTEMPLOYMENT BENEFITS, BEGINNING OF YEAR	<u>63,390,587</u>	<u>2,783,662</u>
NET ASSETS HELD IN TRUST FOR OTHER POSTEMPLOYMENT BENEFITS, END OF YEAR	<u>\$ 67,452,559</u>	<u>\$ 2,807,012</u>

See the accompanying notes to the financial statements

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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, 2011

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 units have 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 may 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 discretely presented.

Mt. San Antonio Community College District OPEB Trust – The Trust is an irrevocable governmental trust pursuant to Section 115 of the Internal Revenue Code for the purpose of funding certain post-employment benefits. The Trust Investment Committee, comprised of the Vice President, Administrative Services; Associate Vice President, Fiscal Services; and a Manager appointed by the President/CEO provide oversight over Trust investments. The Trust Administrative Committee, comprised of the Vice President, Administrative Services, and a representative from the Faculty Association, CSEA 651 and CSEA 262, provide oversight over the plan administration. As such, the District acts as the fiduciary of the Trust. The financial activity of the Trust has been discretely 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 created for the benefit of the District and its students and organized for educational purposes. 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. Separate financial statements are not prepared for the Trust.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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's Discussion and Analysis – for State and Local Governments* and Statement No. 35, *Basic Financial Statements and Management's 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 \$5,961,958 on June 30, 2011, which represents withholdings payable. The Warrant Pass-Through Fund is not reported in the basic financial statements.

C. BASIS OF ACCOUNTING

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

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.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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

C. BASIS OF ACCOUNTING (continued)

The statements of plan net assets and changes in plan net assets of the postemployment retiree benefit trust are prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

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.

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.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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

C. BASIS OF ACCOUNTING (continued)

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. All material receivables are considered fully collectible. 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.

Accounts receivable from students for tuition and fees is recorded net of a provision for uncollectable amounts. In addition, accounts receivable also includes student loans receivable which 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. Investments

Investments are reported at fair value, which is determined by the most recent bid and asking price as obtained from dealers that make markets in such securities.

4. Due from Auxiliary Services

Due from Auxiliary Services consists primarily of amounts due for workers' compensation.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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

C. BASIS OF ACCOUNTING (continued)

5. Inventories

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

6. Prepaid Expenses

Payments made to vendors for goods or services that will benefit periods beyond June 30, 2011, 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.

7. 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, and debt service requirements.

8. 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.

9. 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, 2011

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

C. BASIS OF ACCOUNTING (continued)

9. 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.

The collections - art includes donated paintings and fine art. The collections - art is on display in the art gallery. All items are deemed inexhaustible assets and therefore are not depreciated.

10. Accounts Payable and Accrued Liabilities

Accounts payable consists of amounts due to vendors. Accrued liabilities consist of salaries and benefits payable.

11. Deferred Revenue

Cash received for summer student enrollment fees and 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 exceeds qualified expenditures.

12. Due to Auxiliary Services

Due to Auxiliary Services consists primarily of expenses related to the Bookstore and Food Services.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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 or by enabling legislation adopted by the District. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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 2012 will be recorded in the year computed by the State.

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.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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

C. BASIS OF ACCOUNTING (continued)

16. Property Taxes (continued)

For the fiscal year 2010-11, the District received \$32,764 in local revenue from the California Statewide Delinquent Tax Finance Authority for the sale of delinquent tax receivables.

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 \$1,228,000 for STRS.

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, *Accounting and Financial Reporting for Nonexchange Transactions*.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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

C. BASIS OF ACCOUNTING (continued)

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.

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. Fiscal Accountability

The Los Angeles County Superintendent of Schools issued a letter dated June 26, 2009 granting unrestricted approval for the District to operate under Fiscal Accountability status beginning July 1, 2009. Fiscal Accountability status allows the District to process payroll and commercial warrants independent of the Los Angeles County Superintendent of Schools. Fiscal Accountability is subject to ongoing approval by the Los Angeles County Superintendent of Schools. Fiscally independent status was approved for the fiscal year 2011-12 as discussed in Note 16 – Subsequent Events.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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

C. BASIS OF ACCOUNTING (continued)

22. Minimum Reserve Policy

The District has adopted a minimum fund balance policy in order to protect against revenue short falls and unexpected one-time expenditures. The policy requires a reserve for contingencies consisting of unassigned amounts of no less than 10% of unrestricted general fund expenditures. This policy meets the minimum reserve balance recommended by the California Community College Chancellor's Office that districts provide for a minimum prudent reserve balance of 5% of unrestricted expenditures.

NOTE 2 – DEPOSITS AND INVESTMENTS:

A. 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, 2011, \$1,162,292 of the District's bank balance of \$1,730,577 was exposed to credit risk as follows:

Uninsured and uncollateralized deposits	\$1,162,292
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These deposits are held in money market funds and are rated A-1+ and AA- by Standard and Poor's.

In addition, at June 30, 2011, \$12,767,416 of the Mt. San Antonio OPEB Trust's (the Trust's) assets were exposed to credit risk as uninsured and uncollateralized deposits. These deposits are held with a trustee in money market funds and are rated AAA or better by Standard and Poor's, in accordance with the Trust's investment policy.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 2 – DEPOSITS AND INVESTMENTS: (continued)

B. 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 unamortized cost which approximates fair value. The fair market value of the District's deposits in this pool as of June 30, 2011, as provided by the pool sponsor, was \$97,354,421. 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.

C. Investments

Investments held by the Mt. San Antonio OPEB Trust (the Trust) are limited to those within the terms of the trust agreement, any applicable plan documents and in accordance with California Code Section 53620 through 53622. The Trust did not violate any provisions of the above during the fiscal year ended June 30, 2011.

Investments held by the Trust at June 30, 2011 are presented below:

Investment Type	Standard & Poor's Rating	Fair Value	Maturities		
			Less than 1 year	1-5 years	Greater than 5 years
Corporate issues	AA+	\$ 2,771,135	\$	\$	\$ 2,771,135
	AA	957,348		957,348	
	A+	5,158,992		1,899,054	3,259,938
	A	4,983,758	1,668,922	3,314,836	
	A-	2,408,121		1,293,001	1,115,120
	Unrated	13,177,200		13,177,200	
U.S. Government sponsored issues	AAA	1,011,150		1,011,150	
Municipal issues	AAA	1,017,740			1,017,740
	AA+	1,891,415		890,714	1,000,701
	AA	345,315			345,315
	AA-	1,719,500			1,719,500
	A+	3,841,601			3,841,601
	A	2,462,377			2,462,377
	A-	1,077,130		1,077,130	
	BBB	2,637,618			2,637,618
Mutual Funds	Unrated	833,290			833,290
	Unrated	6,281,250	6,281,250		
Total Investments		\$ 52,574,940	\$ 7,950,172	\$ 23,620,433	\$ 21,004,335

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 2 – DEPOSITS AND INVESTMENTS: (continued)

C. Investments (continued)

Interest Rate Risk

Interest risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Trust does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Trust authorizes the use of a broad range of investment choices that have distinctly different risk and return characteristics, with the provision that all investments must continue to adhere to the underlying requirements of California Government Code Section 53600.5 and, in particular, its emphasis on preservation of capital. The individual investment ratings are indicated above.

