

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

LOS ANGELES COUNTY

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

June 30, 2014



MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

**AUDIT REPORT
June 30, 2014**

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MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

AUDIT REPORT

June 30, 2014

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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

Report on the Financial Statements

We have audited the accompanying basic financial statements of the Mt. San Antonio Community College District, and its discretely presented component unit, as of and for the year ended June 30, 2014, and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

2210 E. Route 66, Ste. 100, Glendora, CA 91740

Tel 626.857.7300 ♦ Fax 626.857.7302 ♦ Email INFO@VLSLLP.COM ♦ Web WWW.VLSLLP.COM

Board of Trustees
Mt. San Antonio Community College District

Opinion

In our opinion, the 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, and its discretely presented component unit, as of June 30, 2014, and the results of its operations, change in net position and cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of postemployment healthcare benefits funding progress and the schedule of 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.

Other Information

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 schedules, and the continuing disclosure information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements of Mt. San Antonio Community College District.

Board of Trustees
Mt. San Antonio Community College District

Other Matters (continued)

Other Information (continued)

The supplementary section, including the schedule of expenditures of federal awards, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 basic financial statements or to the basic 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 basic 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2014 on our consideration of the Mt. San Antonio Community College District's internal control over financial reporting and on 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* in considering the Mt. San Antonio Community College District's internal control over financial reporting and compliance.


VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
November 20, 2014

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

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, 2014. 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 support students in achieving their full educational potential 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 66 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 Statements 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 Statements 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, 2014

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. With the Fiscal Accountability status, the Los Angeles County Superintendent of Schools retained high-level oversight of the District, but was no longer involved in the day-to-day activities. Their role was to ensure that the District complied with the approved Fiscal Accountability Plan.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

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.

- On August 2011, after two years of operation, under the Fiscal Accountability Status, the District submitted an application to the County Superintendent of Schools and the State Chancellor's Office to obtain Fiscal Independence status.

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, supported by the results of an assigned independent Certified Public Accountant firm's survey of Mt. SAC'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.

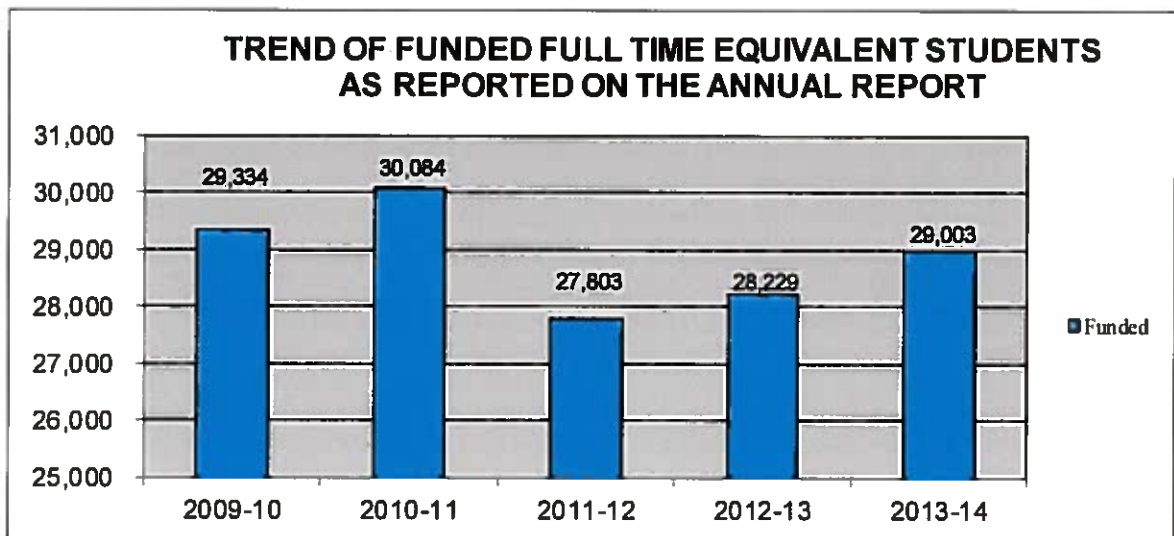
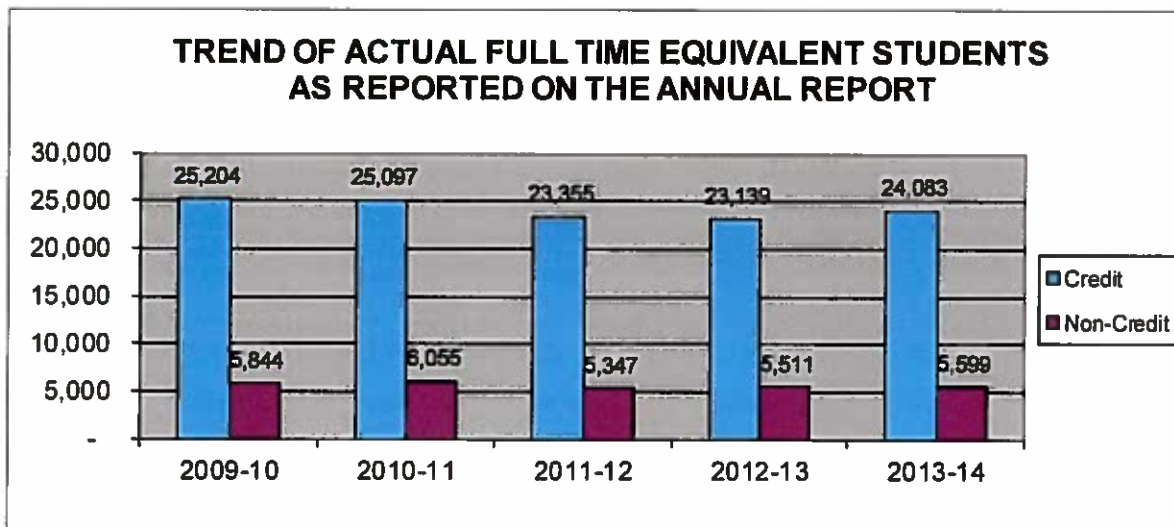
Based on the District's excellent reputation for fiscal management, validation of the internal controls by a team of external auditors, a recommendation from the Los Angeles County Superintendent of Schools, and a recommendation from the Los Angeles Auditor-Controller, the State Chancellor's Office submitted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

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

- As of June 30, 2014, the total actual full-time equivalent students (FTES) increased from 28,650 to 29,682, or a 3.6% increase for credit and noncredit courses. Funded credit and noncredit FTES are the basis for which the District receives State apportionment. The District funded FTES base for credit and noncredit for the fiscal year 2013-14 was 29,003. In order to achieve growth, the District increased approximately 774 funded FTES. The final funded FTES increase for the fiscal year 2013-14 will be known with the final apportionment recalculation in February 2015.



MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

- On November 6, 2001, the voters of the District approved a \$221 million general obligation bond (Measure R) under Proposition 39 to provide better facilities for the students, faculty, and the community. 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. Ground breaking began, for some of the projects, during 2001-02 and will continue through 2014-15. The project close-out for all bond projects is scheduled for 2014-15. The following bonds were issued:
 - \$40 million Series A were issued in May 2002,
 - \$75 million Series B were issued in February 2004,
 - \$75.7 million Refunding bonds were issued in September 2005. This issuance refunded certain Series A and B bonds,
 - \$80 million Series C were issued in September 2006,
 - \$26 million Series D were issued in July 2008,
 - \$29.9 million Refunding bonds were issued in June 2012. This issuance refunded certain 2005 Refunding bonds,
 - \$74.9 million Series A and \$48.2 million Series B Refunding bonds were issued in August 2013. These issuances refunded certain 2006 Series C bonds, 2005 Refunding bonds, and 2012 Refunding bonds.

- On November 4, 2008, the voters of the District approved a \$353 million general obligation bond (Measure RR) under Proposition 39 to 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 following bonds were issued:
 - \$205.6 million Series A and \$11.7 million Series B were issued in August 2013.

- On May 1, 2010, the District issued \$65 million in bond anticipation notes. This was the result of the District's inability to issue bonds from the 2008 election (Measure RR) due to the decreased property valuations and the need to continue with scheduled construction projects. These bond anticipation notes financed the repair, upgrade, acquisition, construction and equipment of certain District property and facilities, and an escrow account was established to retire the debt for the 2008 lease revenue bonds. The District retired this obligation in August 2013 with the issuance of Series A and B 2008 Election general obligation bonds.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

- The District paid off \$20 million tax and revenue anticipation notes in December 27, 2013. The notes were issued, as a precaution, to primarily ensure sufficient cash to cover payroll and operating expenses for the 2012-13 fiscal year. This was the result of the State's financial crisis prior to the passage of Proposition 30. During the fiscal year 2012-13, Community Colleges experienced increased apportionment deferrals, reduced apportionment payments, and a large portion of the apportionment was paid with a balloon payment in June 2013.
- The District ended the fiscal year 2013-14 with an ending fund balance of \$30.2 million in the Unrestricted General Fund, which represents 20.64% well above the 10% unassigned fund balance board policy. The District will continue with its conservative approach to maintain healthy fund balances. These healthy fund balances will permit the continuation of many outstanding programs and services for which the District is known, while allowing for careful consideration of budget plans for the 2014-15 fiscal year and beyond.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

Financial Statement Presentation and Basis of Accounting

The District's financial report includes three financial statements: The Statement of Net Position; the Statement of Revenues, Expenses and Change in Net Position; 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, 2014 Annual Financial and Budget Report (CCFS-311), based upon governmental accounting principles and the modified accrual basis of accounting, and the total net position recorded on the full accrual basis of accounting is as follows:

General Fund - Unrestricted Fund Balance	\$	30,236,185
General Fund - Restricted Fund Balance		1,508,445
General Obligation Bond Funds Balance		121,201,965
Capital Outlay Projects Funds Balance		14,836,650
All Other Funds		<u>2,043,871</u>
Total fund balances as reported on the Annual Financial and Budget Report (CCFS-311)		169,827,116
Bond Interest and Redemption Fund Balance (not reported on CCFS-311)		<u>16,192,405</u>
Total ending fund balances	\$	<u>186,019,521</u>

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

Total ending fund balances	\$	186,019,521
Amounts recorded for governmental activities in the Statement of Net Position:		
Cash held with trustee for property and liability self-insurance is added to total net position		625,309
Interest earned but not accrued through June 30, 2014 is added to total net position		306,522
Amounts for 2013-14 property taxes levied for debt service not received as of June 30, 2014 are added to total net position		1,286,330
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 position		352,415,905
Interest expense related to bonds incurred through June 30, 2014 is recognized as a liability which reduces the total net position		(2,710,790)
Employer contributions for other postemployment retirement benefits which are less than the actuarially determined required contribution are recognized as a liability which reduces total net position		(13,156,754)
Long-term liabilities, including general obligation bonds and bond anticipation notes 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, net of deferred outflows, reduces the total net position		<u>(370,837,730)</u>
Total net position	\$	<u>153,948,313</u>

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

Statement of Net Position

The Statement of Net Position presents the assets, liabilities and net position 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 Position is a point of time financial statements. The purpose of this statement is to present to the readers a fiscal snapshot of the District. The Statement of Net Position presents end-of-year data concerning assets (current and non-current), liabilities (current and non-current) and net position (assets minus liabilities).

From the data presented, readers of the Statement of Net Position 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 Position provides a picture of the net position and their availability for expenditure by the District.

