

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

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

June 30, 2005

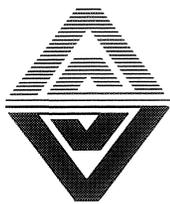
MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

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Senior Managers

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CLAUDETTE ELIAS DAIN

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PRISCILLA OSBORNE FLORES

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SHARI PROSSER

COLLEEN K. TAYLOR

INDEPENDENT AUDITORS' REPORT

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the Mt. San Antonio Community College District, as of and for the year ended June 30, 2005, and have issued our report thereon dated September 30, 2005. We have also audited the accompanying Balance Sheet, Statement of Revenues, Expenditures and Change in Fund Balance and Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual for the Bond Construction Fund of the Mt. San Antonio Community College District as of and for the year ended June 30, 2005. These statements are the responsibility of the District's management. Our responsibility is to express an opinion on these statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations for the Bond Construction Fund of the Mt. San Antonio Community College District as of June 30, 2005, in conformity with accounting principles generally accepted in the United States of America.

The Board of Trustees
The Citizens' Oversight Committee
Mt. San Antonio Community College District

In accordance with Government Auditing Standards, we have also issued a report dated September 30, 2005 on our consideration of the Mt. San Antonio Community College District's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

September 30, 2005

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

BALANCE SHEET
BOND CONSTRUCTION FUND

June 30, 2005

ASSETS

Cash in County Treasury	\$ 6,539,419
Investments	<u>44,721,197</u>
TOTAL ASSETS	<u>\$ 51,260,616</u>

LIABILITIES AND FUND BALANCE

Liabilities

Accounts Payable	\$ <u>4,462,414</u>
TOTAL LIABILITIES	<u>4,462,414</u>

Fund Balance

Designated for Special Purposes	<u>46,798,202</u>
TOTAL FUND BALANCE	<u>46,798,202</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 51,260,616</u>

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

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

For the Fiscal Year Ended June 30, 2005

REVENUES

Revenues from Local Sources	
Interest Income	\$ 1,239,462
TOTAL REVENUES	<u>1,239,462</u>

EXPENDITURES

Salaries and Benefits	2,689
Supplies and Materials	155,445
Other Expenses and Services	903,844
Capital Outlay	<u>21,735,841</u>
TOTAL EXPENDITURES	<u>22,797,819</u>
Excess of expenditures over revenues	(21,558,357)
Fund Balance at Beginning of Year	<u>68,356,559</u>
Fund Balance at End of Year	<u>\$ 46,798,202</u>

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
BOND CONSTRUCTION FUND**

For the Fiscal Year Ended June 30, 2005

	<u>Budget*</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Revenues from Local Sources			
Interest Income	\$ 625,000	\$ 1,239,462	\$ 614,462
TOTAL REVENUES	<u>625,000</u>	<u>1,239,462</u>	<u>614,462</u>
EXPENDITURES			
Salaries and Benefits	-	2,689	(2,689)
Supplies and Materials	99,045	155,445	(56,400)
Other Operating Expenses and Services	437,000	903,844	(466,844)
Capital Outlay	<u>67,555,018</u>	<u>21,735,841</u>	<u>45,819,177</u>
TOTAL EXPENDITURES	<u>68,091,063</u>	<u>22,797,819</u>	<u>45,293,244</u>
Excess of expenditures over revenues	<u>\$(67,466,063)</u>	(21,558,357)	<u>\$ 45,907,706</u>
Fund Balance at Beginning of Year		<u>68,356,559</u>	
Fund Balance at End of Year		<u>\$ 46,798,202</u>	

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

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

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2005**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

ACCOUNTING POLICIES

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

FUND STRUCTURE

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

BASIS OF ACCOUNTING

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

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

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.

BUDGET

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

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

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2005**

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

CAPITAL ASSETS AND LONG-TERM DEBT

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

NOTE 2 - DEPOSITS AND INVESTMENTS:

A. Deposits

In accordance with the Budget and Accounting Manual, the District maintains its cash related to the Bond Construction Fund in the Los Angeles County Treasury as part of the common investment pool. These pooled funds are carried at cost which approximates fair value. The fair market value of the District’s Bond Construction Fund deposits in this pool as of June 30, 2005, as provided by the pool sponsor, was \$6,537,696. Interest earned is deposited quarterly into the participating fund. Any investment losses are proportionately shared by all funds in the pool.

B. Investments

California Government Code Sections 16430, 53601, and 53602 allows governmental entities to invest surplus moneys in certain eligible securities. In addition, the District’s investment policy, Board Policy Section 770, limits its investment choices to those allowed by California Government Code. The District did not violate any provisions of the California Government Code during the 2004-05 fiscal year.

