

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

LOS ANGELES COUNTY

**REPORT ON
AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
INCLUDING REPORTS ON COMPLIANCE
June 30, 2005**



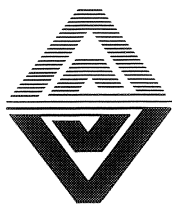
MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

AUDIT REPORT

June 30, 2005

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	
MANAGEMENT'S DISCUSSION AND ANALYSIS	i-xvi
BASIC FINANCIAL STATEMENTS:	
Statement of Net Assets – Primary Government and Component Unit	1
Statement of Revenues, Expenses and Changes in Net Assets – Primary Government and Component Unit	2
Statement of Cash Flows – Primary Government and Component Unit	3-4
Statement of Fiduciary Net Assets – Component Unit	5
Statement of Changes in Fiduciary Net Assets – Component Unit	6
NOTES TO FINANCIAL STATEMENTS	7-32
SUPPLEMENTARY INFORMATION:	
History and Organization	33
Schedule of Expenditures of Federal Awards	34-35
Schedule of State Financial Assistance - Grants	36
Schedule of Workload Measures for Program-Based Funding.....	37
Reconciliation of Annual Financial and Budget Report With Audited Fund Balances	38
Schedule of Financial Trends and Analysis	39
Schedule of Budgeted Comparison for the Combined General Fund	40
Notes to Supplementary Information	41-42
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.....	43-44
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 .	45-46
Report on State Compliance.....	47-49
Schedule of Findings and Questioned Costs – Summary of Auditor Results.....	50
Schedule of Findings and Questioned Costs Related to Financial Statements	51
Schedule of Findings and Questioned Costs Related to Federal Awards	52
Status of Prior Year Findings and Questioned Costs	53
STATISTICAL SECTION (UNAUDITED).....	54



Chairman

ROYCE A. STUTZMAN

Partners

PETER F. GAUTREAU

RENÉE S. GRAVES

WADE N. McMULLEN

KARIN HECKMAN NELSON

CARL PON

GEMA M. PTASINSKI

MARY ANN QUAY

LINDA M. SADDLEMIRE

Principal

JERI A. WENGER

Senior Managers

JANETTE CAMPS

CLAUDETTE ELIAS DAIN

TIMOTHY D. EVANS

PRISCILLA OSBORNE FLORES

PHEBE M. McCUTCHEON

SHARI PROSSER

COLLEEN K. TAYLOR

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying basic financial statements of the Mt. San Antonio Community College District, as of and for the year ended June 30, 2005 as listed in the table of contents. These financial statements are the responsibility of the District's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic 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 as of June 30, 2005, and the results of its operations, changes in net assets and cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 30, 2005 on our consideration of the Mt. San Antonio Community College District's internal control over financial reporting and 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 and should be considered in assessing the results of our audit.

Board of Trustees
Mt. San Antonio Community College District

The management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Mt. San Antonio Community College District's financial statements. The management's discussion and analysis section, supplementary section and statistical section 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 basic financial statements. The supplementary information, including the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The management's discussion and analysis section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

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

September 30, 2005

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2005

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, 2005. 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 provide accessible and affordable quality learning opportunities in response to the needs and interests of individuals and organizations; to provide quality transfer, career, and lifelong learning programs that prepare students with knowledge and skills needed for success in an interconnected world; and to advance the state and region's economic growth and global competitiveness through education, training, and services that contribute to continuous workforce improvement.

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 58 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 Statement 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 Statement 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 according to these standards following the BTA model for reporting these financial statements.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

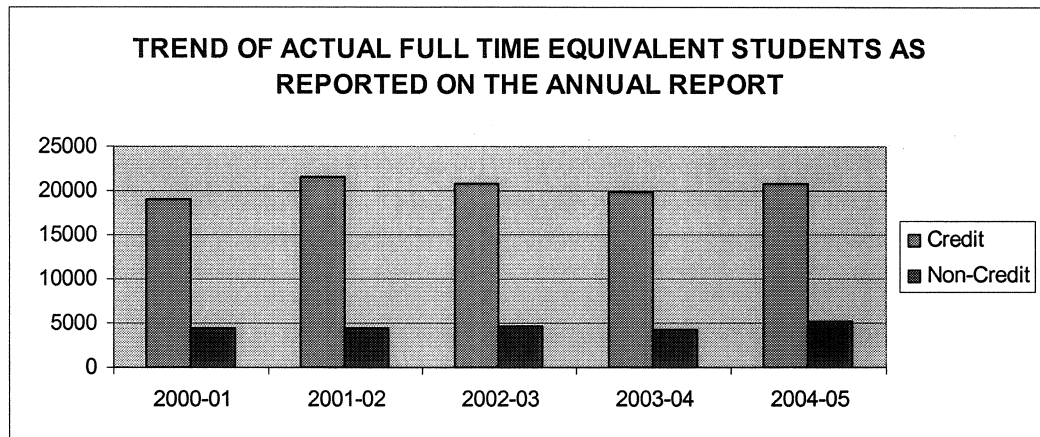
June 30, 2005

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

- During 2004-05, the total actual full-time equivalent students (FTES) increased from 24,149 to 25,872, which is a 7.13% increase for credit and non-credit courses. Funded credit and non-credit FTES, along with other workload measures, are the basis for the District's state apportionment. It is anticipated that the District will receive full apportionment funding for this increase in FTES. This significant increase in FTES is largely due to a correction in the FTES calculation method.



- On November 6, 2001 the voters of the District approved a \$221 million dollar bond measure with \$40 million issued in May 2003 and \$75 million issued in February 2005. Originally, there were 17 construction projects planned, but due to the increase in construction costs, we have eliminated three of these projects, therefore there are currently 14 major projects to be undertaken that will provide better facilities for the students, faculty and the community. Ground breaking began for some of the projects during 2001-02 and will continue through 2008, instead of 2011, as originally projected. This change in the completion date for the construction projects is an attempt to decrease the escalating construction costs.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2005

- During 2004-05, construction was completed for the following projects:

- Campus-wide Energy Central Plant (Project 3)
- Athletic Fields (Project 11)
- Health Careers Center (Project 16)
- Student Health Services Building (Project 16)
- Pool Renovation (Project 17)
- Major portions of Infrastructure Projects (Project 17)

Financial Statement Presentation and Basis of Accounting

The District's financial report includes three financial statements: The Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets 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 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 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, 2005 Annual Financial and Budget Report (CCFS-311) based upon governmental accounting principles and the modified accrual basis of accounting and the total net assets recorded on the full accrual basis of accounting is as follows:

Unrestricted Fund Balance	\$ 12,305,334
Restricted Fund Balance	2,082,443
Bond Interest and Redemption Fund Balance	7,367,002
Building Fund Balance	46,798,202
Capital Outlay Funds Balance	6,192,401
All Other Funds	<u>811,896</u>
Total fund balances as reported on the Annual Financial and Budget Report (CCFS-311)	\$ 75,557,278

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2005

Amounts reported for governmental activities in the statement of net assets are different because:

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 assets	\$ 124,734,790
Interest earned but not accrued through June 30, 2005 is added to total net assets	222,709
Inventory purchased but not used at June 30, 2005 is added to total net assets	43,495
Long-term liabilities, including bond, notes payable, and capital leases are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. Long-term liabilities are added to the statement of net assets which reduces the total net assets reported	(107,944,748)
Interest expense related to bonds incurred through June 30, 2005 are required to be accrued under full accrual basis of accounting. This liability is added to the Statement of Net Assets which reduces the total net assets reported	(1,642,317)
The supplemental employee retirement plan liability is not due and Payable in the current period and, therefore, not reported as a liability in the governmental funds	(2,990,805)
Amount for 2004-05 property taxes levied for debt service not received as of June 30, 2005	<u>329,658</u>
Total net assets	<u>\$ 88,310,060</u>

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2005

Statement of Net Assets

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

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

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

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2005

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

	(in thousands)		
	<u>2005</u>	<u>2004</u>	<u>Change</u>
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 25,046	\$ 99,526	-74.83%
Investments	44,721		100.00%
Receivables	15,216	10,497	44.96%
Due from component unit	1,175	891	31.87%
Inventory	<u>44</u>	<u>200</u>	-78.00%
Total Current Assets	<u>86,202</u>	<u>111,114</u>	-22.42%
Non-Current Assets			
Restricted cash and cash equivalents	13,128	10,983	19.53%
Student loans receivable, net	133	150	-11.33%
Capital assets, net	<u>124,735</u>	<u>92,057</u>	35.50%
Total Non-Current Assets	<u>137,996</u>	<u>103,190</u>	33.73%
TOTAL ASSETS	<u>\$ 224,198</u>	<u>\$ 214,304</u>	4.62%
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts payable and accrued liabilities	\$ 18,834	\$ 18,488	1.87%
Due to component unit	313	389	-19.54%
Deferred revenue	2,744	3,027	-9.35%
Amount held in trust for others	3,062	2,999	2.10%
Supplemental employee retirement plan payable - current portion	997	946	5.39%
Long-term liabilities - current portion	<u>5,679</u>	<u>1,396</u>	306.81%
Total Current Liabilities	<u>31,629</u>	<u>27,245</u>	16.09%
Non-Current Liabilities			
Supplemental employee retirement plan payable - non-current portion	1,994	2,839	-29.76%
Long-term liabilities less current portion	<u>102,265</u>	<u>108,133</u>	-5.43%
Total Non-Current Liabilities	<u>104,259</u>	<u>110,972</u>	-6.05%
TOTAL LIABILITIES	<u>135,888</u>	<u>138,217</u>	-1.69%
NET ASSETS			
Invested in capital assets, net of related debt	64,884	48,007	35.16%
Restricted	14,728	15,068	-2.26%
Unrestricted	<u>8,698</u>	<u>13,012</u>	-33.15%
TOTAL NET ASSETS	<u>88,310</u>	<u>76,087</u>	16.06%
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 224,198</u>	<u>\$ 214,304</u>	4.62%

