

**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT**

**LOS ANGELES COUNTY**

**REPORT ON  
AUDIT OF FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
INCLUDING REPORTS ON COMPLIANCE  
June 30, 2007**



**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT**

**AUDIT REPORT  
June 30, 2007**

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## 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, 2007 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, 2007, 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 November 6, 2007 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 continuing disclosure information 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 continuing disclosure information 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

November 6, 2007

# **MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2007**

### **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, 2007. 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 60 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 21<sup>st</sup> 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

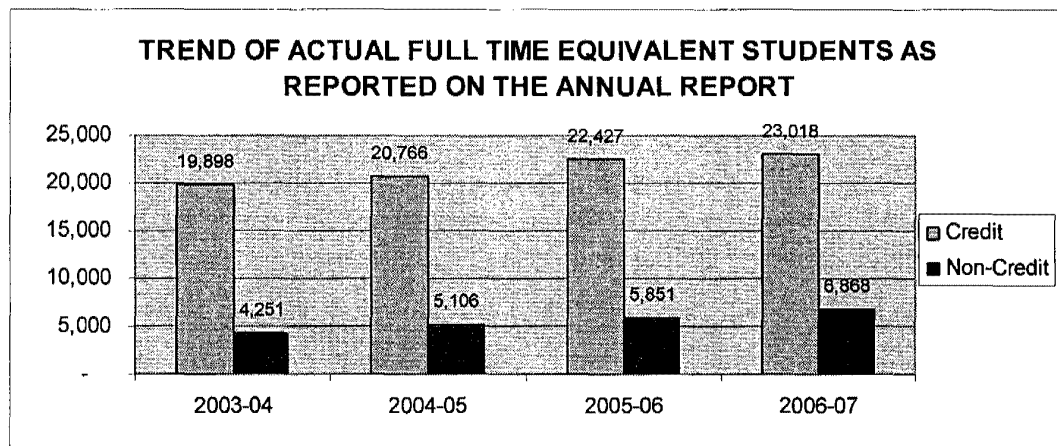
June 30, 2007

### 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 2006-07, the total actual full-time equivalent students (FTES) increased from 28,278 to 29,886, which is a 5.69% 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.



- On November 6, 2001, the voters of the District approved a \$221 million dollar bond measure with \$40 million issued in May 2003, \$75 million issued in February 2005 and \$80 million issued in September 2006. 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 2009, 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.
- On August 24, 2005, the Board of Trustees approved the refunding of the Series "A" and "B" General Obligation Bonds, which resulted additional bond proceeds in the amount of \$8.6 million.

**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2007**

- During 2006-07, construction was completed for the following projects:

Science Building 60 (Project 1)  
Gym Floor Replacement Building 3 (Project 11)  
Founder's Hall Building 10 (Project 17)  
Art Renovation Building 1B and 1C (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, 2007 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	\$ 32,937,728
Restricted Fund Balance	1,068,500
Bond Interest and Redemption Fund Balance	15,346,379
Building Fund Balance	64,745,232
Capital Outlay Funds Balance	7,160,813
All Other Funds	<u>1,169,386</u>
Total fund balances as reported on the Annual Financial and Budget Report (CCFS-311)	\$ 122,428,038

**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2007**

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	\$ 207,833,975
Issuance costs related to bonds incurred through June 30, 2007 are capitalized, amortized and added to total net assets	2,300,142
Interest earned but not accrued through June 30, 2007 is added to total net assets	1,876,934
Inventory purchased but not used at June 30, 2007 is added to total net assets	46,973
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	(187,185,349)
Interest expense related to bonds incurred through June 30, 2007 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	(4,390,142)
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	(996,935)
Amount for 2006-07 property taxes levied for debt service not received as of June 30, 2007	<u>1,212,206</u>
Total net assets	<u>\$143,125,842</u>



**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2007**

**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, 2007**

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

	(in thousands)		
	2007	2006*	Change
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 120,265	\$ 44,469	170.45%
Investments		21,479	-100.00%
Receivables	16,281	21,086	-22.79%
Due from component unit	973	980	-0.71%
Inventory	47	64	-26.56%
Prepaid expenses and deposits	74	417	-82.25%
<b>Total Current Assets</b>	<u>137,640</u>	<u>88,495</u>	55.53%
<b>Non-Current Assets</b>			
Restricted cash and cash equivalents	20,413	12,774	59.80%
Student loans receivable, net	104	114	-8.77%
Capitalized fees	2,300	1,645	39.82%
Capital assets, net	207,834	159,025	30.69%
<b>Total Non-Current Assets</b>	<u>230,651</u>	<u>173,558</u>	32.90%
<b>TOTAL ASSETS</b>	<u>\$ 368,291</u>	<u>\$ 262,053</u>	40.54%
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities	\$ 26,655	\$ 21,525	23.83%
Due to component unit	322	435	-25.98%
Deferred revenue	6,767	2,995	125.94%
Amount held in trust for others		43	-100.00%
Supplemental employee retirement plan payable - current portion	997	997	0.00%
Long-term liabilities - current portion	7,884	8,168	-3.48%
<b>Total Current Liabilities</b>	<u>42,625</u>	<u>34,163</u>	24.77%
<b>Non-Current Liabilities</b>			
Accrued liabilities	3,240	2,753	17.69%
Supplemental employee retirement plan payable - non-current portion		997	-100.00%
Long-term liabilities less current portion	179,300	103,468	73.29%
<b>Total Non-Current Liabilities</b>	<u>182,540</u>	<u>107,218</u>	70.25%
<b>TOTAL LIABILITIES</b>	<u>225,165</u>	<u>141,381</u>	59.26%
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	85,153	74,942	13.63%
Restricted	20,414	19,188	6.39%
Unrestricted	37,559	26,542	41.51%
<b>TOTAL NET ASSETS</b>	<u>143,126</u>	<u>120,672</u>	18.61%
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 368,291</u>	<u>\$ 262,053</u>	40.54%

\*Certain reclassifications have been made to the summarized financial statements for the year 2005-06 to conform to the 2006-07 summarized financial statement presentation.

## MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS

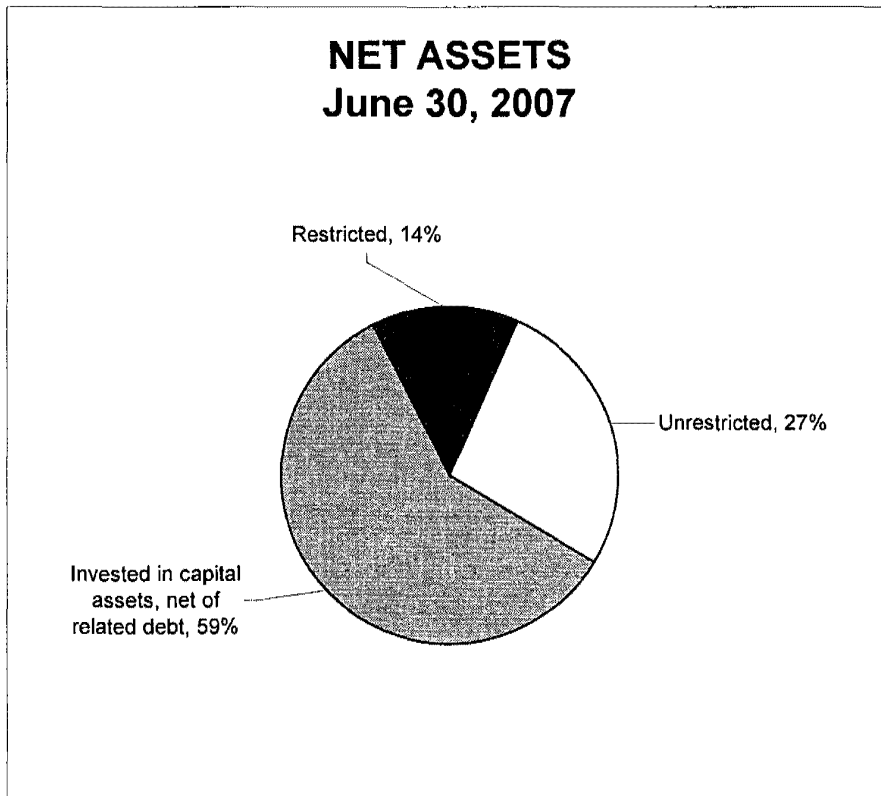
June 30, 2007

- The cash balance increased \$83.4 million primarily due to the issuance of General Obligation Bonds, Series C in September 2006 and the receipt of additional apportionment due to a COLA and a 5.69% increase in FTES. Also included, are some one-time funds, and new funds for categorical programs. As of June 30, 2007, investments decreased, which resulted in an increase in the cash balance in the Bond Construction Fund. The cash flow statement included in these financial statements provides greater detail on the sources and uses of the District's cash.
- The June apportionment payment was received by June 30, 2007, which resulted in a decrease in the State apportionment accounts receivable for 2006-07. The accrual for the Lottery funds decreased in 2006-07, because only the 4<sup>th</sup> quarter Lottery payment was accrued versus the 3<sup>rd</sup> and 4<sup>th</sup> quarter accrual as in 2005-06. The accounts receivable for the Capital Outlay Project Fund decreased because the state paid the prior year accrual for the Science Building.
- Capital assets had a net increase of \$48.8 million. The District had additions of \$95.1 million related to purchases and construction in progress. The District removed approximately \$22,000 in net cost and accumulated depreciation in assets no longer in service and recognized depreciation expense of \$6.8 million during 2006-07. The capital asset section of this discussion and analysis provides greater information.
- Accounts payable and accrued liabilities increased by \$5.6 million. The main increase is for \$2.8 million interest payable as a result of the increase in bond debt. Additionally, an increase in accounts payable of \$1.4 million was due to the receipt of more property taxes than was originally estimated by the State. This resulted in the District receiving excess apportionment funds, which are owed back to the State. The accounts payable also increased \$800,000 for compensated absences.
- The net change of \$75.3 million in our long-term liabilities (current and non-current portions) is due to the issuance of the Series "C" 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 2006-07, the fourth 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, 2007**



**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-operating 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, 2007**

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

	(in thousands)		
	<u>2007</u>	<u>2006*</u>	<u>Change</u>
<b>OPERATING REVENUES</b>			
Net enrollment, tuition and fees	\$ 15,019	\$ 14,292	5.09%
Grants and contracts, non-capital	<u>32,338</u>	<u>29,638</u>	9.11%
Total operating revenues	<u>47,357</u>	<u>43,930</u>	7.80%
Total operating expenses	<u>172,865</u>	<u>147,558</u>	17.15%
Operating loss	<u>(125,508)</u>	<u>(103,628)</u>	21.11%
Non-Operating revenues (expenses), non-capital			
State apportionments, non-capital	102,826	91,803	12.01%
Local property taxes	17,640	16,628	6.09%
State taxes and other revenues (losses)	6,079	4,534	34.08%
Interest expense	(6,983)	(2,465)	183.29%
Investment income, net	<u>2,351</u>	<u>1,325</u>	77.43%
Total non-operating revenues (expenses)	<u>121,913</u>	<u>111,825</u>	9.02%
Other revenues, expenses, gains or losses, capital	<u>26,050</u>	<u>24,165</u>	7.80%
Change in net assets	22,455	32,362	-30.61%
Net assets, beginning of year	<u>120,671</u>	<u>88,310</u>	36.64%
Net assets, end of year	<u>\$ 143,126</u>	<u>\$ 120,672</u>	18.61%

\*Certain reclassifications have been made to the summarized financial statements for the year 2005-06 to conform to the 2006-07 summarized financial statement presentation.

## MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS

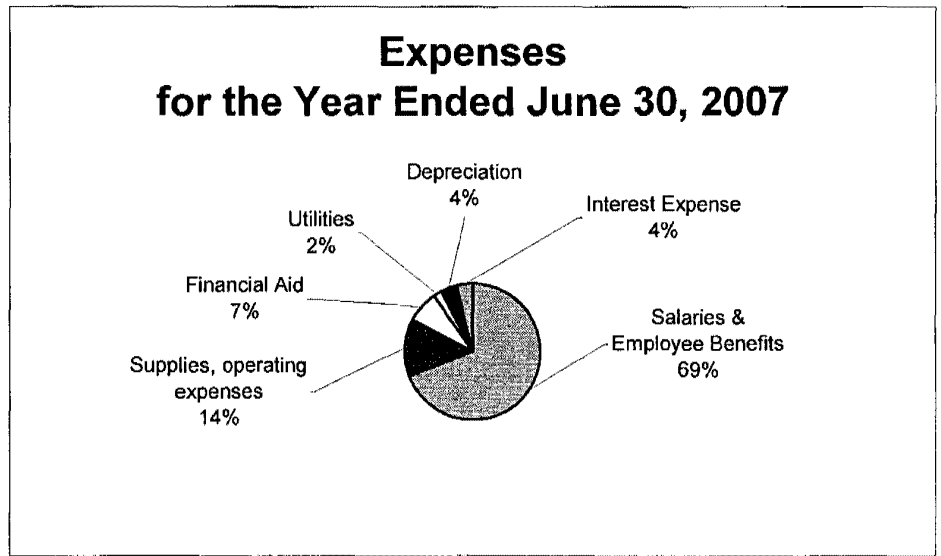
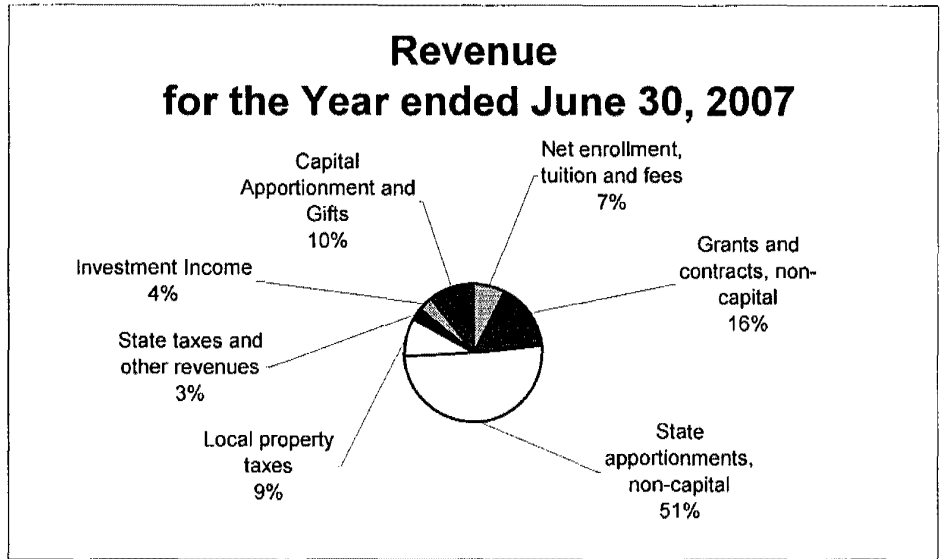
June 30, 2007

- Net enrollment, tuition and fees increased by approximately 5.1%. This increase is attributed to the net effect of an increase in student enrollment and minimal increase in non-resident tuition and a decrease in various materials and enrollment fees.
- Non-capital grants and contracts increased due to augmentation of existing state grants and the receipt of new state grants. Some of these grants are the Nursing grants, Career Technical Equipment, Basic Skills, one-time Instructional Equipment, Credit and Non Credit Matriculation and Disabled Student Program and Services.
- The increase in operating expenses of 17.15% was directly related to the 6.92% salary and benefit increase, payment of the retiree benefits of \$2.8 million, and increase of approximately \$6.4 million in supplies and materials, other operating expenses, and services. This latest increase is due to the receipt of additional one-time funds and grants, such as the Career Technical Equipment Funds, AB1802 General Purpose Funds and Basic Skills. Also, as new buildings are completed, the Depreciation expense increases.
- The District receives its apportionment revenue from the following three sources: State apportionment, property taxes and enrollment fees. Since 2004-05 local property taxes have continued to be diverted from the community colleges to cities and counties; therefore we receive more State apportionment in our funding formula than in years prior to 2004-05. The net increase is due to an increase in funded growth FTES and a COLA.
- The increase under state taxes and other revenue is primarily due to an increase in Lottery and state mandated cost revenues. The district received an additional \$400,000 in lottery revenues as a result of a prior year adjustment. The district also received payment for prior year's claims of mandated costs totaling of \$1.1 million.
- The interest expense increased by \$4.5 million due to the increase of the bond debt for interest paid on general obligation bonds Series "A", Series "B", and the Bond Refunding and the recognition the bond premium amortization.
- The other revenues, expenses, gains or losses, capital reflects an increase by \$1.9 million. The Science Building and other claims to the state for capital projects decreased by \$2.8 million. The property tax collection associated with the bond repayment increased by \$1.8 million as a result of the increase in bond debt and bond refunding. The investment income increased by \$2.9 million due to the receipt of funds from the Series "C" General Obligation Bonds.
- Functional expenses are detailed in Note 15 of the financial statements.

**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2007**



**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2007**

**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>2007</u>	<u>2006 *</u>	<u>Change</u>
Cash Provided By (Used in)			
Operating activities	\$ (114,400)	\$ (98,848)	15.73%
Non-capital financing activities	130,781	109,593	19.33%
Capital and related financing activities	43,636	(15,698)	-377.97%
Investing activities	<u>23,418</u>	<u>24,021</u>	-2.51%
Net change in cash and cash equivalents	83,435	19,068	337.57%
Cash Balance, Beginning of Year	<u>57,243</u>	<u>38,175</u>	49.95%
Cash Balance, End of Year	<u>\$ 140,678</u>	<u>\$ 57,243</u>	145.76%

\* Certain reclassification have been made to the summarized financial statements for the year 2005-06 to conform to the 20056-07 summarized financial statement presentation.



## MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2007

- 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 instructional programs. The increase in cash used by operating activities is due to a 6.92% salary and benefit increase and payment to suppliers. The district received additional one-time funds and grants in the fiscal year 2006-07. These funds were mainly expensed in instructional supplies, services and equipment.
- Cash received from Non-capital Financing Activities is due to additional cash received from State apportionment as a result of an increase in funded growth FTES and COLA. This area accounts for 83% of non-capital financing activities. Cash received from property taxes also increased and accounts for 14% of the cash generated in this section. The remaining 3% under this section is for Grants and Gifts Other Than Capital Purposes.
- The main increase in cash from Capital and Related Financing Activities is for the issuance of the Series "C" General Obligation Bonds in September 2006. The bonds were sold at premium, and the proceeds from this sale were \$83.5 million. The other significant change to cash flows from capital and related financing activities was a result of the increase in the amount paid toward the principal and interest of the bond debt. The debt service schedule for principal and interest is shown Note 9 – Bond Debt of the Financial Statements which includes greater detail. In addition, included in this section, is an increase in the local revenue due to the increase in property assessments, which resulted in increased property taxes revenues for the Bond Interest Redemption Fund.
- Cash used from Investing Activities includes interest earned on cash in bank and cash invested through the Los Angeles County pool. This section mainly includes interest earned from the General Fund. The increase in interest earned in 2006-07 versus 2005-06 is \$1.1 million attributed to the increase of our reserves in 2005-06.

#### **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 and clubs. 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.

It was determined that the District would have the responsibility of accounting for the Student Loans and Scholarship Funds. Therefore, effective July 1, 2006 the fiduciary responsibility for these funds was transferred to the District.

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, 2007

**Capital Asset and Debt Administration**

**Capital Assets**

As of June 30, 2007, the District had over \$207.8 million invested in net capital assets. Total capital assets of \$250.5 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 \$42.7 million. Significant capital asset additions and deletions of \$55.1 million, which is mainly a net decrease in construction in progress totaling \$7.4 million, a net increase in equipment totaling \$6.2 million and an increase in site improvements totaling \$56.3 million, occurred during 2006-07. Depreciation expense of \$6.8 million was recorded for the fiscal year, as were net retirements of \$22,000.

During 2006-07, construction was completed for the following projects: Science Building 60 (Project 1), Gym Floor Replacement Building 3 (Project 11), Founder's Hall Building 10 (Project 17), Art Renovation Building 1B and 1C (Project 17) and major portions of Infrastructure Projects (Project 17).

Construction in progress during 2006-07 includes the following projects: Greenhouse Unit and Animal Care Unit (Agricultural-Phase 2), Child Development Center, Classroom Renovation-Buildings 7, 11, 26, Design Technology Center, Physical Education/Gymnasium, Student Services Renovation-Building 9B, Building 23 Renovation (Phase 2), Planetarium Remodel, Math and Science-Building 61, Music Expansion Project, Parking Lot D-3 and Parking Lot S.

Note 5 to the financial statements provide additional information on capital assets. A comparison of capital assets, net of depreciation is summarized below:

	(in thousands)		
	<u>2007</u>	<u>2006</u>	<u>Change</u>
Land	\$ 619	\$ 619	0.00%
Buildings and improvements	150,012	98,064	52.97%
Equipment	8,250	3,908	111.11%
Construction in progress	<u>48,953</u>	<u>56,434</u>	-13.26%
Net Capital Assets	<u>\$ 207,834</u>	<u>\$ 159,025</u>	30.69%

**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2007**

**Debt**

At June 30, 2007, the District had \$193.5 million in debt, primarily due to the \$5.6 million in Series "A" General Obligation Bonds issued in May, 2002, \$16.0 million in Series "B" General Obligation Bonds issued in February, 2004, \$75.3 million General Obligation Refunding Bonds issued September, 2005, and \$80.0 million in Series "C" General Obligation bond issued in September 2006. 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 2009. 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. The district will pay off this debt in 2007-08.

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>2007</u>	<u>2006</u>	<u>Change</u>
Long-term debt			
Capital leases	\$ 37	\$ 77	-51.95%
Loan payable	857	1,085	-21.01%
Bonds payable (including premium)	191,822	117,584	63.14%
Bonds - accreted interest	1,280	320	300.00%
Bonds payable - deferred liability	(6,811)	(7,430)	-8.33%
Compensated absences	5,325	4,553	16.96%
Supplemental employee retirement plan	997	1,994	-50.00%
Total long-term debt	<u>193,507</u>	<u>118,183</u>	63.74%
Less current portion	<u>(10,966)</u>	<u>(10,673)</u>	2.75%
Long-term portion	<u>\$ 182,541</u>	<u>\$ 107,510</u>	69.79%

## MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2007

#### **Economic Factors that May Affect the Future**

As of June 30, 2007, 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 the previous fiscal years, the District was able to increase total net assets by \$22.5 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. 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**

On August 22, 2007 the Board of Trustees approved the issuance of Certificates of Participation/Lease Revenue Bonds in order to obtain additional financing for the purpose of completing various capital projects. The District anticipates completing this transaction in Spring 2008.

