

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

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

June 30, 2015



MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

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

June 30, 2015

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INDEPENDENT AUDITOR'S REPORT

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

We have conducted a performance audit of the Mt. San Antonio Community College District's (the District), Measure R and Measure RR General Obligation Bond funds for the year ended June 30, 2015. In addition, as a result of the District's use of Measure RR General Obligation Bond funds to defease temporary financing debt, we have conducted a performance audit of the District's use of proceeds from lease revenue bonds (2007) and bond anticipation notes (2009) for the fiscal year ended June 30, 2015.

We conducted our performance audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusion based on our audit objectives.

Our audit was limited to the objectives listed on pages 5-6 of this report which includes determining the District's compliance with the performance requirements for the Proposition 39 Measure R and Measure RR General Obligation Bonds under Section 1(b)(3)(C) of Article XIII A of the California Constitution and Proposition 39 as they apply to the Bonds and the net proceeds thereof. Management is responsible for the District's compliance with those requirements.

Solely to assist us in planning and performing our performance audit, we obtained an understanding of the internal controls of the District to determine if internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution. Accordingly, we do not express any assurance on internal control.

The results of our tests indicated that for the fiscal year ended June 30, 2015 the District complied, in all significant respects, with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution. In addition, the District expended proceeds from the lease revenue bonds and bond anticipation notes for the fiscal year ended June 30, 2015, only for the purposes approved by the voters and only on the specific projects developed by the District's Board of Trustees under Measure RR, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution.

Vicenti, Lloyd & Stutzman LLP
VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
November 19, 2015

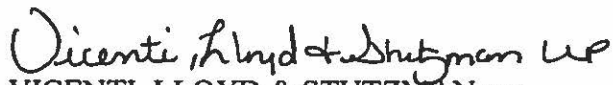
The Board of Trustees
The Citizens' Oversight Committee
Mt. San Antonio Community College District

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Bond Construction Fund (Measure R) of the Mt. San Antonio Community College District as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2015 on our consideration of the Mt. San Antonio Community College District's internal control over the Bond Construction Fund (Measure R) 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 the Bond Construction Fund (Measure R) 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 the Bond Construction Fund (Measure R) financial reporting and compliance.


VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
November 19, 2015

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

**BALANCE SHEET
BOND CONSTRUCTION FUND
(MEASURE R)
June 30, 2015**

ASSETS

Cash in County Treasury	\$	64,952
Accounts Receivable		<u>1,183</u>
TOTAL ASSETS	\$	<u>66,135</u>

LIABILITIES AND FUND BALANCE

Liabilities

Accounts Payable	\$	<u>66,135</u>
TOTAL LIABILITIES		<u>66,135</u>

Fund Balance

Restricted for Capital Projects		<u>-</u>
TOTAL FUND BALANCE		<u>-</u>
TOTAL LIABILITIES AND FUND BALANCE	\$	<u>66,135</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
(MEASURE R)**

For the Fiscal Year Ended June 30, 2015

REVENUES

Revenues from Local Sources	
Interest Income	\$ 3,279
TOTAL REVENUES	<u>3,279</u>

EXPENDITURES

Supplies and Materials	2,622
Other Expenses and Services	273,755
Capital Outlay	<u>227,307</u>
TOTAL EXPENDITURES	<u>503,684</u>

Net Change in Fund Balance (500,405)

Fund Balance at Beginning of Year	<u>500,405</u>
Fund Balance at End of Year	<u>\$ -</u>

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**

(MEASURE R)

For the Fiscal Year Ended June 30, 2015

	<u>Budget*</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Revenues from Local Sources			
Interest Income	\$ 3,279	\$ 3,279	\$ _____
TOTAL REVENUES	<u>3,279</u>	<u>3,279</u>	<u>-</u>
EXPENDITURES			
Supplies and Materials	2,622	2,622	
Other Expenses and Services	273,755	273,755	
Capital Outlay	<u>227,307</u>	<u>227,307</u>	
TOTAL EXPENDITURES	<u>503,684</u>	<u>503,684</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ (500,405)</u>	(500,405)	<u>\$ -</u>
Fund Balance at Beginning of Year		<u>500,405</u>	
Fund Balance at End of Year		<u>\$ -</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
(MEASURE R)**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

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 (Measure R) related to the current reporting period. Expenditures frequently include amounts for buildings, equipment, 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 (Measure R) of the Mt. San Antonio Community College District (the 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.

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
(MEASURE R)**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

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

FUND BALANCE CLASSIFICATION

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the governmental fund financial statements present fund balance classifications that comprise a hierarchy based on the extent to which the District is bound to honor constraints on the specific purposes for which amounts can be spent. Amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation are considered restricted. The fund balance of the Bond Construction Fund (Measure R) is therefore classified as restricted.