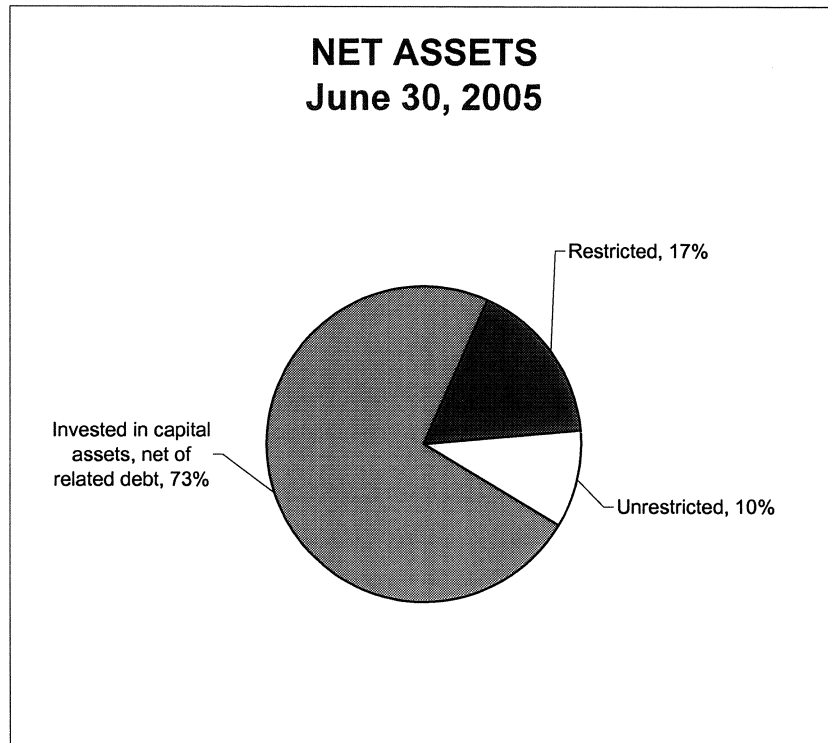
MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2005

- The Cash balance decreased primarily due to the transferring of a portion of the Series "B" bond proceeds to an investment account. As of June 30, 2005, \$44 million of these proceeds were invested in order to maximize interest earnings. Construction continues for twelve of the fourteen Bond Projects, therefore; cash continues to decrease as expenses are paid. The cash flow statement included in these financial statements provides greater detail on the sources and uses of the District's cash.
- Accounts receivable increased primarily due to the deferral of the State Apportionment, of which a receivable of almost \$6.1 million had been recorded. The deferral was approximately \$2.7 million greater than the prior year. The 3rd and 4th Lottery payment were also recorded as a receivable in the amount of \$1.7 million and are similar to prior year amounts receivable. Due to the State Capital Projects entering the construction phase, accounts receivables increased by \$2.9 million during 2004-05.
- Capital assets had a net increase of \$32.7 million. The District had additions of \$92.1 million related to purchases and construction in progress. The District removed approximately \$42,000 in net cost and accumulated depreciation in assets no longer in service and recognized depreciation expense of \$3.5 million during 2004-05. The capital asset section of this discussion and analysis provides greater information.
- Accounts payable and accrued liabilities increased minimally due to timing of expenditures.
- The net decrease in our long-term liabilities (current and non-current portions) is mainly related to the payments of our Series "A" and Series "B" General Obligation Bonds. The debt section of this discussion and analysis provides greater information.
- In March 2004, the Board of Trustees approved the implementation of a Supplemental Employees Retirement Plan. In 2004-05 the second payment of \$996,935 toward reducing the liability was made, therefore reducing the long-term debt. Additional information related to this liability can be found in Note 13 of the financial statements.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2005



Statement of Revenues, Expenses and Changes in Net Assets

Changes in total net assets as presented on the Statement of Net Assets are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Assets. The purpose of this statement is to present the operating and non-operative 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, 2005

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

	(in thousands)		
	<u>2005</u>	<u>2004</u>	<u>Change</u>
OPERATING REVENUES			
Net enrollment, tuition and fees	\$ 13,868	\$ 12,750	8.77%
Grants and contracts, non-capital:	<u>27,787</u>	<u>24,827</u>	11.92%
Total operating revenues	<u>41,655</u>	<u>37,577</u>	10.85%
Total operating expenses	<u>138,606</u>	<u>122,268</u>	13.36%
Operating loss	<u>(96,951)</u>	<u>(84,691)</u>	14.48%
Non-Operating revenues (expenses)			
State apportionments, non-capital	64,884	45,893	41.38%
Local property taxes	28,399	43,169	-34.21%
State taxes and other revenues (losses)	3,510	3,787	-7.31%
Interest expense	(4,467)	(3,007)	48.55%
Investment income, net	<u>1,601</u>	<u>956</u>	67.47%
Total non-operating revenues (expenses)	<u>93,927</u>	<u>90,798</u>	3.45%
Other revenues, expenses, gains or losses, capital	<u>15,247</u>	<u>2,487</u>	513.07%
Change in net assets	12,223	8,594	42.23%
Net assets, beginning of year	<u>76,087</u>	<u>67,493</u>	12.73%
Net assets, end of year	<u>\$ 88,310</u>	<u>\$ 76,087</u>	16.06%

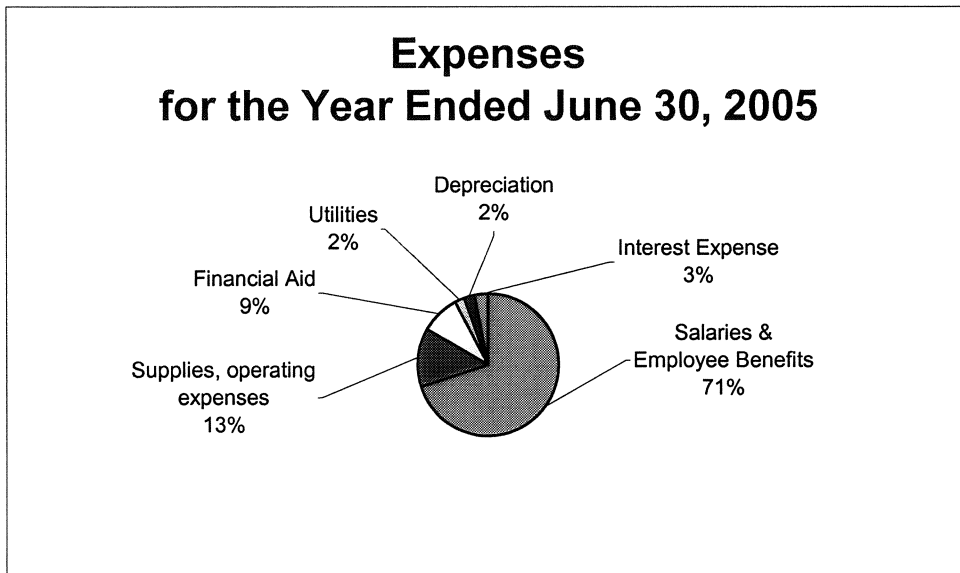
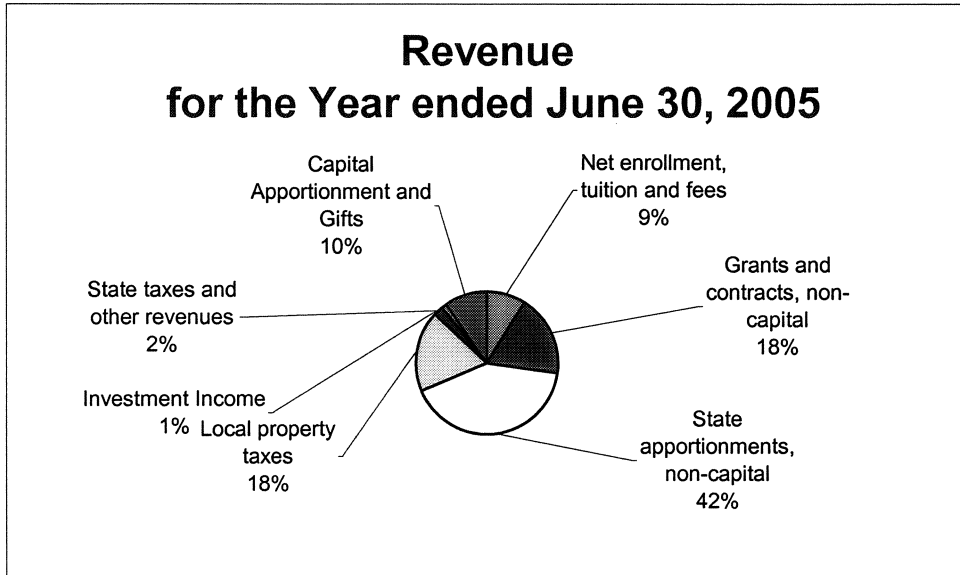
MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2005

- Net enrollment, tuition and fees increased by approximately 8.8%. This increase is attributed to the net effect of an increase in enrollment fees from \$18 to \$26 per unit, a decline in non-resident enrollment and a decrease in material and parking fees.
- Non-capital grants and contracts increased due to new federal and state grants, although local grants actually decreased.
- The increase in operating expenses of 13.4% was directly related to an increase in expenditures for part-time faculty and a one (1%) percent salary increase for all regular employees. During the prior fiscal year, the District implemented a "Hiring Chill," which slowed down the hiring of vacant positions and resulted in a decrease in expenditures for 2003-04. In 2004-05, the District began the process of filling these vacant positions, which contributed to the increase in operating expenses.
- The District receives its apportionment revenue from the following three sources: State apportionment, property taxes and enrollment fees. In 2004-05, local property taxes were diverted from the community colleges to cities and counties; therefore we received 34.3% less property tax revenue and an increase of 41.4% increase in state apportionment revenue.
- The increase in interest expense is a result of accrued interest related to the general obligation bond issuance.
- Other revenue, expenses, gains or losses increased due to various state apportionments for capital outlay. Most notably is the receipt of \$10.2 million for the science building project.
- Functional expenses are detailed in Note 15 of the financial statements.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2005



MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2005

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 the need for 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. This part deals with 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 Changes in Net Assets.

	(in thousands)		
	<u>2005</u>	<u>2004</u>	<u>Change</u>
Cash Provided By (Used in)			
Operating activities	\$ (93,017)	\$ (79,025)	17.71%
Non-capital financing activities	90,854	89,853	1.11%
Capital and related financing activities	(25,916)	35,484	-173.04%
Investing activities	<u>(44,255)</u>	<u>336</u>	-13271.13%
Net change in cash and cash equivalents	(72,334)	46,648	-255.06%
Cash Balance, Beginning of Year	<u>110,509</u>	<u>63,861</u>	73.05%
Cash Balance, End of Year	<u>\$ 38,175</u>	<u>\$ 110,509</u>	-65.46%

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2005

- 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 instruction programs. The increase in cash used by operating activities is due to an increase in payments to suppliers, employees and to/on-behalf of students.
- State apportionment cash received, based on the workload measures generated by the District, accounts for 68% of non-capital financing. Cash received from property taxes accounts for 31% of the cash generated in this section. The small increase of 1.11% in non-capital financing activities is related to the State's deferral of apportionment that was slightly larger than 2003-04.
- The \$75 million proceeds from the Series "B" General Obligation Bond issuance were included in the Capital and Related Financing Activities section for 2003-04. In 2004-05, there were no new bonds issued, which would account for the major change between the two fiscal years. Another significant change is the increase of the state apportionment for capital purchases received by the District, which consists of the state funded Science Building and Seismic Retrofit project. Also shown in this section, is an increase in the interest on capital investment, which is a result of managing the investment of the Series "B" bond proceeds in order to maximize interest earnings.
- Cash used from investing activities includes interest earned on cash in bank and cash invested through the Los Angeles County pool. Interest earnings had increased by \$130,000 due to a slight increase in interest rates. In addition, the District invested in Federal Agency notes as described in note 2B.