The difference between total assets and total liabilities (net position) is one indicator of the current financial condition of the District as the change in net position 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 Position is 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 position; this net position is 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 position that is available to the District for any lawful purpose of the District.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

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

	(in thousands)		
	<u>2014</u>	<u>2013</u>	<u>Change</u>
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 27,132	\$ 39,975	-32.13%
Account receivables, net	26,552	29,215	-9.12%
Due from component unit	<u>78</u>	<u>32</u>	143.75%
Total Current Assets	<u>53,762</u>	<u>69,222</u>	-22.33%
Non-Current Assets			
Restricted cash and cash equivalents	160,694	50,795	216.36%
Capital assets, net	<u>352,416</u>	<u>328,961</u>	7.13%
Total Non-Current Assets	<u>513,110</u>	<u>379,756</u>	35.12%
Deferred Outflow of Resources			
Deferred change on refunding	<u>24,439</u>	<u>3,669</u>	566.09%
TOTAL ASSETS	<u>\$ 591,311</u>	<u>\$ 452,647</u>	30.63%
LIABILITIES AND NET POSITION			
Current Liabilities			
Accounts payable and accrued liabilities	\$ 17,539	\$ 13,384	31.04%
Unearned revenue	3,350	2,848	17.63%
Due to component unit	123	53	132.08%
Amount held in trust for loans	32	21	52.38%
Tax Revenue Anticipation Notes (TRANS)		20,117	-100.00%
Long-term liabilities - current portion	<u>10,326</u>	<u>13,958</u>	-26.02%
Total Current Liabilities	<u>31,370</u>	<u>50,381</u>	-37.73%
Non-Current Liabilities			
Compensated absences	6,501	6,237	4.23%
Long-term liabilities less current portion	<u>399,492</u>	<u>228,946</u>	74.49%
Total Non-Current Liabilities	<u>405,993</u>	<u>235,183</u>	72.63%
TOTAL LIABILITIES	<u>437,363</u>	<u>285,564</u>	53.16%
NET POSITION			
Invested in capital assets, net of related debt	78,341	93,775	-16.46%
Restricted	32,461	46,953	-30.86%
Unrestricted	<u>43,146</u>	<u>26,355</u>	63.71%
TOTAL NET POSITION	<u>153,948</u>	<u>167,083</u>	-7.86%
TOTAL LIABILITIES AND NET POSITION	<u>\$ 591,311</u>	<u>\$ 452,647</u>	30.63%

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

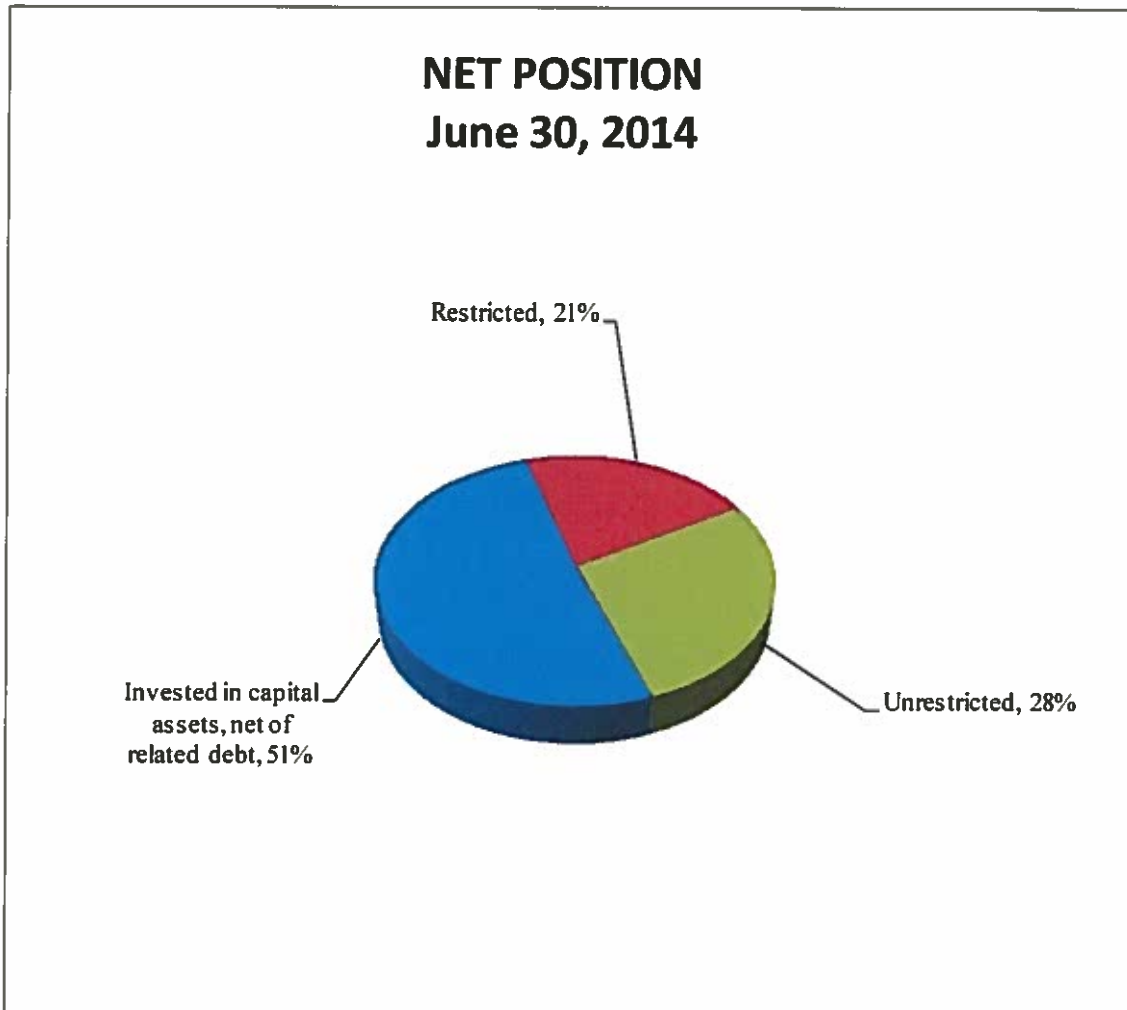
- The total cash balance had a net increase of \$97.1 million. The General Fund cash increased by \$6.7 million primarily as result of the decrease in apportionment deferrals, decreased by \$317 thousand for the transfer of the book rental program to the Auxiliary Services, and decreased by \$20.2 million for the payment of the Tax Revenue Anticipation Notes. The cash also increased by \$144.8 million due to the receipt of Measure RR bond proceeds issued in August 2013. Finally, the cash decreased by \$34.5 million for Measure R and Measure RR bond construction projects payments for the Administration Building Site Improvement, the Business and Computer Technology Building, the Parking Structure, the Site Improvement South of Building 12, the Building 12 Renovation for Classroom Space, the Building 47 Facilities Renovation, Various Portable Buildings, the Utility Infrastructure South West of Building 12, the Child Development Center, the Agricultural Science Building, and the Construction Support Project. 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 had a net decrease of \$2.7 million. The account receivables primarily decreased by \$3.4 million in the Unrestricted General Fund due to the decrease of the statewide apportionment deferrals from \$801 million to \$592.5 million. The remaining balances were slight increases for \$700 thousand in the Student Accounts Receivable and Miscellaneous Accounts Receivables for interest earned as of June 30, 2014.
- Capital assets had a net increase of \$23.5 million. The District had additions of \$34.9 million related to equipment purchases, site and site improvement, capitalized interest, and construction in progress. The District recognized depreciation expense of \$11.5 million during 2013-14. The capital asset section of this discussion and analysis provides greater information.
- The accounts payable and accrued liabilities had a net increase of \$4.2 million. This is mainly due to an increase of \$2.7 million in accounts payable for the Fire Academy Site Preparation, the Emergency Infrastructure Project, the Building 12 Renovation for Classroom Space, and the Building 47 Facilities Renovation. Other increases account for \$636 thousand for an increase in the adjunct faculty salaries due to the increase in courses and \$849 thousand for interest payable of Measure R and Measure RR general obligation bonds.
- 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 13 of the financial statements.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

- The current liabilities decreased by \$20.1 million for the payment of tax and revenue anticipation notes in December 2013. These notes were issued to supplement the District's cash flow.
- The net increase of \$167.1 million in our long term debt liabilities (current and non-current portions) is mainly due to the issuance of Measure RR general obligation bonds of \$234 million, the transfer of the \$73.6 million into an escrow account for the retirement of the bond anticipation notes debt upon maturity, and the increase of \$6.7 million of Other Postemployment Benefits Other Than Pensions (OPEB). The debt section of this discussion and analysis provides additional information.
- The following is a graphic representation of the Net Position as of June 30, 2014:



MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

Statement of Revenues, Expenses and Change in Net Position

Change in net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses and Change in Net Position. 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, 2014

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

	(in thousands)		
	<u>2014</u>	<u>2013</u>	<u>Change</u>
OPERATING REVENUES			
Net enrollment, tuition and fees	\$ 17,351	\$ 17,082	1.57%
Grants and contracts, non-capital	<u>64,472</u>	<u>64,237</u>	0.37%
Total operating revenues	<u>81,823</u>	<u>81,319</u>	0.62%
Total operating expenses	<u>234,800</u>	<u>226,369</u>	3.72%
Operating loss	<u>(152,977)</u>	<u>(145,050)</u>	5.47%
Non-Operating revenues (expenses), non-capital			
State apportionments, non-capital	106,316	84,370	26.01%
Local property taxes	20,787	29,925	-30.54%
State taxes and other revenues (losses)	5,560	5,462	1.79%
Contributions, grants and other local revenue	180	346	-47.98%
Investment income, net	392	533	-26.45%
Transfer to/from fiduciary funds, net	(6)	55	-110.91%
Book rental program transfer	(317)		100.00%
Transfers Auxiliary agency funds		869	-100.00%
Interest expense	<u>(11,902)</u>	<u>(6,917)</u>	72.07%
Total non-operating revenues (expenses)	<u>121,010</u>	<u>114,643</u>	5.55%
Other revenues, expenses, gains or losses, capital	<u>18,832</u>	<u>23,057</u>	-18.32%
Change in net assets	<u>(13,135)</u>	<u>(7,350)</u>	78.71%
Net Position, beginning of year, as originally stated	167,083	170,851	-2.21%
Cumulative effect of change in accounting principle		<u>3,582</u>	-100.00%
Net position, beginning of year, as restated	<u>167,083</u>	<u>174,433</u>	-4.21%
Net position, end of year	<u>\$ 153,948</u>	<u>\$ 167,083</u>	-7.86%

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

- Net enrollment, tuition and fees increased by approximately 1.6%. This increase is mainly due to the increase in classes offered to students as a result of growth funding approved by the state for 2013-14 fiscal year. The Board of Governors (BOG) fee waivers also increased due to the Dream Act/540 students becoming eligible effective in the fiscal year 2013-14 and an increase in financial aid applications.
- Non-capital grants and contracts had a slight increase of 0.4% as a result of the increase of Cal Grants and Pell awarded to students, Disabled Student Program and Services, and Student Success and Support Program.
- The net increase in operating expenses of 3.7% is mainly due the increase in academic salaries for course increases in the 2013-14 fiscal year, a 1.57% ongoing salary increase, an additional one-time 1% salary increase, and a one-time annual \$1,500 health and welfare increase for all regular employees. Other notable increases are the Other Operating Expenses and Services and the Depreciation expense. As new buildings are completed, depreciation expense is recognized.
- Until the fiscal year 2011-12, the District's base apportionment sources of funding included the following three components: State apportionment, property taxes and enrollment fees. On November 2012, voters approved Proposition 30, The Schools and Local Public Safety Protection Act of 2012. This proposition temporarily raises the sales tax and use tax by .25 cents for four years, and raises the income tax on annual earnings over \$250,000 for seven years. The language of this proposition required the creation of the Education Protection Account (EPA) in the State's General Fund. Therefore, this new component has been added as a source of the District's base apportionment, effective with fiscal year 2012-13. The EPA funds are not additional funds. Similar to Local Property Taxes, district's state aid is reduced by one dollar for each dollar received from the EPA. The State Apportionment Non-capital increased by \$21.9 million due to restoration/growth funding as well as backfilling the Local Property Taxes decrease of \$9 million as a result of lower Educational Revenue Augmentation Fund (ERAF) and Redevelopment Revenues property collections.
- The District transferred \$317 thousand for the Book Rental Program to Auxiliary Services. This federal grant was handled in the District's accounting books and managed by the Sac Book Rac, a component of Mt. San Antonio Auxiliary Services. One of the grant's objectives was to create a self-sustaining textbook rental program to be transferred to the Sac Book Rac at the completion of the grant.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

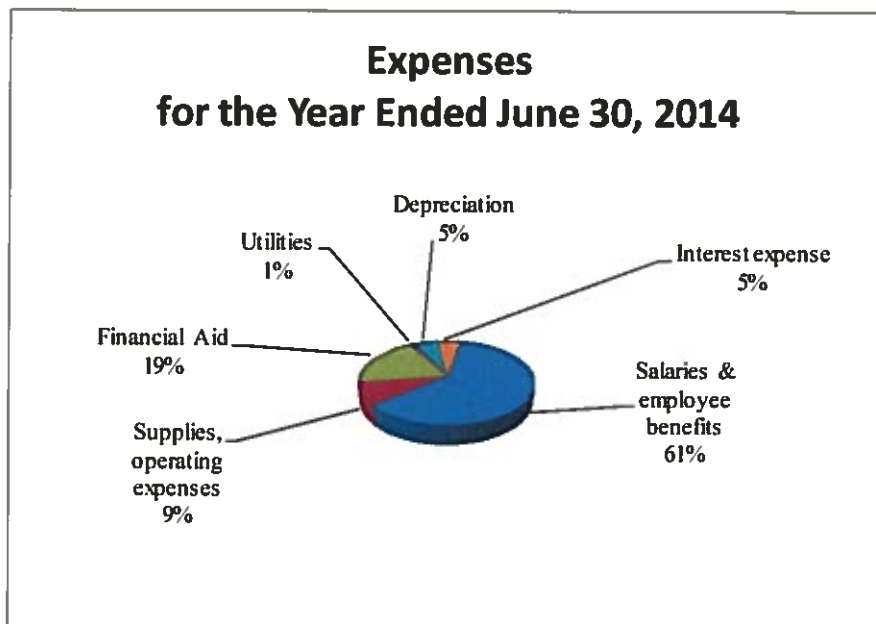
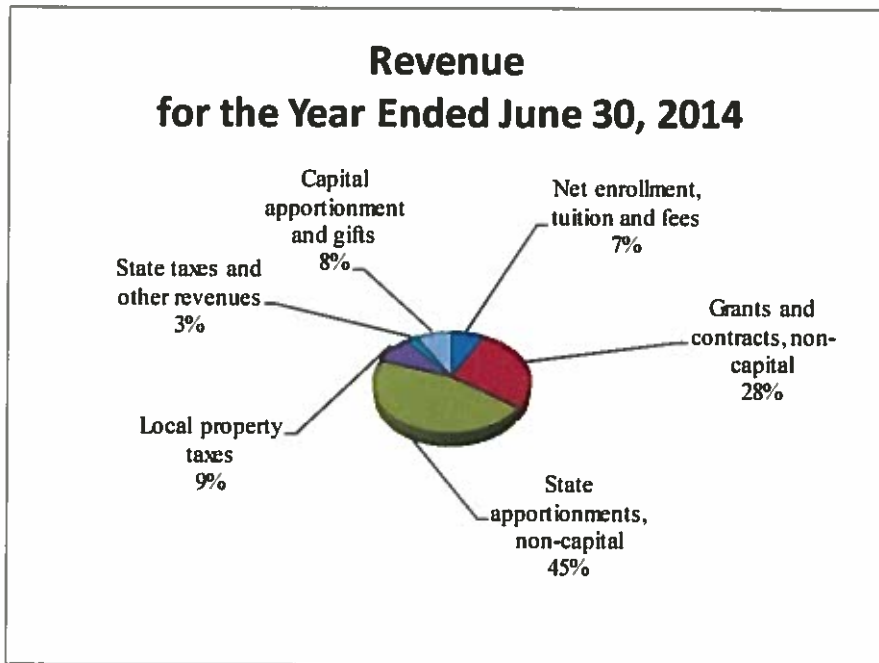
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

- Interest expense increased by \$5.0 million primarily due to the timing of interest payments, net of the 2013-14 write off of the general obligation bond premiums related to the 2013 Series A and B refunding, and a decrease in the interest expenses that were capitalized in the fiscal year 2013-14.
- The category “Other revenues, expenses, gains or losses, capital” reflects a net decrease of \$4.2 million. This is due to an increase of \$238 thousand for the Proposition 39 Energy Efficiency and Renewable Generation project, a decrease of \$5.4 million for the property taxes collected for general obligation bond repayments, and an increase of \$735 thousand for interest earned in the Bond Construction Fund as the District received bond proceeds for Measure RR general obligation bonds in August 2013.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

- Functional expenses are detailed in Note 16 of the financial statements.



MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

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 Change in Net Position.

	(in thousands)		
	<u>2014</u>	<u>2013</u>	<u>Change</u>
Cash Provided By (Used in)			
Operating activities	\$ (132,947)	\$ (130,959)	1.52%
Non-capital financing activities	114,681	160,643	-28.61%
Capital and related financing activities	114,793	(5,712)	2109.68%
Investing activities	<u>529</u>	<u>219</u>	141.55%
Net change in cash and cash equivalents	97,056	24,191	301.21%
Cash Balance, Beginning of Year	<u>90,770</u>	<u>66,579</u>	36.33%
Cash Balance, End of Year	<u>\$ 187,826</u>	<u>\$ 90,770</u>	106.93%

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

- 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 increase in cash used by operating activities is primarily due to the timing of when revenue is received and payments are paid. During 2013-14, the main contributors to this net decrease were the increase in state categorical programs such as Disabled Student Program and Services and the payment of salary and health welfare increase for regular employees.
- Cash received from “Non-capital financing activities” decreased by \$46 million. This was the result of the increase in apportionment and decrease of the statewide apportionment deferrals from \$801 million in fiscal year 2012-13 to \$592.5 million in fiscal year 2013-14. The District received \$9.2 million less in property taxes due to lower collections of the Educational Revenue Augmentation Fund (ERAF) and Redevelopment Revenues property taxes. In addition, the District paid the \$20.2 million on tax revenue anticipation notes and transferred \$317 thousand to Auxiliary Services for the Book Rental Program.
- The cash from “Capital and related financing activities” had a net increase of \$120.5 million. This cash increase is primarily due to the receipt of Measure RR general obligation bond proceeds and purchase of capital assets.
- 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 Unrestricted General Fund.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

District's Fiduciary Responsibility

The District includes Mt. San Antonio Auxiliary Services as a component unit. The Auxiliary is a separate not-for-profit corporation formed to promote and assist the educational programs of the District. 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 Associated Student Trust, Student Loans and Scholarships, Student Representation Fee, Other Trusts, and Student Clubs. These fiduciary activities are reported in separate Statements of Fiduciary Net Position and Change in Fiduciary Net Position. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2014, the District had over \$382.7 million invested in depreciable capital assets. Total cost of capital assets of \$462.2 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 \$109.8 million. Significant capital asset additions and deletions of \$34.7 million, which is mainly a net increase in construction in progress totaling \$20.6 million, an increase in equipment totaling \$3.1 million, and a net increase in site improvements totaling \$11.0 million, occurred during 2013-14. Depreciation expense of \$11.5 million was recorded for the fiscal year.

During 2013-14, the following projects were capitalized:

- Founders Hall Alterations
- San Jose Hills Entrance Intersection
- Temple/Bonita Intersection Realignment
- Bonita/Walnut Intersection Signalization
- Science building 60
- Landscape Improvements
- Astronomy Dome building
- Portable buildings 21E, 21F, 21G, 21H, 21I, and 21J
- Building 18
- Building 28B
- Remodel portions of buildings 1A Printmaking, 45 Physical Education, and 50G Classrooms

Construction in progress during 2013-14 includes the following projects:

- Building 9C Improvements
- Athletic Complex
- Chiller and Cooling Tower building 2
- Business/Computer Technology Center building 63
- Child Development Center building 70
- Renovation for Classroom Space building 12
- Facilities Planning Renovation building 47
- Site Improvement South of building 12
- Parking Structure
- Utility Infrastructure NE Quadrant of building 12
- Utility Infrastructure NW Quadrant

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

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>2014</u>	<u>2013</u>	<u>Change</u>
Land	\$ 619	\$ 619	0.00%
Buildings and improvements	264,670	262,584	0.79%
Equipment and collections	8,489	7,744	9.62%
Construction in progress	<u>78,638</u>	<u>58,014</u>	35.55%
Capital assets, net	<u>\$ 352,416</u>	<u>\$ 328,961</u>	7.13%

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

Debt

On June 30, 2014, the District had \$416.3 million in debt. The balance primarily includes the remaining principal debt for the Measure R (Election 2001) and the Measure RR (Election 2008) bonded debt. The outstanding bond debt of Measure R consists of \$2.2 million in Series B general obligation bonds issued in February 2004, \$2.9 million in Series C general obligation bonds issued in September 2006, \$22.4 million in Series D general obligation bonds issued in July 2008, \$74.9 million Series A general obligation refunding bonds issued August 2013, and \$48.2 million Series B general obligation refunding bonds issued August 2013. The outstanding bond debt of Measure RR consists of \$205.6 million Series A general obligation and \$11.7 million Series B issued in August 2013. The general obligation bonds were issued to finance the repair, upgrade, acquisition, construction and equipment of certain District property and facilities. The general obligation bonds comprise approximately 93% 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 AA, Standard & Poor's has not changed from the prior year.

Notes 7 through 11 to the financial statements provide additional information on long-term liabilities. A comparison of long-term debt is summarized below:

	(in thousands)		
	<u>2014</u>	<u>2013</u>	<u>Change</u>
Long-term debt			
Loan payable	\$ 139	\$ 180	-22.78%
Compensated absences	7,886	7,494	5.23%
Bond anticipation notes (including premium)		65,426	-100.00%
Bond anticipation notes - accreted interest		8,184	-100.00%
Bonds payable (including premium)	388,820	151,970	155.85%
Bonds - accreted interest	6,317	9,426	-32.98%
Other postemployment benefits other than pensions (OPEB)	<u>13,157</u>	<u>6,461</u>	103.64%
Total long-term debt	416,319	249,141	67.10%
Less current portion	<u>(10,326)</u>	<u>(13,958)</u>	-26.02%
Long-term portion	<u>\$ 405,993</u>	<u>\$ 235,183</u>	72.63%

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

Economic Factors that May Affect the Future

As of June 30, 2014, the District's overall financial position is strong due to prior year's prudent fiscal management, which resulted in a healthy balance of \$30.2 million in the Unrestricted General Fund.

The 2014-15 Governor's budget for community colleges includes a 2.75% growth increase. Accordingly, the District plan is to increase course offerings by 943 FTES for the fiscal year 2014-15.

The economic position of the District is closely tied to the State of California. There are significant unknown factors that may affect the District in future years such as: the Passage of Proposition 30 tax increases are temporary fixes to the state revenues and will phase out in 2018; the continuous apportionment deficits as a result of shortfalls in property taxes and enrollment fees, and the significant increases in the STRS employer contributions.

Subsequent Events

Effective July 1, 2014, all regular employees will receive a 1% on schedule salary increase and \$500 annually for health and welfare. In addition, if the District receives 2013-14 Over Cap Growth, 15% of these funds will be used to provide a proportional health and welfare contribution of up to a maximum of \$1,100 per fiscal year, retroactive to July 1, 2014.

BASIC FINANCIAL STATEMENTS

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET POSITION

June 30, 2014

	<u>Primary Government</u>	<u>Component Unit Auxiliary Services</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 27,131,990	\$ 1,954,995
Accounts and notes receivable, net	26,551,925	231,179
Due from Auxiliary Services	77,774	
Due from the District		122,628
Due from fiduciary fund		109,100
Inventories		1,711,843
Prepaid expenses and deposits		23,575
Total Current Assets	<u>53,761,689</u>	<u>4,153,320</u>
Non-Current Assets:		
Restricted cash and cash equivalents	160,694,051	
Notes receivable		24,705
Capital assets		
Nondepreciable	79,380,376	66,908
Depreciable, net of accumulated depreciation	273,035,529	222,083
Total Non-Current Assets	<u>513,109,956</u>	<u>313,696</u>
Total Assets	<u>566,871,645</u>	<u>4,467,016</u>
DEFERRED OUTFLOW OF RESOURCES		
Deferred charge on refunding	24,438,852	
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	<u>\$ 591,310,497</u>	<u>\$ 4,467,016</u>
LIABILITIES AND NET POSITION		
Current Liabilities:		
Accounts payable	\$ 10,725,782	\$ 176,185
Accrued liabilities	4,102,263	82,594
Accrued interest payable	2,710,790	
Unearned revenue	3,349,527	16,018
Due to Auxiliary Services	122,628	
Due to the District	77,774	
Amount held in trust for loans or others	31,970	
Compensated absences - current portion	1,385,281	64,993
Loans payable - current portion	30,870	
To General obligation bonds payable - current portion	8,910,000	
	<u>31,369,111</u>	<u>417,564</u>
Non-Current Liabilities:		
Compensated absences	6,500,607	
Other postemployment benefits other than pensions (OPEB)	13,156,754	
Loans payable	107,968	
To General obligation bonds payable, net	386,227,744	
	<u>405,993,073</u>	<u>-</u>
TOTAL LIABILITIES	<u>437,362,184</u>	<u>417,564</u>
NET POSITION		
Invested in capital assets, net of related debt	(1,039,087)	288,991
Re Scholarships and loans	2,826	
Capital projects	14,836,649	
Debt service	14,767,945	
Other special services	2,853,757	
Unrestricted	122,526,223	3,760,461
TOTAL NET POSITION	<u>153,948,313</u>	<u>4,049,452</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 591,310,497</u>	<u>\$ 4,467,016</u>

See the accompanying notes to the financial statements.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
For the Fiscal Year Ended June 30, 2014

	<u>Primary Government</u>	<u>Component Unit Auxiliary Services</u>
OPERATING REVENUES		
Enrollment, tuition and other fees (gross)	\$ 38,244,683	\$
Less: Scholarship discounts and allowances	<u>(20,893,374)</u>	
Net enrollment, tuition and other fees	17,351,309	-
Grants and contracts, non-capital:		
Federal	49,090,528	
State	12,443,762	
Local	2,564,822	
Sales and charges, net	<u>372,458</u>	<u>1,610,841</u>
TOTAL OPERATING REVENUES	<u>81,822,879</u>	<u>1,610,841</u>
OPERATING EXPENSES		
Salaries	117,468,649	644,016
Employee benefits	33,046,380	287,509
Supplies, materials and other operating expenses and services	21,898,029	544,085
Financial aid	47,325,799	13,000
Utilities	3,605,458	
Depreciation	<u>11,456,017</u>	<u>82,667</u>
TOTAL OPERATING EXPENSES	<u>234,800,332</u>	<u>1,571,277</u>
OPERATING LOSS	<u>(152,977,453)</u>	<u>39,564</u>
NON-OPERATING REVENUES (EXPENSES)		
State apportionments, non-capital	106,316,533	
Local property taxes	20,787,189	
State taxes and other revenues	5,560,504	
Contributions, grants and other local revenue	179,558	118,922
Investment income, net	392,200	6,671
Transfer to fiduciary trust funds	(6,038)	
Book rental program transfer	(317,345)	469,814
Settlement		(35,373)
Interest expense	<u>(11,901,966)</u>	
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>121,010,635</u>	<u>560,034</u>
GAIN (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS OR (LOSSES)	<u>(31,966,818)</u>	<u>599,598</u>
OTHER REVENUES, EXPENSES, GAINS OR (LOSSES)		
State apportionments, capital	1,160,514	
Local property taxes and revenues, capital	16,625,533	
Investment income, capital	1,023,676	
Gain on disposal of fixed assets	<u>22,557</u>	
TOTAL OTHER REVENUES, EXPENSES, GAINS OR (LOSSES)	<u>18,832,280</u>	<u>-</u>
INCREASE (DECREASE) IN NET POSITION	<u>(13,134,538)</u>	<u>599,598</u>
NET POSITION, BEGINNING OF YEAR	<u>167,082,851</u>	<u>3,449,854</u>
NET POSITION, END OF YEAR	<u>\$ 153,948,313</u>	<u>\$ 4,049,452</u>