In compliance with GASB 43/45, the District plans to establish a "Substantive Plan" and an Irrevocable OPEB (Other Post Employment Benefits) Trust for retiree health and welfare benefits during the 2007-08 fiscal year.

#### **Salary and Benefit Increases**

Effective July 1, 2007, all Faculty, Management, Supervisors, Confidential and Classified employees will receive a 5.53% salary increase and an equivalent one-time health and welfare benefit increase of \$2,765 per FTE employee.

## **BASIC FINANCIAL STATEMENTS**

**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF NET ASSETS**

June 30, 2007

	<u>Primary Government</u>	<u>Component Unit Auxiliary Services</u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 120,264,937	\$ 1,442,798
Accounts receivable, net	16,280,468	415,688
Due from Auxiliary Services	973,187	
Due from the District		134,239
Inventories	46,973	1,892,949
Prepaid expenses and deposits	<u>74,198</u>	<u>28,237</u>
Total Current Assets	<u>137,639,763</u>	<u>3,913,911</u>
Non-Current Assets:		
Restricted cash and cash equivalents	20,413,161	
Notes receivable		85,116
Student loans receivable, net	104,261	
Capitalized fees	2,300,142	
Capital assets, net of accumulated depreciation	<u>207,833,975</u>	<u>966,583</u>
Total Non-Current Assets	<u>230,651,539</u>	<u>1,051,699</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 368,291,302</b></u>	<u><b>\$ 4,965,610</b></u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts payable	\$ 14,458,840	\$ 175,903
Accrued liabilities	10,111,719	658,512
Deferred revenue	6,766,650	3,648
Due to Auxiliary Services	321,580	
Due to the District		77,305
Amount held in trust for others		32,374
Compensated absences - current portion	2,084,646	188,289
Supplemental employee retirement plan payable- current portion	996,935	
Capital leases - current portion	18,531	
Loans payable - current portion	240,957	
Bonds payable - current portion	<u>7,625,000</u>	
Total Current Liabilities	<u>42,624,858</u>	<u>1,136,031</u>
Non-Current Liabilities:		
Compensated absences	3,239,741	
Capital leases	18,335	
Loans payable	616,553	
Bonds payable, net	<u>178,665,973</u>	
Total Non-Current Liabilities	<u>182,540,602</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u><b>225,165,460</b></u>	<u><b>1,136,031</b></u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	85,152,901	966,583
Restricted for:		
Scholarships and loans	15,810	
Capital projects	7,160,813	
Debt service	12,168,443	
Other special services	1,068,500	
Unrestricted	<u>37,559,375</u>	<u>2,862,996</u>
<b>TOTAL NET ASSETS</b>	<u><b>143,125,842</b></u>	<u><b>3,829,579</b></u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><b>\$ 368,291,302</b></u>	<u><b>\$ 4,965,610</b></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, 2007**

	<b>Primary Government</b>	<b>Component Unit Auxiliary Services</b>
<b>OPERATING REVENUES</b>		
Enrollment, tuition and other fees (gross)	\$ 20,868,933	\$
Less: Scholarship discounts and allowances	<u>(5,850,223)</u>	
Net enrollment, tuition and other fees	15,018,710	-
Grants and contracts, non-capital:		
Federal	15,598,771	
State	14,101,307	
Local	2,638,306	
Auxiliary enterprise sales and charges, net		<u>3,843,351</u>
<b>TOTAL OPERATING REVENUES</b>	<u>47,357,094</u>	<u>3,843,351</u>
<b>OPERATING EXPENSES</b>		
Salaries	98,132,950	2,185,724
Employee benefits	26,292,026	683,747
Supplies, materials and other operating expenses and services	24,602,332	977,292
Financial aid	13,277,063	
Utilities	3,761,116	
Depreciation	<u>6,799,918</u>	<u>125,652</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>172,865,405</u>	<u>3,972,415</u>
<b>OPERATING (LOSS)</b>	<u>(125,508,311)</u>	<u>(129,064)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
State apportionments, non-capital	102,825,748	
Local property taxes	17,640,617	
District fees		164,885
State taxes and other revenues	6,065,828	
Gain on disposal of fixed assets	12,892	
Interest expense	<u>(6,983,034)</u>	
Investment income, net	<u>2,351,163</u>	<u>373,180</u>
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<u>121,913,214</u>	<u>538,065</u>
<b>INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS OR (LOSSES)</b>	<u>(3,595,097)</u>	<u>409,001</u>
<b>OTHER REVENUES, EXPENSES, GAINS OR (LOSSES)</b>		
State apportionments, capital	6,861,968	
Local property taxes and revenues, capital	14,248,644	
Investment income, capital	<u>4,938,841</u>	
<b>TOTAL OTHER REVENUES, EXPENSES, GAINS OR (LOSSES)</b>	<u>26,049,453</u>	<u>-</u>
<b>INCREASE IN NET ASSETS</b>	22,454,356	409,001
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>120,671,486</u>	<u>3,420,578</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 143,125,842</u>	<u>\$ 3,829,579</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, 2007**

	<b>Primary Government</b>	<b>Component Unit Auxiliary Services</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Enrollment, tuition and fees	\$ 15,943,175	\$
Federal grants and contracts	15,667,276	
State grants and contracts	16,909,252	
Local grants and contracts	2,487,827	
Payments to suppliers	(27,586,922)	(7,233,755)
Sales		10,284,881
Payments to/on-behalf of employees	(124,457,265)	(2,812,647)
Payments to/on-behalf of students	(13,213,475)	
Other receipts/(payments)	(149,604)	
Net cash provided (used) by operating activities	<u>(114,399,736)</u>	<u>238,479</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
State apportionments and receipts	108,280,552	
Property taxes	17,640,617	
Grants and gifts for other than capital purposes	<u>4,859,275</u>	
Net cash provided by non-capital financing activities	<u>130,780,444</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from capital debt	83,513,818	
State apportionment and receipts for capital purposes	10,707,187	
Property taxes and other local revenue from capital purposes	14,230,492	
District fees		171,098
Net purchase and sale of capital assets	(55,666,127)	(33,169)
Principal and interest paid on capital debt	(11,904,573)	
Payment of bond issue costs	(840,619)	
Interest on capital investments	<u>3,595,640</u>	
Net cash provided by capital and related financing activities	<u>43,635,818</u>	<u>137,929</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Maturity of investments	21,478,469	
Interest on investments	<u>1,939,530</u>	<u>373,180</u>
Net cash provided by investing activities	<u>23,417,999</u>	<u>373,180</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>83,434,525</b>	<b>749,588</b>
<b>CASH BALANCE - Beginning of Year</b>	<u><b>57,243,573</b></u>	<u><b>693,210</b></u>
<b>CASH BALANCE - End of Year</b>	<u><b>\$ 140,678,098</b></u>	<u><b>\$ 1,442,798</b></u>
<b>Supplemental Disclosure</b>		
Non cash financing activities		
Reduction on loans payable - usage credits	<u><b>\$ 7,098</b></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, 2007**

	<u>Primary Government</u>	<u>Component Unit Auxiliary Services</u>
<b>Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities</b>		
<b>CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Net Operating Loss	\$ (125,508,311)	\$ (129,064)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation expense	6,799,918	125,652
Changes in assets and liabilities:		
Accounts and student loans receivable, net	866,322	(15,615)
Due from Auxiliary Services	7,195	
Due from District		236,205
Inventories	17,027	(40,286)
Prepaid expenses	342,260	(9,427)
Notes receivable		8,304
Accounts payable and accrued liabilities	596,377	65,503
Due to Auxiliary Services	(113,409)	
Deferred revenue	2,861,421	(10,110)
Compensated absences	771,789	16,989
Due to District		(28,310)
Due to fiduciary funds		18,638
Amounts held in custody for others	(43,390)	
Supplemental employee retirement plan payable	(996,935)	
Net cash provided (used) by operating activities	<u>\$ (114,399,736)</u>	<u>\$ 238,479</u>
Breakdown of ending cash balance:		
Cash and cash equivalents	\$ 120,264,937	\$ 1,442,798
Restricted cash and cash equivalents	20,413,161	
Total	<u>\$ 140,678,098</u>	<u>\$ 1,442,798</u>

See the accompanying notes to the financial statements.

**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF FIDUCIARY NET ASSETS**

June 30, 2007

	<u>Primary Government</u>	<u>Component Unit Auxiliary Services</u>	
	<u>Student Loans and Scholarship Fund</u>	<u>Student Loans and Scholarship Fund</u>	<u>Agency Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 230,448	\$	\$ 4,147,409
Accounts receivable	58,335		188,006
Due from the District			187,341
<b>TOTAL ASSETS</b>	<u>\$ 288,783</u>	<u>\$ -</u>	<u>\$ 4,522,756</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 5,911	\$	\$ 14,248
Other accrued liabilities			118,911
Deferred revenue			1,117,466
Due to the District			895,882
Compensated absences			2,846
Amount held in trust for others			2,373,403
Amount held in trust for loans	58,335		
<b>TOTAL LIABILITIES</b>	<u>64,246</u>	<u>-</u>	<u>4,522,756</u>
<b>NET ASSETS</b>			
Reserved for scholarships	224,537		
<b>TOTAL NET ASSETS</b>	<u>224,537</u>	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 288,783</u>	<u>\$ -</u>	<u>\$ 4,522,756</u>

See the accompanying notes to the financial statements.

**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**For the Fiscal Year Ended June 30, 2007**

	<u>Primary Government Student Loans and Scholarship Fund</u>	<u>Component Unit Auxiliary Services Student Loans and Scholarship Fund</u>
<b>ADDITIONS</b>		
Donations	\$ 142,523	\$ 93,528
<b>TOTAL ADDITIONS</b>	<u>142,523</u>	<u>93,528</u>
<b>DEDUCTIONS</b>		
Scholarships awarded	<u>94,951</u>	<u>85,102</u>
<b>TOTAL DEDUCTIONS</b>	<u>94,951</u>	<u>85,102</u>
Change in Net Assets before other financing sources (uses)	47,572	8,426
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfer in	176,965	
Transfer out		<u>(179,965)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>176,965</u>	<u>(179,965)</u>
Change in Net Assets	224,537	(171,539)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>-</u>	<u>171,539</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 224,537</u>	<u>\$ -</u>

See the accompanying notes to the financial statements.

**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**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, 2007**

**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, 2007**

**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.

During the fiscal year it was determined that the District would have the responsibility of accounting for the Student Loans and Scholarship Fund and should be transferred from the District's component unit. The scholarship balance of \$179,965 was transferred on November 1, 2006. The amounts held in trust for loans totaling \$58,335 were transferred on June 30, 2007.

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 \$1,213,507 on June 30, 2007, 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, 2007**

**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, 2007

**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

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

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. 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. Due from Auxiliary

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

4. Inventories

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



MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

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

**C. BASIS OF ACCOUNTING (continued)**

5. Prepaid Expenses

Payments made to vendors for goods or services that will benefit periods beyond June 30, 2007, 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 goods or services are consumed.

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, 2007

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 with a whole month convention 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. Capitalized Fees

Amounts paid for fees and underwriting costs associated with long-term debt are capitalized and amortized to interest expense in the government-wide statements over the life of the liability. These costs are amortized using the straight-line method.