District's Fiduciary Responsibility

The District includes as a component unit the Mt. San Antonio Auxiliary Services; the Auxiliary is the trustee, or fiduciary, for certain amounts held on behalf of students, clubs and donors for student loans and scholarships. These fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets and are excluded from the other financial statements because their assets cannot be used to finance operations. The Auxiliary is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Separate financial statements for the Auxiliary can be obtained through the District.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2005

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2005, the District had over \$124.7 million invested in net capital assets. Total capital assets of \$157.0 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 \$32.3 million. Significant capital asset additions and deletions of \$35.4 million, which is mainly a net decrease in construction in progress totaling \$21.4 million, a net increase in equipment totaling \$743,000, and an increase in site improvements totaling \$56.0 million, occurred during 2004-05. Depreciation expense of \$3.5 million was recorded for the fiscal year, as were net retirements of \$42,000.

During 2004-05, construction was completed for the following projects: Campus-wide Energy Central Plant (Project 3), Athletic Fields (Project 11), Health Careers Center (Project 16), Student Health Services Building (Project 16), Pool Renovation (Project 17), and major portions of Infrastructure Projects (Project 17).

Construction in progress during 2004-05 includes the following projects: Science Building, Agricultural Building-Phase 2, Classroom Renovation Buildings 7, 11, 26, Student Services Building Renovation, Art Building Renovation, Staff Center Remodel, Seismic Project and the Music Expansion Project.

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>2005</u>	<u>2004</u>	<u>Change</u>
Land	\$ 619	\$ 619	0.00%
Buildings and improvements	94,442	40,989	130.41%
Equipment	3,575	2,958	20.86%
Construction in progress	<u>26,099</u>	<u>47,491</u>	-45.04%
Net Capital assets	<u>\$ 124,735</u>	<u>\$ 92,057</u>	35.50%

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2005

Debt

At June 30, 2005, the District had \$110.9 million in debt, primarily due to the \$40 million in Series "A" General Obligation Bonds issued in May, 2002 and \$75 million in Series "B" General Obligation Bonds issued in February, 2004. The general obligation bonds were initially issued to fund 17 major projects related to construction and renovation of instructional facilities, laboratories and centers, but as a result of increased construction costs, three of these projects have been eliminated, therefore there are currently 14 major projects. These projects will be completed in phases which began in 2001-02 and are scheduled to end in 2008. The general obligation bonds comprise approximately 96% of the District's total 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 Triple A has not changed from the prior year.

The District implemented a Supplemental Employee Retirement Plan, which was approved by the Board of Trustees on March 26, 2003. This debt is approximately 2.7% of the District's total debt.

Notes 6, 8 through 10 and 13 to the financial statements provide additional information on long-term liabilities. A comparison of long-term debt is summarized below:

	(in thousands)		
	<u>2005</u>	<u>2004</u>	<u>Change</u>
Long-term debt			
Capital leases	\$ 120	\$ 166	-27.71%
Loan Payable	1,312	1,533	-14.42%
General Obligation bonds (including premium)	106,513	107,829	-1.22%
Supplemental Employee Retirement Plan	<u>2,991</u>	<u>3,786</u>	-21.00%
Total long-term debt	110,936	113,314	-2.10%
Less current portion	<u>(6,677)</u>	<u>(2,342)</u>	185.10%
Long term portion	<u>\$ 104,259</u>	<u>\$ 110,972</u>	-6.05%

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2005

Economic Factors that May Affect the Future

As of June 30, 2005, the District's overall financial position is strong due to prior year's prudent fiscal management, which resulted in healthy reserves. Even with the financial challenges of fiscal year 2004-05, the District was able to increase total net assets by \$12.2 million.

The economic position of the District is closely tied to that of the State of California. As the economy continues to improve, historically, community colleges tend to experience a decline in enrollment. Another factor in this statewide enrollment decline may be the increase in enrollment fees from \$18 per unit to \$26 per unit. Community colleges throughout the state will have a significant challenge to maintain current enrollment and to obtain additional growth.

Management will maintain a close watch over resources to maintain our ability to react to internal and external issues if and when they arise.

Subsequent Events

General Obligation Bonds

On August 24, 2005, the Board of Trustees approved the refunding of the Series "A" and Series "B" General Obligation Bonds, which totaled \$75 million. Due to lower interest rates and an increase in the total assessed valuation of property, the District had the opportunity to refinance the existing bonds. This refunding resulted in providing long-term savings to the taxpayers by reducing the term of the prior bonds and also providing additional funds to the District, which will help to partially offset increases in construction costs of prior approved projects. On September 7, 2005, the District received net proceeds of \$8.6 million, as a result of the refunding.

Retiree Benefits

In January 1996, District representatives agreed that all employees would contribute 5% of their salary into a retiree fund in exchange for the right to receive lifetime medical benefits. In 2000, the contribution amount was decreased to 4% and participation was voluntary. Employees electing to opt out of the medical benefit contribution rescinded their right to lifetime medical benefits. The District received a legal opinion which stated that the practice of requiring employees to contribute a portion of their salary for their retiree benefits is in conflict with the Public Employees' Medical and Hospital Care Act. It was determined that the District cannot require employees to fund the minimum portion of the premium, nor exclude them from medical coverage once they retire. On November 16, 2005, the Board of Trustees approved the discontinuance of the District's current practice and to issue a refund to all employees who contributed to the fund. The District will refund contributions of approximately \$3 million to employees in December 2005 from the District's retiree benefit fund. In the near future, the District will review alternatives in order to reduce our long-term liability.

BASIC FINANCIAL STATEMENTS

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET ASSETS
June 30, 2005

	<u>Primary Government</u>	<u>Component Unit Auxiliary Services</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 25,045,964	\$
Investments	44,721,197	
Accounts receivable, net	15,216,098	517,667
Due from Auxiliary Services	1,175,116	
Due from the District		166,119
Inventories	43,495	1,833,470
Prepaid expenses and deposits		<u>15,739</u>
Total Current Assets	<u>86,201,870</u>	<u>2,532,995</u>
Non-Current Assets:		
Restricted cash and cash equivalents	13,128,599	
Cash investment for Auxiliary Services		2,045,287
Notes receivable		98,610
Student loans receivable, net	132,966	
Capital assets, net of accumulated depreciation	<u>124,734,790</u>	<u>988,376</u>
Total Non-Current Assets	<u>137,996,355</u>	<u>3,132,273</u>
TOTAL ASSETS	<u>\$ 224,198,225</u>	<u>\$ 5,665,268</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Bank overdraft	\$	\$ 866,071
Accounts payable	8,376,176	143,233
Accrued liabilities	6,641,636	666,719
Deferred revenue	2,743,865	27,180
Compensated absences	3,816,188	152,919
Due to fiduciary funds		99,030
Due to Auxiliary Services	312,851	
Due to the District		375,595
Amount held in trust for others	3,061,896	14,084
Supplemental employee retirement plan payable- current portion	996,935	
Capital leases - current portion	42,739	
Loans payable - current portion	226,676	
Bond payable - current portion	<u>5,410,000</u>	
Total Current Liabilities	<u>31,628,962</u>	<u>2,344,831</u>
Non-Current Liabilities:		
Supplemental employee retirement plan payable	1,993,870	
Capital leases	77,407	
Loans payable	1,085,436	
Bond payable	<u>101,102,490</u>	
Total Non-Current Liabilities	<u>104,259,203</u>	<u>-</u>
TOTAL LIABILITIES	<u>135,888,165</u>	<u>2,344,831</u>
NET ASSETS		
Invested in capital assets, net of related debt	64,884,243	988,376
Restricted for:		
Scholarships and loans	1,160	
Capital projects	6,192,401	
Debt service	5,912,043	
Other special services	2,622,003	
Unrestricted	<u>8,698,210</u>	<u>2,332,061</u>
TOTAL NET ASSETS	<u>88,310,060</u>	<u>3,320,437</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 224,198,225</u>	<u>\$ 5,665,268</u>

See the accompanying notes to the financial statements.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2005

	Primary Government	Component Unit Auxiliary Services
OPERATING REVENUES		
Enrollment, tuition and other fees (gross)	\$ 19,031,389	\$
Less: Scholarship discounts and allowances	(5,163,156)	_____
Net enrollment, tuition and other fees	13,868,233	-
Grants and contracts, non-capital:		
Federal	15,195,178	
State	9,856,797	
Local	2,735,631	
Auxiliary enterprise sales and charges, net	_____	3,172,832
TOTAL OPERATING REVENUES	41,655,839	3,172,832
OPERATING EXPENSES		
Salaries	80,105,207	2,009,279
Employee benefits	20,158,344	618,627
Supplies, materials and other operating expenses and services	19,057,342	763,368
Financial aid	12,714,217	
Utilities	3,094,510	
Depreciation	3,476,750	111,675
	_____	_____
TOTAL OPERATING EXPENSES	138,606,370	3,502,949
OPERATING (LOSS)	(96,950,531)	(330,117)
NON-OPERATING REVENUES (EXPENSES)		
State apportionments, non-capital	64,884,303	
Local property taxes	28,399,271	
District fees		225,216
State taxes and other revenues	3,543,163	
Loss on disposal of fixed assets	(33,762)	
Interest expense	(4,466,828)	
Investment income, net	1,600,772	123,240
	_____	_____
TOTAL NON-OPERATING REVENUES (EXPENSES)	93,926,919	348,456
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS OR (LOSSES)	(3,023,612)	18,339
OTHER REVENUES, EXPENSES GAINS OR (LOSSES)		
State apportionments, capital	13,724,572	
Local property taxes and revenues, capital	936,166	
Gifts, capital	586,105	
	_____	_____
TOTAL OTHER REVENUES, EXPENSES, GAINS OR (LOSSES)	15,246,843	-
INCREASE IN NET ASSETS	12,223,231	18,339
NET ASSETS, BEGINNING OF YEAR	76,086,829	3,302,098
NET ASSETS, END OF YEAR	\$ 88,310,060	\$ 3,320,437

