

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

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

June 30, 2009



MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

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

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INDEPENDENT AUDITORS' REPORT

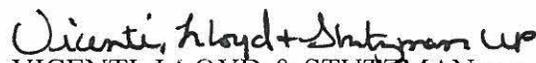
The Board of Trustees
The Citizens' Oversight Committee
Mt. San Antonio Community College District
1100 North Grand Avenue
Walnut, CA 91789

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 fiscal year ended June 30, 2009, and have issued our report thereon dated November 19, 2009. 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, 2009. 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 *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 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, 2009, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 19, 2009 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

November 19, 2009

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

**BALANCE SHEET
BOND CONSTRUCTION FUND**

June 30, 2009

ASSETS

Cash in County Treasury	\$	34,039,031
Accounts Receivable		<u>45,298</u>
TOTAL ASSETS	\$	<u>34,084,329</u>

LIABILITIES AND FUND BALANCE

Liabilities

Accounts Payable	\$	<u>3,987,147</u>
TOTAL LIABILITIES		<u>3,987,147</u>

Fund Balance

Designated for Special Purposes		<u>30,097,182</u>
TOTAL FUND BALANCE		<u>30,097,182</u>
TOTAL LIABILITIES AND FUND BALANCE	\$	<u>34,084,329</u>

See the accompanying notes to the financial statements.

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, 2009

REVENUES

Revenues from Local Sources

Interest Income \$ 1,452,522

TOTAL REVENUES 1,452,522

EXPENDITURES

Supplies and Materials 163,078

Other Expenses and Services 352,851

Capital Outlay 26,209,438

TOTAL EXPENDITURES 26,725,367

Excess of expenditures over revenues (25,272,845)

OTHER FINANCING SOURCES

Proceeds from Sale of Bonds 26,003,609

TOTAL OTHER FINANCING SOURCES 26,003,609

Net change in fund balance 730,764

Fund Balance at Beginning of Year 29,366,418

Fund Balance at End of Year \$ 30,097,182

See the accompanying notes to the financial statements.

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, 2009**

	<u>Budget*</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Revenues from Local Sources			
Interest Income	\$ 600,000	\$ 1,452,522	\$ 852,522
TOTAL REVENUES	<u>600,000</u>	<u>1,452,522</u>	<u>852,522</u>
EXPENDITURES			
Supplies and Materials	180,347	163,078	17,269
Other Operating Expenses and Services	404,429	352,851	51,578
Capital Outlay	<u>53,402,303</u>	<u>26,209,438</u>	<u>27,192,865</u>
TOTAL EXPENDITURES	<u>53,987,079</u>	<u>26,725,367</u>	<u>27,261,712</u>
Excess of expenditures over revenues	<u>(53,387,079)</u>	<u>(25,272,845)</u>	<u>28,114,234</u>
OTHER FINANCING SOURCES			
Proceeds from Sale of Bonds	<u>26,003,609</u>	<u>26,003,609</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES	<u>26,003,609</u>	<u>26,003,609</u>	<u>-</u>
Net change in fund balance	<u>\$ (27,383,470)</u>	730,764	<u>\$ 28,114,234</u>
Fund Balance at Beginning of Year		<u>29,366,418</u>	
Fund Balance at End of Year		<u>\$ 30,097,182</u>	

* The budget for revenues 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.

See the accompanying notes to the financial statements.

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

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009**

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, 2009**

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:

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, 2009, as provided by the pool sponsor, was \$34,107,812. Interest earned is deposited quarterly into the fund. Any investment losses are proportionately shared by all funds in the pool.

NOTE 3 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS:

No excess of expenditures over appropriations, by major object amounts, occurred in the Bond Construction Fund.

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 from the sale of the bonds will be used to finance the construction, acquisition, furnishing and equipping of District facilities.

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

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

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009**

NOTE 4 – BONDED DEBT: (continued)

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

The proceeds associated with the refunding were deposited in an escrow fund for future repayment. At June 30, 2009 the outstanding balance of the defeased debt to be paid by the escrow agent totaled \$64,314,450. Of this amount \$20,144,450 and \$44,170,000 are scheduled to be repaid in May 2012 and August 2014, respectively. These bonds are considered fully defeased and are not recorded on the basic financial statements of the Mt. San Antonio Community College District. The difference in cash flow requirements related to this refunding amounted to a savings of approximately \$12,176,000. These savings result in a re-calculation of the collections and payments towards bond payoffs and are included in the consolidated schedule noted on the subsequent page.