Concentration of Credit Risk

Concentration of credit risk is the risk of a loss attributed to the magnitude of a government's investment in a single issuer. The Trust places no limit on the amount that may be invested in any one issuer. In accordance with Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures*, requirements, the Trust is exposed to concentration of credit risk whenever investments in any one issuer exceeds 5%. At June 30, 2011 the Trust has invested more than 5% of its portfolio in the following issuers:

<u>Investment</u>	<u>Fair Value</u>	<u>Percentage of Investment</u>
Corporate issues		
JP Morgan Chase	\$ 4,852,000	9%
Morgan Stanley	8,325,200	16%
	<u>\$ 13,177,200</u>	25%

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 3 - ACCOUNTS RECEIVABLE:

The accounts receivable balance as of June 30, 2011 consists of the following:

Federal and State	\$31,612,113
Debt Service Property Tax	1,725,416
Miscellaneous	496,192
Tuition and Fees (net of allowance for doubtful account \$364,302)	<u>322,534</u>
	<u>\$34,156,255</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, except for transactions occurring between governmental and fiduciary funds.

NOTE 5 – CAPITAL ASSETS AND DEPRECIATION – SCHEDULE OF CHANGES:

Capital asset activity for the year ended June 30, 2011 is shown below.

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
Non-depreciable assets:				
Land	\$ 619,480	\$	\$	\$ 619,480
Collections - art	118,058			118,058
Construction in progress	<u>48,418,422</u>	<u>24,910,970</u>	<u>(443,780)</u>	<u>72,885,612</u>
Total non-depreciable assets	<u>49,155,960</u>	<u>24,910,970</u>	<u>(443,780)</u>	<u>73,623,150</u>
Depreciable assets:				
Building and building improvements	286,961,261	1,527,490		288,488,751
Equipment	<u>23,683,679</u>	<u>1,198,144</u>	<u>(50,061)</u>	<u>24,831,762</u>
Total depreciable assets	<u>310,644,940</u>	<u>2,725,634</u>	<u>(50,061)</u>	<u>313,320,513</u>
Less accumulated depreciation for:				
Building and building improvements	(50,847,153)	(7,933,111)		(58,780,264)
Equipment	<u>(17,542,951)</u>	<u>(1,982,892)</u>	<u>50,061</u>	<u>(19,475,782)</u>
Total accumulated depreciation	<u>(68,390,104)</u>	<u>(9,916,003)</u>	<u>50,061</u>	<u>(78,256,046)</u>
Total depreciable assets, net	<u>242,254,836</u>	<u>(7,190,369)</u>	<u>-</u>	<u>235,064,467</u>
Governmental capital assets, net	<u>\$ 291,410,796</u>	<u>\$ 17,720,601</u>	<u>\$ (443,780)</u>	<u>\$ 308,687,617</u>

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 6 - LOANS PAYABLE:

A. City of Walnut

The District 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 2010-11, the District repaid \$12,825 to the City, and received \$22,673 in facility usage credit. The remaining balance of \$247,741 is reflected as a liability on the statement of net assets.

B. California Energy Commission

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 2010-11 the District paid \$68,616 in principal and \$3,670 in interest payments.

Annual loan payments outstanding as of June 30, 2011 are as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ <u>70,688</u>	\$ <u>1,598</u>	\$ <u>72,286</u>

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 7—GENERAL OBLIGATION BONDS – MEASURE R, NOVEMBER 2001:

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

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

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

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

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, 2011

NOTE 7 – GENERAL OBLIGATION BONDS – MEASURE R, NOVEMBER 2001: (continued)

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

The capital appreciation bonds were issued with maturity dates of June 1, 2010 through June 1, 2018. Prior to the applicable maturity date, each bond will accrete interest on the principal component.

The outstanding bonded debt of Mt. San Antonio Community College District at June 30, 2011 is:

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

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

Series A 5/1/2012

Series B 8/1/2014

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 7 – GENERAL OBLIGATION BONDS – MEASURE R, NOVEMBER 2001: (continued)

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

Year Ended June 30,	Principal	Accreted Interest	Interest	Total
2012	\$ 10,534,039	\$ 165,961	\$ 7,184,570	\$ 17,884,570
2013	10,124,019	265,980	6,807,693	17,197,692
2014	12,217,408	182,592	6,196,631	18,596,631
2015	13,237,021	217,979	5,627,450	19,082,450
2016	14,145,731	254,270	4,996,200	19,396,201
2017-2021	29,956,767	16,528,233	21,933,950	68,418,950
2022-2026	29,900,000		15,839,683	45,739,683
2027-2031	38,695,000		7,694,744	46,389,744
2032-2033	10,300,000		339,625	10,639,625
Total Debt Service	<u>\$ 169,109,985</u>	<u>\$ 17,615,015</u>	<u>\$ 76,620,546</u>	<u>\$ 263,345,546</u>

Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The Bonds included total premiums of \$18,528,660. This amount will be amortized using the straight line method. Amortization of \$1,548,921 was recognized during 2010-11.

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 2010-11.

At June 30, 2011, \$6,541,427, accreted interest, net of payments, 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 \$3,023,038. This amount is amortized using the straight-line method. Amortization of \$232,405 was recognized during 2010-11.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 8 – BOND ANTICIPATION NOTES:

On April 28, 2010, the District issued \$64,999,815 in bond anticipate notes. The notes were issued to (a) finance the repair, upgrading, acquisition, construction and equipping of certain District property and facilities and (b) refund the District's outstanding 2008 Lease Revenue Bonds.

The notes are payable only at maturity, and will not pay interest on a current basis. The notes accrete in value from their initial principal amount to their maturity value, at an approximate accretion rate of 4.034% per annum. The maturity value of the notes is the accreted value of \$79,270,000 and the maturity date is May 1, 2015.

The principal amount of the notes, together with the interest thereon, will be payable from the proceeds of the future sale of bonds pursuant to the authorization, or from other funds of the District lawfully available for the purpose of repaying the notes.

Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The notes included total premiums of \$1,066,974. This amount will be amortized using the straight line method. Amortization of \$213,394 was recognized during 2010-11.

Associated issuance costs are recorded as capitalized fees on the statement of net assets. The notes included issuance costs of \$1,066,974. This amount will be amortized using the straight-line method. Amortization of \$213,394 was recognized during 2010-11.

At June 30, 2011, the outstanding long-term debt for the notes is \$64,999,815 with \$2,565,970 in accreted interest having been accrued.