10. Accounts Payable

Accounts payable consists of amounts due to vendors.

11. Accrued Liabilities

Accrued liabilities consist of salary and benefits payable of \$5,721,577 and accrued interest payable of \$4,390,142 on bonded debt.

12. Due to Auxiliary

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

13. 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, 2007

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

**C. BASIS OF ACCOUNTING (continued)**

14. 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.

15. 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, 2007

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

**C. BASIS OF ACCOUNTING (continued)**

15. 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.

16. 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 2008 will be recorded in the year computed by the State.

**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2006**

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

**C. BASIS OF ACCOUNTING (continued)**

17. 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 basic financial statements 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. Property taxes for debt service purposes have been accrued in the basic financial statements.

18. 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 \$1,130,000 for STRS.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

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

**C. BASIS OF ACCOUNTING (continued)**

19. 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.

20. 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, 2007**

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

**C. BASIS OF ACCOUNTING (continued)**

21. 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:**

**Custodial 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, 2007, \$416,101 of the District's bank balance of \$540,358 was exposed to credit risk as follows:

Uninsured and collateral held by pledging bank's trust department not in the District's name	\$416,101
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**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, 2007, as provided by the pool sponsor, was \$140,452,222. 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, 2007**

**NOTE 3 - ACCOUNTS RECEIVABLE:**

The accounts receivable balance as of June 30, 2007 consists of the following:

Federal and State	\$12,008,116
Miscellaneous	<u>4,272,352</u>
	<u>\$16,280,468</u>

**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, 2007:

	Balance June 30,2006	Additions	Retirements	Balance June 30,2007
Land	\$ 619,480	\$	\$	\$ 619,480
Site and site improvements	127,964,180	56,362,234		184,326,414
Equipment	10,339,627	6,749,692	(525,723)	16,563,596
Construction in progress	56,433,479	31,971,272	(39,452,270)	48,952,481
Total cost	<u>195,356,766</u>	<u>95,083,198</u>	<u>(39,977,993)</u>	<u>250,461,971</u>
Less accumulated depreciation for:				
Site and site improvements	(29,900,061)	(4,413,803)		(34,313,864)
Equipment	<u>(6,431,433)</u>	<u>(2,386,115)</u>	503,416	<u>(8,314,132)</u>
Total accumulated depreciation	<u>(36,331,494)</u>	<u>(6,799,918)</u>	503,416	<u>(42,627,996)</u>
Governmental capital assets, net	<u>\$ 159,025,272</u>	<u>\$ 88,283,280</u>	<u>\$ (39,474,577)</u>	<u>\$ 207,833,975</u>



MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

**NOTE 6 - CAPITAL LEASES:**

The District leases equipment valued at approximately \$351,000 under agreements which provide for title to pass upon expiration of the lease period. Future minimum lease payments are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 18,531	\$ 2,280	\$ 20,811
2009	<u>18,335</u>	<u>741</u>	<u>19,076</u>
Total	<u>\$ 36,866</u>	<u>\$ 3,021</u>	<u>\$ 39,887</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>Year Ended June 30,</u>	<u>Lease Payment</u>
2008	\$356,688
2009	133,252
2010	19,272
2011	<u>12,920</u>
Total	<u>\$522,132</u>

Current year expenditures for operating leases is approximately \$428,000. 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, 2007

**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 2006-07, the District repaid \$13,850 to the City, and received \$7,098 in facility usage credit. The remaining balance of \$373,997 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%.

Annual loan payments outstanding as of June 30, 2007 are as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	<u>\$150,227</u>	<u>\$ 3,400</u>	<u>\$153,627</u>
	<u>\$150,227</u>	<u>\$ 3,400</u>	<u>\$153,627</u>

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%.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

**NOTE 8 - LOANS PAYABLE:**

**B. California Energy Commission (continued)**

Annual loan payments outstanding as of June 30, 2007 are as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 62,729	\$ 9,557	\$ 72,286
2009	64,649	7,637	72,286
2010	66,603	5,683	72,286
2011	68,617	3,670	72,287
2012	<u>70,688</u>	<u>1,598</u>	<u>72,286</u>
	<u>\$333,286</u>	<u>\$ 28,145</u>	<u>\$361,431</u>

**NOTE 9 – GENERAL OBLIGATION BONDS:**

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

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

The bonds were issued to refund certain outstanding general obligation bonds (\$40,000,000 Series A issued May 2, 2002 and \$75,000,000 Series B issued February 4, 2004) of the District and to pay for certain capital improvements.

The proceeds associated with the refunding were deposited in an escrow fund for future repayment. At June 30, 2007 the outstanding balance of the defeased debt to be paid by the escrow agent totaled \$68,514,450. These bonds are considered fully defeased and are not recorded on the financial statements. The difference in cash flow requirements related to this refunding amounted to a savings of approximately \$12,176,000. The present value of economic gain to the District amounts to approximately \$2,653,000. These savings result in a re-calculation of the collections and payments towards bond payoffs and are included in the consolidated schedule noted on the subsequent page.

**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**NOTE 9 – GENERAL OBLIGATION BONDS: (continued)**

The capital appreciation bonds were issued with maturity dates of August 1, 2016 through August 1, 2017. Prior to the applicable maturity date, each bond will accrete interest on the principal component.

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

The capital appreciation bonds were issued with maturity dates of September 1, 2008 through September 1, 2012. Prior to the applicable maturity date, each bond will accrete interest on the principal component.

The outstanding bonded debt of Mt. San Antonio Community College District at June 30, 2007 is:

<u>Date of Issue</u>	<u>Interest Rate %</u>	<u>Maturity Date (1)</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2006</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2007</u>
5/1/02 A	3.25-5.25%	5/1/2027	\$ 40,000,000	\$ 6,710,000	\$	\$ 1,125,000	\$ 5,585,000
2/4/04 B	2.75-5.0%	8/1/2028	75,000,000	22,360,000		6,320,000	16,040,000
9/6/05	3.5-5.0%	8/1/2017	75,745,843	75,745,843		450,000	75,295,843
9/8/06 C	4.0-5.0%	9/1/2031	79,996,203		79,996,203		79,996,203
			<u>\$ 270,742,046</u>	<u>\$ 104,815,843</u>	<u>\$ 79,996,203</u>	<u>\$ 7,895,000</u>	<u>\$ 176,917,046</u>

(1) Revised maturity date on non-refunded portion:

Series A 5/1/2012

Series B 8/1/2014

**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**NOTE 9 – GENERAL OBLIGATION BONDS: (continued)**

The annual requirements to amortize all bonds payable, outstanding as of June 30, 2007, are as follows:

Year Ended June 30	Principal	Accreted Interest	Interest	Total
2008	\$ 7,625,000	\$ 9,867	\$ 8,983,042	\$ 16,617,909
2009	7,645,133	18,938	7,122,524	14,786,595
2010	8,306,062	36,704	6,831,788	15,174,554
2011	8,833,296	50,982	6,512,007	15,396,285
2012	9,759,018	117,306	6,151,688	16,028,012
2013-2017	54,050,289	7,612,405	30,856,923	92,519,617
2018-2022	23,383,248	8,141,752	24,507,652	56,032,652
2023-2027	25,335,000		10,893,083	36,228,083
2028-2032	31,980,000		4,077,019	36,057,019
Total Debt Service	176,917,046	<u>\$ 15,987,954</u>	<u>\$ 105,935,726</u>	<u>\$ 298,840,726</u>
Unamortized bond premium (1)	14,904,877			
Unamortized bond, deferred liability (2)	<u>(6,811,180)</u>			
Total	<u>\$ 185,010,743</u>			

(1) Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The Bond included total premiums of \$17,869,815. This amount will be amortized using the straight line method. Amortization of \$1,380,764 was recognized during 2006-07.

(2) The difference between the reacquisition price and the net carrying amount on refunded debt is deferred and amortized as a component of interest expense over the life of the new debt. Payments to the refunding escrow agent exceeded the existing carrying value of the refunded debt by \$7,430,378. Amortization of \$619,198 was recognized during the 2006-07 year.

At June 30, 2007, \$1,280,230, in accreted interest has been accrued and included in long-term debt.

Associated issuance costs are recorded as capitalized fees on the statement of net assets. The Bonds included issuance costs of \$2,713,698. This amount will be amortized using the straight-line method. Amortization of \$185,891 was recognized during 2006-07.

**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2007**

**NOTE 10 - LONG-TERM DEBT:**

A schedule of changes in long-term debt for the year ended June 30, 2007 is shown below:

	Balance June 30, 2006 *	Additions	Deletions	Balance June 30, 2007	Amounts Due in One Year
Capital Leases	\$ 77,407	\$	\$ 40,541	\$ 36,866	\$ 18,531
Loan Payable-City of Walnut	394,945		20,948	373,997	28,000
Energy Loans Payable	690,253		206,740	483,513	212,957
Bonds	104,815,843	79,996,203	7,895,000	176,917,046	7,625,000
Bond Premium	12,768,026	3,517,615	1,380,764	14,904,877	
Bond - Accreted Interest	320,150	960,080		1,280,230	
Bonds Payable - Deferred Liability	(7,430,378)		(619,198)	(6,811,180)	
Compensated Absences	4,552,598	771,789		5,324,387	2,084,646
Supplemental Employee Retirement Plan	1,993,870		996,935	996,935	996,935
<b>Total</b>	<b>\$ 118,182,714</b>	<b>\$ 85,245,687</b>	<b>\$ 9,921,730</b>	<b>\$ 193,506,671</b>	<b>\$ 10,966,069</b>

\* Certain reclassifications have been made to the June 30, 2006 balance to conform to the 2006-07 financial statement presentation. Specifically, bond premium has been reported gross of issuance costs of \$1,645,414 which have been reported as capitalized fees in the non-current asset section of the Statement of Net Assets. In addition, compensated absences has been classified as a non-current liability.

**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) and part-time, seasonal and temporary employees and employees not covered by STRS or PERS are members of the Alliance of Schools for Cooperative Insurance Programs (ASCIP).

**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, 2007**

**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 2006-07 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 2006-07 was 9.124% 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, 2007

**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>
2005	\$3,733,269	100%	\$2,309,641	100%
2006	4,189,665	100%	2,333,493	100%
2007	4,623,329	100%	2,595,079	100%

**MetLife**

**Plan Description**

MetLife is a defined contribution plan qualifying under §401(a) and §501 of the Internal Revenue Code, that is administered by Alliance of Schools for Cooperative Insurance Programs (ASCIP). 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 ASCIP 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 \$658,076 during the fiscal year. The total amount of covered compensation was \$8,774,352. Total contributions made is 100% of the amount of contributions required for fiscal year 2006-07.



**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**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. At June 30, 2007, there were 477 retirees participating in the plan. The District contributed \$2,717,988 to the reserve in 2006-07 and has a budgeted contribution of \$2,717,988 in 2007-08.

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

**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 \$996,935 has been reflected in these financial statements.

**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.

**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**NOTE 14 - JOINT POWERS AGREEMENT: (continued)**

ASCIP arranges for and provides property and liability insurance plans and dental and vision insurance plans for its member districts. Mt. San Antonio Community College District pays a premium commensurate with the level of coverage requested. In addition, ASCIP maintains defined pension plans for employees not covered by STRS or PERS (see Note 11).