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, 2005**

	<u>Primary Government</u>	<u>Component Unit Auxiliary Services</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Enrollment, tuition and fees	\$ 13,403,057	\$
Federal grants and contracts	15,135,483	
State grants and contracts	10,213,412	
Local grants and contracts	3,681,464	141,427
Sales		8,270,408
Fees and other contracts		248,486
Payments to suppliers	(21,793,066)	(6,437,836)
Payments to/on-behalf of employees	(100,782,114)	(2,443,625)
Payments to/on-behalf of students	(12,776,225)	
Other receipts/(payments)	<u>(98,894)</u>	
Net cash used by operating activities	<u>(93,016,883)</u>	<u>(221,140)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
State apportionments and receipts	62,169,265	
Property taxes	28,422,030	
Grants and gifts for other than capital purposes	<u>262,551</u>	
Net cash provided by non-capital financing activities	<u>90,853,846</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
State apportionment for capital purposes	13,723,431	
Local revenues for capital purposes	675,121	
Grants and gifts for capital purposes	586,105	
District fees		216,573
Purchase of capital assets	(36,196,813)	(571,656)
Proceeds from sale of capital assets	8,114	
Principal paid on capital debt	(1,378,413)	
Interest paid on capital debt	(4,649,880)	
Interest on capital investments	<u>1,316,644</u>	
Net cash used by capital and related financing activities	<u>(25,915,691)</u>	<u>(355,083)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net purchase/maturity of investments	(44,721,197)	
Interest on investments	<u>465,989</u>	<u>123,240</u>
Net cash used by investing activities	<u>(44,255,208)</u>	<u>123,240</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(72,333,936)</u>	<u>(452,983)</u>
CASH BALANCE - Beginning of Year	<u>110,508,499</u>	<u>1,632,199</u>
CASH BALANCE - End of Year	<u>\$ 38,174,563</u>	<u>\$ 1,179,216</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, 2005

	<u>Primary Government</u>	<u>Component Unit</u> <u>Auxiliary Services</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities		
CASH USED BY OPERATING ACTIVITIES		
Operating Loss	\$ (96,950,531)	\$ (330,117)
Adjustments to reconcile net loss to net cash (used) by operating activities:		
Depreciation expense	3,476,750	111,675
Changes in assets and liabilities:		
Accounts receivables, net	1,033,957	(154,448)
Due from Auxiliary Services	(22,541)	
Due from District		151,708
Inventories	156,505	(314,759)
Prepaid expenses and deposits		(2,244)
Notes receivable		45,190
Accounts payable	53,029	(240,686)
Accrued liabilities	(1,138,312)	59,461
Due to Auxiliary Services	(76,353)	
Deferred revenue	(219,242)	27,180
Compensated absences	1,464,368	12,774
Due to District		312,600
Due to fiduciary funds		99,030
Amounts held in custody for others		1,496
Supplemental employee retirement plan payable	(794,513)	
Net cash (used) by operating activities	<u>\$ (93,016,883)</u>	<u>\$ (221,140)</u>
Breakdown of ending cash balance:		
Cash and cash equivalents	\$ 25,045,964	\$ 2,045,287
Restricted cash and cash equivalents	13,128,599	
Bank overdraft		(866,071)
Total	<u>\$ 38,174,563</u>	<u>\$ 1,179,216</u>

See the accompanying notes to the financial statements.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS - COMPONENT UNIT
June 30, 2005

	Auxiliary Services	
	Student Loans and Scholarship Fund	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 202,946	\$ 3,397,304
Cash with the District		1,017,166
Accounts receivable	30,894	162,128
Due from Auxiliary Services		99,030
Due from the District		146,732
Prepaid expenses and deposits		798
TOTAL ASSETS	\$ 233,840	\$ 4,823,158
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$	\$ 100,326
Other accrued liabilities		1,827
Deferred revenue		1,741,756
Due to the District		799,521
Compensated absences		25,425
Amount held in trust for loans	85,652	
Amount held in trust for others		2,154,303
TOTAL LIABILITIES	85,652	4,823,158
 NET ASSETS		
Reserved for scholarships	148,188	
TOTAL NET ASSETS	148,188	-
 TOTAL LIABILITIES AND NET ASSETS	 \$ 233,840	 \$ 4,823,158

See the accompanying notes to the financial statements.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - COMPONENT UNIT
For the Fiscal Year Ended June 30, 2005

	<u>Auxiliary Services</u> <u>Student Loans</u> <u>and Scholarship</u> <u>Fund</u>
ADDITIONS	
Donations	\$ 284,026
TOTAL ADDITIONS	<u>284,026</u>
DEDUCTIONS	
Scholarships awarded	<u>271,363</u>
TOTAL DEDUCTIONS	<u>271,363</u>
Change in Net Assets	12,663
NET ASSETS, BEGINNING OF YEAR, AS PREVIOUSLY STATED	204,722
Adjustment for restatement	<u>(69,197)</u>
NET ASSETS, BEGINNING OF YEAR, AS RESTATED	<u>135,525</u>
NET ASSETS, END OF YEAR	<u>\$ 148,188</u>

See the accompanying notes to the financial statements.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

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. 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 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.

Based upon the requirements of GASB Statement No. 14, and as amended by GASB Statement No. 39, Determining Whether Certain Organizations are Component Units, certain organizations warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the District, including their ongoing financial support of the District or its other component units. 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.
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.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

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 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 program of the District. The Board of Directors are comprised of the President/CEO and Vice President of Administrative Services for the District along with the Associated Students' President and two other members appointed by the President/CEO. In addition, the Auxiliary shall not carry on any activities not approved by the President/CEO of the District. Upon dissolution of the Auxiliary, net assets, other than trust funds, will be distributed to the District. The financial activities of the Auxiliary have been discreetly presented.

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. 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 statements for the Auxiliary and the Foundation can be obtained through the District.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

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

B. FINANCIAL STATEMENT PRESENTATION

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, Basic Financial Statements and Management Discussion and Analysis – for State and Local Governments and Statement No. 35, Basic Financial Statements and Management Discussion and Analysis of Public College and Universities, issued in June and November 1999 and Audits of State and Local Governmental Units issued by the American Institute of Certified Public Accountants. The financial statement presentation required by GASB No. 34 and No. 35 provides a comprehensive, entity-wide perspective of the District's financial activities. Fiduciary activities, with the exception of Student Financial Aid Programs, are excluded from the basic financial statements. The Fiduciary activities of the District's component unit 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 \$1,016,788 on June 30, 2005, 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, 2005

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 component unit.

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, 2005

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

C. BASIS OF ACCOUNTING (continued)

In accordance with GASB Statement No. 20, the District follows all GASB statements issued prior to November 30, 1989 until subsequently amended, superceded or rescinded. The District has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989 unless FASB conflicts with GASB. The District has elected to not apply FASB pronouncements issued after the applicable date.

1. Cash and Cash Equivalents

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

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. Accounts receivable are recorded net of estimated uncollectible amounts. 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.

3. Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2005, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

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

C. BASIS OF ACCOUNTING (continued)

4. Due from Auxiliary

Due from Auxiliary consists primarily of Spring enrollment fees collected and amounts due for workers compensation.

5. Inventory

Inventories are presented at cost on an average basis and are expensed when used. Inventory consists of expendable instructional, custodial, health and other supplies held for consumption.

6. Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents are those amounts externally restricted as to use pursuant to the requirements of the District's grants, contracts, debt service requirements and amounts held for the District's component unit.

7. Student Loans Receivable, Net

Student loans receivable 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.

8. 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 incurred during construction is not capitalized.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

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

C. BASIS OF ACCOUNTING (continued)

8. Capital Assets (continued)

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 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.

9. Accounts Payable

Accounts payable consists of amounts due to vendors.

10. Accrued Liabilities

Accrued liabilities consist of salary and benefits payable of \$4,999,318 and accrued interest payable of \$1,642,318 on bonded debt.

11. Due to Auxiliary

Due to Auxiliary consists primarily of expenses related to the Bursar's Office and Bookstore.

12. Deferred Revenue

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

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

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

C. BASIS OF ACCOUNTING (continued)

13. Compensated Absences

In accordance with GASB Statement No. 16, accumulated unpaid employee vacation benefits are recognized as liabilities of the District as compensated absences in the Statement of Net Assets.

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.

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 since such benefits do not vest nor is payment probable; 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 Assets

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

Restricted net assets – expendable: Restricted expendable net assets include resources in which the District is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

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

C. BASIS OF ACCOUNTING (continued)

14. Net Assets (continued)

Restricted net assets – nonexpendable: Nonexpendable restricted net assets consist 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 assets – nonexpendable.

Unrestricted net assets: Unrestricted net assets represent 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. 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 the recalculation in February of 2006 will be recorded in the year computed by the State.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

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

C. BASIS OF ACCOUNTING (continued)

16. Property Taxes

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on November 15 and March 15. 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 General Fund for property taxes due to the fact that any receivable is offset by a payable to the State for revenue limit purposes. Property taxes for debt service purposes have been accrued in the basic financial statements.

17. 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 \$912,700 for STRS.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

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

C. BASIS OF ACCOUNTING (continued)

18. 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 No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting, and GASB No. 33, such as investment income.

19. 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 changes in net assets. 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, 2005

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

C. BASIS OF ACCOUNTING (continued)

20. 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 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, 2005, \$167,805 of the District's bank balance of \$284,819 was exposed to credit risk as follows:

Uninsured and collateral held by pledging bank's trust department not in the District's name	\$167,805
---	-----------

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 cost which approximates fair value. The fair market value of the District's deposits in this pool as of June 30, 2005, as provided by the pool sponsor, was \$38,059,073. Interest earned is deposited quarterly into participating funds, except for the Restricted General Fund, Student Financial Aid Fund and Warrant Pass-Through Fund, in which case interest earned 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, 2005

NOTE 2 - DEPOSITS AND INVESTMENTS: (continued)

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.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE 3 - ACCOUNTS RECEIVABLE:

The accounts receivable balance as of June 30, 2005 consists of the following:

Federal and State	\$14,121,684
Miscellaneous	1,094,414

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.