NOTE 9 – DEFEASED DEBT – LEASE REVENUE BONDS:

Certain outstanding lease revenue bonds of the District have been defeased by placing the proceeds of bond anticipation notes in an irrevocable escrow accounts held and managed by bank trustees, and invested in U.S. Treasury obligations. The principal and interest on which will provide amounts sufficient to pay the principal and interest on the defeased bonds in accordance with the schedule of remaining payments due. Accordingly, the escrow account and the defeased bonds are not included in the District's financial statements. On May 18, 2010, proceeds in the amount of \$9,596,000 were deposited in an escrow fund for future repayment. At June 30, 2011, \$8 million in principal of the defeased bonds are still outstanding.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 10- LONG-TERM DEBT:

A schedule of changes in long-term debt for the year ended June 30, 2011 is shown below:

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011	Amounts Due in One Year
Loan payable-City of Walnut	\$ 283,239	\$	\$ 35,498	\$ 247,741	\$ 40,625
Energy loans payable	139,304		68,616	70,688	70,688
Compensated absences	6,678,152	51,179		6,729,331	1,449,236
Bond anticipation note:					
Notes payable	64,999,815			64,999,815	
Premium	1,066,974		213,394	853,580	
Accreted interest		2,565,970		2,565,970	
General obligation bonds:					
Bonds payable	178,771,144		9,661,159	169,109,985	10,534,039
Premium	10,971,876		1,548,921	9,422,955	
Accreted interest	5,106,504	1,553,763	118,840	6,541,427	
Deferred liability	(4,953,586)		(619,198)	(4,334,388)	
Total	<u>\$ 263,063,422</u>	<u>\$ 4,170,912</u>	<u>\$ 11,027,230</u>	<u>\$ 256,207,104</u>	<u>\$ 12,094,588</u>

Liabilities liquidated by the General Fund for governmental activities, include compensated absences. The City of Walnut loan payable and energy loans payable are liquidated by the Capital Outlay Fund. General obligation bond liabilities are liquidated through property tax collections as administered by the County Controller's office through the Bond Interest and Redemption Fund. Bond anticipation notes are to be liquidated through a future general obligation bond issuance.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 11 - EMPLOYEE RETIREMENT PLANS:

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of the State Teachers' Retirement System (STRS) and classified employees are members of the Public Employees' Retirement System (PERS) 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 2010-11 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, 2011

NOTE 11 - 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 2010-11 was 10.707% 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>
2009	\$5,339,102	100%	\$3,149,047	100%
2010	4,991,695	100%	3,294,009	100%
2011	5,022,739	100%	3,667,850	100%

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 11 - 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 \$729,099 during the fiscal year. The total amount of covered compensation was \$9,721,322. Total contributions made is 100% of the amount of contributions required for fiscal year 2010-11.

NOTE 12 – 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, 2011

NOTE 12 – 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 December 31, 1995, 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	510
Terminated plan members entitled to but not yet receiving benefits	46
Active plan members	<u>918</u>
Total	<u>1,474</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 2010-11, the District contributed \$5,788,613 to the plan, including \$3,940,456 for current year premiums. The District pays for 100% of coverage.

Annual OPEB Cost and Net OPEB Obligation (Asset)

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 No. 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 table on the following page 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, 2011

NOTE 12 – POSTEMPLOYMENT HEALTHCARE BENEFITS: (continued)

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

Annual required contribution (ARC)	\$ 4,612,037
Interest on net OPEB obligation	(4,739)
Adjustment to annual required contribution	<u>4,077</u>
Annual OPEB cost (expense)	4,611,375
Contributions made	<u>(5,788,613)</u>
Change in net OPEB obligation/(asset)	(1,177,238)
Net OPEB asset - Beginning of Year	<u>(86,172)</u>
Net OPEB asset - End of Year	<u><u>\$ (1,263,410)</u></u>

The District's annual OPEB cost for the year, the percentage of annual OPEB cost contributed, and the net OPEB obligation (asset) 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 (Assets)</u>
6/30/2009	\$ 5,410,787	93.13%	\$ 371,248
6/30/2010	4,561,679	110.03%	(86,172)
6/30/2011	4,611,375	125.53%	(1,263,410)

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 12 – POSTEMPLOYMENT HEALTHCARE BENEFITS: (continued)

Funding Status and Funding Progress

As of May 1, 2009, the most recent actuarial valuation date, the plan was 69% funded. The actuarial accrued liability for benefits was \$87.7 million, and the actuarial value of assets held in the Mt. San Antonio Community College District OPEB Trust was \$60.4 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$27.3 million. The covered payroll (annual payroll of active employees covered by the plan) was \$75 million, and the ratio of the UAAL to the covered payroll was 36.6%.

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 postemployment healthcare benefits 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.

The accompanying schedule of employer contributions, also presented as required supplementary information, presents trend information about the amounts contributed to the plan by employers in comparison to the Annual Required Contribution (ARC), an amount that is actuarially determined in accordance with the parameters of GASB Statement No. 43. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

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.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 12 – POSTEMPLOYMENT HEALTHCARE BENEFITS: (continued)

Actuarial Methods and Assumptions (continued)

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 initial UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2011 was twenty-six years. The remaining UAAL is being amortized as a level percentage of projected payroll on an open basis over a 30 year period.

NOTE 13 - JOINT POWERS AGREEMENT:

The Mt. San Antonio Community College District participates in four 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); and the Protected Insurance Programs for Schools (PIPS).

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 11).

SCCCD-JPA provides workers' compensation coverage for its seven member districts for workers' compensation self-insured run-off claims dated prior to 1995. Payments transferred to funds maintained under the JPA are expensed when made. SCCCDD has self-funded their workers' compensation coverage since inception as a joint banking pool, and accordingly, does not transfer risk between members. 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.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 13 - 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. This is a finite risk sharing pool that transfers risk away from the members. Premiums are determined based on payroll expense and additional premiums may be required in subsequent years.

Each JPA is governed by a board consisting of a representative from each member district. Each governing board controls the operations of its JPA independent of any influence by the Mt. San Antonio Community College District beyond the District's representation on the governing boards.

The relationships between the Mt. San Antonio Community College District and the JPAs are such that none of the JPAs are component units of the District for financial reporting purposes.

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

	<u>ASCIP</u> 6/30/2010 (Audited)	<u>SCCCD-JPA</u> 6/30/2011 (Audited)	<u>SELF</u> 6/30/2010 (Audited)	<u>PIPS</u> 6/30/2011 (Audited)
		Workers' Compensation Insurance Fund		
Total assets	\$242,839,611	\$ 21,400,922	\$196,974,000	\$ 93,970,269
Total liabilities	<u>138,884,803</u>	<u>662,785</u>	<u>160,464,000</u>	<u>71,211,379</u>
Net assets	<u>\$105,954,808</u>	<u>\$ 20,738,137</u>	<u>\$36,510,000</u>	<u>\$ 22,758,890</u>
Total revenues	\$177,534,227	\$ 7,489,133	\$ 19,384,000	\$ 6,895,722
Total expenditures	<u>162,916,342</u>	<u>7,194,072</u>	<u>30,536,000</u>	<u>14,184,665</u>
Change in net assets	<u>\$14,617,885</u>	<u>\$ 295,061</u>	<u>\$(11,152,000)</u>	<u>\$ (7,288,943)</u>

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 14- FUNCTIONAL EXPENSE:

	Salaries	Employee Benefits	Supplies, Materials, Utilities, Other Expenses and Services	Student Aid and Other Uses	Depreciation	Total
Instructional	\$ 65,885,775	\$ 13,829,777	\$ 3,378,688	\$	\$	\$ 83,094,240
Academic Support	10,051,341	2,390,773	612,426			13,054,540
Student Services	11,399,393	2,931,739	890,021			15,221,153
Operation & Maintenance of Plant	5,555,380	1,959,160	4,957,687			12,472,227
Institutional Support	11,698,386	6,028,760	5,466,819			23,193,965
Community Services and Economic Development	1,444,026	321,223	803,108			2,568,357
Ancillary Services and Auxiliary Operations	3,918,757	947,013	1,049,482			5,915,252
Student Aid				42,198,981		42,198,981
Other Outgo			4,788,258			4,788,258
Depreciation Expense					9,916,003	9,916,003
Totals by Object	<u>\$ 109,953,058</u>	<u>\$ 28,408,445</u>	<u>\$ 21,946,489</u>	<u>\$ 42,198,981</u>	<u>\$ 9,916,003</u>	<u>\$ 212,422,976</u>

NOTE 15 - 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.