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 September 2007 estimates a present value of future post retirement medical benefits of \$116,800,000 for the District and \$5,000,000 for Mt. San Antonio College Auxiliary. The JPA balance at June 30, 2006 applicable to Mt. San Antonio Community College District for retiree benefits was approximately \$48,100,000 and approximately \$2,400,000 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.

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. For the fiscal year 2006-07, the District refunded \$217,743 from local revenue to the Authority for corrections in tax calculations.

**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**NOTE 14 - JOINT POWERS AGREEMENT: (continued)**

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

	ASCIP 6/30/2007 (Unaudited)	SCCCD-JPA 6/30/2006 (Audited)	SELF 6/30/2006 (Audited)	PIPS 6/30/2006 (Audited)	
		Workers' Compensation Insurance Fund	Retiree Health Insurance Fund		
Total assets	\$187,300,436	\$17,673,423	\$71,084,237	\$219,228,961	\$ 33,797,643
Total liabilities	<u>122,434,181</u>	<u>1,019,161</u>	<u>9,582</u>	<u>191,182,670</u>	<u>27,840,883</u>
Net assets	\$ <u>64,866,255</u>	\$ <u>16,654,262</u>	\$ <u>71,074,655</u>	\$ <u>28,046,291</u>	\$ <u>5,956,760</u>
Total revenues	\$162,002,583	\$ 8,128,947	\$ 1,757,362	\$ 66,347,032	\$198,833,406
Total expenditures	<u>135,225,055</u>	<u>7,405,639</u>	<u>55,992</u>	<u>41,523,839</u>	<u>193,269,413</u>
Change in net assets	\$ <u>26,777,528</u>	\$ <u>723,308</u>	\$ <u>1,701,370</u>	\$ <u>24,823,193</u>	\$ <u>5,563,993</u>

**NOTE 15 - FUNCTIONAL EXPENSE:**

	Salaries	Employee Benefits	Supplies, Materials, Utilities, Other Expenses and Services	Student Aid and Other Uses	Depreciation	Total
Instructional	\$ 61,210,014	\$ 13,578,442	\$ 5,033,087	\$	\$	\$ 79,821,543
Academic Support	6,803,024	1,724,816	854,145			9,381,985
Student Services	9,881,644	2,673,959	1,698,661			14,254,264
Operation & Maintenance of Plant	4,704,838	1,764,156	5,523,183			11,992,177
Institutional Support	10,007,020	5,230,756	6,581,245			21,819,021
Community Services and Economic Development	2,421,276	491,513	1,250,801			4,163,590
Ancillary Services and Auxiliary Operations	3,105,134	828,384	1,247,747			5,181,265
Student Aid				13,277,063		13,277,063
Other Outgo			6,174,579			6,174,579
Depreciation Expense					6,799,918	6,799,918
Totals by Object	<u>\$ 98,132,950</u>	<u>\$ 26,292,026</u>	<u>\$ 28,363,448</u>	<u>\$ 13,277,063</u>	<u>\$ 6,799,918</u>	<u>\$ 172,865,405</u>

**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**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, 2007 the District was committed under various capital expenditure purchase agreements for various projects totaling approximately \$43.1 million to be funded from bond proceeds and State funding for capital outlay projects.

In July 2006, the Board authorized the acquisition of a fully integrated Enterprise Application System (EAS) to replace several of its legacy information systems with a strategic, scaleable, non-propriety system to enhance academic and administrative services to campus constituents. Total costs are estimated to be \$21.6 million over a ten year timeline with funding provided from the Unrestricted General Fund. Funding for the first three years of implementation will come from a designated EAS reserve; thereafter, ongoing maintenance will be funded as usual.

**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.

**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**NOTE 17 - SUBSEQUENT EVENT:**

**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 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, 2007

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>
Rosanne M. Bader	President	November 30, 2007
Manuel Baca	Vice President	November 30, 2007
Fred Chyr	Clerk	November 30, 2007
Judy Chen Haggerty	Member	November 30, 2009
Dr. David K. Hall	Member	November 30, 2009
Gisselle Regalado	Student Trustee	May 31, 2007
Isaiah Deresa	Student Trustee	May 31, 2008

### DISTRICT EXECUTIVE OFFICERS

Dr. John S. Nixon	Interim President/CEO*
Dr. Virginia Burley	Interim Vice President, Instruction**
Michael D. Gregoryk	Vice President, Administrative Services
Dr. Jack Miyamoto	Interim Vice President, Human Resources
Dr. Audrey Yamagata-Noji	Vice President, Student Services

\*Christopher C. O'Hearn resigned effective June 12, 2007; Dr. John S. Nixon became Acting President/CEO effective June 12, 2007 and Interim President/CEO effective July 1, 2007.

\*\*Dr. John S. Nixon was the Vice President, Instruction through June 11, 2007; Dr. Virginia Burley became Interim Vice President, Instruction effective July 1, 2007.

**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Fiscal Year Ended June 30, 2007**

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures
<b>Federal Categorical Aid Programs:</b>			
<b>Student Financial Aid Cluster:</b>			
<b>Department of Education:</b>			
Direct			
Student Financial Aid Cluster:			
Student Financial Aid Administrative Expenses	84.000	N/A	\$ 70,895
Supplemental Educational Opportunities Grant (SEOG)	84.007	N/A	402,806
Federal Work Study	84.033	N/A	341,934
Perkins Loans	84.037	N/A	1,149
Pell	84.063	N/A	10,550,572
Direct Loans - William D. Ford Program	84.268	N/A	3,202
Academic Competitiveness	84.375	N/A	20,175
<b>Department of Agriculture:</b>			
Passed through the California Department of Education:			
Child Nutrition Program	10.555	03755	57,520
<b>Department of Labor:</b>			
Pass through the Employment Development Department:			
Workforce Investment Act: Nurses Pathway for Licensure			
Title I-O - One-Stop (Wagner Peysner)	17.207	(1)	69,979
Title I - Adult Special Program	17.258	(1)	364,541
Workforce Investment Act: Associate Degree for Nursing (RN) Programs			
Fostering Student Success	17.258	(1)	192,656
<b>National Science Foundation:</b>			
Direct			
Planning Forward to Create an Undergraduate Research Center (URC) at Community College	47.049	N/A	1,621
Course, Curriculum and Laboratory Improvement (CCLI): Enhancing Student Learning	47.076	N/A	42,944
Advance Technological Education (ATE): Regional Information Systems Security Center	47.076	N/A	106,845
Establishing a Chemical Laboratory Technician Program	47.076	N/A	82,687
<b>Small Business Development Center:</b>			
Passed through Long Beach Community College District			
Small Business Development Center	59.037	(1)	241,683
<b>Department of Education:</b>			
Direct			
Workforce Investment Act, Title II: Adult Education and Family Literacy Act, Section 225/231	84.002A	N/A	699,164
Addressing Acute Student Needs	84.031S	N/A	163,278
Upward Bound	84.047A	N/A	372,206
Parent in School Program	84.335A	N/A	92,000
Passed through California State University, San Bernardino:			
Title V - Strengthening Institutions:			
Improving Access to Information Systems at Hispanic Serving Institutions	84.031	(1)	33,742
Passed through California Community College Chancellor's Office:			
Vocational and Applied Technology Education Act, Family and Consumer Sciences	84.048	(1)	282,747
Vocational and Applied Technology Education Act, Tech Prep	84.243	(1)	67,948
Vocational and Applied Technology Education Act, Title I, Part C	84.048	03578	966,464

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, 2007**

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures
<b>Department of Veterans Affairs Regional Office:</b>			
Direct			
Veteran's Education	84.065	N/A	\$ 21
<b>Department of Health &amp; Human Services :</b>			
Passed through California Community College Chancellor's Office:			
Temporary Assistance for Needy Families (TANF)	93.558	(1)	111,955
Temporary Assistance for Needy Families (TANF)-CDC Program	93.588	(1)	48,718
Passed through Los Angeles County Office of Education:			
LEA Medi-Cal Administrative Activities (MAA)	93.773	(1)	18,761
<b>Corporation for National and Community Service (CNCS):</b>			
Passed through the Community College Foundation:			
Americorps National Service Awards	94.006	(1)	67,028
Total Federal Expenditures			<u>\$ 15,475,241</u>
<b>Reconciliation to Federal Revenue:</b>			
Total federal program expenditures			\$ 15,475,241
Revenues in excess of expenditures related to federal entitlement program:			
LEA Medi-Cal Administrative Activities (MAA)			123,530
Total Federal Revenue			<u>\$ 15,598,771</u>
<b>Student Financial Aid Loan Programs:</b>			
<u>Perkins Program</u>	84.038		
Mt. San Antonio Community College District had the following loan balance outstanding as of 6/30/07:			\$ 104,261
<u>FELP Loan Program</u>	84.032		
During the fiscal year ended June 30, 2007, the Mt. San Antonio Community College District processed the following amounts of new loans under the FELP Program:			854,463
Total Student Financial Aid Loan Programs			<u>\$ 958,724</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, 2007

Program Name	Program Revenues					Total Program Expenditures
	Cash Received	Accounts Receivable	Deferred Revenue	Accounts Payable	Total	
State Categorical Aid Programs:						
Basic Skills - Over Cap Funds	\$ 45,000	\$ 5,000	\$	\$	\$ 50,000	\$ 50,000
Basic Skills & Immigrant Education	1,196,036		1,196,036		-	-
Basic Skills	1,195,341		740,732		454,609	454,609
Block Grant	443,285				443,285	443,285
Board Financial Assistance Program (BFAP)	823,500				823,500	823,500
Cal Works	396,247			11,500	384,747	384,747
Cal Works - Child Care	318,750			1,417	317,333	317,333
California High School Exit Exam Preparation Grant (CAHSEE)	169,616		92,042		77,574	77,574
CARE	148,861				148,861	148,861
Career Technical Equipment	1,017,817		136,428		881,389	881,389
Child Care and Development Fund Capacity Project	2,550				2,550	2,550
Child Care Food Program	990	2,971			3,961	3,961
Child Care General Center	421,367	29,622			450,989	450,989
Child Development Centers	550,056		6,669		543,387	543,387
Child Development Instructional Materials	2,029				2,029	2,029
Child Development Training Consortium	6,981	4,052			11,033	11,033
Disabled Student Program Services (DSPS)	2,086,254		565		2,085,689	2,085,689
Economic Development - Center of Excellence	172,200	14,394			186,594	186,594
Economic Development - Industry Driven Regional Collaborative	332,446		133,212		199,234	199,234
Economic Development - Small Business Development Center (SBDC)	42,000	8,000			50,000	50,000
Economic Development - Contract Education South	153,121	11,467			164,588	164,588
Economic Development - Enrollment Growth AA Nursing	223,792				223,792	223,792
Economic Development - Regional Health Occupational Resource Center (RHORC)	172,200			9,527	162,673	162,673
Equal Employment Opportunity	61,083		33,637		27,446	27,446
Extended Opportunities Program and Services (EOPS)	985,843	2,980			988,823	988,823
Instructional Equipment and Library Materials	1,201,543		451,597		749,946	749,946
Job Development Incentive Fund Nurse Reentry	3,170				3,170	3,170
Matriculation - Credit	1,315,183		1,330		1,313,853	1,313,853
Matriculation - Noncredit	1,266,397				1,266,397	1,266,397
Pre-Kindergarten Resource Program	465				465	465
Regional Consortium - Los Angeles and Orange County	1,648		898		750	750
Renovation for Capacity Building for Nursing Program Expansion	1,202,099		668,089		534,010	534,010
Staff Development	128,466		70,982		57,484	57,484
State Preschool, Full Day	87,432				87,432	87,432
State Preschool, Half Day	72,975	5,735			78,710	78,710
Technology Block Grant	280,734		25,894		254,840	254,840
Telecommunications and Technology Infrastructure Program (TTIP) Grant	87,259		33,782		53,477	53,477
Transfer Articulation	5,000				5,000	5,000
<b>Total State Programs</b>	<b>\$ 16,619,736</b>	<b>\$ 84,221</b>	<b>\$ 3,591,893</b>	<b>\$ 22,444</b>	<b>\$ 13,089,620</b>	<b>\$ 13,089,620</b>

See the accompanying notes to the supplementary information.