See the accompanying notes to the financial statements.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2014

	<u>Primary Government</u>	<u>Component Unit Auxiliary Services</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Enrollment, tuition and fees	\$ 17,269,631	\$
Federal grants and contracts	47,698,789	
State grants and contracts	14,115,480	
Local grants and contracts	2,432,956	
Sales and commissions	372,458	4,774,052
Payments to suppliers	(24,764,702)	(3,888,835)
Payments to/on-behalf of employees	(142,789,384)	(1,129,945)
Payments to/on-behalf of students	(47,306,923)	
Other receipts/(payments)	24,475	272,271
Net cash provided (used) by operating activities	<u>(132,947,220)</u>	<u>27,543</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
State apportionments and receipts	107,888,144	
Property taxes	20,747,386	
Grants, gifts and other local revenue for other than capital purposes	6,688,370	
Principal and interest paid on tax revenue anticipation notes, net Settlement	(20,318,889)	(35,373)
Transfer of book rental proceeds to Auxiliary	(317,345)	317,345
Transfer to fiduciary trust fund	(6,038)	
Net cash provided by non-capital financing activities	<u>114,681,628</u>	<u>281,972</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
State apportionment and receipts for capital purposes	1,996,505	
Property taxes and other local revenue for capital purposes	16,625,533	
Net purchase and sale of capital assets	(32,729,948)	(54,913)
Proceeds from capital debt, net of premium and costs	359,258,268	
Principal and interest paid on capital debt	(230,852,280)	
Interest on capital investments	495,479	
Net cash provided (used) by capital and related financing activities	<u>114,793,557</u>	<u>(54,913)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Note receivable payments		7,058
Interest on investments	528,407	6,671
Net cash provided by investing activities	<u>528,407</u>	<u>13,729</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	97,056,372	268,331
CASH BALANCE - Beginning of Year	<u>90,769,669</u>	<u>1,686,664</u>
CASH BALANCE - End of Year	<u>\$ 187,826,041</u>	<u>\$ 1,954,995</u>

See the accompanying notes to the financial statements.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

**STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2014**

	<u>Primary Government</u>	<u>Component Unit Auxiliary Services</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
CASH USED BY OPERATING ACTIVITIES		
Net Operating Income (Loss)	\$ (152,977,453)	\$ 39,564
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation expense	11,456,017	82,667
Bad debt write off	119,271	
Changes in assets and liabilities:		
Accounts and notes receivable, net	171,970	73,892
Due from Auxiliary Services	(45,470)	
Due from District		(60,123)
Inventories		(8,996)
Prepaid expenses		(11,216)
Accounts payable and accrued liabilities	1,091,308	(29,499)
Due to Auxiliary Services	69,945	
Due to District		33,475
Unearned revenue	68,700	(174)
Compensated absences	392,348	5,738
Other postemployment benefit obligation	6,695,655	(97,785)
Amount held in trust	10,489	
Net cash provided (used) by operating activities	<u>\$ (132,947,220)</u>	<u>\$ 27,543</u>
Breakdown of ending cash balance:		
Cash and cash equivalents	\$ 27,131,990	\$ 1,954,995
Restricted cash and cash equivalents	160,694,051	
Total	<u>\$ 187,826,041</u>	<u>\$ 1,954,995</u>
Supplemental Disclosure		
Non cash financing activities:		
Reduction on loans payable - usage credits	\$ 28,915	\$
Book rental inventory transfer from District		152,469

See the accompanying notes to the financial statements.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2014

	Primary Government	
	Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 2,810,685	\$ 130,592
Accounts receivable	53,265	-
TOTAL ASSETS	<u>2,863,950</u>	<u>130,592</u>
LIABILITIES		
Accounts payable	23,330	3,872
Unearned revenue	4,417	
Amount held in trust for loans	104,457	126,720
TOTAL LIABILITIES	<u>132,204</u>	<u>130,592</u>
NET POSITION		
Restricted	2,731,746	-
TOTAL NET POSITION	<u>\$ 2,731,746</u>	<u>\$ -</u>

See the accompanying notes to the financial statements.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

STATEMENT OF CHANGE IN FIDUCIARY NET POSITION

For the Fiscal Year Ended June 30, 2014

	Primary Government
	Trust Funds
ADDITIONS	
Contributions	\$ 586,440
Student representation fee	603,282
Interest income	12,020
Local income	5,596
Special events	469,708
TOTAL ADDITIONS	1,677,046
DEDUCTIONS	
Salaries	293,750
Benefits	70,821
Supplies and materials	54,122
Capital outlay	12,869
Other operating	417,855
Scholarships awarded	536,070
TOTAL DEDUCTIONS	1,385,487
OTHER SOURCES (USES)	
Interfund transfers from governmental funds	6,038
TOTAL OTHER SOURCES (USES)	6,038
Increase in Net Position	297,597
NET POSITION, BEGINNING OF YEAR	2,434,149
NET POSITION, END OF YEAR	\$ 2,731,746

See the accompanying notes to the financial statements.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

STATEMENT OF OTHER POSTEMPLOYMENT BENEFITS TRUST NET POSITION

June 30, 2014

	<u>Primary Government</u>	<u>Component Unit Auxiliary Services</u>
	<u>Retiree Benefit Trust</u>	<u>Retiree Benefit Trust</u>
ASSETS		
Cash and cash equivalents	\$ 7,164,919	\$ 164,931
Contributions receivable	184,163	
Interest receivable	541,273	38,911
Investments	<u>64,581,556</u>	<u>3,269,931</u>
TOTAL ASSETS	<u>72,471,911</u>	<u>3,473,773</u>
LIABILITIES		
Due to governmental funds	<u>-</u>	<u>109,100</u>
TOTAL NET POSITION - RESTRICTED FOR OTHER POSTEMPLOYMENT BENEFITS	<u>\$ 72,471,911</u>	<u>\$ 3,364,673</u>

See the accompanying notes to the financial statements.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

**STATEMENT OF CHANGE IN OTHER POSTEMPLOYMENT BENEFITS TRUST NET POSITION
For the Fiscal Year Ended June 30, 2014**

	<u>Primary Government</u>	<u>Component Unit Auxiliary Services</u>
	<u>Retiree Benefit Trust</u>	<u>Retiree Benefit Trust</u>
ADDITIONS		
Interest and investment income	\$ 3,073,787	\$ 163,374
Net realized/unrealized gains	<u>1,609,889</u>	<u>96,864</u>
TOTAL ADDITIONS	<u>4,683,676</u>	<u>260,238</u>
DEDUCTIONS		
Benefits	3,994,645	109,100
Administrative expenses	<u>140,903</u>	<u>9,372</u>
TOTAL DEDUCTIONS	<u>4,135,548</u>	<u>118,472</u>
Increase in Net Position	548,128	141,766
NET POSITION - RESTRICTED FOR OTHER POSTEMPLOYMENT BENEFITS, BEGINNING OF YEAR	<u>71,923,783</u>	<u>3,222,907</u>
NET POSITION - RESTRICTED FOR OTHER POSTEMPLOYMENT BENEFITS, END OF YEAR	<u>\$ 72,471,911</u>	<u>\$ 3,364,673</u>

See the accompanying notes to the financial statements

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*.

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 a financial benefit or burden relationship is present 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.

Due to the nature and significance of their relationship with the District, including ongoing financial support of the District or its other component units, certain organizations warrant inclusion as part of the financial reporting entity. 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.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

A. REPORTING ENTITY (continued)

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

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 programs of the District. The Board of Directors are comprised of the Vice President of Administrative Services and Vice President of Student Services of the District along with the Associated Students' President and two other members appointed by the Vice President of Administrative Services. In addition, the Auxiliary may not carry on any activities not approved by the Vice President of Administrative Services of the District. Upon dissolution of the Auxiliary, net position, other than trust funds, will be distributed to the District. The Auxiliary's accounting function was transferred to the District's Fiscal Services department in July 2012. The financial activities of the Auxiliary have been discretely presented. Separate financial information for the Auxiliary can be obtained through the District.

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. Separate financial statements are not prepared for the Trust.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

A. REPORTING ENTITY (continued)

Based upon the application of the criteria listed above, the following potential component unit has been 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 information for the Foundation can be obtained through the District.

B. FINANCIAL STATEMENT PRESENTATION

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The financial statement presentation required by GASB provides a comprehensive, entity-wide perspective of the District's financial activities. The entity-wide perspective replaces the fund-group perspective previously required. Fiduciary activities, with the exception of Student Financial Aid Programs, are excluded from the entity-wide perspective and 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 \$4,847,705 on June 30, 2014, which represents withholdings payable. The Warrant Pass-Through Fund is not reported in the basic financial statements.

C. BASIS OF ACCOUNTING

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

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

C. BASIS OF ACCOUNTING (continued)

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

The statements of plan net position and change in plan net position of the other postemployment benefits 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.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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 salary and benefits reimbursement, accounting services, workers' compensation, photo ID sales and reimbursements for leasehold improvements.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

C. BASIS OF ACCOUNTING (continued)

5. Inventories

Instructional, custodial, health and other supplies held for consumption are expensed when purchased. The District has evaluated balances at year end and determined amounts on hand are not material to the financial statements.

6. Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents are those amounts designated for acquisition or construction of non-current assets or that are segregated for the liquidation of long-term debt.

7. 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 costs are capitalized as part of the historical cost of acquiring certain capital assets. To qualify for interest capitalization, assets must require a period of time before they are ready for their intended purpose. In determining the amount to be capitalized, interest costs are offset by interest earned on proceeds of the District's tax-exempt debt restricted to the acquisition of qualifying assets.

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.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

C. BASIS OF ACCOUNTING (continued)

8. Deferred Outflow of Resources

Deferred outflow of resources represent a consumption of net position that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The District has a deferred charge on refunding reported in the statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

9. Accounts Payable and Accrued Liabilities

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

10. Accrued Interest Payable

Accrued interest payable consists of interest expense related to financing incurred through June 30, 2014.

11. Unearned Revenue

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

12. Due to Auxiliary Services

Due to Auxiliary Services consists primarily of expenses related to the Bookstore for various campus program functions, and a District contribution.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

C. BASIS OF ACCOUNTING (continued)

13. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District as compensated absences in the statement of net position. 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; therefore, 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; 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 Position

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 proceeds have not yet been expensed for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted net position – expendable: Restricted expendable net position includes 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 position is available.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

C. BASIS OF ACCOUNTING (continued)

14. Net Position (continued)

Restricted net position – nonexpendable: Nonexpendable restricted net position consists 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 position – nonexpendable.

Unrestricted net position: Unrestricted net position represents 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. Minimum Fund Balance Policy

The District has adopted a minimum fund balance policy in order to assure ongoing fiscal health and stability. The policy requires an unassigned fund balance 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.

16. 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 recalculations in February of 2015 and subsequently will be recorded in the year computed by the State.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

C. BASIS OF ACCOUNTING (continued)

17. Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1. 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 apportionment purposes. Property tax receivables for debt service purposes have been accrued in the basic financial statements.

For the fiscal year 2013-14, The District received a premium of \$17,161 in local revenue from the California Statewide Delinquent Tax Finance Authority for the sale of \$201,889 in delinquent tax receivables.

18. 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 \$3,595,000 for STRS.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

C. **BASIS OF ACCOUNTING (continued)**

19. **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 Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting*, and GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

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

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

C. BASIS OF ACCOUNTING (continued)

21. 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.

22. Fiscal Accountability and Fiscal Independence

On October 12, 2011, the District received approval from the Los Angeles County Superintendent of Schools to operate under the fiscal independence status beginning July 1, 2012. On November 7, 2011, the Board of Governor's confirmed and approved the District's request. As a district with fiscal independence, Los Angeles County Superintendent of Schools 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 Los Angeles County Superintendent of Schools for scrutiny of the legality and propriety of district accounting transactions.

NOTE 2 - DEPOSITS AND INVESTMENTS:

A. Deposits

Custodial Credit 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, 2014, none of the District's bank balance of \$493,952 was exposed to credit risk.

In addition, at June 30, 2014, \$7,164,919 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, 2014

NOTE 2 - DEPOSITS AND INVESTMENTS: (continued)

A. Deposits (continued)

Cash in County

In accordance with the Budget and Accounting Manual, the District maintains substantially all of its cash in the Los Angeles County Treasury as part of the common investment pool. These pooled funds are carried at amortized cost which approximates fair value. The fair market value of the District's deposits in this pool as of June 30, 2014, as provided by the pool sponsor, was \$189,312,719, as is based upon the District's pro-rata share of the fair value for the entire portfolio (in relation to amortized cost of the portfolio).