B. Purchase Commitments

As of June 30, 2011 the District was committed under various capital expenditure purchase agreements for various projects totaling approximately \$38.3 million to be funded from general obligation bond proceeds, bond anticipation notes 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-proprerty 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.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 15 - COMMITMENTS AND CONTINGENCIES: (continued)

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.

D. General Obligation Bonds – Measure RR, November 2008

On November 4, 2008, \$353 million in general obligation bonds were authorized by an election held within the Mt. San Antonio College District under Proposition 39/Measure RR. Proceeds from the sale of the bonds will be used to finance the construction, acquisition, furnishing and equipping of District facilities.

As of June 30, 2011, the District has not sold any general obligation bonds authorized by the November 4, 2008 election.

E. Collective Bargaining Agreements

The Board settled negotiations with the Faculty Association in August 2011 and with the confidential, supervisory and management groups in October 2011. Settlement costs are not part of these financial statements. The estimated cost for the 2011-12 fiscal year is \$1.5 million for faculty salary and benefits and \$241 thousand for the confidential, supervisory and management groups.

Negotiations for classified employees are still under way.

NOTE 16 – SUBSEQUENT EVENT:

On October 12, 2011, the District received approval by the Los Angeles County Office of Education (LACOE) to operate under a fiscally independent status beginning July 1, 2012. On November 7, 2011, the Board of Governor's confirmed and approved the District's request.

As a fiscally independent district, LACOE will continue to have the ability to monitor the district to assure that proper internal controls are in place to provide the appropriate oversight and internal audit functions for the issuance of payroll and commercial warrants directly through the County Treasury without review and approval by LACOE for scrutiny of the legality and propriety of district accounting transactions.

REQUIRED SUPPLEMENTARY INFORMATION

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF POSTEMPLOYMENT HEALTHCARE BENEFITS FUNDING PROGRESS
 For the Fiscal Year Ended June 30, 2011

<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>
4/1/2007	\$ 52,900,505	\$ 93,378,693	\$ 40,478,188	56.7%	\$ 72,296,089	56.0%
5/1/2009	60,367,776	87,651,507	27,283,731	68.9%	74,599,091	36.6%

Note: The plan's segregated assets held in the Southern California Community College JPA, were transferred to the Mt. San Antonio Community College District OPEB Trust in July 2008. As the assets held by the JPA were excluded from the District's assets, management believes they are appropriately reported as plan assets for the 2007 valuation. Subsequent to the 2007 valuation plan assets are held in the Mt. San Antonio Community College District OPEB Trust.

Fiscal year 2007-08 was the year of implementation of GASB Statement No. 45 and the District elected to implement prospectively, therefore, only two years of actuarial data is available. In future years, as actuarial valuations are performed, three year trend information will be presented.

See the accompanying notes to the required supplementary information.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EMPLOYER CONTRIBUTIONS

For the Fiscal Year Ended June 30, 2011

<u>Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2009	\$ 5,395,369	72.73%
2010	4,558,826	110.10%
2011	4,612,037	125.51%

Note: In June 2008, the District established the Mt. San Antonio Community College District OPEB Trust (the Trust). Irrevocable contributions to the Trust were made in July 2008, therefore, fiscal year 2008-09 was the year of implementation of GASB Statement No. 43.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2011

NOTE 1 - PURPOSE OF SCHEDULES:

A. Schedule of Postemployment Healthcare Benefits Funding Progress

This schedule is prepared 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.

B. Schedule of Employer Contributions

This schedule is prepared in accordance with Statement No. 43 of the Governmental Accounting Standards Board, *Financial Reporting for postemployment Benefits Other Than Pension Plans*. The schedule is intended to show trends about the percentage of the annual required contribution made to the plan.

SUPPLEMENTARY INFORMATION

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

HISTORY AND ORGANIZATION

June 30, 2011

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

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

BOARD OF TRUSTEES

<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
Judy Chen Haggerty	President	November 30, 2013
Rosanne M. Bader	Vice President	November 30, 2014
Manuel Baca	Clerk	November 30, 2014
Fred Chyr	Member	November 30, 2014
Dr. David K. Hall	Member	November 30, 2013
Bruno Hernandez	Student Trustee	June 30, 2011

DISTRICT EXECUTIVE OFFICERS

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

* Dr. John S. Nixon retired effective June 30, 2011. Bill Scroggins became the President/CEO effective July 1, 2011.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Fiscal Year Ended June 30, 2011

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures
Federal Categorical Aid Programs:			
Student Financial Assistance Cluster:			
Department of Education:			
Direct			
Student Financial Aid Cluster			
Student Financial Aid Administrative Expenses	84.000	N/A	\$ 105,400
Supplemental Educational Opportunities Grant (SEOG)	84.007	N/A	509,571
Federal Work Study	84.033	N/A	309,152
Pell	84.063	N/A	37,231,611
Direct Loans - William D. Ford Program	84.268	N/A	1,650,056
Academic Competitiveness	84.375	N/A	176,025
TRIO Cluster:			
Department of Education:			
Passed through from the California Department of Education.			
Student Support Services	84.042A	(1)	124,355
Upward Bound	84.047A	(1)	209,380
Department of Agriculture:			
Direct			
Hispanic Serving Institutions - Agriculture Pathways Program	10.223	N/A	91,846
Passed through from the California Department of Education:			
Child Nutrition Program	10.555	03755	62,180
Department of Labor:			
Direct			
American Recovery and Reinvestment Act (ARRA) - Health Care Sector and Other High Growth and Emerging Industries	17.275	N/A	749,442
Passed through from the Employment Development Department:			
Workforce Investment Act - Governor's 15% Investment Act Funds for Allied Health Programs	17.258	(1)	102,817
National Science Foundation:			
Direct			
Advance Technological Education (ATE) -			
Regional Information Systems Security Center (RISSC)	47.076	N/A	142,695
Science, Technology, Engineering, and Mathematics (STEM)	47.076	N/A	152,785
Passed through from California State University Fullerton:			
Test Up - Talent Expansion in Science and Technology	47.076	(1)	127,447
Department of Veterans Affairs			
Direct			
Veteran Education Assistance - Chapter 33	64.028	N/A	11,187
Department of Education:			
Direct			
Addressing Acute Student Needs	84.031S	N/A	713,993
Parent in School Program	84.335A	N/A	122,600
Veteran's Education Administrative Expenses	84.065	N/A	5,460
Passed through from the California Department of Education:			
Workforce Investment Act, Title II: Adult Education and Family Literacy Act, Section 225, Section 231, and English Literacy and Civics Education	84.002	(1)	893,554