The capital appreciation bonds were issued with maturity dates of August 1, 2016 through August 1, 2017. Prior to the applicable maturity date, each bond will accrete interest on the principal component. Accreted interest accrued is included as long-term debt in the basic financial statements of the Mt. San Antonio Community College District.

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

The capital appreciation bonds were issued with maturity dates of September 1, 2008 through September 1, 2012. Prior to the applicable maturity date, each bond will accrete interest on the principal component. Accreted interest accrued is included as long-term debt in the basic financial statements of the Mt. San Antonio Community College District.

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

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

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009**

NOTE 4 – BONDED DEBT: (continued)

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. Accreted interest accrued is included as long-term debt in the basic financial statements of the Mt. San Antonio Community College District.

The outstanding bonded debt of Mt. San Antonio Community College District at June 30, 2009 is:

Date of Issue	Interest Rate %	Final Maturity Date ⁽¹⁾	Amount of Original Issue	Outstanding July 1, 2008	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2009
5/1/2002 A	3.25-5.25%	5/1/2027	\$ 40,000,000	\$ 4,470,000	\$	\$ 1,105,000	\$ 3,365,000
2/4/2004 B	2.75-5.0%	8/1/2028	75,000,000	13,300,000		1,690,000	11,610,000
9/6/2005	3.5-5.0%	8/4/2017	75,745,843	75,295,843		4,715,000	70,580,843
9/8/2006 C	4.0-5.0%	9/1/2031	79,996,203	76,226,203		135,133	76,091,070
7/9/2008 D	2.92-5.0%	6/1/2033	26,003,609		26,003,609		26,003,609
			<u>\$ 296,745,655</u>	<u>\$ 169,292,046</u>	<u>\$ 26,003,609</u>	<u>\$ 7,645,133</u>	<u>\$ 187,650,522</u>

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

The annual requirements to amortize the bonds payable, outstanding as of June 30, 2009, are as follows:

Year Ended June 30	Principal	Accreted Interest	Interest	Total
2010	\$ 8,879,378	\$ 50,623	\$ 7,832,627	\$ 16,762,628
2011	9,661,159	118,841	7,530,611	17,310,611
2012	10,534,039	165,961	7,184,570	17,884,570
2013	10,124,019	265,980	6,807,693	17,197,692
2014	12,217,408	182,592	6,196,631	18,596,631
2015-2019	47,234,519	17,000,482	24,332,675	88,567,676
2020-2024	27,190,000		18,600,813	45,790,813
2025-2029	34,855,000		11,204,264	46,059,264
2030-2033	26,955,000		2,293,900	29,248,900
Total Debt Service	<u>\$ 187,650,522</u>	<u>\$ 17,784,479</u>	<u>\$ 91,983,784</u>	<u>\$ 297,418,785</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009**

NOTE 4 – BONDED DEBT: (continued)

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. The recognition of premiums on bonds is recorded as long-term liabilities and the recognition of issuance costs is recognized as capitalized fees in the basic financial statements of the Mt. San Antonio Community College District.

NOTE 5 – COMMITMENTS AND CONTINGENCIES:

A. Purchase Commitments

As of June 30, the District was committed under various capital expenditure purchase agreements for bond projects totaling approximately \$10.9 million.

B. Potential Excess Earnings Liability

Under federal law, issuers of tax exempt bonds are required to calculate and remit to the federal government earnings on the proceeds of bonds above allowed yields every five years. The district has had preliminary calculations performed on Series A, B and C bond proceeds. These indicate potential excess earnings on Series B bonds of \$231,467 for the five year period ending in February 2011 and \$692,564 for the Series C period ending in September 2011. Amounts eventually remitted will be based on excess earnings over the full five year periods and may be more or less than the above amounts.

**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

We have 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, 2009. 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 Bond Construction Fund financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the fund financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's Bond Construction Fund financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

**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***

Internal Control Over Financial Reporting (continued)

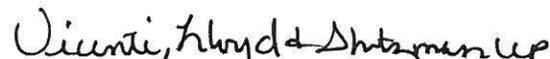
A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the Bond Construction Fund financial statements will not be prevented or detected by the District's internal control.

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

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

November 19, 2009

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2009**

There were no findings and questioned costs related to the financial audit of the Bond Construction Fund for the year ended June 30, 2009.

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

**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2009**

There were no findings and questioned costs related to the financial audit of the Bond Construction Fund for the year ended June 30, 2008.