The county is authorized to deposit cash and invest excess funds by California Government code Section 53648 et. seq. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The funds maintained by the County are either secured by Federal depository insurance or are collateralized. The county investment pool is not required to be rated. Interest earned is deposited quarterly into participating funds, except for the Restricted General Fund, Student Financial Aid Fund and the Warrant Pass-Through Fund, in which case interest is credited to the General Fund. Any investment losses are proportionately shared by all funds in the pool.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 2 - DEPOSITS AND INVESTMENTS: (continued)

A. Deposits (continued)

Cash with Fiscal Agent

The District has deposited certain amounts with the Alliance of Schools for Cooperative Insurance Programs (ASCIP). ASCIP is regulated by California Government Code Sections 16430, 53601 and 53635 (as is the District). The balance available for withdrawal is the carrying value, based upon historical cost. At June 30, 2014, the carrying value reported in the accompanying financial statements was \$625,309 which approximates fair value based upon the District's pro-rata share of the fair value provided by ASCIP for the entire ASCIP portfolio (in relation to the amortized cost of the portfolios). The investment is not required to be rated. The District has a written agreement with ASCIP for this deposit arrangement.

B. 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, 2014.

Investments held by the Trust at June 30, 2014 are presented below:

<u>Investment Type</u>	<u>Fair Value</u>
Corporate Bonds	\$ 20,100,494
Foreign Issues	3,273,945
Municipal Bonds	23,235,512
Common Stock	11,458,505
Equity Mutual Funds	<u>6,513,100</u>
Total	<u>\$ 64,581,556</u>

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 2 - DEPOSITS AND INVESTMENTS: (continued)

B. Investments (continued)

Interest Rate Risk – Debt Securities

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.

Investment Maturities (in Years)	Fair Value	Debt Investments		
		Corporate Bonds	Foreign Bonds	Municipal Bonds
<Than 1	\$ 1,114,529	\$	\$	\$ 1,114,529
1 - 5	10,561,975	7,250,871	1,077,500	2,233,604
6 - 10	17,925,250	7,347,573	1,663,410	8,914,267
>Than 10	<u>17,008,197</u>	<u>5,502,050</u>	<u>533,035</u>	<u>10,973,112</u>
Total	<u>\$ 46,609,951</u>	<u>\$ 20,100,494</u>	<u>\$ 3,273,945</u>	<u>\$ 23,235,512</u>

Credit Risk – Debt Securities

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 below.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 2 - DEPOSITS AND INVESTMENTS: (continued)

B. Investments (continued)

Credit Risk – Debt Securities (continued)

Quality Ratings	Fair Value	Rated Debt Investments		
		Corporate Bonds	Foreign Bonds	Municipal Bonds
A	\$ 7,980,986	\$ 3,120,990	\$ 533,035	\$ 4,326,961
A-	5,486,465	1,953,580		3,532,885
A+	3,340,575	651,913		2,688,662
AA	8,185,240			8,185,240
AA-	2,326,187	922,841		1,403,346
AA+	1,291,899			1,291,899
B	537,500	537,500		
BB	3,334,503	2,257,003	1,077,500	
BB-	2,250,113	2,250,113		
BB+	560,000	560,000		
BBB+	315,057		315,057	
BBB-	3,758,685	2,716,455	1,042,230	
Not Rated	7,242,741	5,130,099	306,123	1,806,519
	<u>\$ 46,609,951</u>	<u>\$ 20,100,494</u>	<u>\$ 3,273,945</u>	<u>\$ 23,235,512</u>

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 2 - DEPOSITS AND INVESTMENTS: (continued)

B. Investments (continued)

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, however, the Trust places no limit on the amount that may be invested in any one issue; however, the Trust is exposed to concentration of credit risk whenever investments in any one issuer exceeds 5%. At June 30, 2014, the Trust's investments exposed to a concentration of credit risk were:

<u>Investment</u>	<u>Fair Value</u>	<u>Percentage of Investment</u>
Corporate issues		
JP Morgan Chase Co	\$ 2,119,400	5%
Municipal Issues		
California Short Term	2,238,920	5%
California Short Term Debt	2,550,450	5%
Capistrano Ca Unified School District Facilities	2,706,662	6%
Santa Cruz City Ca High School District Refunding	<u>2,688,662</u>	6%
	<u>\$ 12,304,094</u>	

Custodial Credit Risk

Custodial Credit Risk is the risk that, in the event of the failure of counterparty, the Trust will not be able to recover the value of its investments that are in possession of an outside party. Of the total investments, the Trust has a custodial credit risk exposure on all its investments in corporate securities and debt securities because the related securities are uninsured and unregistered. The Trust does not have a policy limiting the amount of securities that can be held be counterparties.

NOTE 3 - ACCOUNTS RECEIVABLE:

The accounts receivable balance as of June 30, 2014 consists of the following:

Federal and State	\$22,253,097
Debt Service Property Tax	1,843,338
Miscellaneous	1,583,852
Tuition and Fees (net of allowance for doubtful accounts \$316,932)	<u>871,638</u>
	<u>\$26,551,925</u>

SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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:

Capital asset activity for the year ended June 30, 2014 is shown below:

	<u>Balance June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2014</u>
Non-depreciable assets:				
Land	\$ 619,480	\$	\$	\$ 619,480
Collections - art	118,058	5,000		123,058
Construction in progress	<u>58,014,422</u>	<u>30,010,598</u>	<u>(9,387,182)</u>	<u>78,637,838</u>
Total non-depreciable assets	<u>58,751,960</u>	<u>30,015,598</u>	<u>(9,387,182)</u>	<u>79,380,376</u>
Depreciable assets:				
Building and building improvements	337,996,955	11,174,520	(162,375)	349,009,100
Equipment	<u>30,675,996</u>	<u>3,107,765</u>		<u>33,783,761</u>
Total depreciable assets	<u>368,672,951</u>	<u>14,282,285</u>	<u>(162,375)</u>	<u>382,792,861</u>
Less accumulated depreciation for:				
Building and building improvements	(75,413,590)	(9,087,758)	162,375	(84,338,973)
Equipment	<u>(23,050,100)</u>	<u>(2,368,259)</u>		<u>(25,418,359)</u>
Total accumulated depreciation	<u>(98,463,690)</u>	<u>(11,456,017)</u>	<u>162,375</u>	<u>(109,757,332)</u>
Total depreciable assets, net	<u>270,209,261</u>	<u>2,826,268</u>	<u>-</u>	<u>273,035,529</u>
Capital assets, net	<u>\$ 328,961,221</u>	<u>\$ 32,841,866</u>	<u>\$ (9,387,182)</u>	<u>\$ 352,415,905</u>

Total interest costs incurred for the year ended June 30, 2014 were \$11,964,610. Interest costs capitalized were \$62,644 and interest revenue used to offset interest cost, in determining the amount to be capitalized was \$703,434.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 6 – TAX REVENUE ANTICIPATION NOTES (TRANS):

The District issued \$20,000,000 of Tax Revenue Anticipation Notes dated March 14, 2013 through the California Community College Financing Authority Tax and Revenue Anticipation Notes Program (2012-13, Series F.) The notes matured on December 31, 2013 and yielded 2.0% interest. The notes were sold by the District to supplement its cash flow.

Repayment requirements were that \$17,271,056 be deposited with the County Treasurer in August 2013, and a final payment of \$3,047,833 plus an amount sufficient to pay interest on the notes, be deposited in November 2013. All deposits were made with the County Treasurer on a timely basis.

NOTE 7 - LOANS PAYABLE:

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 receives credit towards the loan for the City's usage of the facility.

During fiscal year 2013-14, the District repaid \$12,169 to the City, and received \$28,915 in facility usage credits. The remaining balance of \$138,838 is reflected as a liability on the statement of net position.

NOTE 8 - GENERAL OBLIGATION BONDS – MEASURE R (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.

2001 Series A - On May 1, 2002 the District offered for sale \$40,000,000 in general obligation bonds. The bonds were issued as current interest bonds. The bonds have been in-substance defeased.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 8 - GENERAL OBLIGATION BONDS – MEASURE R (2001): (continued)

2001 Series B - On February 4, 2004 the District offered for sale \$75,000,000 in general obligation bonds. The bonds were issued as current interest bonds.

2005 Refunding - On September 7, 2005 the District offered for sale \$75,745,843 in general obligation refunding bonds. The bonds were issued to refund certain outstanding general obligation bonds (Series A and Series B) of the District and to pay for certain capital improvements. 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 have been in-substance defeased.

The proceeds associated with the refunding were deposited in an escrow fund for future repayment. At June 30, 2014 the outstanding balance of the defeased debt (Series A and Series B) to be paid by the escrow agent totaled \$44,170,000 and is scheduled to be repaid in August 2014. These bonds are considered in-substance defeased and are not recorded in the financial statements.

2001 Series C - On September 8, 2006 the District offered for sale \$79,996,203 in general obligation bonds. 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. Certain maturities of the bonds have been in-substance defeased.

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.

2001 Series D - On July 9, 2008 the District offered for sale \$26,003,609 in general obligation bonds. 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.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 8 - GENERAL OBLIGATION BONDS – MEASURE R (2001): (continued)

2012 Refunding - On June 6, 2012 the District offered for sale \$29,850,000 in general obligation refunding bonds. The bonds were issued to refund certain outstanding general obligation bonds (2005 Refunding) of the District. The bonds were issued as current interest bonds. The bonds have been in-substance defeased.

The proceeds associated with the refunding were deposited in an escrow fund for repayment of the outstanding balance of the defeased debt in August 2012. These refunded bonds are considered fully defeased and are not recorded on the financial statements.

2013 Refunding, Series A & B - On August 1, 2013 the District offered for sale \$74,910,000 (Series A) and \$48,190,000 (Series B) in general obligation refunding bonds. The bonds were issued to refund certain outstanding general obligation bonds (2005 Refunding, Series C, and 2012 Refunding) of the District. The bonds were issued as current interest bonds.

The proceeds associated with the refunding were deposited in an escrow fund for future repayment. At June 30, 2014 the outstanding balance of the refunded debt to be paid by the escrow agent totaled \$122,696,050 and is scheduled to be fully repaid by August 2017. These bonds are considered in-substance defeased and are not recorded on the financial statements.

The outstanding bonded debt of Mt. San Antonio Community College District for Measure R at June 30, 2014 is:

<u>Date of Issue</u>	<u>Interest Rate %</u>	<u>Final Maturity Date⁽¹⁾</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2013</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2014</u>
2/4/2004 B	2.75-5.00%	8/1/2014	\$ 75,000,000	\$ 4,225,000	\$	\$ 2,075,000	\$ 2,150,000
9/7/2005	3.50-5.00%	8/1/2017	75,745,843	11,800,843		11,800,843	-
9/8/2006 C	4.00-5.00%	9/1/2016	79,996,203	78,755,000		75,815,000	2,940,000
7/9/2008 D	2.92-5.00%	6/1/2033	26,003,609	23,086,084		707,408	22,378,676
6/6/2012	2.00-3.75%	8/1/2016	29,850,000	29,210,000		29,210,000	-
8/1/2013 A	2.00-5.00%	9/1/2028	74,910,000		74,910,000		74,910,000
8/1/2013 B	0.72-4.10%	8/1/2023	48,190,000		48,190,000		48,190,000
			<u>\$ 409,695,655</u>	<u>\$ 147,076,927</u>	<u>\$ 123,100,000</u>	<u>\$ 119,608,251</u>	<u>\$ 150,568,676</u>

⁽¹⁾ Original maturity date prior to refunding:
Series B 8/1/2028
Series C 9/1/2031

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 8 - GENERAL OBLIGATION BONDS – MEASURE R (2001): (continued)

The annual requirements to amortize all bonds payable, outstanding as of June 30, 2014, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Accreted Interest</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 5,892,021	\$ 217,979	\$ 6,321,183	\$ 12,431,183
2016	7,655,731	254,270	6,136,733	14,046,734
2017	8,161,112	288,888	5,898,886	14,348,886
2018	8,574,812	485,188	5,602,168	14,662,168
2019	10,445,000		5,274,272	15,719,272
2020-2024	66,345,000		18,745,781	85,090,781
2025-2029	36,615,000		6,009,250	42,624,250
2030-2033	6,880,000		832,000	7,712,000
Total Debt Service	<u>\$ 150,568,676</u>	<u>\$ 1,246,325</u>	<u>\$ 54,820,273</u>	<u>\$ 206,635,274</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 unmatured bonds included total premiums of \$29,763,719. This amount will be amortized using the straight line method. Amortization of \$4,583,906 was recognized during 2013-14.

At June 30, 2014, \$782,510 of accreted interest, net of payments and deletions associated with the refunded debt, has been accrued and included in long-term debt.

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 refunding escrow agents exceeded the existing carrying value of the refunded debt by \$33,130,564. Amortization of \$6,726,375 was recognized during 2013-14. The unamortized value of \$21,878,999 is reflected as deferred outflows of resources in the statement of net position.

NOTE 9 - GENERAL OBLIGATION BONDS – MEASURE RR (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 and to liquidate the outstanding bond anticipation notes.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 9 - GENERAL OBLIGATION BONDS – MEASURE RR (2008): (continued)

2008 Series A & B - On August 1, 2013 the District offered for sale \$205,586,691 (Series A) and \$11,715,000 (Series B) in general obligation bonds. The bonds were issued to liquidate the bond anticipation notes of the District and to pay for certain capital improvements. The Series A bonds were issued as current interest series bonds in the aggregate principal amount of \$5,280,000, as current interest term bonds in the principal amount of \$22,520,000, as capital appreciation bonds in the aggregate principal amount of \$28,534,146, and as convertible capital appreciation term bonds in the aggregate principal amount of \$149,252,545. The Series B bonds were issued as current interest bonds.