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, 2011

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures
Department of Education: (continued)			
Passed through from the California Community College Chancellor's Office			
American Recovery and Reinvestment Act (ARRA) - State Fiscal Stabilization Funds	84.394	(1)	69,402
Career and Technical Education - Perkins, Family and Consumer Sciences	84.048	(1)	314,315
Career and Technical Education - Perkins, Title I, Part C	84.048	03578	1,072,612
Career and Technical Education - Perkins, Tech Prep	84.243	(1)	69,708
Pilot Course Material Rental Program	84.116T	(1)	321,042
Department of Health & Human Services :			
Passed through from the California Community College Chancellor's Office:			
Temporary Assistance for Needy Families (TANF)	93.558	(1)	101,865
Temporary Assistance for Needy Families (TANF)-CDC Program	93.558	(1)	24,554
Personal and Home Care Aide State Training Program	93.512	(1)	<u>26,355</u>
Total Federal Expenditures			<u>\$ 45,491,409</u>
Reconciliation to Federal Revenue:			
Total federal program expenditures			\$ 45,491,409
Revenues in excess of expenditures related to federal entitlement program:			
Passed through the California Public Employees' Retirement System:			
Medicare Part D Retiree Drug Subsidy (RDS)	93.770	(1)	<u>335,760</u>
Total Federal Revenue			<u>\$ 45,827,169</u>
Student Financial Aid Loan Programs:			
Perkins Program	84.038		
Mt. San Antonio Community College District had the following loan balance outstanding as of 6/30/11			<u>\$ 42,401</u>

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

See the accompanying notes to the supplementary information.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF STATE FINANCIAL ASSISTANCE - GRANTS
For the Fiscal Year Ended June 30, 2011

Program Name	Program Revenues				Total
	Cash Received	Accounts Receivable	Deferred Revenue	Accounts Payable	
State Categorical Aid Programs					
Basic Skills & Immigrant Education	\$ 2,537,148	\$	\$ 352,947	\$	\$ 2,184,201
Board Financial Assistance Program (BFAP)	942,315		24,768		917,547
CalWorks	337,884				337,884
California High School Exit Exam Preparation Grant (CAHSEE)	46,329				46,329
California State Preschool Program	283,261				283,261
Career Advancement Academy	91,847				91,847
CARE	102,393				102,393
Child Care Food Program	2,942	572			3,514
Child Care General Center and Development Program	353,325				353,325
Child Care Tax Bailout	88,976				88,976
Child Development Training Consortium	10,527		4,946		5,581
Career Technical Education - Community Collaborative (San Gabriel Valley)	38,793	12,965			51,758
Career Technical Education - Teacher Preparation Pipeline	5,204	55,048			60,252
Disabled Student Program & Services (DSPS)	1,368,557				1,368,557
Center of Excellence	187,839		59,651		128,188
Center of Excellence - Career Technical Education Strategic Hubs	342,500		181,929		160,571
Curriculum Planning for Emerging Industries	60,000		60,000		-
Enrollment Growth AA Nursing	236,226	70,308			306,534
Equal Employment Opportunity	39,501		12,516		26,985
Extended Opportunities Program & Services (EOPS)	652,475				652,475
Health Careers Training Program Mini-Grants	10,800	1,200			12,000
Infant Toddler Resource	1,200				1,200
Instructional Equipment and Library Materials	303,315		38,642		264,673
Matriculation - Credit	734,110				734,110
Matriculation - Noncredit	903,992				903,992
Telecommunications and Technology Infrastructure Program (TTIP) Grant	65,625		2,123		63,502
Transfer and Articulation	2,301			1,106	1,195
Total State Programs	\$ 9,749,385	\$ 140,093	\$ 737,522	\$ 1,106	\$ 9,150,850

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, 2011**

	<u>Revised Annual - Factored FTES</u>		
	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Audited Data</u>
A. Summer Intersession (Summer 2010 only)			
1. Noncredit ¹	2,511.45		2,511.45
2. Credit	1,286.95		1,286.95
B. Summer Intersession (Summer 2011 - Prior to July 1, 2011)			
1. Noncredit ¹	-		-
2. Credit	-		-
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	19,258.60		19,258.60
(b) Daily Census Contact Hours	2,263.88		2,263.88
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit ¹	3,543.05		3,543.05
(b) Credit	743.44		743.44
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	1,019.75		1,019.75
(b) Daily Census Contact Hours	524.43		524.43
(c) Noncredit Independent Study/Distance Education Courses	N/A		N/A
D. Total FTES	<u>31,151.55</u>	<u>-</u>	<u>31,151.55</u>
Supplemental Information (subset of above information)			
E. In-Service Training Courses (FTES)	N/A		
H. Basic Skills courses and Immigrant Education			
(a) Noncredit ¹	5,074.44		
(b) Credit	2,392.84		
<u>CCFS 320 Addendum</u>			
CDCP Noncredit FTES	4,105.14		
Centers FTES			
(a) Noncredit	N/A		
(b) Credit	N/A		

¹ 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, 2011

The audit resulted in no adjustments to the fund balances reported on the June 30, 2011 Annual Financial and Budget Report (CCFS-311) based upon governmental accounting principles.

The financial data for the District's Bond Interest and Redemption Fund is a component part of these financial statements and is not reported in the District's CCFS-311 series.

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
UNRESTRICTED AND RESTRICTED GENERAL FUNDS (COMBINED)