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 (Measure R) are determined by its measurement focus. The Bond Construction Fund (Measure R) 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 (Measure R) are accounted for in the basic financial statements of the District.

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.

NOTE 2 – DEPOSITS – CASH IN COUNTY TREASURY:

In accordance with the *Budget and Accounting Manual*, the District maintains 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. Fair value of the pooled investments at June 30, 2015 is measured at 99.8957% of amortized cost on investments with maturities in excess of one year.

**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT
BOND CONSTRUCTION FUND
(MEASURE R)**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

NOTE 2 – DEPOSITS – CASH IN COUNTY TREASURY: (continued)

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. 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 codes, occurred in the Bond Construction Fund (Measure R).

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 May 1, 2002 the District offered for sale \$40,000,000 in general obligation bonds. The bonds are the first series (Series A) of general obligation bonds authorized by the November 6, 2001 election. The bonds were issued as current interest bonds. The bonds have since been fully defeased.

On February 4, 2004 the District offered for sale \$75,000,000 in general obligation bonds. The bonds are the second series (Series B) of general obligation bonds authorized by the November 6, 2001 election. The bonds were issued as current interest bonds. Certain maturities of the bonds have been fully defeased and the remaining balance was repaid in the current year.

**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT
BOND CONSTRUCTION FUND
(MEASURE R)**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

NOTE 4 – BONDED DEBT: (continued)

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 since been fully defeased.

The proceeds associated with the refunding were deposited in an escrow fund for repayment of the outstanding balances of the defeased debt (Series A and Series B) and were paid by the escrow agent in August 2014.

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 the 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. Accreted interest is included as long-term debt in the basic financial statements of the 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 the aggregate 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. Accreted interest is included as long-term debt in the basic financial statements of the District.

**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT
BOND CONSTRUCTION FUND
(MEASURE R)**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

NOTE 4 – BONDED DEBT: (continued)

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.

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, 2015 the outstanding balance of the refunded debt to be paid by the escrow agent totaled \$114,080,000 and is scheduled to be fully repaid by August, 2017. The refunded bonds are considered in-substance defeased and are not recorded on the basic financial statements of the District.

The outstanding bonded debt of the District at June 30, 2015 is:

Date of Issue	Interest Rate %	Final Maturity Date ⁽¹⁾	Amount of Original Issue	Outstanding July 1, 2014	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2015
2/4/2004 B	2.75-5.00%	8/1/2014	\$ 75,000,000	\$ 2,150,000	\$	\$ 2,150,000	\$ -
9/8/2006 C	4.00-5.00%	9/1/2016	79,996,203	2,940,000		965,000	1,975,000
7/9/2008 D	2.92-5.00%	6/1/2033	26,003,609	22,378,676		672,021	21,706,655
8/1/2013 A	2.00-5.00%	9/1/2028	74,910,000	74,910,000		1,000,000	73,910,000
8/1/2013 B	0.72-4.10%	8/1/2023	48,190,000	48,190,000		1,105,000	47,085,000
			<u>\$ 304,099,812</u>	<u>\$ 150,568,676</u>	<u>\$ -</u>	<u>\$ 5,892,021</u>	<u>\$ 144,676,655</u>

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

**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT
BOND CONSTRUCTION FUND
(MEASURE R)**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

NOTE 4 – BONDED DEBT: (continued)

The annual requirements to amortize the bonds payable, outstanding as of June 30, 2015, are as follows:

Year Ended June 30,	Principal	Accreted Interest	Interest	Total
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	11,385,000		4,840,267	16,225,267
2021-2025	62,790,000		15,914,514	78,704,514
2026-2030	30,540,000		4,344,250	34,884,250
2031-2034	5,125,000		488,000	5,613,000
Total Debt Service	<u>\$ 144,676,655</u>	<u>\$ 1,028,346</u>	<u>\$ 48,499,090</u>	<u>\$ 194,204,091</u>

The repayment of debt related to the general obligations bonds is accounted for in the District's Bond Interest and Redemption Fund which is part of the District's basic financial statements. The recognition of premiums or discounts on bonds is recorded with long-term liabilities in the District's basic financial statements. Costs of issuance are expensed when incurred.



**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
The Citizens' Oversight Committee
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 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 (Measure R) of the Mt. San Antonio Community College District (the District), as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's Bond Construction Fund (Measure R) financial statements, and have issued our report thereon dated November 19, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over the Bond Construction Fund (Measure R) 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.

**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***

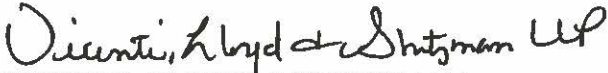
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's Bond Construction Fund (Measure R) 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
November 19, 2015

**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT
BOND CONSTRUCTION FUND
(MEASURE R)**

**SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2015**

There were no findings related to the financial audit of the Bond Construction Fund (Measure R) for the fiscal years ended June 30, 2015 and June 30, 2014.