The capital appreciation bonds were issued with maturity dates of August 1, 2019 through August 1, 2033. Prior to the applicable maturity date, each bond will accrete interest on the principal component. The convertible capital appreciation term bonds were issued with conversion dates of August 1, 2023 and August 1, 2028. Prior to the applicable conversion date, each bond will accrete interest on the principal component.

The outstanding bonded debt of Mt. San Antonio Community College District for Measure RR at June 30, 2014 is:

<u>Date of Issue</u>	<u>Interest Rate %</u>	<u>Final Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2013</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2014</u>
8/1/2013 A	2.00-6.25%	8/1/2043	\$ 205,586,691	\$	\$ 205,586,691	\$	\$ 205,586,691
8/1/2013 B	0.72-4.10%	8/1/2023	11,715,000		11,715,000		11,715,000
			<u>\$ 217,301,691</u>	<u>\$ -</u>	<u>\$ 217,301,691</u>	<u>\$ -</u>	<u>\$ 217,301,691</u>

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 9 - GENERAL OBLIGATION BONDS – MEASURE RR (2008): (continued)

The annual requirements to amortize all bonds payable, outstanding as of June 30, 2014, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Accreted Interest</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 2,800,000	\$	\$ 1,564,708	\$ 4,364,708
2016	2,595,000		1,523,529	4,118,529
2017	2,885,000		1,459,622	4,344,622
2018	1,365,000		1,399,030	2,764,030
2019	1,135,000		1,368,076	2,503,076
2020-2024	9,563,313	2,826,688	7,690,444	20,080,445
2025-2029	36,802,668	32,827,332	25,932,605	95,562,605
2030-2034	21,488,467	30,416,533	101,264,875	153,169,875
2035-2039	55,334,015	58,290,986	85,117,250	198,742,251
2040-2044	83,333,228	126,436,770	35,704,064	245,474,062
Total Debt Service	<u>\$ 217,301,691</u>	<u>\$ 250,798,309</u>	<u>\$ 263,024,203</u>	<u>\$ 731,124,203</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 \$11,516,226. This amount will be amortized using the straight line method. Amortization of \$383,874 was recognized during 2013-14.

At June 30, 2014, \$5,534,885 of accreted interest has been accrued and included in long-term debt.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 10 - DEFEASED DEBT:

Bond Anticipation Notes

On April 28, 2010, the District issued \$64,999,815 in bond anticipate notes. 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.

On August 1, 2013, the bond anticipation notes were in-substance defeased by placing \$78,815,326 in proceeds from the issuance of the 2008 Series A and B general obligation bonds in an irrevocable escrow account. The proceeds and interest will provide amounts sufficient to pay the accreted value on the defeased notes at maturity on May 1, 2015. Accordingly, the escrow account and the defeased notes are not included in the District's financial statements. The outstanding balance of the defeased debt totaled \$76,165,787 at June 30, 2014.

The difference between the reacquisition price and the net carrying amount on the notes is deferred and amortized as a component of interest expense over the life of the defeased debt. Payments to the escrow agent exceeded the existing carrying value of the notes by \$5,631,676. Amortization of \$3,071,823 was recognized during 2013-14. The unamortized value of \$2,559,853 is reflected as deferred outflows of resources in the statement of net position.

The unamortized premium of \$426,790 associated with the notes was written-off to interest expense during 2013-14.

Lease Revenue Bonds

Certain lease revenue bonds of the District have been in-substance 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, 2014, \$5,950,000 in principal of the defeased bonds is still outstanding and is scheduled to be repaid in May 2018.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 11- LONG-TERM DEBT:

A schedule of changes in long-term debt for the year ended June 30, 2014 is shown below:

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014	Amounts Due in One Year
Loan payable-City of Walnut	\$ 179,922	\$	\$ 41,084	\$ 138,838	\$ 30,870
Compensated absences	7,493,540	392,348		7,885,888	1,385,281
Bond anticipation notes:					
Notes payable	64,999,815		64,999,815	-	
Premium	426,790		426,790	-	
Accreted interest	8,183,835		8,183,835	-	
General obligation bonds:					
Bonds payable - Measure R	147,076,927	123,100,000	119,608,251	150,568,676	5,892,021
Accreted interest - Measure R	9,425,535	964,401	9,607,426	782,510	217,979
Premium - Measure R	4,893,757	9,507,779	4,583,906	9,817,630	
Bonds payable - Measure RR		217,301,691		217,301,691	2,800,000
Accreted interest - Measure RR		5,534,885		5,534,885	
Premium - Measure RR		11,516,226	383,874	11,132,352	
Other postemployment benefits other than pensions (OPEB)	6,461,099	6,695,655		13,156,754	
Total	\$ 249,141,220	\$ 375,012,985	\$ 207,834,981	\$ 416,319,224	\$ 10,326,151

Liabilities liquidated by the General Fund for governmental activities, include compensated absences. The City of Walnut loan payable is 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.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 12 - EMPLOYEE RETIREMENT PLANS:

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of the State Teachers' Retirement System (STRS) and classified employees are members of the Public Employees' Retirement System (PERS) and part-time, seasonal and temporary employees and employees not covered by STRS or PERS are members of the Alliance of Schools for Cooperative Insurance Programs (ASCIP).

State Teachers' Retirement System (STRS)

Plan Description

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

Funding Policy

Active plan members are required to contribute 8.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2013-14 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, 2014

NOTE 12 - EMPLOYEE RETIREMENT PLANS: (continued)

Public Employees' Retirement System (PERS)

Plan Description

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

Funding Policy

Active plan members are required to contribute 7% of their salary. 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 2013-14 was 11.442% 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 are as follows:

Year Ended <u>June 30,</u>	<u>STRS</u>		<u>PERS</u>	
	<u>Required Contribution</u>	<u>Percent Contributed</u>	<u>Required Contribution</u>	<u>Percent Contributed</u>
2012	\$5,148,943	100%	\$3,703,438	100%
2013	5,199,057	100%	4,014,846	100%
2014	5,482,715	100%	4,360,403	100%

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 12 - EMPLOYEE RETIREMENT PLANS: (continued)

MetLife

Plan Description

MetLife is a defined contribution plan qualifying under §401(a) and §501 of the Internal Revenue Code that is administered by Alliance of Schools for Cooperative Insurance Programs (ASCIP). The plan covers part-time, seasonal and temporary employees and employees not covered by §3121(b)(7)(F) of the Internal Revenue Code. The benefit provisions and contribution requirements of plan members and the District are established and may be amended by the ASCIP Board of Trustees.

Funding Policy

Contributions of 3% of covered compensation of eligible employees are made by the employer and 4.5% are made by the employee. Total contributions, employer and employee combined, were made in the amount of \$716,207 during the fiscal year. The total amount of covered compensation was \$9,549,469. Total contributions made are 100% of the amount of contributions required for fiscal year 2013-14.

NOTE 13 - POSTEMPLOYMENT HEALTHCARE BENEFITS:

Plan Description

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

Retirees and beneficiaries receiving benefits	563
Terminated plan members entitled to but not yet receiving benefits	9
Active plan members	<u>853</u>
Total	<u>1,425</u>

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 13 - POSTEMPLOYMENT HEALTHCARE BENEFITS: (continued)

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 2013-14, the District did not contribute to the plan. Current year premiums of \$3,994,645 were paid by the Mt. San Antonio Community College District OPEB Trust. The District is responsible for 100% of the 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 below shows the components of the District's annual OPEB cost for the year, the amount actually contributed, and change in the District's net OPEB obligation (asset).

Annual required contribution (ARC)	\$ 6,792,905
Interest on net OPEB obligation	323,055
Adjustment to annual required contribution	<u>(420,305)</u>
Annual OPEB cost (expense)	6,695,655
Contributions made	<u>-</u>
Change in net OPEB obligation/(asset)	6,695,655
Net OPEB asset - beginning of year	<u>6,461,099</u>
Net OPEB obligation - end of year	<u>\$ 13,156,754</u>

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 13 - POSTEMPLOYMENT HEALTHCARE BENEFITS: (continued)

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

The District's annual OPEB cost, the percentage of annual OPEB cost contributed, and the net OPEB obligation for each of the last three fiscal years is 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>
6/30/2012	\$ 5,895,397	80.68%	\$ (124,444)
6/30/2013	6,585,543	0.00%	6,461,099
6/30/2014	6,695,655	0.00%	13,156,754

Funding Status and Funding Progress

As of March 1, 2014 the most recent actuarial valuation date, the plan was 67.2% funded. The actuarial accrued liability for benefits was \$107.4 million, and the actuarial value of assets held in the Mt. San Antonio Community College District OPEB Trust was \$72.1 million, resulting in an unfunded actuarial liability (UAAL) of \$35.2 million. The covered payroll (annual payroll of active employees covered by the plan was \$78.6 million, and the ratio of the UAAL to the covered payroll was 44.9%.

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.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 13 - POSTEMPLOYMENT HEALTHCARE BENEFITS: (continued)

Funding Status and Funding Progress (continued)

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.

The actuarial cost method used in determining the benefit obligations is the Entry Age Normal Cost method. The actuarial assumptions included a 5.0 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 over a 30 year period. The amortization period will expire on June 30, 2037. The residual UAAL is being amortized as a level percentage of projected payroll on an open basis over a 30 year period.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 14 - SELF-INSURANCE PROGRAM:

The District finances its risk of loss related to property and liability through a combination of self-insurance and participation the ASCIP JPA. Under this program, the District provides coverage for up to a maximum of \$25,000 for each general liability or property damage claim. ASCIP provides excess insurance coverage above the member retained limit.

Claims are managed by a third-party administrator (TPA). Funding of the amounts held by the TPA as well as reserves held by ASCIP as trustee are based on estimates of the amounts needed to pay prior and current year claims. Funding is provided by transfers from the general fund and claims paid within the member retained limit during 2013-14 totaled \$158,701. Settled claims have not exceeded the coverage provided by the JPA in any of the past three fiscal years.

NOTE 15 - 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.

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

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 15 - JOINT POWERS AGREEMENT: (continued)

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, SCCCDCD-JPA, SELF, and PIPS for the most current information available is as follows:

	ASCIP 6/30/2014 (Unaudited)	SCCCDCD-JPA 6/30/2014 (Audited)	SELF 6/30/2014 (Audited)	PIPS 6/30/2014 (Unaudited)
		<u>Workers' Compensation Insurance Fund</u>		
Total assets	\$ 331,028,387	\$ 41,556,709	\$ 162,746,000	\$ 101,635,390
Total liabilities	<u>186,877,358</u>	<u>744,467</u>	<u>118,853,000</u>	<u>89,564,503</u>
Net position	<u>\$ 144,151,029</u>	<u>\$ 40,812,242</u>	<u>\$ 43,893,000</u>	<u>\$ 12,070,887</u>
Total revenues	\$ 205,948,958	\$ 6,027,481	\$ 11,812,000	\$ 18,271,889
Total expenditures	<u>194,648,227</u>	<u>7,337,742</u>	<u>4,199,000</u>	<u>22,602,717</u>
Change in net position	<u>\$ 11,300,731</u>	<u>\$ (1,310,261)</u>	<u>\$ 7,613,000</u>	<u>\$ (4,330,828)</u>

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 16 - FUNCTIONAL EXPENSE:

	Salaries	Employee Benefits	Supplies, Materials, Utilities, Other Expenses and Services	Student Aid and Other Uses	Depreciation	Total
Instructional	\$ 70,528,055	\$ 15,868,403	\$ 3,047,493	\$	\$	\$ 89,443,951
Academic Support	10,572,554	3,408,709	686,129			14,667,392
Student Services	12,144,682	4,143,510	1,055,348	233,379		17,576,919
Operation & Maintenance of Plant	5,985,207	2,890,404	5,551,358			14,426,969
Institutional Support	12,076,599	4,758,481	5,642,883			22,477,963
Community Services and Economic Development	1,616,279	475,778	767,075			2,859,132
Ancillary Services and Auxiliary Operations	3,887,894	1,333,558	1,915,538			7,136,990
Student Aid				47,092,420		47,092,420
Other Outgo	657,379	167,537	6,837,663			7,662,579
Depreciation Expense					11,456,017	11,456,017
Totals by Object	<u>\$ 117,468,649</u>	<u>\$ 33,046,380</u>	<u>\$ 25,503,487</u>	<u>\$ 47,325,799</u>	<u>\$ 11,456,017</u>	<u>\$ 234,800,332</u>

NOTE 17 – BOOK RENTAL PROGRAM TRANSFER:

During the fiscal year ended June 30, 2014, the District transferred rental program inventory valued at \$152,469 and cash of \$317,345 from the Pilot Program for Course Material Rental grant program. The inventory was expensed when purchased in the District's financial statements. The Auxiliary will utilize these assets in its book rental program.

NOTE 18 - COMMITMENTS AND CONTINGENCIES:

A. State and Federal Allowances, Awards and Grants

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

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 18 - COMMITMENTS AND CONTINGENCIES: (continued)

B. Litigation

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

C. Purchase Commitments

As of June 30, 2014 the District was committed under various capital expenditure purchase agreements for various projects totaling approximately \$16.6 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-propriety system to enhance academic and administrative services to campus constituents. Total costs are estimated to be \$21.6 million over a ten year timeline with funding including ongoing maintenance provided from the unrestricted general fund. Funding for the first three years of implementation came from the designated EAS reserve.