For the Fiscal Year Ended June 30,

	(Budget) 2012		2011		2010		2009	
	Amount	%	Amount	%	Amount	%	Amount	%
Revenue								
Federal	\$ 5,278,509	3.28	\$ 6,063,939	3.82	\$ 5,254,410	3.34	\$ 5,258,162	3.11
State	111,912,210	69.45	122,976,832	77.57	121,156,073	76.99	129,924,811	76.83
County and Local	35,046,346	21.75	33,010,421	20.82	34,048,858	21.64	34,282,714	20.27
Total Revenue	<u>152,237,065</u>	<u>94.47</u>	<u>162,051,192</u>	<u>102.21</u>	<u>160,459,341</u>	<u>101.97</u>	<u>169,465,687</u>	<u>100.21</u>
Expenditures								
Academic Salaries	68,171,488	42.30	68,703,665	43.34	67,901,428	43.15	71,894,065	42.51
Classified Salaries	38,060,313	23.62	39,447,243	24.88	39,207,655	24.92	41,001,565	24.25
Employee Benefits	28,789,753	17.87	29,110,611	18.36	27,731,828	17.62	29,439,727	17.41
Supplies and Materials	4,465,799	2.77	3,140,628	1.98	2,952,951	1.88	3,289,399	1.95
Other Operating Expenses and Services	17,491,698	10.85	13,226,895	8.34	13,626,386	8.66	15,685,271	9.28
Capital Outlay	2,629,631	1.63	2,549,255	1.61	2,304,822	1.46	2,641,524	1.56
Other Uses	1,535,457	0.95	2,364,590	1.49	3,638,246	2.31	5,156,645	3.05
Total Expenditures	<u>161,144,139</u>	<u>100.00</u>	<u>158,542,887</u>	<u>100.00</u>	<u>157,363,316</u>	<u>100.00</u>	<u>169,108,196</u>	<u>100.00</u>
Other Financing Sources	-	-	37,323	0.02	13,887	0.01	112,129	0.07
Change in Fund Balance	<u>\$ (8,907,074)</u>	<u>(5.53)</u>	<u>\$ 3,545,628</u>	<u>2.23</u>	<u>\$ 3,109,912</u>	<u>1.98</u>	<u>\$ 469,620</u>	<u>0.28</u>
Unrestricted General Fund:								
Assigned Fund Balance	\$ 1,839,377	1.14	\$ 1,458,943	0.92	\$ 1,331,238	0.85	\$ 2,775,727	1.64
Unassigned Fund Balance	23,510,953	14.59	32,354,128	20.41	28,939,178	18.39	24,385,684	14.42
Restricted Fund Balance	355,256	0.22	799,589	0.50	796,616	0.51	795,709	0.47
Ending Fund Balance	<u>\$ 25,705,586</u>	<u>15.95</u>	<u>\$ 34,612,660</u>	<u>21.83</u>	<u>\$ 31,067,032</u>	<u>19.74</u>	<u>\$ 27,957,120</u>	<u>16.53</u>
Full-time Equivalent Students	<u>29,594</u>		<u>31,152</u>		<u>31,048</u>		<u>32,685</u>	
Total Long-Term Debt	<u>\$ 237,683,905</u>		<u>\$ 250,264,957</u>		<u>\$ 255,978,158</u>		<u>\$ 208,665,220</u>	

IMPORTANT NOTES:

The California Community College Chancellor's Office has provided guidelines that recommend a minimum prudent ending fund balance of 5% of unrestricted expenditures. In addition, the District's Board policy requires a 10% reserve for contingencies. As such, the unassigned balance is the 10% Board Policy reserve and any other remaining unassigned amounts in the General Fund.

All percentages are of total unrestricted and restricted expenditures combined.

The 2012 budget is the Plan and Budget adopted by the Board of Trustees on September 14, 2011.

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, 2011

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Revenue from Federal Sources			
Higher Education Act	\$ 4,974,301	\$ 2,418,276	\$ (2,556,025)
Temporary Assistance for Needy Families	126,915	126,419	(496)
Student Financial Aid	435,627	309,152	(126,475)
Veterans Education	5,460	5,460	-
Vocational and Technical Education Act	1,491,407	1,456,635	(34,772)
Other Federal Revenue	2,345,867	1,747,997	(597,870)
Revenue from State Sources			
General Apportionments	110,038,874	110,038,878	4
Categorical Apportionments	7,987,315	7,556,319	(430,996)
Other State Revenues	6,143,814	5,381,635	(762,179)
Revenue from Local Sources			
Property Taxes	17,893,742	17,893,739	(3)
Interest and Investment Income	523,819	523,818	(1)
Student Fees and Charges	13,418,485	13,131,577	(286,908)
Other Local Revenue	1,836,947	1,408,287	(428,660)
TOTAL REVENUES	<u>167,222,573</u>	<u>161,998,192</u>	<u>(5,224,381)</u>
EXPENDITURES			
Academic Salaries	70,089,264	68,703,665	1,385,599
Classified Salaries	42,597,828	39,447,243	3,150,585
Employee Benefits	29,779,278	29,110,611	668,667
Supplies and Materials	4,675,229	3,140,628	1,534,601
Other Operating Expenses & Services	18,679,661	13,226,895	5,452,766
Capital Outlay	3,875,243	2,549,255	1,325,988
TOTAL EXPENDITURES	<u>169,696,503</u>	<u>156,178,297</u>	<u>13,518,206</u>
Excess (deficiency) of revenues over expenditures	<u>(2,473,930)</u>	<u>5,819,895</u>	<u>8,293,825</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from the Sale of Equipment	13,364	13,364	-
Contributions	55,000	53,000	(2,000)
Interfund Transfers In	23,959	23,959	-
Interfund Transfers Out	(1,739,461)	(1,733,661)	5,800
Student Financial Aid	(1,141,713)	(630,929)	510,784
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,788,851)</u>	<u>(2,274,267)</u>	<u>514,584</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>\$ (5,262,781)</u>	<u>3,545,628</u>	<u>\$ 8,808,409</u>
Fund Balances at Beginning of Year		<u>31,067,032</u>	
Fund Balances at End of Year		<u>\$ 34,612,660</u>	

See the accompanying notes to the supplementary information.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2011

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, 2011 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 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 AUDITOR'S 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, 2011, and have issued our report thereon dated November 14, 2011. 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting as items 11-01 and 11-02. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

**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***

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 items 11-01 through 11-04.

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 14, 2011



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON 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, 2011. 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, 2011.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON 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, and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance such that there is a reasonable possibility, that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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 14, 2011

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

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

We have audited the compliance of the Mt. San Antonio Community College District (the District) with the types of compliance requirements described in the *2010-11 Contracted District Audit Manual*, published by the California Community Colleges Chancellor's Office for the year ended June 30, 2011. The District's State compliance requirements are identified below. Compliance with the State laws and regulations as identified below 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 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 the *2010-11 Contracted District Audit Manual*, published by the California Community Colleges Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas listed below has 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 connection with our audit referred to above, we selected and tested transactions and records to determine the District's compliance with the following items:

- Whether the District's salaries of classroom instructors equal or exceed 50 percent of the District's current expense of education in accordance with Education Code Section 84362.
- Whether the District complied with all requirements necessary to claim FTES for instruction under 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.

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

- Whether the District acted to ensure that the residency of each student is properly classified and that only the attendance of California residents, specifically student-athletes, 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.
- Whether the District complied with all requirements necessary to claim FTES for the attendance of concurrently enrolled K-12 pupils.
- Whether the Gann Limit Calculation was properly calculated and supported by adequate documentation.
- Whether the District reported the full amount of fees charged, regardless of whether the fees are collected, for the purpose of determining the District's share of annual apportionment.
- Whether the District expended CalWORKS and TANF funds to provide specialized student support services, curriculum development, or instruction to eligible CalWORKS students.
- Whether all District courses that qualify for State apportionment are open to enrollment by the general public unless specifically exempted by statute.
- Whether the District adopted policies or regulations regarding the authority of the District to require students to provide various types of instructional materials and whether the District has advised students of the exemptions from payment of health fees and established a process to ensure that students may claim the exemptions.
- Whether the District expended Economic and Workforce Development (EWD) funds to develop and deliver services to meet the needs identified in regional economic development plans and that state laws and regulations regarding subcontracts or grant amendments and operation of an EWD program center or an industry driven regional collaborative were complied with.
- Whether the District expended Extended Opportunity Programs and Services (EOPS) funds to provide services specifically designed to supplement existing support programs and to help EOPS eligible students complete their educational goal.
- Whether the District expended Disabled Student Programs and Services (DSPS) funds on students with exceptional needs because of a verified disability to facilitate measureable progress towards their educational goals.

