

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

LOS ANGELES COUNTY

**REPORT ON
AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
INCLUDING REPORTS ON COMPLIANCE**

June 30, 2013



MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

AUDIT REPORT

June 30, 2013

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2013, and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the 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, 2013, and the results of its operations, change in net position and cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 17 to the basic financial statements, in 2013 the Mt. San Antonio Community College District adopted new accounting guidance, GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of postemployment healthcare benefits funding progress and the schedule of employer contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the Mt. San Antonio Community College District financial statements as a whole. The supplementary schedules, and the 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 financial statements of Mt. San Antonio Community College District.

Board of Trustees
Mt. San Antonio Community College District

Other Matters (continued)

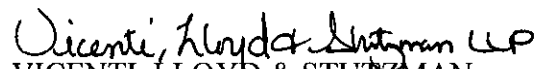
Other Information (continued)

The supplementary section, including the schedule of expenditures of federal awards, is the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The continuing disclosure information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2013 on our consideration of the Mt. San Antonio Community College District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Community College District's internal control over financial reporting and compliance.


VICENTI, LLOYD & STUTZMAN LLP
Glendora, CA
November 26, 2013

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

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, 2013. 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 welcome all students and to support them in achieving their personal, educational, and career goals in an environment of academic excellence.

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 65 years of educational excellence. The District will continue to offer access to quality programs and services as well as provide an environment for educational excellence throughout the 21st century.

Accounting Standards

In June 1999, the Governmental Accounting Standard's Board (GASB) released Statement No. 34, "Basic Financial Statements 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 Statements 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 its financial statements according to these standards.

In June 2004, the Governmental Accounting Standard's Board (GASB) issued Statement No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions." The Fiscal Accountability and Standards Committee of the California Community Colleges Chancellor's Office recommended that all California community colleges follow these new standards. GASB 45 establishes standards for governmental employers to measure and report their costs and obligations related to post-employment benefits other than pensions, or retiree health benefits. The term "post-employment benefits" refers to benefits earned during employment, but taken after employment has ended. As such, the District is reporting according to this standard.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

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

- Prior to July 2009, the Los Angeles County Superintendent of Schools provided the District with fiscal, budgetary, and financial management services through a contractual agreement for many years. On August 27, 2008, the Board of Trustees approved the District's application to the Los Angeles County Superintendent of Schools requesting Fiscal Accountability Status. The District began this process by following the steps as defined in Education Code 85266, which required adhering to statutory requirements with specific deadlines. Part of this approval process was to demonstrate to the Los Angeles County Superintendent of Schools that the District had a financial management system in place, as it would no longer be using the County's Finance and Payroll Systems. The integrity and security of the new Banner Finance and Human Resources/Payroll systems were validated by a team of external auditors prior to obtaining Fiscal Accountability status. In addition, the auditors also validated that the District had a system of adequate internal controls, processes and procedures.

Effective July 1, 2009 the District obtained Fiscal Accountability Status as approved by the Los Angeles County Superintendent of Schools. Achieving the Fiscal Accountability Status was necessary, because it allowed the District to implement an integrated management information system without the need for extensive interfaces with the County's systems. This transition has given departments the ability to obtain accurate and timely information that is required to monitor budgets and analyze current financial data in order to ensure sound financial decision making.

As a result of the Fiscal Accountability Status, the District assumed the majority of the responsibilities previously performed by the Los Angeles County Superintendent of Schools for fiscal, budget, human resources/payroll, and financial management systems processing. In addition, the District assumed oversight for the internal audit function for the issuance of payroll and commercial warrants. With the Fiscal Accountability status, the Los Angeles County Superintendent of Schools retained high-level oversight of the District, but was no longer involved in the day-to-day activities. Their role was to ensure that the District complied with the approved Fiscal Accountability Plan.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

This transfer of responsibilities from the Los Angeles County Superintendent of Schools to the District was an enormous undertaking. The time and effort required to obtain Fiscal Accountability Status was achieved by hard work, collaboration, and dedication by the District's staff.

- On August 2011, after two years of operation, under the Fiscal Accountability Status, the District submitted an application to the County Superintendent of Schools and the State Chancellor's Office to obtain Fiscal Independence status.

Under Education Code, Section 85266.5, Fiscal Independence is granted upon the approval of the Board of Governors of the California Community College Systems Office, based largely on the recommendation from the Los Angeles County Superintendent of Schools and the Los Angeles County Auditor/Controller, supported by the results of an assigned independent Certified Public Accountant firm's survey of Mt. SAC's accounting controls. Obtaining Fiscal Independence status, allows the District to have broad authority to issue warrants without the review or approval of the Los Angeles County Superintendent of Schools or the Los Angeles County Auditor/Controller.