**NOTE 19 - GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS
ISSUED, NOT YET EFFECTIVE:**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2014, that have effective dates that may impact future financial presentations; however, the impact of the implementation of each of the statements below to the District's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 68 - In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. This standard is designed to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions provided by other entities. This statement replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and GASB Statement No. 50, *Pension Disclosures*. This statement is effective for fiscal year 2014-15 financial statements.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 19 - GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS
ISSUED, NOT YET EFFECTIVE: (continued)

Governmental Accounting Standards Board Statement No. 69 - In January 2013, the GASB issued Statement No. 69 *Government Combinations and Disposals of Government Operations*. This statement provides guidance on the measurement of assets and liabilities in a government merger or when a government acquires another entity, or its operations, in exchange for significant consideration. This statement also provides guidance for transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. This statement is effective for fiscal year 2014-15 financial statements.

Governmental Accounting Standards Board Statement No. 71 - In November 2013, the GASB issued Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date* – an amendment of GASB Statement No. 68. This statement addresses an issue regarding application of the transition provision of Statement No. 68. This statement is effective for fiscal year 2014-15 financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF POSTEMPLOYMENT HEALTHCARE BENEFITS FUNDING PROGRESS

For the Fiscal Year Ended June 30, 2014

<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>
5/1/2011	\$ 65,348,742	\$ 114,656,841	\$ 49,308,099	57.0%	\$ 75,140,236	65.6%
3/1/2012	71,343,707	120,114,689	48,770,982	59.4%	75,140,236	64.9%
3/1/2014	72,129,965	107,412,110	35,282,145	67.2%	78,653,318	44.9%

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, 2014

<u>Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2012	\$ 5,905,111	80.55%
2013	6,583,670	0.00%
2014	6,792,905	0.00%

See the accompanying notes to the required supplementary information.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2014

NOTE 1 - PURPOSE OF SCHEDULES:

A. Schedule of Postemployment Healthcare Benefits Funding Progress

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

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, 2014

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>
Fred Chyr	President	November 30, 2015
Dr. David K. Hall	Vice President	November 30, 2017
Judy Chen Haggerty	Clerk	November 30, 2017
Manuel Baca	Member	November 30, 2015
Rosanne M. Bader	Member	November 30, 2015
Robert Hidalgo	Member	November 30, 2017
Laura Santos	Member	November 30, 2017
Paola Mendoza	Student Trustee	June 30, 2015

DISTRICT EXECUTIVE OFFICERS

Dr. William Scroggins	President/CEO
Dr. Irene Malmgren	Vice President, Instruction
Michael D. Gregoryk	Vice President, Administrative Services
James P. Czaja	Vice President, Human Resources
Dr. Audrey Yamagata-Noji	Vice President, Student Services

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Fiscal Year Ended June 30, 2014

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	\$ 87,890
Supplemental Educational Opportunities Grant (SEOG)	84.007	N/A	426,386
Federal Work Study	84.033	N/A	251,309
Pell	84.063	N/A	42,519,677
Direct Loans - William D. Ford Program	84.268	N/A	1,284,584
TRIO Cluster:			
Department of Education:			
Passed through from the California Department of Education:			
Student Support Services	84.042A	(1)	242,799
Upward Bound	84.047A	(1)	289,542
National Science Foundation:			
Direct:			
Advance Technological Education (ATE) -			
Science, Technology, Engineering, and Mathematics (STEM)	47.076	N/A	59,926
Collaborative Research: Geodesy Curriculum	47.076	N/A	5,822
CyberWatch West	47.076	N/A	271,544
Department of Education:			
Direct:			
Veteran's Education Administrative Expenses	84.065	N/A	9,468
Asian American Native American Pacific Islander			
Serving Institutions (AANAPISI)	84.382B	N/A	541,789
Parent in School Program	84.335A	N/A	122,740
Developing Hispanic Serving Institutions, Title V			
Building Pathways of Persistence and Completion	84.31S	N/A	192,847
Passed through from the California Community College Chancellor's Office:			
Career and Technical Education (CTE):			
Perkins, Title I, Part C, Family and Consumer Sciences	84.048	(1)	20,830
Perkins, Title I, Part C	84.048	03578	871,143
Perkins, Title I, Part C, Transitions	84.048A	(1)	44,025
Pilot Course Material Rental Program	84.116T	(1)	100,196
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)	1,073,933

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, 2014

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures
Department of Agriculture:			
Passed through from the California Department of Education:			
Child Nutrition Program	10.555	(1)	63,864
Department of Health & Human Services :			
Direct:			
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	N/A	95,302
Passed through from the California Community College Chancellor's Office:			
Personal and Home Care Aide State Training Program	93.512	(1)	35,352
Temporary Assistance for Needy Families (TANF)	93.558	(1)	107,439
Passed through from the California Department of Education:			
Child Development Division, Childcare and Development Quality Improvement funds, Child Development Training Consortium	93.575	(1)	<u>11,701</u>
Total Federal Expenditures			<u>\$ 48,730,108</u>
Reconciliation to Federal Revenue:			
Total federal program expenditures			\$ 48,730,108
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>360,420</u>
Total Federal Revenue			<u>\$ 49,090,528</u>
Student Financial Aid Loan Programs:			
Mt. San Antonio Community College District had the following loan balance outstanding as of 6/30/14:			
Perkins Program	84.038		<u>\$ 107,290</u>

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

See the accompanying notes to the supplementary information.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF STATE FINANCIAL ASSISTANCE - GRANTS
For the Fiscal Year Ended June 30, 2014

Program Name	Program Revenues				Accounts Payable	Total	Total Program Expenditures
	Cash Received	Accounts Receivable	Deferred Revenue				
State Categorical Aid Programs:							
AB86 Adult Education Consortium Planning	\$ 187,102	\$	\$ 160,241	\$	\$	\$ 26,861	\$ 26,861
Basic Skills	1,381,409		179,708			1,201,701	1,201,701
Board Financial Assistance Program (BFAP)	1,046,757					1,046,757	1,046,757
California State Preschool Program	169,405	49,327				218,732	218,732
CalWorks	534,535					534,535	534,535
CARE	102,393					102,393	102,393
CARES PLUS Program	5,077			537		4,540	4,540
Career Technical Education - Community Collaborative	73,477	34,496				107,973	107,973
Center of Excellence - Career Technical Education: Strategic Hubs	231,714		49,185			182,529	182,529
Center of Excellence - Economic Development	80,000		10,040			69,960	69,960
Child Care Food Program	2,466	692				3,158	3,158
Child Care General Center and Development Program	269,638	13,426				283,064	283,064
Child Care Tax Bailout	88,976					88,976	88,976
Child Development Workforce Initiative	214,336	92,386				306,722	306,722
Disabled Student Program & Services (DSPS)	2,209,590					2,209,590	2,209,590
Enrollment Growth AA Nursing	233,520	44,480				278,000	278,000
Equal Employment Opportunity	28,958		14,304			14,654	14,654
Extended Opportunities Program & Services (EOPS)	786,200					786,200	786,200
Health Careers Training Program	9,315	1,035				10,350	10,350
Instructional Equipment and Library Materials	370,690		37,574			333,116	333,116
Student Success - Credit	1,255,554		257,015			998,539	998,539
Student Success - Noncredit	833,986		23,249			810,737	810,737
Song-Brown Registered Nurse Program	42,617	7,907				50,524	50,524
Workforce Innovation Partnerships	219,097	21,875	95,300			145,672	145,672
Total State Programs	\$ 10,376,812	\$ 265,624	\$ 826,616	\$ 537	\$ 9,815,283	\$ 9,815,283	\$ 9,815,283

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, 2014**

	Annual - Factored FTES		
	Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2013 only)			
1. Noncredit ¹	2,190.03		2,190.03
2. Credit	1,291.40		1,291.40
B. Summer Intersession (Summer 2014 - Prior to July 1, 2014)			
1. Noncredit ¹	-		-
2. Credit	-		-
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	18,226.49		18,226.49
(b) Daily Census Contact Hours	2,228.89		2,228.89
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit ¹	3,408.96		3,408.96
(b) Credit	1,014.74		1,014.74
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	825.64		825.64
(b) Daily Census Contact Hours	496.12		496.12
(c) Noncredit Independent Study/Distance Education Courses	N/A		N/A
D. Total FTES	<u>29,682.27</u>	<u>-</u>	<u>29,682.27</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	4,792.96		
(b) Credit	2,227.61		
<u>CCFS 320 Addendum</u>			
CDCP Noncredit FTES	3,696.35		
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 FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

The audit resulted in no adjustments to the fund balances reported on the June 30, 2014 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
RECONCILIATION OF 50 PERCENT LAW CALCULATION
For the Fiscal Year Ended June 30, 2014

	Object/TOP Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Academic Salaries							
Instructional Salaries	1100	\$ 32,423,855	\$	\$ 32,423,855		\$	\$ 32,423,855
Contract or Regular		26,896,391		26,896,391			26,896,391
Other	1300	59,320,246		59,320,246			59,320,246
Total Instructional Salaries							
Non-Instructional Salaries	1200			-			10,991,511
Contract or Regular				-			1,368,627
Other	1400			-			12,360,138
Total Non-Instructional Salaries							12,360,138
Total Academic Salaries		59,320,246	-	59,320,246		-	71,680,384
Classified Salaries							
Non-Instructional Salaries							
Regular Status	2100						26,235,909
Other	2300						2,397,653
Total Non-Instructional Salaries							28,633,562
Instructional Aides							
Regular Status	2200	1,587,796		1,587,796			1,587,796
Other	2400	965,364		965,364			965,364
Total Instructional Aides		2,553,160		2,553,160			2,553,160
Total Classified Salaries		2,553,160	-	2,553,160		-	31,186,722
Employee Benefits	3000						
Supplies and Materials	4000	11,087,597		11,087,597			22,998,109
Other Operating Expenses	5000						2,230,586
Equipment Replacement	6420						11,728,856
Total Expenditures Prior to Exclusions		72,961,003	-	72,961,003		-	139,824,657

See the accompanying notes to the supplementary information.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF 50 PERCENT LAW CALCULATION
For the Fiscal Year Ended June 30, 2014

	Object/TOP Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Exclusions							
Activities to Exclude							
Instructional Staff-Retirees' Benefits and Retirement Incentives	5900						-
Student Health Services Above Amount Collected	6441						-
Student Transportation	6491				248,070		248,070
Non-instructional Staff-Retirees' Benefits and Retirement Incentives	6740						-
Objects to Exclude							
Rents and Leases	5060				217,165		217,165
Lottery Expenditures							
Academic Salaries	1000						-
Classified Salaries	2000						-
Employee Benefits	3000						-
Supplies and Materials	4000						-
Software	4100						-
Books, Magazines, & Periodicals	4200						-
Instructional Supplies & Materials	4300						-
Noninstructional, Supplies & Materials	4400						-
Total Supplies and Materials							
Other Operating Expenses and Services	5000				3,848,686		3,848,686
Capital Outlay	6000						-
Library Books	6300						-
Equipment	6400						-
Equipment - Additional	6410						-
Equipment - Replacement	6420						-
Total Equipment							
Total Capital Outlay							
Other Outgo	7000						-
Total Exclusions							
Total for ECS 84362, 50% Law		\$ 72,961,003	\$ -	\$ 72,961,003	\$ 4,313,921	\$ -	\$ 4,313,921
Percent of CEE (Instructional Salary Cost / Total CEE)		53.84%	0.00%	53.84%	100.00%	0.00%	100.00%
50% of Current Expense of Education					\$ 67,755,368	\$ -	\$ 67,755,368

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) 2015		2014		2013		2012	
	Amount	%	Amount	%	Amount	%	Amount	%
Revenue								
Federal	\$ 4,696,330	2.57	\$ 4,673,276	2.86	\$ 6,446,834	4.14	\$ 5,548,744	3.53
State	126,159,871	69.06	121,224,596	74.19	97,375,470	62.58	109,278,286	69.50
County and Local	35,782,009	19.59	39,556,012	24.21	48,233,860	31.00	39,295,935	24.99
Total Revenue	<u>166,638,210</u>	<u>91.22</u>	<u>165,453,884</u>	<u>101.26</u>	<u>152,056,164</u>	<u>97.72</u>	<u>154,122,965</u>	<u>98.02</u>
Expenditures								
Academic Salaries	77,316,281	42.32	74,110,137	45.36	70,152,313	45.09	68,764,908	43.73
Classified Salaries	43,612,498	23.87	41,084,914	25.14	39,825,446	25.60	38,838,597	24.70
Employee Benefits	29,496,498	16.15	25,759,399	15.76	24,552,898	15.78	29,385,276	18.69
Supplies and Materials	5,634,840	3.08	3,153,470	1.93	3,332,331	2.14	3,038,201	1.93
Other Operating Expenses and Services	20,192,954	11.05	14,957,608	9.15	13,740,644	8.83	13,360,849	8.50
Capital Outlay	4,916,385	2.69	3,043,316	1.86	3,012,872	1.94	2,515,841	1.60
Other Uses	1,512,961	0.83	1,290,671	0.79	974,607	0.62	1,337,310	0.85
Total Expenditures	<u>182,682,417</u>	<u>100.00</u>	<u>163,399,515</u>	<u>100.00</u>	<u>155,591,111</u>	<u>100.00</u>	<u>157,240,982</u>	<u>100.00</u>
Other Financing Sources	<u>830,343</u>	<u>0.45</u>	<u>587,699</u>	<u>0.36</u>	<u>1,097,068</u>	<u>0.71</u>	<u>45,798</u>	<u>0.03</u>
Change in Fund Balance	<u>\$ (15,213,864)</u>	<u>(8.33)</u>	<u>\$ 2,642,068</u>	<u>1.62</u>	<u>\$ (2,437,879)</u>	<u>(1.57)</u>	<u>\$ (3,072,219)</u>	<u>(1.95)</u>
Combined General Fund:								
Assigned Fund Balance	\$ 407,197	0.22	\$ 5,577,996	3.41	\$ 3,959,495	2.54	\$ 6,592,580	4.19
Unassigned Fund Balance	15,963,713	8.74	24,658,189	15.09	23,770,463	15.28	23,741,054	15.10
Restricted Fund Balance	<u>159,856</u>	<u>0.09</u>	<u>1,508,445</u>	<u>0.92</u>	<u>1,372,604</u>	<u>0.88</u>	<u>1,206,807</u>	<u>0.77</u>
Ending Fund Balance	<u>\$ 16,530,766</u>	<u>9.05</u>	<u>\$ 31,744,630</u>	<u>19.43</u>	<u>\$ 29,102,562</u>	<u>18.70</u>	<u>\$ 31,540,441</u>	<u>20.06</u>
Full-time Equivalent Students	<u>29,946</u>		<u>29,682</u>		<u>28,650</u>		<u>28,702</u>	
Total Long-Term Debt	<u>\$ 385,043,091</u>		<u>\$ 395,369,242</u>		<u>\$ 243,820,673</u>		<u>\$ 243,625,607</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% unrestricted ending fund balance. As such, the unassigned balance is the 10% Board Policy reserve and any other remaining unassigned amounts in the unrestricted General Fund.