NOTE 5 - CAPITAL ASSETS:

The following provides a summary of changes in capital assets for the year ended June 30, 2005:

	<u>Balance</u> <u>June 30,2004</u>	<u>Additions (1)</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30,2005</u>
Land	\$ 619,480	\$	\$	\$ 619,480
Site and site improvements	65,140,463	56,036,637		121,177,100
Equipment	8,398,733	1,551,636	(809,072)	9,141,297
Construction in progress	47,490,635	34,504,219	(55,895,679)	26,099,175
Total cost	<u>121,649,311</u>	<u>92,092,492</u>	<u>(56,704,751)</u>	<u>157,037,052</u>
Less accumulated depreciation for:				
Site and site improvements	(24,152,023)	(2,583,767)		(26,735,790)
Equipment	(5,440,685)	(892,983)	767,196	(5,566,472)
Total accumulated depreciation	<u>(29,592,708)</u>	<u>(3,476,750)</u>	<u>767,196</u>	<u>(32,302,262)</u>
Governmental capital assets, net	<u>\$ 92,056,603</u>	<u>\$ 88,615,742</u>	<u>\$ (55,937,555)</u>	<u>\$ 124,734,790</u>

(1) Additions in total costs include \$55,895,679 in construction in progress completed and reclassified as site and site improvements.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE 6 - CAPITAL LEASES:

The District leases equipment valued at approximately \$377,000 under agreements which provide for title to pass upon expiration of the lease period. Future minimum lease payments are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005-06	\$ 42,739	\$ 8,415	\$ 51,154
2006-07	40,541	4,677	45,218
2007-08	18,531	2,280	20,811
2008-09	<u>18,335</u>	<u>741</u>	<u>19,076</u>
Total	<u>\$120,146</u>	<u>\$ 16,113</u>	<u>\$136,259</u>

The District will receive no sublease rental revenues nor pay any contingent rentals for this equipment.

NOTE 7 - OPERATING LEASES:

Operating Leases

The District has entered into various operating leases for modular buildings with lease terms in excess of one year. Future minimum lease payments under these agreements are as follows:

<u>Fiscal Year</u>	<u>Lease Payment</u>
2005-06	\$119,819
2006-07	<u>115,044</u>
Total	<u>\$234,863</u>

Current year expenditures for operating leases is approximately \$163,400. The District will receive no sublease rental revenues nor pay any contingent rentals for these properties.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE 8 - LOANS PAYABLE:

A. City of Walnut

The District has 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 receive credit towards the loan for the City's usage of the facility.

During fiscal year 2004-05, the District repaid \$16,793 to the City, and received \$9,560 in facility usage credit. The remaining balance of \$421,184 is reflected as a liability on the Statement of Net Assets.

B. California Energy Commission

On July 26, 2001 the District entered into a loan agreement for \$962,617 with the California Energy Commission for use in the installation of two thermal energy storage systems. The annual interest rate for the loan is 3%.

The loan payments will be made as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$141,550	\$ 12,077	\$153,627
2007	145,827	7,800	153,627
2008	<u>150,227</u>	<u>3,400</u>	<u>153,627</u>
	<u>\$437,604</u>	<u>\$ 23,277</u>	<u>\$460,881</u>

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE 8 - LOANS PAYABLE: (continued)

B. California Energy Commission (continued)

On July 20, 2001 the District entered into a loan agreement for \$647,134 with the California Energy Commission for use in the installation of energy efficient lighting. The annual interest rate for the loan is 3%.

The loan payments will be made as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 59,126	\$ 13,160	\$ 72,286
2007	60,913	11,374	72,287
2008	62,729	9,557	72,286
2009	64,649	7,637	72,286
2010	66,603	5,683	72,286
2011-2012	<u>139,304</u>	<u>5,269</u>	<u>144,573</u>
	<u>\$453,324</u>	<u>\$ 52,680</u>	<u>\$506,004</u>

NOTE 9 - 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.

The outstanding bonded debt of 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	2.50-5.25%	8/1/2028	<u>75,000,000</u>	<u>75,000,000</u>	<u>0</u>	<u>0</u>	<u>75,000,000</u>
			<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

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE 9 - BONDED DEBT: (continued)

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

<u>Year Ended</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 5,410,000	\$ 6,306,205	\$ 11,716,205
2007	7,445,000	4,586,669	12,031,669
2008	8,055,000	4,344,294	12,399,294
2009	2,795,000	4,065,981	6,860,981
2010	2,855,000	3,960,031	6,815,031
2011-2015	15,615,000	17,809,776	33,424,776
2016-2020	18,635,000	13,721,638	32,356,638
2021-2025	22,960,000	8,438,575	31,398,575
2026-2029	<u>19,025,000</u>	<u>2,272,500</u>	<u>21,297,500</u>
Total debt service	102,795,000	\$ <u>65,505,669</u>	\$ <u>168,300,669</u>
Unamortized bond premium, net of costs*	<u>3,717,490</u>		
Total	<u>\$106,512,490</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 issued in February, 2004 included a premium of \$4,881,623 and issuance costs of \$1,002,500. The net amount of \$3,879,123 is amortized using the straight-line method. Amortization of \$161,633 was recognized during the 2004-05 year.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE 10 - LONG-TERM DEBT:

A schedule of changes in long-term debt for the year ended June 30, 2005 is shown below:

	Balance June 30, 2004	Additions	Deletions	Adjustments (1)	Balance June 30, 2005	Amounts Due in One Year
Capital Leases	\$ 166,226	\$	\$ 46,080	\$	\$ 120,146	\$ 42,739
Loan Payable-City of Walnut	447,536		26,352		421,184	26,000
Energy Loans Payable	1,085,716		194,788		890,928	200,676
Bonds	103,950,000		1,155,000		102,795,000	5,410,000
Bond Premium	3,879,123		161,633		3,717,490	
Supplemental Employee Retirement Plan	<u>3,785,318</u>		<u>996,935</u>	<u>202,422</u>	<u>2,990,805</u>	<u>996,935</u>
Total	<u>\$ 113,313,919</u>	<u>\$ -</u>	<u>\$ 2,580,788</u>	<u>\$ 202,422</u>	<u>\$ 110,935,553</u>	<u>\$ 6,676,350</u>

(1) Adjustments were made to the Supplemental Employee Retirement Plan liability for amounts previously excluded.

NOTE 11 - 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).

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.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE 11 - EMPLOYEE RETIREMENT PLANS: (continued)

State Teachers' Retirement System (STRS) (continued)

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 2004-05 was 8.25% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

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 7.0% 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 CalPERS Board of Administration. The required employer contribution for fiscal year 2004-05 was 9.952% 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, 2005

NOTE 11 - EMPLOYEE RETIREMENT PLANS: (continued)

State Teachers' Retirement System (STRS) (continued)

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 2004-05 was 8.25% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

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 7.0% 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 CalPERS Board of Administration. The required employer contribution for fiscal year 2004-05 was 9.952% 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, 2005

NOTE 11 - EMPLOYEE RETIREMENT PLANS: (continued)

Contributions to STRS and PERS

The District's contributions to STRS and PERS for each of the last three fiscal years is as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>STRS</u>		<u>PERS</u>	
	<u>Required</u> <u>Contribution</u>	<u>Percent</u> <u>Contributed</u>	<u>Required</u> <u>Contribution</u>	<u>Percent</u> <u>Contributed</u>
2003	\$3,488,449	100%	\$ 641,332	100%
2004	3,320,832	100%	2,197,885	100%
2005	3,733,269	100%	2,309,641	100%

Los Angeles Regionalized Insurance Services Authority (LARISA)

Plan Description

The Los Angeles Regionalized Insurance Services Authority (LARISA) is a defined contribution plan qualifying under §401(a) and §501 of the Internal Revenue Code. 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 LARISA 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 \$556,821 during the fiscal year. The total amount of covered compensation was \$7,424,274. Total contributions made is 100% of the amount of contributions required for fiscal year 2004-05.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE 12 - RETIREE BENEFITS:

The District currently provides retiree medical or Medicare supplement coverage for employees that have rendered at least five years of service for the District and have retired at the age of 50 for PERS retirees or the age of 55 for STRS retirees. These benefits provide for both the employee and their spouse until death. For employees hired after January, 1996, these benefits are no longer provided for the spouse. In addition, the employee must have at least ten years of service credit and contribute 4 percent of their salary annually. At June 30, 2005, there were 460 retirees participating in the plan. The employee's contributions amounted to \$473,349 for 2004-05. The District did not contribute to the reserve in 2004-05 and the District has not budgeted a contribution for these benefits in 2005-06.

As described in Note 14, the District is a member of SCCCD-JPA which holds the reserves for the retiree health programs.

Subsequent to June 30, 2005, the District determined that the practice of requiring employees to contribute a portion of their salary for their retiree benefits is in conflict with the Public Employees' Medical and Hospital Care Act. On November 16, 2005, the Board of Trustees approved the discontinuance of the District's current practice and to issue a refund to all employees who contributed to the fund. The District will refund contributions of approximately \$3 million to employees in December 2005 from the District's retiree benefit fund.

NOTE 13 - SUPPLEMENTAL EMPLOYEE RETIREMENT PLAN:

On March 26, 2003, the Board of Trustees approved the implementation of the District's Supplemental Employee Retirement Plan for Full-Time Faculty, Classified Employees and Management Employees.

A total of 29 full-time faculty, 8 managers, 32 classified staff and 2 confidential employees are participating. The District will pay benefits of \$996,935 annually over five years totaling \$4,984,676. The first payment was made during 2003-04. The total remaining liability of \$2,990,805 has been reflected in these financial statements.

The savings for the first two years of the plan is estimated at \$4.7 million, with diminishing savings for the next three years.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE 14 - JOINT POWERS AGREEMENT:

The Mt. San Antonio Community College District participates in five 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); the Protected Insurance Programs for Schools (PIPS); and the California Statewide Tax Authority (the Authority). The relationship between the District and the JPAs is such that none of the JPAs are a component unit of the District for financial reporting purposes, as explained on the following pages.

ASCIP arranges for and provides property and liability insurance for its member districts. Mt. San Antonio Community College District pays a premium commensurate with the level of coverage requested.

SCCCD-JPA provides workers' compensation coverage and a reserve to be used toward funding long-term retiree health insurance liabilities for its six member districts. Payments transferred to funds maintained under the JPA are expensed when made. Based upon an actuarial study, 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; however, the reserve for retiree health insurance is not yet sufficient to cover future potential payments. An actuarial study dated March 2003 estimates a present value of future post retirement medical benefits of \$71,200,000 for the District and \$3,500,000 for Mt. San Antonio College Auxiliary. The JPA balance at June 30, 2004 applicable to Mt. San Antonio Community College District was approximately \$48,000,000 and approximately \$2,300,000 was applicable to the Mt. San Antonio College Auxiliary.

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, 2005

NOTE 14 - JOINT POWERS AGREEMENT: (continued)

PIPS provides workers' compensation reinsurance protection to its membership for public schools and community colleges throughout California.

The Authority purchases delinquent ad valorem property taxes from school agencies in Los Angeles County to receive additional unrestricted revenues through financing of property tax delinquencies. The Authority is a pass through entity and financial information is not available.