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

- Whether the District expended Cooperative Agencies Resources for Education (CARE) funds to provide educational support services and activities for the academically under-prepared, welfare-dependent, single head-of-household student population.
- Whether the District provided eligible persons under the federal Jobs for Veterans Act preference (priority of service) and information regarding benefits and services obtainable through entities and service providers and to ensure eligible persons are informed of their employment-related rights and benefits.
- Whether the District lists To Be Arranged Hours (TBA) in the schedule of classes and describes them in the course outline and that student participation is carefully tracked to ensure apportionment is not claimed for TBA hours for students with documented zero hours as of the census point for a particular course.

In our opinion, we found that, for the items tested, the Mt. San Antonio Community College District complied with the laws and regulations of the state programs referred to above, except as described in the Schedule of Findings and Questioned Costs Related to the Financial Statements section of this report as items 11-01, 11-02, 11-03 and 11-04. Further, based on our audit, for items not tested, nothing came to our attention to indicate that the Mt. San Antonio Community College District had not complied with the laws and regulations of state programs and requirements.

The 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 Related to the Financial Statements. 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 14, 2011

FINDINGS AND QUESTIONED COSTS

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDITOR RESULTS
June 30, 2011

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, 84.033, 84.038, 84.063, 84.268 and 84.375	Student Financial Assistance Cluster of Programs
17.275	American Recovery and Reinvestment Act: Health Care Sector and Other High Growth and Emerging Industries
84.031S	Addressing Acute Student needs
84.042A and 84.047A	TRIO Cluster of Programs
84.116T	Pilot Course Material Rental Program

Dollar threshold used to distinguish between Type A
 and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? X Yes No

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FINANCIAL STATEMENTS

June 30, 2011

FINDING 11-01 – STATE COMPLIANCE
STATE GENERAL APPORTIONMENT FUNDING SYSTEM
FULL TIME EQUIVALENT STUDENTS (FTES) REPORTING

Finding: The California Community College Chancellor's Office (CCCCO) calculates the amount of State General Apportionment funds provided to a district, based primarily on the number of FTES that districts report on the CCFS-320 Apportionment Attendance Report. Other programs for which the funding is based on FTES include lottery revenue, basic skills education, instructional equipment, library materials and numerous other state funded categorical programs. Therefore, it is essential that this report is accurately prepared. Our review of the CCFS-320 Period 2 (P-2) report identified a significant variance in contact hours between the P-2 report and supporting attendance documents and in comparison to the CCFS-320 Period 1 (P-1) report for Noncredit Summer Intersession Courses. The supporting attendance documents reported 1,318,042.20 contact hours; however, the P-2 report only reflected 138,042.20 contact hours. Additionally, 2,500.18 FTES were reported at P-1 and 262.94 FTES were reported at P-2.

It is our understanding that there is a committee that oversees the estimates to be used on the CCFS-320; however, the completed CCFS-320 is not reviewed by this committee. The error was identified by the Business Office when it came to their attention that there was a decrease in funded FTES. This error was corrected on the CCFS-320 Annual report for Apportionment purposes. Any funding changes due to differences in FTES reported on the CCFS-320 P-2 report and Annual report will be recorded at the time of the recalculation in February of 2012.

Recommendation: Implement controls to ensure the accuracy of the CCFS-320 reports. We recommend the reports be reviewed by an employee not involved with preparation of the report.

District Response: The District acknowledges the initial typographical error and embraces the auditor's recommendation. Moving forward, the Admissions and Records office has developed a process that will include the following:

An agreed upon calendar of meetings for the Enrollment Management Committee. This calendar will include no less than two meetings for each submission period. These meetings will be scheduled to allow enough time for the collection of data, substantive review of data, and the opportunity to provide feedback related to the accuracy and depth of the data. Both a data preview and a data review meeting will be scheduled to allow the campus' enrollment decision makers an opportunity to look at "firm" numbers related to the district's CCFS-320 submissions for each reporting period. Moreover, the second (review) meeting for each submission period will include a "final" version of the document to be submitted to the Chancellor's Office. This review meeting will serve as the quality control meeting to ensure that any possible mistakes are caught and adjusted prior to the submission of the CCFS-320.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FINANCIAL STATEMENTS

June 30, 2011

FINDING 11-02 – STATE COMPLIANCE:
STATE GENERAL APPORTIONMENT FUNDING SYSTEM-
CALCULATED STUDENT CONTACT HOURS

Finding: Our audit of student contact hours identified 6 out of 15 courses in our sample where the contact hours calculated by the Student Information System (SIS), our recalculation and the contact hours reported for apportionment purposes did not agree.

<u>Census Type</u>	<u>CRN</u>	<u>Course</u>	<u>Contact Hours Per Student</u>			<u>Ref</u>
			<u>Reported</u>	<u>Per SIS</u>	<u>Per Audit</u>	
1. Daily	22212	BIOL 50	48.6	9.0	9.0	A
2. Independent Study – Daily	10354	PHIL 5	52.5	54.0	54.0	A
3. Independent Study – Weekly	22018	ASTR 5	59.5	448.5	55.1	B
4. Independent Study – Daily	21425	BUSA 8	87.5	87.0	94.4	C
5. Weekly	20614	AIRC 10	97.2	97.2	48.6	D
6. Independent Study – Weekly	40336	AGHE 83A	17.5	75.0	76.1	E

For the 6 discrepancies identified, various factors appear to be contributing to the difference. The summary below with respective referencing above are as follows:

- A. For 2 of the courses, the calculated contact hours per the audit agreed with the SIS screen print that calculates contact hours; however, the amount of contact hours claimed for apportionment varied.
- B. For 1 of the courses, the SIS contact hours were calculated for Independent Study Weekly Census Course using 17.5 weeks instead of the approved condensed calendar of 16.2 weeks.
- C. For 1 of the courses, the contact hours calculated by the SIS does not agree with the calculation of contact hours per the Student Attendance Accounting Manual (SAAM).
- D. For 1 of the courses, the course is a weekly census contact hour course where there are two instructors. One instructor taught the first portion of the course and the other instructor taught the second portion. Both instructors were included in the SIS; resulting in a duplication of contact hours claimed.
- E. For 1 of the courses, neither the contact hours reported, the contact hours per the SIS nor the calculated contact hours per the audit agreed.

Based on discussions with District staff it appears that reliance is placed on the SIS to calculate and report the student contact hours correctly. An independent verification is not performed.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FINANCIAL STATEMENTS

June 30, 2011

FINDING 11-02 – STATE COMPLIANCE:
STATE GENERAL APPORTIONMENT FUNDING SYSTEM-
CALCULATED STUDENT CONTACT HOURS
(continued)

Recommendation: Research, identify and correct discrepancies in the SIS. Research should identify why the system is not calculating the contact hours correctly or why the contact hours reported for apportionment varies from the confirmed calculated contact hours in the SIS.

District Response: The Instruction Office will provide training to all new Division staff on the processes and procedures related to attendance accounting. In addition, the Instruction Office will implement a new procedure, which Division Administrators will oversee. The new procedure will include several scheduled report reviews to identify any errors in the attendance method selected for specific courses. The Instruction office will determine the review schedule for the review by the Division Offices. Once errors have been corrected, a follow-up review will be initiated to ensure all corrections have been completed.