**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT  
ANNUAL (ACTUAL) ATTENDANCE  
For the Fiscal Year Ended June 30, 2007**

	<b>Revised Annual - Factored FTES</b>		
	<b>Reported Data</b>	<b>Audit Adjustments</b>	<b>Revised Data</b>
<b>A. Summer Intersession (Summer 2006 only)</b>			
1. Noncredit <sup>1</sup>	2,574.50		2,574.50
2. Credit	1,667.60		1,667.60
<b>B. Summer Intersession (Summer 2007 - Prior to July 1, 2007)</b>			
1. Noncredit <sup>1</sup>	55.59		55.59
2. Credit	498.99		498.99
<b>C. Primary Terms (Exclusive of Summer Intersession)</b>			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	17,321.17		17,321.17
(b) Daily Census Contact Hours	2,117.39		2,117.39
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit <sup>1</sup>	4,237.78		4,237.78
(b) Credit	872.93		872.93
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	221.74		221.74
(b) Daily Census Contact Hours	318.24		318.24
(c) Noncredit Independent Study/Distance Education Courses	N/A		N/A
<b>D. Total FTES</b>	<u>29,885.93</u>	<u>-</u>	<u>29,885.93</u>
<b>Supplemental Information (subset of above information)</b>			
E. In-Service Training Courses (FTES)	N/A		
<b>H. Basic Skills courses and Immigrant Education</b>			
(a) Noncredit <sup>1</sup>	2,927.32		
(b) Credit	2,016.31		
<b>CCFS 320 Addendum</b>			
CDCP Noncredit FTES	5,148.18		
<b>Centers FTES</b>			
(a) Noncredit	N/A		
(b) Credit	N/A		

<sup>1</sup> Including Career Development and College Preparation (CDCP) FTES  
N/A - Workload Measure is not applicable

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, 2007**

The audit resulted in no adjustments to the fund balances reported on the June 30, 2007 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,**

	<b>(Budget) 2008</b>		<b>2007</b>		<b>2006</b>		<b>2005</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b><u>COMBINED GENERAL FUND:</u></b>								
<b><u>Revenue</u></b>								
Federal	\$ 2,782,810	1.66	\$ 4,464,053	2.85	\$ 4,678,301	3.68	\$ 4,525,916	3.79
State	120,464,891	71.35	120,675,700	76.92	103,640,589	81.42	76,055,763	63.77
County and Local	33,698,875	19.96	35,665,929	22.73	33,985,457	26.70	36,797,769	30.85
Total Revenue	<u>156,946,576</u>	<u>92.96</u>	<u>160,805,682</u>	<u>102.50</u>	<u>142,304,347</u>	<u>111.80</u>	<u>117,379,448</u>	<u>98.41</u>
<b><u>Expenditures</u></b>								
Academic Salaries	68,194,761	40.39	62,340,301	39.74	54,904,925	43.13	50,483,150	42.32
Classified Salaries	36,133,671	21.40	34,331,776	21.88	30,981,568	24.34	28,470,116	23.87
Employee Benefits	30,983,490	18.35	26,926,706	17.16	21,951,962	17.25	20,642,513	17.31
Supplies and Materials	4,062,155	2.41	4,954,496	3.16	3,263,836	2.56	2,861,285	2.40
Other Operating Expenses and Services	18,273,565	10.82	13,829,614	8.81	12,494,731	9.82	12,601,060	10.56
Capital Outlay	4,695,251	2.78	6,596,960	4.21	2,767,905	2.17	3,516,262	2.95
Other Uses	6,491,643	3.85	7,912,432	5.04	922,060	0.73	699,932	0.59
Total Expenditures	<u>168,834,536</u>	<u>100.00</u>	<u>156,892,285</u>	<u>100.00</u>	<u>127,286,987</u>	<u>100.00</u>	<u>119,274,318</u>	<u>100.00</u>
Other Financing Sources	<u>3,471</u>	<u>-</u>	<u>677,939</u>	<u>0.43</u>	<u>9,755</u>	<u>0.01</u>	<u>8,114</u>	<u>0.01</u>
Change in Fund Balance	<u>\$ (11,884,489)</u>	<u>(7.04)</u>	<u>\$ 4,591,336</u>	<u>2.93</u>	<u>\$ 15,027,115</u>	<u>11.81</u>	<u>\$ (1,886,756)</u>	<u>(1.58)</u>
Ending Fund Balance	<u>\$ 22,121,739</u>	<u>13.10</u>	<u>\$ 34,006,228</u>	<u>21.67</u>	<u>\$ 29,414,892</u>	<u>23.11</u>	<u>\$ 14,387,777</u>	<u>12.06</u>
Available Reserve Balance	<u>\$ 21,872,790</u>	<u>12.96</u>	<u>\$ 13,582,480</u>	<u>8.66</u>	<u>\$ 12,824,752</u>	<u>10.08</u>	<u>\$ 11,048,012</u>	<u>9.26</u>
Full-time Equivalent Students	<u>30,096</u>		<u>29,886</u>		<u>28,278</u>		<u>25,872</u>	
Total Long-Term Debt	<u>\$ 177,593,121</u>		<u>\$ 185,412,974</u>		<u>\$ 112,845,066</u>		<u>\$ 111,034,250</u>	

**IMPORTANT NOTES:**

Available reserve balance is the amount designated for general reserve and any other remaining undesignated amounts in the General Fund. The 2008 budget reserve balance was estimated using the budgeted contingency reserve balances less 2007 amounts reserved for revolving accounts.

All percentages are of total unrestricted and restricted expenditures combined.

The 2008 budget is the Plan and Budget adopted by the Board of Trustees on August 27, 2007.

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 and unamortized deferred liability on bonded debt. The 2005 and 2006 long-term debt balance has been revised to include compensated absences to conform to current year classifications.

See the accompanying notes to the supplementary information.

**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF BUDGETARY COMPARISON FOR THE COMBINED GENERAL FUND  
For the Fiscal Year Ended June 30, 2007**

	<b>General Fund</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES</b>			
<b>Revenue from Federal Sources</b>			
Higher Education Act	\$ 1,760,314	\$ 1,197,337	\$ (562,977)
Temporary Assistance for Needy Families	170,005	160,673	(9,332)
Student Financial Aid	482,973	334,640	(148,333)
Veterans Education	-	21	21
Vocational and Technical Education Act	1,383,487	1,317,159	(66,328)
Other Federal Revenue	1,649,871	1,454,223	(195,648)
<b>Revenue from State Sources</b>			
General Apportionments	95,202,140	102,825,748	7,623,608
Categorical Apportionments	12,991,327	10,302,428	(2,688,899)
Other State Revenues	7,772,803	7,547,524	(225,279)
<b>Revenue from Local Sources</b>			
Property Taxes	20,270,171	17,640,617	(2,629,554)
Interest and Investment Income	805,577	2,066,040	1,260,463
Student Fees and Charges	12,754,144	13,744,226	990,082
Other Local Revenue	3,177,279	2,215,046	(962,233)
<b>TOTAL REVENUES</b>	<b>158,420,091</b>	<b>160,805,682</b>	<b>2,385,591</b>
<b>EXPENDITURES</b>			
Academic Salaries	63,047,462	62,340,301	707,161
Classified Salaries	35,699,679	34,331,776	1,367,903
Employee Benefits	27,576,556	26,926,706	649,850
Supplies and Materials	5,404,553	4,954,496	450,057
Other Operating Expenses & Services	19,748,147	13,829,614	5,918,533
Capital Outlay	9,150,525	6,596,960	2,553,565
<b>TOTAL EXPENDITURES</b>	<b>160,626,922</b>	<b>148,979,853</b>	<b>11,647,069</b>
Excess (deficiency) of revenues over expenditures	(2,206,831)	11,825,829	14,032,660
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from the Sale of Equipment	-	35,199	35,199
Interfund Transfers In	642,740	642,740	-
Interfund Transfers Out	(6,537,571)	(7,138,660)	(601,089)
Student Financial Aid	(772,505)	(773,772)	(1,267)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(6,667,336)</b>	<b>(7,234,493)</b>	<b>(567,157)</b>
Excess (deficiency) of revenues over expenditures and other sources (uses)	\$ (8,874,167)	4,591,336	\$ 13,465,503
Fund Balances at Beginning of Year		29,414,892	
Fund Balances at End of Year		\$ 34,006,228	

See the accompanying notes to the supplementary information.

**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT**

**NOTES TO SUPPLEMENTARY INFORMATION  
For the Fiscal Year Ended June 30, 2007**

**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, 2007 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 State General Apportionment**

The Schedule of Workload Measures for State General Apportionment 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 Budgetary 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 SUPPLEMENTARY INFORMATION**

**For the Fiscal Year Ended June 30, 2007**

**NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS:**

No excesses of expenditures over appropriations for the General Fund, presented in the budgetary comparison, occurred.





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

Board of Trustees  
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, 2007, and have issued our report thereon dated November 6, 2007. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 07-4 and 07-5 to be significant deficiencies in internal control over financial reporting.

**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**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as items 07-1 through 07-3.

Mt. San Antonio Community College District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board, 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

November 6, 2007



**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

Compliance

We have audited the compliance of Mt. San Antonio Community College District (the 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, 2007. The 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 the District's management. Our responsibility is to express an opinion on the 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 the 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 of the District's compliance with those requirements.

In our opinion, the 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, 2007.

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

Internal Control Over Compliance

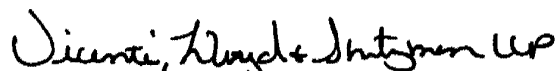
The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

This report is intended solely for the information and use of management, the Board, 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

November 6, 2007



## 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, 2007, and have issued our report thereon dated November 6, 2007.

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 2007 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.
- Whether the District claimed for apportionment purposes only the attendance of students actively enrolled in a course section as of the census date.

## 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 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 expended CalWORKS program State and TANF funds to provide specialized student support services, curriculum development, or instruction to eligible CalWORKS students.
- 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 instructional materials and whether the District has advised students of the exemptions from payment of health fees and established a process to ensure that students may claim the exemptions.

In our opinion, except for findings 07-1 through 07-3 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.

## REPORT ON STATE COMPLIANCE

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.