Condensed financial information of ASCIP, SCCCD-JPA, SELF, and PIPS for the most current information available is as follows:

	ASCIP 6/30/2005 <u>(Unaudited)</u>	SCCCD-JPA 6/30/2004 <u>(Audited)</u>	SELF 6/30/2005 <u>(Unaudited)</u>	PIPS 6/30/2005 <u>(Audited)</u>	
		Workers' Compensation Insurance Fund	Retiree Health Insurance Fund		
Total assets	\$107,175,238	\$16,378,631	\$64,393,051	\$180,614,745	\$ 18,814,993
Total liabilities	<u>73,460,323</u>	<u>1,186,071</u>	<u>12,212</u>	<u>174,685,047</u>	<u>18,422,226</u>
Net assets	\$ <u>33,714,915</u>	\$ <u>15,192,560</u>	\$ <u>64,380,839</u>	\$ <u>5,929,698</u>	\$ <u>392,767</u>
Total revenues	\$ 59,456,571	\$ 5,814,721	\$ 3,222,735	\$ 42,044,244	\$175,489,825
Total expenditures	<u>48,864,188</u>	<u>6,463,616</u>	<u>52,560</u>	<u>61,979,691</u>	<u>175,146,863</u>
Change in net assets	\$ <u>10,592,383</u>	\$ <u>(648,895)</u>	\$ <u>3,170,175</u>	\$ <u>(19,935,447)</u>	\$ <u>342,962</u>

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE 15 - FUNCTIONAL EXPENSE:

	<u>Salaries</u>	<u>Employee Benefits</u>	<u>Supplies, Materials, Utilities,Other Expenses and Services</u>	<u>Student Aid and Other Uses</u>	<u>Depreciation</u>	<u>Total</u>
Instructional	\$ 50,787,419	\$ 10,633,556	\$ 3,037,177	\$	\$	\$ 64,458,152
Academic Support	5,627,582	1,573,234	906,464			8,107,280
Student Services	7,950,400	2,253,382	1,978,807	447,729		12,630,318
Operation & Maintenance of Plant	3,617,751	1,523,045	4,281,658			9,422,454
Institutional Support	8,115,842	3,058,795	4,037,669			15,212,306
Community Services and Economic Development	1,808,129	423,333	934,840			3,166,302
Ancillary Services and Auxiliary Operations	2,173,764	690,802	1,534,684	546		4,399,796
Student Aid				12,265,942		12,265,942
Other Outgo	24,320	2,197	5,440,553			5,467,070
Depreciation Expense					3,476,750	3,476,750
Totals by Object	<u>\$ 80,105,207</u>	<u>\$ 20,158,344</u>	<u>\$ 22,151,852</u>	<u>\$ 12,714,217</u>	<u>\$ 3,476,750</u>	<u>\$ 138,606,370</u>

NOTE 16 - COMMITMENTS AND CONTINGENCIES:

A. State and Federal Allowances, Awards and Grants

The District has received state and federal funds for specific purposes, including reimbursement of mandated costs, 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.

B. Purchase Commitments

As of June 30, 2005 the District was committed under various capital expenditure purchase agreements for various projects totaling approximately \$18,556,551 to be funded from bond proceeds.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE 16 - COMMITMENTS AND CONTINGENCIES: (continued)

C. 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.

NOTE 17 - SUBSEQUENT EVENTS:

A. General Obligation Refunding Bonds

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.

B. GASB Statement No. 45

The Governmental Accounting Standards Board (GASB) has recently issued Statement No. 45 outlining new accounting standards for governmental agencies regarding other post-employment benefits. The statement would be effective for phase one GASB Statement No. 34 implementers in fiscal year 2007-08. The statement requires governmental agencies to record and disclose the actuarially determined cost based on the benefits expected to be earned by employees in the future, as well as those benefits the employees have already earned. Annual required contributions shall include the employer's normal cost and a provision(s) for amortizing the total unfunded actuarial accrued liability for a period not to exceed 30 years. The statement also requires that an actuarial valuation be performed every two years for a plan with more than 200 members and every three years for plans with fewer than 200 members.

SUPPLEMENTARY INFORMATION

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

HISTORY AND ORGANIZATION

June 30, 2005

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>
David Hall	President	November 30, 2005
Judy Chen Haggerty	Vice President	November 30, 2005
Manual Baca	Clerk	November 30, 2007
Fred Chyr	Member	November 30, 2007
Rosanne Bader	Member	November 30, 2007
Chris McKay	Student Trustee	May 31, 2006

DISTRICT EXECUTIVE OFFICERS

Christopher C. O'Hearn	President/CEO
Dr. John S. Nixon	Vice President, Instruction
Gary Nellesen*	Interim Vice President, Administrative Services
Raul Rodriguez	Interim Vice President, Student Services
Dr. Pat Rasmussen	Vice President, Institutional Advancement
Dr. Audrey Yamagata-Noji	Interim Vice President, Human Resources
Dr. Jerry Nogoy	Vice President, Information and Educational Technology

*The Vice President, Administrative Services position was filled by Michael D. Gregoryk effective July 25, 2005.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2005**

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures
Federal Categorical Aid Programs:			
Department of Agriculture:			
Child Nutrition Program	10.555	03755	\$ 59,495
Cooperative State Research, Education, and Extension Service: Enhancement of Veterinary Technology in Collaborative Programs	10.223	(1)	<u>61,666</u>
Sub-Total Department of Agriculture			<u>121,161</u>
Department of Labor :			
Title I-O - One-Stop Nurses Pathway for Licensure	17.250	(1)	3,220
Title I - Workforce Investment Act: Adult Special Program	17.250	(1)	<u>40,680</u>
Sub-Total Department of Labor			<u>43,900</u>
National Endowment for the Humanities:			
Institute of Museum and Library Services (IMLS): Reach for the Stars Planetarium Grant	45.312	(1)	<u>50,000</u>
National Science Foundation:			
Planning Forward to Create an Undergraduate Research Center (URC) at Community College	47.049	(1)	23,432
Course, Curriculum and Laboratory Improvement (CCLI): Enhancing Student Learning	47.076	(1)	49,966
Advance Technological Education (ATE): Regional Information Systems Security Center	47.076	(1)	241,143
Establishing a Chemical Laboratory Technician Program	47.076	(1)	<u>194,070</u>
Sub-Total National Science Foundation			<u>508,611</u>
Small Business Development Center:			
Small Business Development Center	59.037	(1)	<u>245,812</u>
Department of Education:			
Workforce Investment Act, Title II: Adult Education and Family Literacy Act, Section 225/231	84.002A	03303	821,483
Supplemental Educational Opportunities Grant (SEOG)	84.007	(1)	425,962
Title V - Strengthening Institutions: Hispanic Serving Institutions	84.031S	(1)	329,631
Improving Access to Information Systems at Hispanic Serving Institutions	84.031	(1)	91,426
Student Financial Aid Administrative Expenses	84.000	(1)	92,155
Federal Work Study	84.033	(1)	363,635
Upward Bound	84.047	(1)	262,668
Vocational and Applied Technology Education Act	84.048	03578	1,366,249
Pell	84.063	(1)	10,124,804
Veteran's Education	84.065	(1)	3,444
Parent in School Program	84.335A	(1)	<u>59,000</u>
Sub-Total Department of Education			<u>13,940,457</u>

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, 2005

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures
Department of Health & Human Services :			
Temporary Assistance for Needy Families (TANF)	93.558	(1)	112,264
Maternal & Child Care Health Services Block Grant to States	93.994	(1)	<u>172,973</u>
Sub-Total Department of Education			<u>285,237</u>
Total Federal Grants			<u><u>\$ 15,195,178</u></u>
Student Financial Aid Loan Programs:			
<u>Loans Outstanding</u>			
Mt. San Antonio Community College District had the following loan balance outstanding as of 6/30/05:			
<u>Perkins Program</u>	84.038		\$ 132,966
<u>FELP Loan Program</u>			687,293
During the fiscal year ended June 30, 2005, the Mt. San Antonio Community College District processed the following amounts of new loans under the FELP Program:	84.032		
<u>Federal Direct Loan Program</u>			36,470
During the fiscal year ended June 30, 2005, the Mt. San Antonio Community College District processed the following amounts of new loans under the William D. Ford Program:	84.268		
Total Student Financial Aid Loan Programs			<u><u>\$ 856,729</u></u>

Note: (1) Pass-through entity identifying number not readily available.

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, 2005

Program Name	Program Entitlements			Program Revenues			Total Program Expenditures
	Current Year	Prior Year Carryover	Total	Cash Received	Accounts Receivable	Deferred Revenue	
State Categorical Aid Programs:							
Americorps	\$ 45,390	\$ 23,265	\$ 68,655	\$ 1,352	\$ 41,821	\$	\$ 43,173
BFAP	821,747	336,269	1,158,016	1,158,016		38,919	1,119,097
Block Grant	697,461	200,279	897,740	897,740		83,447	814,293
Cal Works	522,517		522,517	522,517		10,143	512,374
CAN Articulation Number System		5,000	5,000	5,000			5,000
CARE	130,560		130,560	130,560			130,560
CCDF Capacity Project	5,577		5,577	5,577			5,577
Center of Excellence	193,875		193,875	162,855	16,954		179,809
Child Care Food Program	3,824		3,824	2,891	933		3,824
Child Care General Center	336,346		336,346	311,008	25,338		336,346
Child Development Instructional Materials	1,821		1,821	1,821			1,821
Child Development Training Consortium	10,856		10,856	10,215		619	9,596
Disabled Student Program Services	1,508,489	496	1,508,985	1,508,489			1,508,489
Economic Development-Contract Ed South	162,500	10,216	172,716	146,716	10,497		157,213
Economic Development-Enrollment Growth AA Nursing	63,937	54,218	118,155	74,850		44,160	30,690
Economic Development-RHORC	178,875		178,875	150,255	28,370		178,625
Economic Development-SBDC	140,550		140,550	118,062	22,488		140,550
EOPS	816,034	49,757	865,791	865,791		16,419	849,372
Equal Employment Opportunity	24,252	21,673	45,925	45,923		29,710	16,213
Foster Parent Training Program	8,000		8,000		6,211		6,211
JDIF Nurse Reentry	38,400		38,400		35,228		35,228
Matriculation- Credit	831,582		831,582	831,582			831,582
Matriculation- Noncredit	868,959		868,959	868,959		14,388	854,571
Pre-Kindergarten Resource Program	1,887		1,887	1,887			1,887
Staff Development		6,401	6,401	6,401		561	5,840
State Preschool, Full Day	76,628		76,628	67,871	8,757		76,628
State Preschool, Half Day	71,295		71,295	63,821	7,474		71,295
Teacher Reading Development		28,663	28,663	27,576			27,576
Technology Block Grant		395,565	395,565	395,565		292,443	103,122
TTIP Grant	53,103	96,776	149,879	149,879		54,894	94,985
Total State Programs	\$ 7,614,465	\$ 1,228,578	\$ 8,843,043	\$ 8,533,179	\$ 204,071	\$ 585,703	\$ 8,151,547