The Dean, Enrollment Management will coordinate with the Dean, Instruction to validate that all corrections have been made prior to the production of the Apportionment Attendance Report.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FINANCIAL STATEMENTS

June 30, 2011

FINDING 11-03 – STATE COMPLIANCE:
TO BE ARRANGED (TBA) HOURS
ATTENDANCE DOCUMENTATION

Finding: The California Code of Regulations (CCR) Title V §58000, 58020 and 55030 provides documentation requirements to support the attendance reported for To Be Arranged (TBA) hours. According to a follow-up memorandum issued by the TBA Compliance Advice Legal Advisory 08-02, dated June 10, 2009, districts must track TBA hour student participation carefully and ensure that they do not claim apportionment for TBA hours for students who have documented zero hours as of the census point for the particular course. We requested supporting documentation to determine apportionment and attendance record compliance as of the census date. Although documentation was provided for total TBA hours of 30.25 for the courses tested, the detail by student to determine the attendance of the TBA hours prior to census date could not be confirmed.

Recommendation: Implement procedures to retain records that demonstrate students have attended more than zero hours as of the course census date.

District Response: The Instruction Office will implement a process and establish requirements to ensure attendance details for TBA hours are kept for each student. The process and requirements will be communicated to all faculty members through an all-faculty notification. The process is described as follows:

Students will be provided with a syllabus for all courses with TBA hours scheduled. The syllabus will clearly delineate the number of TBA hours required each week for the student to meet the course requirements. The faculty member will document that the student has met the weekly requirement for TBA hours.

Additionally, a contract will be created between the student and the faculty member for all classes designated with TBA hours. The contract will include the total hours required by the student to meet the course requirements, and will clearly identify the number of TBA hours required of the student for each week of the course.

For courses where students must sign-in to meet TBA requirements, sign-in sheets clearly designating the hours met and the specific dates of the meetings will be kept by the faculty member.

Faculty members who have TBA courses will submit copies of the syllabus, the student contracts, and the sign-in sheets to the division office at the end of each semester. These records will be retained for two years.

Information regarding this procedure will be communicated through an all-faculty notification.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

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

June 30, 2011

FINDING 11-04 – STATE COMPLIANCE:
DISABLED STUDENT PROGRAMS & SERVICES (DSPS)
STUDENT EDUCATIONAL CONTRACT

Finding: Per CCR, Title V §56022, “A Student Educational Contract (SEC) is a plan to address specific needs of the student. An SEC must be established upon initiation of DSPS services and shall be reviewed and updated annually for every student with a disability participating in DSPS. The SEC specifies those regular and/or special classes and support services identified and agreed upon by both the student and DSPS professional staff as necessary to meet the student's specific educational needs. The SEC shall be reviewed annually by a DSPS professional staff person to determine whether the student has made progress toward his/her stated goal(s).” Our review of eligibility testing identified 2 out of 10 students that did not have an SEC on file.

Recommendation: Continue to ensure SEC's are completed prior to services being provided.

District Response: Effective Spring 2011, the Disabled Student Program and Services (DSPS) department has implemented new student intake procedures to ensure that SEC's are completed prior to the authorization of major services.

Currently, the tracking of the SEC's is a manual process that has grown in volume and complexity, while the numbers of DSPS staff has remained static. To address this issue and improve efficiency, the DSPS department is working with the Information Technology Department to obtain funding and implement a paperless student file system which will host a complete DSPS student database. This system will generate reports to assist the College in tracking missing and expired SEC and other documents from student files.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

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

June 30, 2011

There were no findings and questioned costs related to federal awards for the year ended June 30, 2011.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT
 STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
 June 30, 2011

Finding No.	Finding	Recommendation	Current Status
10-1	<p><u>STATE COMPLIANCE: STUDENT FEES – INSTRUCTIONAL MATERIAL FEES AND HEALTH FEES</u></p> <p>Original Finding 09-02</p> <p>As defined by the California Code of Regulations Sections 59400-59407, Instructional and Other Materials, any instructional material purchased by the student from the District 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 vocational training and employment. Additionally, the District may require students to purchase required instructional materials from the District if it can demonstrate that it supplies the materials more cheaply than elsewhere and at the District's actual cost. During our testing of instructional materials fees for 13 courses, it was determined that:</p> <ul style="list-style-type: none"> • The District had inadvertently charged students a \$4 fee for the Computer Graphics Web Design course (ARTC 74) • Students were charged fees to help defray the cost of food and cleaning supplies in cooking courses (HRM 54 & NF 20) • For all 13 courses tested, the District was not able to justify that students were not charged more than the District's actual cost of the materials 	<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, b) are tangible personal property that is owned or primarily controlled by the student, and c) students are not charged more than the actual costs of the materials. Fees charged for classes that do not meet the criteria should not be imposed.</p>	Implemented.

CONTINUING DISCLOSURE INFORMATION

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT
CONTINUING DISCLOSURE INFORMATION (UNAUDITED)
June 30, 2011

Assessed valuation for fiscal year 2010-11	\$63,791,383,012	(2)
Secured tax levies for fiscal year 2010-11	\$ 14,604,314	(1)
Secured tax delinquencies for fiscal year 2010-11	\$ 292,085	(1)
Secured tax collections for fiscal year 2010-11	\$ 14,312,229	(1)

2010-11 LARGEST LOCAL SECURED TAXPAYERS
MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT (2)

<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2010-11 Assessed Valuation</u>	<u>% of Total (3)</u>
1. Industry East Land LLC, Lessee	Industrial	\$ 216,437,023	0.34%
2. Puente Hills Mall LLC	Shopping Center	179,998,960	0.28
3. Fairway Sub A-E LLC	Industrial	159,310,172	0.25
4. Plaza West Covina LLC	Shopping Center	146,789,678	0.23
5. JCC California Properties LLC	Commercial	126,523,428	0.20
6. Tropicana Manufacturing Company Inc.	Industrial	106,311,298	0.17
7. Eastland Shopping Center LLC	Shopping Center	102,072,600	0.16
8. Crow Family Holdings International LP	Industrial	95,533,041	0.15
9. Realty Associates Fund LP	Industrial	86,095,900	0.13
10. Diamond Ridge Development LLC	Shopping Center	85,275,534	0.13
11. Metropolitan Life Insurance Co.	Office Building	79,290,475	0.12
12. LBA Met Partners II Company	Industrial	78,881,588	0.12
13. Adcor Realty Corp.	Industrial	69,117,438	0.11
14. Standard Pacific of Walnut Hills	Residential Development	63,001,200	0.10
15. Quemetco West LLC	Industrial	60,114,462	0.09
16. Gateway Crescent LLC	Office Building	56,730,228	0.09
17. Ikea Property Inc.	Commercial	55,741,809	0.09
18. Centro Watt Property Owner II LLC	Shopping Center	55,213,049	0.09
19. KTR Pomona LLC	Industrial	54,593,306	0.09
20. PPC WR Apartments LLC	Apartments	<u>51,361,141</u>	<u>0.08</u>
		\$1,928,392,330	3.02%

(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 2010-11 of \$63,791,383,012.