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board, 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

November 6, 2007

**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
SUMMARY OF AUDITOR RESULTS**

**June 30, 2007**

*Financial Statements*

Type of auditor's report issued: Unqualified

Internal control over financial reporting:  
 Material weakness(es) identified?        Yes   X   No  
 Significant deficiencies identified not considered  
 to be material weaknesses?   X   Yes        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  
 Significant deficiencies 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)        Yes   X   No

*Identification of major programs tested:*

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.000, 84.007, 84.032, 84.033, 84.063, 84.038, 84.268 and 84.375	Student Financial Assistance Cluster of Programs
17.207	Workforce Investment Act – Nurses Pathway for Licensure
17.258	Title I-O – One-Stop (Wagner Peyser) Title I - Adult Special Program
17.258	Workforce Investment Act – Associate Degree Nursing (RN) Programs: Fostering Student Success (WIA)
84.002A	Workforce Investment Act, Title II Adult Education and Family Literacy Act Section 225/231
59.037	Small Business Development Center

Dollar threshold used to distinguish between Type A  
 and Type B programs: \$ 464,257

Auditee qualified as low-risk auditee?        Yes   X   No



**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT**

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

**June 30, 2007**

**FINDING 07-1 – STATE COMPLIANCE: STUDENT FEES –  
INSTRUCTIONAL MATERIAL FEES AND HEALTH FEES**

**Finding:** As defined by the California Code of Regulations Sections 59400-59408, Instructional and Other Materials, any instructional material provided (purchased) by the student must have both continuing value to the students outside of the classroom setting and must be tangible personal property that is owned or primarily controlled by the student. Such materials include, but are not limited to, textbooks, tools, equipment, clothing, and those materials, which are necessary for a student's vocation training and employment. During testing of instructional materials fees, it was determined that 9 out of 10 fees selected were for document duplication (printing fees) which does not meet the above criteria. Fees charged for instructional materials that do not meet the specified criteria represent non-compliance.

**Recommendation:** The District must continue efforts to review all materials fees charged to determine if they meet the criteria of a) have continuing value to the students outside the classroom setting and b) are tangible personal property that is owned or primarily controlled by the student. Fees charged for classes that do not meet the criteria should not be imposed.

**District Response:** In the Spring 2007 semester, Mt SAC evaluated all materials fees and removed any inappropriate materials fees remaining on courses. Technical removal of materials fees occurred at the end of the Spring 2007 semester to be implemented for the Summer 2007 intersession. Out of approximately 1,600 to 1,700 courses listed, only 137 will continue to collect materials fees.

Additionally, the Curriculum Review Committee has been alerted to evaluate proposals for materials on all new courses to ensure that they meet established policies in Education Code, Sections 59400-59408.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
RELATED TO FINANCIAL STATEMENTS

June 30, 2007

**FINDING 07-2 – STATE COMPLIANCE:**  
**CONCURRENT ENROLLMENT**

**Finding:** Procedures should be in place to adequately calculate and monitor for compliance with the concurrent enrollment ten percent and five percent rules. Per Education Code Section 76002(a)(4), the district shall not receive State apportionment for special part-time and full-time students enrolled in physical education courses as defined below:

- Five Percent Rule – courses where the ratio of special part-time and full-time students is in excess of five percent of the district’s total reported FTES (Full Time Equivalent Students) of special part-time and full-time students
- Ten Percent Rule – courses where the ratio of special part-time and full-time students exceeds ten percent of total enrollment in each course section

Our testing noted that monitoring procedures are not in place over concurrent enrollment. Based upon the reports provided, we determined there was no non-compliance with questioned percentages in regards to the five percent rule; however, we identified seven physical education course sections with enrollment of special part-time and full-time students in excess of ten percent of total enrollment. Non-compliance courses are as follows:

<u>Term</u>	<u>Course</u>			<u>Percentage</u>
Summer 06	PE19	88483	Care/Prev-Act/Sport Inj	20.00%
Summer 06	PE-F2A-2	88595	Body-Building-Beginning	16.66%
Summer 06	PE-I33-2	88572	Kickboxing	10.34%
Fall 06	PE-F34-2	93105	Cardio respiratory Training	14.28%
Winter 07	PE-S24C-2	99186	Volleyball Advanced	11.11%
Spring 07	PE-F38-2	98535	Aerobics	20.00%
Spring 07	PE-I4B-2	98553	Badminton Intermediate	11.11%

Course sections in excess of ten percent are an indication of non-compliance and overstated the FTES claimed on the CCFS-320 report by .97 FTES. Although the District is not required to adjust for FTES less than one, continued lack of monitoring procedures could subject the District to future non-compliance and misstatement of FTES that could result in an adjustment to the CCFS-320.

**Recommendation:** Develop procedures to monitor and exclude the FTES generated as of census date for physical education courses in excess of the ten percent and five percent maximum from the CCFS-320 report. No revisions to the CCFS-320 for the 2006-07 fiscal year is necessary as the non-compliance is less than one FTES.

**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT**

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

**June 30, 2007**

**FINDING 07-2 – STATE COMPLIANCE:  
CONCURRENT ENROLLMENT**

**(continued)**

**District Response:** The District is in the process of developing a procedure to exclude FTES generated for physical education courses in excess of the ten percent maximum from the CCFS-320 report. As part of this process the reporting function is being evaluated, particularly with the anticipation of implementing a new MIS system (Banner) in the 2008-09 fiscal year. In addition, the Enrollment Management Committee is reviewing the possibility of limiting special admits from taking any physical education courses.

**FINDING 07-3 – STATE COMPLIANCE:  
NON CREDIT MATRICULATION EXPENDITURES**

**Finding:** Per the State Chancellor's Office and the Contracted District Audit Manual:

- The District must request permission to incur expenditures for equipment, materials or services not listed in the colleges' approved Matriculation plan. In addition, expenditures should be approved by the appropriate local campus Vice President (or appropriate Matriculation administrator) prior to transmittal to the Chancellor's Office for approval.
- The college has an obligation to provide facilities for its programs and services. Matriculation funds are not intended to be used for the rent of property on which the program is established or maintained.

During the review of Non Credit Matriculation program expenditures, a camcorder was purchased with Matriculation funds, as well as, a lease payment made for the facility used to accommodate the Matriculation program. Both expenditures do not comply with the guidelines outlined by the State. The amounts of questioned costs were \$577.23 for the camcorder and \$1,017.55 for the lease payment.

**Recommendation:** Transfer unallowable expenditures to a more appropriate funding source. Ensure the appropriate persons are aware of both allowable and unallowable costs that can be charged to the Non Credit Matriculation program.

**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT**

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

**June 30, 2007**

**FINDING 07-3 – STATE COMPLIANCE:**  
**NON CREDIT MATRICULATION EXPENDITURES**

**(continued)**

**District Response:** District administration felt that the purchase of the camcorder was an appropriate purchase as per Objective #2 of the Noncredit Matriculation Plan. This objective was to provide individualized and group vocational testing and counseling services to include interest, personality, aptitude, abilities, and values assessment, as well as, test interpretation and communication of results to the student. Also included in Activity #4 of the plan was to conduct seminars and workshops focusing on employment skills training (resume writing, job search, interviewing, dressing for success) and personal development topics (study skills, self-esteem, goal planning, etc). The camcorder has allowed students to have firsthand visual information about how they present themselves in mock interviews. In the future, the District will ensure that all equipment purchases from Noncredit Matriculation funds are approved by the Chancellor's Office in advance.

The Matriculation Regulations list the expenditures that are not allowed to be funded with Matriculation Funds. Facility rental is currently not on the list of expenditures that are not allowed. Therefore, it was interpreted by the District that the facility rental expenditure was appropriate. It was not until the auditors contacted the Matriculation Coordinator at the Chancellor's Office, that this interpretation was made known to the District. Therefore, the District will no longer charge facility rental for modular units to the Matriculation Program.

**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT**

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

**June 30, 2007**

**FINDING 07-4 – INTERNAL CONTROLS:  
PAYROLL – SEGREGATION OF DUTIES**

**Finding:** Internal controls within the payroll function should include proper segregation of duties. Individuals responsible for the payroll processing function should not have the responsibility and system access to make personnel changes (pay rate increases/changes, new pay positions, etc). Currently, the Human Resources Department enters new employees into the payroll system, while, the Payroll Department enters pay rate changes and special pay position information, such as reassigned time. Additionally, certain payroll staff have the responsibility to enter new hourly employees into the payroll system. Weaknesses in internal control increase the possibility of overpayment of employees through changing of pay rates or establishment of fictitious pay positions fro current employees.

**Recommendation:** To improve internal control, an individual or department outside the payroll function, such as Human Resources Department personnel, should have the responsibility of entering all pay rate changes and special assignment position assignments into the payroll system. The Payroll Department should not have access to this function in the payroll system.

**District Response:** The District is currently in the process of implementing a new Human Resources/Payroll system, which will be in use by December 2008. As part of this implementation, the current business practices between Human Resources and Payroll Departments are being reviewed and evaluated.

It is the intent of the District that when the new system is in place, Human Resources will have update access to enter all new hires, pay rate changes, etc. and Payroll will only have query access. This change will ensure proper segregation of duties within the Payroll and Human Resources Departments.

**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT**

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

**June 30, 2007**

**FINDING 07-5 – INTERNAL CONTROLS:  
CHILD DEVELOPMENT - SEGREGATION OF DUTIES**

**Finding:** Internal controls over cash handling within the Child Development Center should contain adequate segregation of duties. Adequate segregation of duties within the cash receipts function should include the collection and calculation of cash receipts, and the preparation of deposits being performed as separate functions. Currently, the same employee collects and counts the funds upon receipt, prepares a receipt, and also prepares the deposit slip, before sending the funds to the District for deposit. The Child Development Center issues three part receipts to all customers and submits one copy to the District with the deposit. However, the Child Development Center has not established internal controls that require the review or reconciliation of cash collections and receipts to deposits and therefore a risk of an error or irregularity going undetected is present.

**Recommendation:** To improve the segregation of duties the collection of money and preparation of the bank deposit should be two separate functions done by different individuals. Also, once the deposit is prepared, an individual outside the cash receipting function, such as the supervisor, should reconcile deposits to cash receipts issued. Once the deposit is received by the district, staff at the District should recalculate the total cash received and if there are any discrepancies the Child Development Center should be notified immediately.

**District Response:** To improve the segregation of duties related to the collection of tuition payments at the Child Development Center, the work will be divided up as follows:

1. The collection of money will be receipted and a copy will be provided to the parent, Fiscal Services and the Child Development Center.
2. Preparation of the bank deposit
3. Reconciliation of bank deposits to cash receipts will be done on a daily basis.

To ensure segregation of duties, a different employee will handle only one part of the three step process.

**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT**

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

**June 30, 2007**

There were no findings and questioned costs related to federal awards for the year ended June 30, 2007.

**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT**  
**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
**June 30, 2007**

<b>Original Finding No.</b>	<b>Finding</b>	<b>Recommendation</b>	<b>Current Status</b>
06-1	<b><u>CAPITAL ASSETS</u></b>  Procedures are not in place to capture donated or disposed assets on the capital asset listing. During testing, donated items noted in the board minutes were not included as current year additions. In addition, items identified on the "Sale of Equipment" disposal list were not removed from the capital asset listing or could not be identified for removal as the inventory ID tags had been discarded.	To ensure that the capital asset listing is complete procedures should be established that address the process for communicating the receipt of donated equipment and sold or disposed equipment to the purchasing department to make the necessary adjustments to the capital asset listing. In addition, performing a physical inventory and reconciliation on a regularly scheduled basis will help ensure items missed through the addition and disposal process are eventually recognized or deleted.	Implemented.