See the accompanying notes to the supplementary information.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR PROGRAM-BASED FUNDING
For the Fiscal Year Ended June 30, 2005

Categories

A.	Credit Full-Time Equivalent Students	
	Weekly census	17,167.69
	Daily census	968.46
	Actual hours of attendance	517.28
	Independent study/work experience	479.63
	Summer intersession	<u>1,632.74</u>
	Total	<u><u>20,765.80</u></u>
B.	Non-Credit FTES	
	Actual hours of attendance	3,337.23
	Summer intersession	<u>1,768.61</u>
	Total	<u><u>5,105.84</u></u>
C.	Gross Square Footage	
	Existing facilities	<u><u>1,304,863</u></u>
D.	FTES in Leased Facilities	<u><u>348.35</u></u>

See the accompanying notes to the supplementary information.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT WITH AUDITED FUND BALANCES
For the Fiscal Year Ended June 30, 2005

The audit resulted in no adjustments to the fund balances reported on the June 30, 2005 Annual Financial and Budget Report (CCFS-311) based upon governmental accounting principles. 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

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
For the Fiscal Year Ended June 30,

	<u>(Budget) 2006</u>		<u>2005</u>		<u>2004</u>		<u>2003</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
COMBINED GENERAL FUND:								
Revenue								
Federal	\$ 4,258,789	3.36	\$ 4,525,916	3.79	4,189,615	3.85	\$ 4,626,305	4.11
State	83,454,942	65.76	76,055,763	63.77	55,503,198	51.02	60,109,841	53.39
County and Local	37,591,239	29.62	36,797,769	30.85	50,679,467	46.59	47,573,885	42.26
Total Revenue	125,304,970	98.73	117,379,448	98.41	110,372,280	101.46	112,310,031	99.76
Expenditures								
Academic Salaries	52,526,606	41.39	50,483,150	42.33	44,784,955	41.17	48,078,425	42.71
Classified Salaries	29,980,563	23.62	28,470,116	23.87	26,022,943	23.92	28,282,422	25.12
Employee Benefits	21,551,224	16.98	20,642,513	17.31	19,182,961	17.63	16,609,692	14.75
Supplies and Materials	4,658,928	3.67	2,861,285	2.40	2,564,228	2.36	3,113,487	2.77
Other Operating Expenses and Services	15,108,924	11.91	12,601,060	10.56	11,892,198	10.93	11,572,926	10.28
Capital Outlay	2,483,707	1.96	3,516,262	2.95	2,573,100	2.37	3,580,488	3.18
Other Uses	597,631	0.47	699,932	0.59	1,760,425	1.62	1,343,794	1.19
Total Expenditures	126,907,583	100.00	119,274,318	100.00	108,780,810	100.00	112,581,234	100.00
Other Financing Sources	-	-	8,114	0.01	47,397	0.04	-	-
Change in Fund Balance	\$ (1,602,613)	(1.26)	\$ (1,886,756)	(1.58)	\$ 1,638,867	1.50	\$ (271,203)	(0.24)
Ending Fund Balance	\$ 12,785,164	10.07	\$ 14,387,777	12.06	\$ 16,274,533	14.96	\$ 14,635,666	13.00
Available Reserve Balance	\$ 10,628,599	8.38	\$ 11,048,012	9.26	\$ 9,565,020	8.79	\$ 6,385,746	5.67
Full-time Equivalent Students	26,907		25,815		24,012		25,503	
Total Long-Term Debt	\$ 9,937,870		\$ 107,218,062		\$ 109,434,796		\$ 41,608,323	

IMPORTANT NOTES:

Available reserve balance is the amount designated for general reserve and any other remaining undesignated amounts in the General Fund. The 2006 budget reserve balance was estimated using the budgeted contingency reserve balances less other 2005 amounts reserved.

All percentages are of total unrestricted and restricted expenditures combined.

The 2005 budget is the Plan and Budget adopted by the Board of Trustees on August 24, 2005.

The California Community College Chancellor's Office has provided guidelines that recommend an ending fund balance of 3% of unrestricted expenditures as a minimum with a prudent ending fund balance being 5% of unrestricted expenditures. In addition, the District's Board policy requires a 10% unrestricted ending fund balance.

Long-term debt is reported for the District as a whole and includes debt related to all funds. Long-term debt excludes unamortized premium on bonded debt.

See the accompanying notes to the supplementary information.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF BUDGETED COMPARISON FOR THE COMBINED GENERAL FUND
For the Fiscal Year Ended June 30, 2005**

	General Fund		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUES			
Revenue from Federal Sources			
Higher Education Act	1,543,287	816,560	(726,727)
Temporary Assistance for Needy Families	140,057	112,264	(27,793)
Student Financial Aid	431,184	363,635	(67,549)
Veterans Education		3,444	3,444
Vocational and Technical Education Act	1,508,523	1,366,249	(142,274)
Other Federal Revenue	2,799,106	1,863,765	(935,341)
Revenue from State Sources			
General Apportionments	63,797,026	64,884,303	1,087,277
Categorical Apportionments	7,390,341	6,842,605	(547,736)
Other State Revenues	3,809,018	4,328,855	519,837
Revenue from Local Sources			
Property Taxes	21,198,875	20,557,461	(641,414)
Interest and Investment Income	250,000	279,061	29,061
Student Fees and Charges	13,536,770	13,120,563	(416,207)
Other Local Revenue	3,819,154	2,840,683	(978,471)
TOTAL REVENUES	<u>120,223,341</u>	<u>117,379,448</u>	<u>(2,843,893)</u>
EXPENDITURES			
Academic Salaries	48,514,870	50,483,150	(1,968,280)
Classified Salaries	30,386,896	28,470,116	1,916,780
Employee Benefits	21,366,663	20,642,513	724,150
Supplies and Materials	4,029,186	2,861,285	1,167,901
Other Operating Expenses & Services	15,785,786	12,601,060	3,184,726
Capital Outlay	4,118,862	3,516,262	602,600
TOTAL EXPENDITURES	<u>124,202,263</u>	<u>118,574,386</u>	<u>5,627,877</u>
Excess (deficiency) of revenues over expenditures	<u>(3,978,922)</u>	<u>(1,194,938)</u>	<u>2,783,984</u>
OTHER FINANCING SOURCES (USES)			
Proceeds of General Fixed Assets		8,114	8,114
Interfund Transfers Out	(195,306)	(148,657)	46,649
Student Financial Aid	(558,895)	(551,275)	7,620
TOTAL OTHER FINANCING SOURCES (USES)	<u>(754,201)</u>	<u>(691,818)</u>	<u>62,383</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>\$ (4,733,123)</u>	<u>(1,886,756)</u>	<u>\$ 2,846,367</u>
Fund Balances at Beginning of Year		<u>16,274,533</u>	
Fund Balances at End of Year		<u>\$ 14,387,777</u>	

See the accompanying notes to the supplementary information.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

**NOTES TO THE SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2005**

NOTE 1 - PURPOSE OF SCHEDULES:

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

The audit of the Mt. San Antonio Community College District for the year ended June 30, 2005 was conducted in accordance with OMB Circular A-133, which requires a disclosure of the financial activities of all federally funded programs. To comply with A-133 and state requirements, the Schedule of Federal Awards and the Schedule of State Financial Assistance was prepared for the Mt. San Antonio Community College District on the modified accrual basis of accounting.

B. Schedule of Workload Measures for Program-Based Funding

The Schedule of Workload Measures for Program-Based Funding represents the basis of apportionment of the Mt. San Antonio Community College District's annual source of funding.

C. Reconciliation of Annual Financial and Budget Report with Audited Fund Balances

This schedule reports any audit adjustments made to the fund balances of all funds as reported on the Form CCFS-311.

D. 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.

E. Schedule of Budgeted 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 year end and the variance between the final budget and actual amounts.

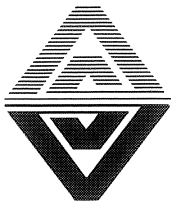
MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO THE SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2005

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS:

Excesses of expenditures over appropriations, by major object accounts, occurred in the following funds:

General Fund:	
Certificated Salaries	\$1,968,280
Farm Fund:	
Supplies and Materials	21,407
Student Health Services:	
Certificated Salaries	384
Classified Salaries	700
Employee Benefits	3,964
Capital Projects #1:	
Classified Salaries	25,792
Employee Benefits	1,684
Supplies and Materials	634
Building Fund:	
Classified Salaries	1,841
Employee Benefits	848
Supplies and Materials	56,380
Other Operating Expenses	466,841



**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**

Chairman

ROYCE A. STUTZMAN

Partners

PETER F. GAUTREAU

RENÉE S. GRAVES

WADE N. McMULLEN

KARIN HECKMAN NELSON

CARL PON

GEMA M. PTASINSKI

MARY ANN QUAY

LINDA M. SADDLEMIRE

Principal

JERI A. WENGER

Senior Managers

JANETTE CAMPS

CLAUDETTE ELIAS DAIN

TIMOTHY D. EVANS

PRISCILLA OSBORNE FLORES

PHEBE M. McCUTCHEON

SHARI PROSSER

COLLEEN K. TAYLOR

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

We have audited the financial statements of Mt. San Antonio Community College District (the District) as of and for the year ended June 30, 2005, and have issued our report thereon dated September 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 opinions on the basic 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 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**

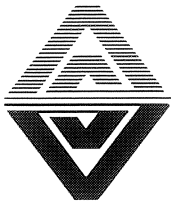
Compliance and Other Matters

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 an instance of non-compliance or other matters that is required to be reported under Government Auditing Standards which is described in the accompanying schedule of findings and questioned costs as item 05-1.

This report is intended solely for the information and use of the Board, management, the California Department of Finance, the State Chancellor's Office and federal awarding agencies and pass-through entities and 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



**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

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

Chairman

ROYCE A. STUTZMAN

Partners

PETER F. GAUTREAU

RENÉE S. GRAVES

WADE N. McMULLEN

KARIN HECKMAN NELSON

CARL PON

GEMA M. PTASINSKI

MARY ANN QUAY

LINDA M. SADDLEMIRE

Principal

JERI A. WENGER

Senior Managers

JANETTE CAMPS

CLAUDETTE ELIAS DAIN

TIMOTHY D. EVANS

PRISCILLA OSBORNE FLORES

PHEBE M. McCUTCHEON

SHARI PROSSER

COLLEEN K. TAYLOR

Compliance

We have audited the compliance of Mt. San Antonio Community College District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. Mt. San Antonio Community College District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Mt. San Antonio Community College District's management. Our responsibility is to express an opinion on Mt. San Antonio Community College District's compliance based on our audit.

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 Mt. San Antonio Community College 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. Our audit does not provide a legal determination on Mt. San Antonio Community College District's compliance with those requirements.