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

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2005**

NOTE 2 - DEPOSITS AND INVESTMENTS: (continued)

B. Investments (continued)

Investments at June 30, 2005 are presented below:

<u>Investment</u>	<u>Maturities</u>	<u>Standard & Poor's Rating</u>	<u>Fair Value</u>
Federal Agency Notes	8/15/2005 - 4/16/2006	AAA	\$35,904,172
Federal Agency Discount Notes	7/05/2005 - 1/10/2006	A-1+	<u>8,779,803</u>
Total			<u>\$44,683,975</u>

The investments are carried at cost on the financial statements which approximates fair value. Cost at June 30, 2005 is \$44,721,197.

Interest Rate Risk

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

Concentration of Credit Risk

The District places no limit on the amount that may be invested in Federal Agency or government-sponsored enterprises. However, the District does diversify its investments by security type and maturities to prevent incurring unreasonable or avoidable credit risk. All of the District's investments are in Federal Agency Notes; 27% are invested in the Federal National Mortgage Association; 32% are invested in Federal Home Loan Bonds; and 41% are invested in the Federal Home Loan Mortgage Corporation. These government-sponsored agency securities are not guaranteed by the U.S. government.

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

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2005**

NOTE 3 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS:

Excess of expenditures over appropriation in the Bond Construction Fund, by major object amounts, are as follows:

Salaries	\$ 1,841
Employee benefits	848
Supplies and materials	56,400
Other operating expenses and services	466,844

NOTE 4 – BONDED DEBT:

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

The outstanding related bonded debt for the Mt. San Antonio Community College District at June 30, 2005 is:

<u>Date of Issue</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2004</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2005</u>
5/1/02 A	3.25-5.50%	5/1/2027	\$ 40,000,000	\$ 28,950,000	\$ 0	\$ 1,155,000	\$ 27,795,000
2/4/04 B	2.50-5.50%	8/1/2024	75,000,000	75,000,000	0	0	75,000,000
			<u>\$115,000,000</u>	<u>\$103,950,000</u>	<u>\$ 0</u>	<u>\$ 1,155,000</u>	<u>\$102,795,000</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2005**

NOTE 4 – BONDED DEBT: (continued)

The annual requirements to amortize the bonds payable, outstanding as of June 30, 2005, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 5,410,000	\$ 4,698,018	\$ 10,108,018
2007	7,445,000	4,485,169	11,930,169
2008	8,055,000	4,226,044	12,281,044
2009	2,795,000	4,040,631	6,835,631
2010	2,855,000	3,936,106	6,791,106
2010-2014	15,615,000	17,586,745	33,201,745
2015-2019	18,635,000	13,409,238	32,044,238
2020-2024	22,960,000	8,021,594	30,981,594
2025-2029	<u>19,025,000</u>	<u>1,874,375</u>	<u>20,899,375</u>
Total debt service	<u>\$102,795,000</u>	<u>\$ 62,277,920</u>	<u>\$165,072,920</u>

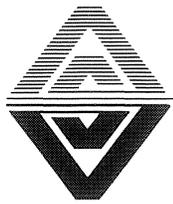
The repayment of the debt related to the general obligations bonds is accounted for in the District's Bond Interest and Redemption Fund which is part of the Mt. San Antonio Community College District's basic financial statements.

NOTE 5 – PURCHASE COMMITMENTS:

As of June 30, 2005, the District was committed under various capital expenditure purchase agreements for bond projects totaling approximately \$18,500,000.

NOTE 6 – SUBSEQUENT EVENT:

On September 7, 2005 the District offered for sale \$75,745,842 in general obligation refunding bonds. The bonds are issued in order to refund certain outstanding general obligation bonds of the District, authorized by an election conducted within the district on November 6, 2001 under Proposition 39/Measure R, and to fund certain capital improvements of the District.



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

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

Chairman
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We have audited the basic financial statements of Mt. San Antonio Community College District as of and for the year ended June 30, 2005, and have issued our report thereon dated September 30, 2005. We have also audited the Balance Sheet, Statement of Revenues, Expenditures and Change in Fund Balance and Statement of Revenues, Expenditures and Change in Fund Balance - Budget and Actual for the Bond Construction Fund of the Mt. San Antonio Community College District as of and for the year ended June 30, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Mt. San Antonio Community College District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be considered to be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

Compliance and Other Matters

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

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

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

September 30, 2005

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2005**

There were no findings and questioned costs related to the financial audit of the Bond Construction Fund for the year ended June 30, 2005.

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

**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2005**

There were no findings and questioned costs related to the financial audit of the Bond Construction Fund for the year ended June 30, 2004.