**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT**  
**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
**June 30, 2007**

<b>Original Finding No.</b>	<b>Finding</b>	<b>Recommendation</b>	<b>Current Status</b>
06-2	<p><b><u>CONCURRENT ENROLLMENT</u></b></p> <p><b><u>Ten Percent Rule:</u></b></p> <ul style="list-style-type: none"> <li>• Per Education Code section 76002(a)(4), a community college district may not receive state apportionment for special part-time and full-time students enrolled in physical education courses where the ratio of special part-time and full-time students exceeds ten percent of total enrollment in each course section. It was noted during testing that five physical education course sections that enrollment of special part-time and full-time students exceeded ten percent of total enrollment. Course sections in excess of ten percent are an indication of non-compliance and overstates the FTES claimed on the CCFS-320 report. The following courses were noted:</li> </ul> <ul style="list-style-type: none"> <li>- Summer 05, PE19, 076472, Care/Prev-Act/Sport Inj</li> <li>- Summer 05, PE-I18A, 076211, Beg Golf</li> <li>- Summer 05, PE-I33-2, 076456, Kickboxing</li> <li>- Spring 06, PE 48, 087007, Lifeguard Training</li> <li>- Spring 06, PE-I4B-2, 086413, Intermediate Badminton</li> </ul>	<p>The FTES generated by this finding total .64 FTES. Although the District is not required to adjust for FTES less than one, the District should develop procedures to exclude the FTES generated for physical education courses in excess of the ten percent maximum from the CCFS-320 report.</p>	<p>Not implemented. See current year finding 07-2.</p>

**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT**  
**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
**June 30, 2007**

Original Finding No.	Finding	Recommendation	Current Status
06-2	<b><u>CONCURRENT ENROLLMENT</u> (continued)</b>		
	<p><b><u>Five Percent Rule:</u></b></p> <ul style="list-style-type: none"> <li>• Per Education Code section 76002(a)(4) a community college district may not receive state apportionment for special part-time and full-time students enrolled in physical education courses in excess of five percent of the district's total reported FTES of special part-time and full-time students. During testing it was noted that procedures are not in place to calculate and monitor compliance. Reports are not maintained and were therefore not available to verify compliance at the census date. A review of enrollment based on data as of the test date indicated the following questioned percentages:</li> <li>• Questioned percentages identified in our review were: <ul style="list-style-type: none"> <li>- The Spring 2006 academic term had 19 concurrently enrolled students in PE courses and 264 concurrently enrolled students in all offered courses, arriving at 7.19 percent.</li> <li>- The Summer 2005 academic term had 38 concurrently enrolled students in PE courses and 690 concurrently enrolled students in all offered courses, arriving at 5.5 percent.</li> </ul> </li> </ul> <p>Although not specific to census date, this could indicate noncompliance and misstatement of FTES on the CCFS-320 report.</p>	<p>The District should develop procedures to monitor the FTES generated for physical education courses in excess of the five percent maximum. Documentation of this evaluation process and of compliance as of census dates should be required for audit. FTES generated for concurrently enrolled students in PE courses found to be in excess of the five percent rule should be excluded from the CCFS-320 report.</p>	<p>Not implemented. See current year finding 07-2.</p>

**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT**  
**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
**June 30, 2007**

<b>Original Finding No.</b>	<b>Finding</b>	<b>Recommendation</b>	<b>Current Status</b>
06-3	<b><u>NONCREDIT COURSE SELF-ASSESSMENTS</u></b>		
	<p>State Compliance requirements within the Contracted District Audit Manual indicate that Districts were required to submit a completed non credit course self assessment for “lab type” settings to the State by April 2005. Districts were then required to complete non credit course self assessments for all additional noncredit courses and to have this documentation available for review upon request; the memo from the California Community College Chancellor’s Office, dated April 4, 2005, indicates that the District is responsible for completing the checklists within a few months of the memo. It was noted that the District completed and submitted the non credit course self assessments for its “lab type setting” courses to the State by April 2005 however they did not complete the self assessments for the remainder of noncredit courses.</p>	<p>The District should complete noncredit course self assessments for all noncredit courses. However, subsequently completed self-assessments do not mitigate the compliance finding.</p>	<p>Implemented.</p>

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT  
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
June 30, 2007

Original Finding No.	Finding	Recommendation	Current Status
06-4	<p><b><u>CalWORKs</u></b></p> <p><b><u>CalWorks Expenditures:</u></b></p> <p>State Compliance requirements indicate that expenditures for the CalWORKs program must directly provide support to eligible CalWORKs recipient-students and must be related to at least one of the following CalWORKs program components: (a) Work Study, (b) Curriculum Development, (c) Coordination - includes case management and counseling, (d) Job Placement/Job Development, (e) Instruction, and (f) Child Care. It was noted during testing that food costs and instructional supplies are purchased with CalWORKs funds both of which do not directly provide support to eligible CalWORKs recipient-students. These expenditures were used to maintain the child care component of the program and directly supported the children of the CalWORKs recipient-students.</p>	<p>We recommend that program personnel increase their awareness of unallowable costs for the CalWORKs program and perform sufficient eligibility verification procedures to ensure services are received by eligible participants.</p>	<p>Implemented.</p>

**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT**  
**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
**June 30, 2007**

<b>Original Finding No.</b>	<b>Finding</b>	<b>Recommendation</b>	<b>Current Status</b>
06-4	<p><b><u>CalWORKs (continued)</u></b></p> <p><b><u>CalWorks Eligibility:</u></b></p> <p>State Compliance requirements in the Contracted District Audit Manual require Districts to determine if a student is eligible for CalWORKs benefits each academic term through documentation from the County Welfare Department. Within Los Angeles County this department is referred to as the Department of Public Social Services. During eligibility testing it was noted that four out of eleven students did not have adequate documentation from the Department of Public Social Services each academic term.</p> <p>The documentation obtained for two of the four students was the Golden State Advantage EBT Card received from the Department of Public Social Services. However, the card does not indicate that the student has current cash-aid status and in addition the card is not required to be returned to the Department of Public Social Services once the student no longer receives assistance. Therefore, the card itself does not prove eligibility.</p>		

**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT**  
**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
**June 30, 2007**

<b>Original Finding No.</b>	<b>Finding</b>	<b>Recommendation</b>	<b>Current Status</b>
06-4	<p><b><u>CalWORKs (continued)</u></b></p> <p><b><u>CalWorks Eligibility: (continued)</u></b></p> <p>The documentation obtained from the remaining 2 out of 4 students was correspondence with the students Greater Avenues to Independence (GAIN) worker located at Department of Public Social Services. Correspondence with the student's GAIN worker can constitute verification of eligibility, as is outlined in the District's Program and Budget Plan. However, this correspondence was obtained for only one semester and not each academic term. The students tested were enrolled for the entire 2005/2006 academic year and participated in the CalWORKs program for the entire year.</p> <p>Note: Mt. San Antonio Community College District submitted a Program and Budget Plan for the 2005/2006 academic year to the State for approval; the plan outlined the District's procedures for determining eligibility. The plan indicated that the student's eligibility is established each term by verifying the following 1) current GAIN contract, 2) status of sanction cancellation notices, 3) current cash-aid status, 4) student's continuous enrollment and 5) progress in the county's welfare to work plan. The State determined that the process is clear, comprehensive, conducted with sufficient frequency and is coordinated with their local Department of Public Social Services and therefore is adequate.</p>		

**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT**  
**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
**June 30, 2007**

<b>Original Finding No.</b>	<b>Finding</b>	<b>Recommendation</b>	<b>Current Status</b>
06-5	<p><b><u>FEDERAL PAYROLL DISTRIBUTION</u></b></p> <p><b>Federal Program:</b>            Title I-C VTEA            Upward Bound,            National Science Foundation:                Regional Information Systems Security Center                Chemical Laboratory Technician Program            Temporary Assistance for Needy Families (TANF)  <b>Federal Catalog Number:</b> 84.048, 84.047A, 47.076            and 93.558  <b>Compliance Requirement:</b> B. Allowable Costs/Cost            Principals</p>	<p>To comply with payroll distribution standards per OMB Circular A-21, the District must implement a payroll distribution system that meets all required standards. The District's system must include at least semi-annually a statement that the work was performed and payroll charges are reasonable in relation to the work performed signed by the employee and the appropriate responsible official(s). In addition the system must provide for an independent internal evaluation of the system to ensure integrity of the records and compliance with the above standards.</p>	<p>Implemented.</p>
	<p>The payroll distribution system used to support the salaries and benefits charged to programs for multi-funded and single-funded employees does not meet all of the standards as required by OMB Circular A-21. An acceptable payroll distribution system for professorial and professional staff includes the preparation of reports that reflect an after the fact reporting of the percentage distribution of activity for employees whether from single or multiple funding sources. Reports must reasonably reflect the activities performed by the employee and confirm through signature of the employee and supervisor that the distribution of activity represents a reasonable estimate of the work performed. Reports must be prepared each academic term, but no less frequently than every six months.</p>		

**CONTINUING DISCLOSURE INFORMATION**



**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT**  
**CONTINUING DISCLOSURE INFORMATION (UNAUDITED)**  
**June 30, 2007**

Assessed valuation for fiscal year 2006-07	\$57,971,723,516	(2)
Secured tax levies for fiscal year 2006-07	\$ 13,539,049	(1)
Secured tax delinquencies for fiscal year 2006-07	\$ 515,627	(1)
Secured tax collections for fiscal year 2006-07	\$ 13,023,422	(1)

**2006-07 LARGEST LOCAL SECURED TAXPAYERS**  
**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT (2)**

<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2006-07 Assessed Valuation</u>	<u>% of Total (1)</u>
1. Puente Hills Mall LLC	Shopping Center/Mall	\$ 208,240,000	0.36%
2. Fairway Sub A, B & C LLC	Industrial	145,223,855	0.25
3. Plaza West Covina LLC	Shopping Center/Mall	138,651,815	0.24
4. Crow Family Holdings Industrial LP	Industrial	99,723,229	0.17
5. Estate of James Campbell	Commercial	93,916,937	0.16
6. Eastland Shopping Center LLC	Shopping Center	89,382,037	0.15
7. Industry East Land LLC	Industrial	70,208,739	0.12
8. Santee Dairies Inc.	Dairy	66,691,720	0.12
9. UDR the Crest LP	Apartments	61,860,611	0.11
10. Metropolitan Life Insurance Co.	Office Building	58,189,050	0.10
11. Adcor Realty Corp.	Industrial	57,910,000	0.10
12. New Age Kaleidoscope LLC	Shopping Center	56,510,962	0.10
13. Fullerton Sub A LLC	Industrial	55,417,422	0.10
14. IKEA Property Inc.	Commercial	52,651,542	0.09
15. Centro Watt Property Owner II LLC	Shopping Center	52,152,127	0.09
16. PPC WR Apartments LLC	Apartments	48,511,798	0.08
17. Aslan Emerald Ridge LLC	Apartments	45,943,844	0.08
18. Windsor at Victoria Heights SPE LLC	Apartments	43,133,965	0.07
19. Realty Associates Iowa Corp.	Industrial	41,067,494	0.07
20. Ten West Associates LLC	Office Building	<u>40,180,000</u>	<u>0.07</u>
		\$1,525,567,147	2.63%

Total 2006-07 Local Secured Assessed Valuation: \$57,971,723,516

- (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 2006-07 of \$57,971,723,516.