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

In our opinion, Mt. San Antonio Community College District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 05-2.

Internal Control Over Compliance

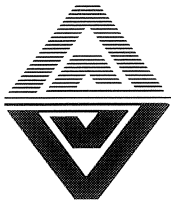
The management of Mt. San Antonio Community College District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Mt. San Antonio Community College District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might 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 noncompliance with the applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program 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 compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board, management, the California Department of Finance, the State Chancellor's Office and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


VICENTI, LLOYD & STUTZMAN LLP

September 30, 2005



Chairman

ROYCE A. STUTZMAN

Partners

PETER F. GAUTREAU

RENÉE S. GRAVES

WADE N. McMULLEN

KARIN HECKMAN NELSON

CARL PON

GEMA M. PTASINSKI

MARY ANN QUAY

LINDA M. SADDLEMIRE

Principal

JERI A. WENGER

Senior Managers

JANETTE CAMPS

CLAUDETTE ELIAS DAIN

TIMOTHY D. EVANS

PRISCILLA OSBORNE FLORES

PHEBE M. McCUTCHEON

SHARI PROSSER

COLLEEN K. TAYLOR

REPORT ON STATE COMPLIANCE

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

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.

Our examination was made in accordance with auditing standards generally accepted in the United States of America and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In connection with our audit, we performed an audit for compliance as required in Part II, State and Federal Compliance Requirements for those programs identified in the California Department of Finance's 2005 transmittal of audit requirements for community colleges. The objective of the examination of compliance applicable to Mt. San Antonio Community College District is to determine with reasonable assurance:

- Whether the District's salaries of classroom instructors equal or exceed 50 percent of the District's current expense of education in accordance with Section 84362 of the Education Code.
- Whether the District has the appropriate documentation to support the FTES, if any, that are claimed for instructional service agreements/contracts.
- Whether the District has the ability to support timely accurate and complete information for workload measures used in the calculation of State General Apportionment.
- Whether the District has acted to ensure that the residency of each student is properly classified and that only the attendance of California residents is claimed for apportionment purposes.

REPORT ON STATE COMPLIANCE

- Whether District has complied with all requirements necessary to claim FTES for the attendance of concurrently enrolled K-12 pupils.
- Whether the District had local funds to support at least 75 percent of the credit matriculation activities and that all matriculation expenditures are consistent with the District's State approved matriculation plan.
- Whether the District's salaries of instructors teaching FTES generating classes, school counselors providing advisement, student services at the Dean level or above, and financial aid officers conducting need analysis, are not considered supportable charges against either Extended Opportunity Programs and Services (EOPS) or Disabled Student Program Services (DSP&S) accounts unless their activities require them to perform additional functions for the EOPS or DSP&S program which are beyond the scope of services provided to all students in the normal performance of the regular duty assignments.
- Whether the District contributed 100% of the salary and benefits for the EOPS Director/Administrator from funds other than EOPS. In addition, the District must employ a full-time 100% Director to manage the daily operations of the EOPS program unless a waiver has been obtained.
- Whether the Gann Limit Calculation was properly calculated and supported by adequate documentation.
- Whether the District is reporting the total amount that students should have paid for enrollment fees for the purpose of determining the District's share of annual apportionment.
- Whether the District spent an amount equal to or greater than the amount provided by the State for scheduled maintenance and special repairs. Funds provided by the State must be to supplement, not supplant, District scheduled maintenance funds. The amount expended for plant maintenance and operations during the base year of 1995-96 was \$7,096,615.
- Whether all District courses that qualify for State apportionment are open to enrollment by the general public unless specifically exempted by statute.
- Whether the District has adopted regulations consistent with the "Standards of Scholarship" contained in the California Code of Regulations and has published statements of those regulations in the College catalog.
- Whether the District has adopted policies or regulations regarding the authority of the District to require students to provide various types of materials fees.

REPORT ON STATE COMPLIANCE

In our opinion, except for finding 05-1 described in the accompanying schedule of findings and questioned costs, Mt. San Antonio Community College District complied with the compliance requirements for the state programs listed and tested above. Nothing came to our attention as a result of the aforementioned procedures to indicate that Mt. San Antonio Community College District had not complied with the terms and conditions of state assisted educational programs not selected for testing.

Our examination of compliance made for the purposes set forth in the preceding paragraph of this report would not necessarily disclose all instances of noncompliance.

This report is intended solely for the information and use of the Board, management, the California Department of Finance, and the State Chancellor's Office and 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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDITOR RESULTS

June 30, 2005

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? Yes X No

Reporting condition(s) identified not considered
to be material weaknesses? Yes X None reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes X No

Reporting condition(s) identified not considered
to be material weaknesses? Yes X None reported

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

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

Identification of major programs tested:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.031S	Title V Strengthening Institutions – Hispanic Serving Institutions
84.007, 84.032, 84.033 and 84.063, 84.038 and 84.268	Student Financial Assistance Cluster of Programs
93.558	Temporary Assistance for Needy Families (TANF)

Dollar threshold used to distinguish between Type A
and Type B programs: \$ 455,855

Auditee qualified as low-risk auditee? X Yes No

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

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

June 30, 2005

FINDING 05-1 COURSE REPETITION

Finding: According to California Code of Regulations, Section 55763(b), the District may adopt procedures or regulations concerning courses for which substandard work has not been recorded. If the District allows for such repetition, the procedures or regulations shall indicate that course repetition shall be permitted only upon petition of the student and with written permission of the governing board, or its designee, based upon finding that special circumstances exist which justify repetition. Although the sample of repeating students tested met the District's repeat policy, for 7 out of 9 students in our sample, petitions to repeat forms were not maintained by the authorizing departments or Admissions and Records for audit purposes. Without adequate documentation, the District is not in compliance with requirements if written authorization is not maintained and justification for repetition is not documented.

Recommendation: Maintain written authorization for course repetition and document the reason why the petition to repeat was approved in the Student Information System (ISIS).

District Response: At the time that 'repeats' are approved a student is required to fill out an appropriate petition. Depending on the type of repeat, the petition is kept in various division offices as well as Admissions and Records. Often we do not receive a copy of the petition if it has been approved at various division offices. This was a communication and processing error on our part. The practice will be modified and improved immediately. All division offices as well as Admissions and Records will have and maintain a copy of the petition.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FEDERAL AWARDS**

June 30, 2005

FINDING 05-2 - SEMI-ANNUAL CERTIFICATIONS

Federal Programs: Title V Strengthening Institution - Hispanic Serving Institutions &
Temporary Assistance for Needy Families (TANF)

Federal Catalog number: 84.031S, 93.558

Compliance Requirement: B. Allowable Costs/Cost Principles

Finding: Semi-annual certifications should be completed to support time and efforts for employees whose salaries are charged to a single cost objective. Our review determined that semi-annual certifications are not obtained. Salaries charged to a categorically funded program must have proper documentation. OMB Circular A-87 requires that a semi-annual certification be completed in addition to the maintenance of payroll records. If semi-annual certifications are not done, categorical funding could be disallowed due to inadequate documentation.

Questioned Costs: For period reviewed – Title V - \$1,389
TANF - \$3,011

Recommendation: Implement the completion of semi-annual certifications to properly document and account for employees charged to a single cost objective.

District Response: New forms and procedures will be implemented. Fiscal Services will send a memo, including the new forms and procedures, to all categorical and grant managers for implementation.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

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

Original Finding No.	Finding	Recommendation	Current Status
03-1	<p><u>CAPITAL ASSETS</u></p> <p>During our testing of District's capital assets we noted that following concerns related to the internal control associated with capital assets:</p>	<ul style="list-style-type: none"> • The total acquisition cost of capital assets, specifically equipment, does not include the cost of sales tax. This may be due in part to the process of entering capital asset information from the purchase order rather than the final invoice. For additions made in recent fiscal years, we determined the unrecorded value of sales tax related to equipment purchases was not material to the basic financial statements therefore an adjustment was not made to the GASB 34/35 statements. Over time however, this could result in a material effect. • A physical inventory has been taken, however, the capital asset listing used by the District to track assets has not been reconciled to the physical inventory. The reconciliation process will ensure that the capital asset listing is accurate and that all capital assets are accounted for. 	<ul style="list-style-type: none"> • The District should implement procedures to ensure the capital assets listing reflects the total acquisition cost of assets. • The District should develop a plan to begin the reconciliation process as soon as feasible. • Substantially implemented.

STATISTICAL SECTION

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT
SELECTED STATISTICAL INFORMATION (UNAUDITED)
June 30, 2005

Assessed valuation for fiscal year 2004-05	\$48,321,115,981	(2)
Secured tax levies for fiscal year 2004-05	\$ 11,264,216	(1)
Secured tax delinquencies for fiscal year 2004-05	\$ 589,594	(1)
Secured tax collections for fiscal year 2004-05	\$ 10,674,622	(1)

2004-05 LARGEST LOCAL SECURED TAXPAYERS
MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT (2)

<u>Property Owner</u>	<u>Land Use</u>	<u>2004-05 Assessed Valuation</u>	<u>% of Total(3)</u>
1. Passco Colima LLC	Commercial	\$ 150,763,154	0.31%
2. Majestic Realty Co.	Industrial	134,121,882	0.28
3. Plaza West Covina LLC	Shopping Center	133,267,802	0.28
4. Santee Dairies Inc.	Industrial	96,884,057	0.20
5. PFG Park LP and Majestic Realty Co.	Industrial	95,127,279	0.20
6. Eastland Shopping Center LLC	Shopping Center	85,913,842	0.18
7. James Campbell, Trust	Commercial	85,006,279	0.18
8. RR and C Development Co.	Office Building	83,517,856	0.17
9. RVIP Puente Hills LLC	Commercial	64,656,699	0.13
10. Essex The Crest LP	Apartments	60,656,659	0.13
11. New Age Kaleidoscope LLC	Commercial	60,613,925	0.13
12. Metropolitan Life Insurance Co.	Office Building	55,929,505	0.12
13. LBA Industrial Fund Concourse Inc.	Industrial	53,564,716	0.11
14. Majestic Fullerton Road LLC	Industrial	53,161,989	0.11
15. Crow Family Holdings Industrial Limited	Industrial	50,706,185	0.10
16. Adcor Realty Corp.	Industrial	47,962,199	0.10
17. Calwest Industrial Properties LLC	Industrial	45,441,219	0.09
18. Industry East Land LLC, Lessee	Industrial	38,074,716	0.08
19. Asian Arbor Heights LLC	Apartments	37,021,302	0.08
20. IKEA Property Inc.	Commercial	35,693,694	0.07
		<u>\$1,468,084,959</u>	3.04%

Total 2004-05 Local Secured Assessed Valuation was \$48,321,115,981.

(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 2004-05 of \$48,321,115,981.