

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

**PROPOSITION 39, GENERAL OBLIGATION BONDS
(MEASURE RR, NOVEMBER 2008)
FINANCIAL AUDIT**

June 30, 2014



MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

**PROPOSITION 39, GENERAL OBLIGATION BONDS
(MEASURE RR, NOVEMBER 2008)
FINANCIAL AUDIT**

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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

Report on the Financial Statements

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, 2014, and have issued our report thereon dated November 20, 2014. We have also audited the accompanying financial statements of the Bond Construction Fund (Measure RR) of the Mt. San Antonio Community College District as of and for the fiscal 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, the auditor considers 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.

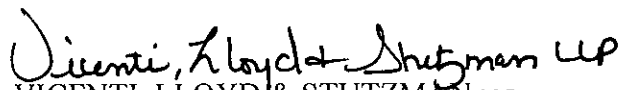
The Board of Trustees
The Citizens' Oversight Committee
Mt. San Antonio Community College District

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 RR) of the Mt. San Antonio Community College District as of June 30, 2014, 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 20, 2014 on our consideration of the Mt. San Antonio Community College District's internal control over the Bond Construction Fund (Measure RR) 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 RR) 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 RR) financial reporting and compliance.


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

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

BALANCE SHEET
BOND CONSTRUCTION FUND
(MEASURE RR)
June 30, 2014

ASSETS

Cash in County Treasury	\$ 125,371,392
Accounts Receivable	<u>349,280</u>
TOTAL ASSETS	\$ <u>125,720,672</u>

LIABILITIES AND FUND BALANCE

Liabilities

Accounts Payable	\$ 4,986,265
Accrued Liabilities	<u>32,846</u>
TOTAL LIABILITIES	<u>5,019,111</u>

Fund Balance

Restricted for Capital Projects	<u>120,701,561</u>
TOTAL FUND BALANCE	<u>120,701,561</u>
TOTAL LIABILITIES AND FUND BALANCE	\$ <u>125,720,672</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 RR)

For the Fiscal Year Ended June 30, 2014

REVENUES

Revenues from Local Sources	
Interest Income	\$ 596,018
TOTAL REVENUES	<u>596,018</u>

EXPENDITURES

Salaries	620,590
Employee Benefits	159,951
Supplies and Materials	429
Other Expenses and Services	4,118,411
Capital Outlay	<u>21,250,193</u>
TOTAL EXPENDITURES	<u>26,149,574</u>
Deficiency of Revenue Over Expenditures	<u>(25,553,556)</u>

OTHER FINANCING SOURCES

Proceeds from Sale of Bonds	<u>146,255,117</u>
TOTAL OTHER FINANCING SOURCES	<u>146,255,117</u>

Net Change in Fund Balance	120,701,561
Fund Balance at Beginning of Year	<u>-</u>
Fund Balance at End of Year	<u>\$ 120,701,561</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 RR)**

For the Fiscal Year Ended June 30, 2014

	<u>Budget*</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Revenues from Local Sources			
Interest Income	\$ 750,000	\$ 596,018	\$ (153,982)
TOTAL REVENUES	<u>750,000</u>	<u>596,018</u>	<u>(153,982)</u>
EXPENDITURES			
Salaries	886,610	620,590	266,020
Employee Benefits	180,150	159,951	20,199
Supplies and Materials	38,000	429	37,571
Other Expenses and Services	5,984,462	4,118,411	1,866,051
Capital Outlay	<u>138,082,655</u>	<u>21,250,193</u>	<u>116,832,462</u>
TOTAL EXPENDITURES	<u>145,171,877</u>	<u>26,149,574</u>	<u>119,022,303</u>
Deficiency of Revenue Over Expenditures	<u>(144,421,877)</u>	<u>(25,553,556)</u>	<u>118,868,321</u>
OTHER FINANCING SOURCES			
Proceeds from Sale of Bonds	<u>146,255,117</u>	<u>146,255,117</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES	<u>146,255,117</u>	<u>146,255,117</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 1,833,240</u>	120,701,561	<u>\$ 118,868,321</u>
Fund Balance at Beginning of Year		<u>-</u>	
Fund Balance at End of Year		<u>\$ 120,701,561</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 RR)**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

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 RR) 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 RR) 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 RR)**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

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 RR) 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 RR) are determined by its measurement focus. The Bond Construction Fund (Measure RR) 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 RR) 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 may differ from fair value. The fair value of the District’s deposits for the Bond Construction Fund (Measure RR) in this pool as of June 30, 2014, as provided by the pool sponsor, was \$125,092,540, as is based upon the District’s pro-rata share of the fair value for the entire portfolios (in relation to the amortized cost of the portfolio).

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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 RR).

NOTE 4 – BONDED DEBT:

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.

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 serial bonds in the aggregate principal amount of \$5,280,000, as current interest item bonds in the principal amount of \$22,520,000, as capital appreciation serial 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. Series B bonds were issued as current interest bonds.

Proceeds of \$78,815,326 associated with the bond issue were deposited in an escrow fund for future repayment of the bond anticipation notes of the District.

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

**NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

NOTE 4 – BONDED DEBT: (continued)

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 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.

The outstanding bonded debt of the District 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>

The annual requirements to amortize the 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>

The repayment of debt related to the general obligation 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.

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

**NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

NOTE 5 – COMMITMENTS AND CONTINGENCIES:

A. Purchase Commitments

As of June 30, 2014 the District was committed under various capital expenditure purchase agreements for bond projects totaling approximately \$14.3 million associated with the Bond Construction Fund (Measure RR).

B. Litigation

The District is involved in various claims and legal actions arising from construction projects. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the District's Bond Construction Fund (Measure RR) financial statements.



**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 RR) of the Mt. San Antonio Community College District (the District), as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's Bond Construction Fund (Measure RR) financial statements, and have issued our report thereon dated November 20, 2014.

Internal Control Over Financial Reporting

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

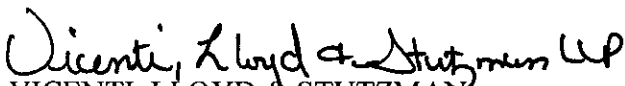
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 RR) 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 20, 2014

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

**SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2014**

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