* Unrestricted General Fund expenditure and fund balance for 2014-15 budget year is projected to be \$159,290,634 and \$15,929,063 respectively, which meets the District's policy of 10% unrestricted ending fund balance. The percentage of 9.05 is the result of inclusion of restricted General Fund.

All percentages are of total unrestricted and restricted expenditures combined.

The 2014-15 budget presents the Budget adopted by the Board of Trustees on September 10, 2014.

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 charges 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, 2014**

	<u>General Fund</u>		Variance Favorable (Unfavorable)
	<u>Revised Budget</u>	<u>Actual</u>	
REVENUES			
Revenue from Federal Sources			
Higher Education Act	\$ 2,606,667	\$ 1,658,277	\$ (948,390)
Temporary Assistance for Needy Families	107,439	107,439	-
Student Financial Aid	120,000	48,094	(71,906)
Veterans Education	9,468	9,468	-
Vocational and Technical Education Act	935,998	935,998	-
Other Federal Revenue	1,953,033	1,914,000	(39,033)
Revenue from State Sources			
General Apportionments	102,282,688	106,316,533	4,033,845
Categorical Apportionments	10,577,714	8,888,236	(1,689,478)
Other State Revenues	5,560,504	6,019,827	459,323
Revenue from Local Sources			
Property Taxes	20,747,392	20,747,386	(6)
Interest and Investment Income	298,023	352,596	54,573
Student Fees and Charges	15,199,132	15,800,942	601,810
Contributions	331,436	179,558	(151,878)
Other Local Revenue	2,607,996	2,475,530	(132,466)
TOTAL REVENUES	<u>163,337,490</u>	<u>165,453,884</u>	<u>2,116,394</u>
EXPENDITURES			
Academic Salaries	74,528,220	74,110,137	418,083
Classified Salaries	42,893,659	41,084,914	1,808,745
Employee Benefits	26,840,126	25,759,399	1,080,727
Supplies and Materials	5,723,805	3,153,470	2,570,335
Other Operating Expenses & Services	19,658,568	14,957,608	4,700,960
Capital Outlay	4,623,790	3,043,316	1,580,474
TOTAL EXPENDITURES	<u>174,268,168</u>	<u>162,108,844</u>	<u>12,159,324</u>
Excess (deficiency) of revenues over expenditures	<u>(10,930,678)</u>	<u>3,345,040</u>	<u>14,275,718</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from the sale of non-capitalized equipment	1,529	14,097	12,568
Interfund Transfers In	567,218	573,602	6,384
Interfund Transfers Out	(667,358)	(823,999)	(156,641)
Student Financial Aid	(546,557)	(466,672)	79,885
TOTAL OTHER FINANCING SOURCES (USES)	<u>(645,168)</u>	<u>(702,972)</u>	<u>(57,804)</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>\$ (11,575,846)</u>	<u>2,642,068</u>	<u>\$ 14,217,914</u>
Fund Balances at Beginning of Year		<u>29,102,562</u>	
Fund Balances at End of Year		<u>\$ 31,744,630</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, 2014**

NOTE 1 - PURPOSE OF SCHEDULES:

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

The audit of the Mt. San Antonio Community College District for the year ended June 30, 2014 was conducted in accordance with OMB Circular A-133, which requires a disclosure of the financial activities of all federally funded programs. The Schedule of Federal Awards and the Schedule of State Financial Assistance was prepared on the modified accrual basis of accounting.

Subrecipients

The District provided Federal awards to subrecipients as follows:

<u>Federal Grantor/Pass-Through Grantor/Program</u>	<u>CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Advance Technological Education (ATE) - CyberWatch West	47.076	
- Cal Poly University, Pomona		\$ 83,854
- Whatcom Community College		30,238
- California State University, San Bernardino		81,073
- California State University, Dominguez Hills		25,777
		<u>\$ 220,942</u>

B. Schedule of Workload Measures for State General Apportionment Annual (Actual) Attendance

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.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

**NOTES TO SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2014**

NOTE 1 - PURPOSE OF SCHEDULES: (continued)

C. Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule reports any audit adjustments made to the fund balances of all funds as reported on the Annual Financial and Budget Report (Form CCFS-311).

D. Reconciliation of 50 Percent Law Calculation

This schedule reports any audit adjustments made to the 50 percent law calculation (Education Code Section 84362).

E. Proposition 30 Education Protection Account (EPA) Expenditure Report

This schedule reports how funds received from the passage of the Proposition 30, Education Protection Act were recorded and expended.

F. 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.

G. 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 yearend and the variance between the final budget and actual amounts.

OTHER INDEPENDENT AUDITOR'S REPORTS



**INDEPENDENT AUDITOR'S 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, 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, the basic financial statements of the Mt. San Antonio Community College District (the District) as of and for the year ended June 30, 2014 and have issued our report thereon dated November 20, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

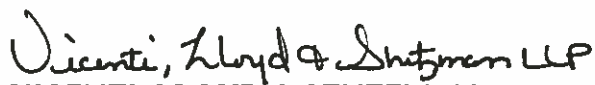
**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
November 20, 2014



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited the Mt. San Antonio Community College District's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2014. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY OMB CIRCULAR A-133**

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance, for each major federal program 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY OMB CIRCULAR A-133**

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
November 20, 2014

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 Mt. San Antonio Community College District's (the District) compliance with the types of compliance requirements described in the *2013-14 Contracted District Audit Manual*, published by the California Community Colleges Chancellor's Office for the year ended June 30, 2014. The District's State compliance requirements are identified below.

Management's Responsibility

Management is responsible for compliance with the State laws and regulations as identified below.

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance based on our audit of the types of compliance requirements referred to below.

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 the *2013-14 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 on state compliance. However, our audit does not provide a legal determination of the District's compliance.

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Compliance Requirements Tested

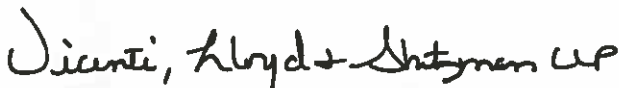
In connection with our audit referred to above, we selected and tested transactions and records to determine the District's compliance with the State laws and regulations applicable to the following items:

Section 421	Salaries of Classroom Instructors (50 Percent Law)
Section 423	Apportionment for Instructional Service Agreements/Contracts
Section 424	State General Apportionment Funding System
Section 425	Residency Determination for Credit Courses
Section 426	Students Actively Enrolled
Section 427	Concurrent Enrollment of K-12 Students in Community College Credit Courses
Section 430	Scheduled Maintenance Program
Section 431	Gann Limit Calculation
Section 435	Open Enrollment
Section 438	Student Fees – Health Fees and Use of Health Fee Funds
Section 439	Proposition 39 Clean Energy Funds
Section 474	Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE)
Section 475	Disabled Student Programs and Services (DSPS)
Section 479	To Be Arranged Hours (TBA)
Section 490	Proposition 1D State Bond Funded Projects
Section 491	Proposition 30 Education Protection Account Funds

In our opinion, the Mt. San Antonio Community College District complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2014.

Purpose of this Report

The purpose of this report on state compliance is solely to describe the results of testing based on the requirements of the *2013-14 Contracted District Audit Manual*, published by the California Community Colleges Chancellor's Office. Accordingly, this report is not suitable for any other purpose.



VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
November 20, 2014

FINDINGS AND QUESTIONED COSTS

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDITOR RESULTS

June 30, 2014

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiencies identified not considered
to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes No

Significant deficiencies identified not considered
to be material weaknesses? Yes None reported

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

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

Identification of major programs tested:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.000, 84.007, 84.033, 84.038, 84.063, and 84.268	Student Financial Assistance Cluster of Programs
84.042A and 84.047A	TRIO Cluster

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

Auditee qualified as low-risk auditee? Yes No

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

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

June 30, 2014

There were no findings and questioned costs related to the financial statements for the year ended June 30, 2014.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FEDERAL AWARDS
June 30, 2014

There were no findings and questioned costs related to federal awards for the year ended June 30, 2014.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO STATE AWARDS
June 30, 2014

There were no findings and questioned costs related to state awards for the fiscal year ended June 30, 2014.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2014

<u>Finding No.</u>	<u>Finding</u>	<u>Recommendation</u>	<u>Current Status</u>
13-01	<p><u>TRANSPARENCY ACT REPORTING</u></p> <p>CFDA Title and Number: Advance Technologies Education - CyberWatch (47.076) Federal Award Number and Year: DUE-110478; 2011 Name of Federal Agency: National Science Foundation Name of the Pass-through Agency: Not Applicable</p>	<p>Implement specific procedures to register in the FSRs and report subaward data through FSRs annually and in a timely manner.</p>	Implemented.
	<p>According to the Federal Funding Accounting and Transparency Act, direct recipients of grants who make first-tier subawards and contracts must be reported if the value of the Federal prime contract award under which that subcontract was awarded was \$25,000 or more. Grant and cooperative agreement recipients and contractors are required to register in the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS) and report subaward data through FSRS. Recipients are required to report in FSRS no later than the last day of the month following the month in which the award or modification was made. The District is a direct recipient of Advance Technologies Education - CyberWatch funding and, during the 2012-13 fiscal year, made first-tier subawards totaling \$279,464. We noted that the District did not report subaward data through FSRS timely.</p>		

CONTINUING DISCLOSURE INFORMATION

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT
CONTINUING DISCLOSURE INFORMATION (UNAUDITED)
June 30, 2014

Assessed valuation for fiscal year 2013-14	\$ 68,354,340,931 (2)
Secured tax levies for fiscal year 2013-14	\$ 15,732,147 (1)
Secured tax delinquencies for fiscal year 2013-14	\$ (610,663) (1)
Secured tax collections for fiscal year 2013-14	\$ 15,121,484 (1)

2013-14 LARGEST LOCAL SECURED TAXPAYERS
MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT (2)

<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2013-14 Assessed Valuation</u>	<u>% of Total (3)</u>
1. Industry East Land LLC, Lessee	Industrial	\$ 211,707,576	0.31%
2. Puente Hills Mall LLC	Shopping Center	188,681,052	0.28
3. Metropolitan Life Insurance Company Corp.	Industrial	168,041,483	0.25
4. Fairway Sub A-E LLC	Industrial	167,374,655	0.24
5. Plaza West Covina LLC	Shopping Center	158,750,648	0.23
6. JCC California Properties LLC	Commercial	133,293,663	0.20
7. Crow Family Holdings Industrial LP	Industrial	101,802,489	0.15
8. Tropicana Manufacturing Company Inc.	Industrial	100,971,791	0.15
9. Eastland Shopping Center LLC	Shopping Center	94,665,219	0.14
10. Quemetco West LLC	Industrial	80,939,878	0.12
11. Realty Associates Funds	Industrial	74,760,371	0.11
12. Adcor Realty Corp.	Industrial	65,835,914	0.10
13. Costco Wholesale Corporation	Industrial	64,950,475	0.10
14. Rowland Ranch Properties LLC	Commercial	64,058,372	0.09
15. LBA Realty Fund III-Co. VII LLC	Industrial	56,921,754	0.08
16. La Colima 2010 LLC	Apartments	56,861,188	0.08
17. PPC WR Apartments LLC	Apartments	53,850,772	0.08
18. CP III Emerald Ridge LLC	Apartments	50,202,804	0.07
19. Huy Fong Irwindale LLC	Industrial	50,180,858	0.07
20. Sysco Continental Food Services	Industrial	<u>49,429,869</u>	<u>0.07</u>
		<u>\$1,993,280,831</u>	<u>2.92%</u>

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

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

(3) % of total assessed valuation for fiscal year 2013-14 of \$68,354,340,931