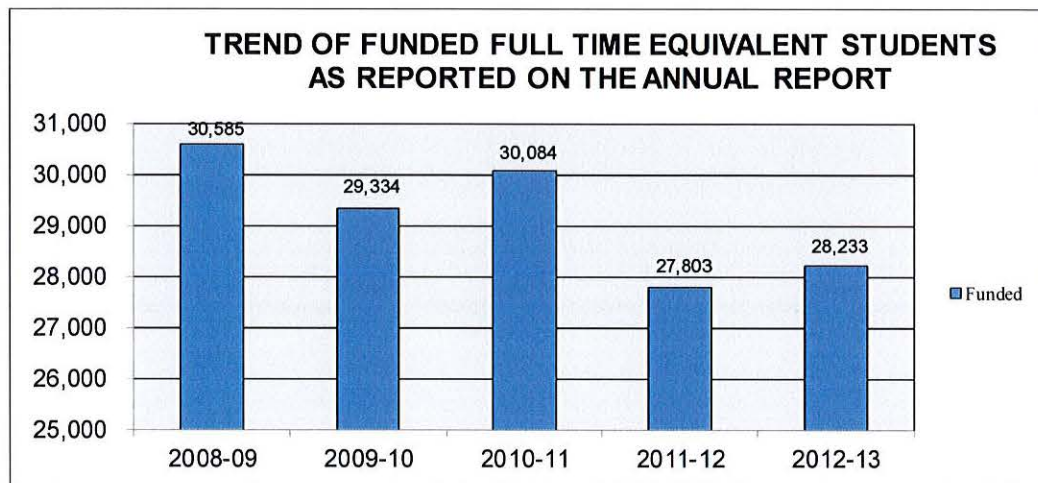
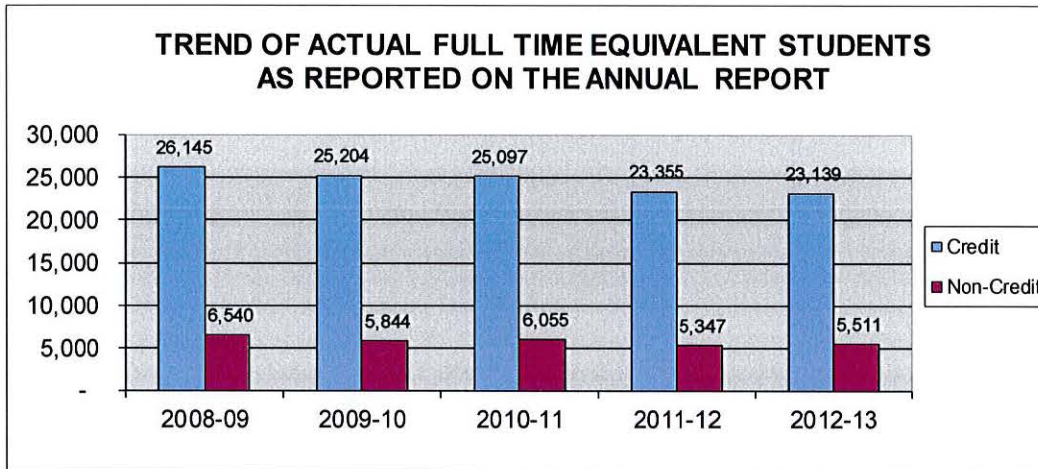
Based on the District's excellent reputation for fiscal management, validation of the internal controls by a team of external auditors, a recommendation from the Los Angeles County Superintendent of Schools, and a recommendation from the Los Angeles Auditor-Controller, the State Chancellor's Office submitted a request to the Board of Governors to grant Fiscal Independence status to Mt. San Antonio Community College District. On November 7, 2011, the Board of Governors approved Mt. San Antonio College Fiscal Independence status, effective July 1, 2012.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

- As of June 30, 2013, the total actual full-time equivalent students (FTES) remained flat with a minor decrease from 28,702 to 28,650, or a 0.18% decrease for credit and noncredit courses. Funded credit and noncredit FTES are the basis for which the District receives State apportionment. The District funded FTES base for credit and noncredit for the fiscal year 2012-13 was 28,233. In order to achieve growth, the District increased approximately 430 funded FTES. The final funded FTES increase for the fiscal year 2012-13 will be known with the final apportionment recalculation on February 2014.



MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

- On November 6, 2001, the voters of the District approved a \$221 million dollar bond with \$40 million issued in May 2002, \$75 million issued in February 2004, \$80 million issued in September 2006, and \$26 million issued in July 2008. Originally, there were 17 construction projects planned, but due to the increase in construction costs, three of these projects were eliminated; which left 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 2013-14. The project close-out for all bond projects is scheduled for 2013-14.
- On August 24, 2005, the Board of Trustees approved the refunding of the Series "A" and "B" general obligation bonds, which resulted in additional bond proceeds in the amount of \$8.6 million.
- On May 23, 2012, the Board of Trustees approved a refunding of a portion of the 2005 general obligation refunding bonds. This refunding will provide savings to the taxpayers.
- During 2012-13, construction was completed for the following Measure R bond projects:
 - Agricultural Science building (Project 5)
 - Landscape Improvements (Project 17)
- On November 4, 2008, the voters approved general obligation bonds for a total of \$353 million. These bonds will finance the repair, upgrade and acquisition of equipment and instructional facilities for the science and computer labs, library, fire academy training facility, classrooms for nursing, paramedics and police officers, classrooms for education and vocational job training, a new computer technology center, and the establishment of a 2008 lease revenue bonds escrow account.
- As a result of the decline in the economy, which resulted in decreased property valuations, the District was not able to issue bonds from the 2008 election. To continue with construction projects, the District issued bond anticipation notes for a total of \$65 million on May 1, 2010. These anticipation bonds are currently financing the repair, upgrade, acquisition, construction and equipment of certain District property and facilities, and an escrow account has been established to retire the debt for the 2008 lease revenue bonds. The District will retire this obligation when general obligation bonds authorized in the November 2008 election are issued.
- On June 26, 2013, the Board of Trustees approved the issuance of \$140 million 2001 election current interest refunding bonds. This will provide savings to the taxpayers. The Board of Trustees also approved the issuance of \$230 million 2008 election general obligation bonds. These bonds were issued in August 2013 and the proceeds will be used to pay the 2010 bond anticipation notes, equipment, and instructional facilities.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

- In the fiscal year 2012-13, Mt. San Antonio College avoided \$8.6 million apportionment revenue reduction when Proposition 30 passed in November 2012. The District ended the fiscal year 2012-13 with a \$2.6 million deficit and an ending fund balance of \$27.7 million in the Unrestricted General Fund, which represents 19.94% well above the 10% unassigned fund balance board policy. The \$2.6 million deficit is partially attributed to the community college statewide deficit of the redevelopment revenues. Legislation has been introduced to backfill this deficit; the right amount of the backfill is unknown. The District will continue with its conservative approach to maintain healthy fund balances. These healthy fund balances will permit the continuation of many outstanding programs and services for which the District is known, while allowing for careful consideration for the 2013-14 budget plans and beyond.
- To ensure sufficient cash to cover payroll and operating expenses, the District issued \$20 million in tax and revenue anticipation notes on March 14, 2013. This was the result of the State's financial crisis prior to the passage of Proposition 30. Community Colleges faced increased apportionment deferrals, reduced apportionment payments for the first half of the fiscal year with the balances to be paid with a balloon payment on June 2013, and potential shortfalls in property taxes revenues.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

Financial Statement Presentation and Basis of Accounting

The District's financial report includes three financial statements: The Statement of Net Position; the Statement of Revenues, Expenses and Change in Net Position; 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 No. 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 No. 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, 2013 Annual Financial and Budget Report (CCFS-311), based upon governmental accounting principles and the modified accrual basis of accounting, and the total net position recorded on the full accrual basis of accounting is as follows:

General Fund - Unrestricted Fund Balance	\$	27,729,958
General Fund - Restricted Fund Balance		1,372,604
Building Fund Balance		826,964
Capital Outlay Funds Balance		27,025,840
All Other Funds		<u>1,840,786</u>
Total fund balances as reported on the Annual Financial and Budget Report (CCFS-311)		58,796,152
Bond Interest and Redemption Fund Balance (not reported on CCFS-311)		<u>17,179,969</u>
Total ending fund balances	\$	<u><u>75,976,121</u></u>

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

Total ending fund balances	\$	75,976,121
Amounts recorded for governmental activities in the Statement of Net Position:		
Cash held with trustee for property and liability self-insurance is added to total net position		635,779
Interest earned but not accrued through June 30, 2013 is added to total net position		103,629
Amounts for 2012-13 property taxes levied for debt service not received as of June 30, 2013 are added to total net position		1,246,526
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 position		328,961,221
Interest expense related to bonds incurred through June 30, 2013 is recognized as a liability which reduces the total net position		(1,861,149)
Employer contributions for other postemployment retirement benefits which are less than the actuarially determined required contribution are recognized as a liability which reduces total net position		(6,461,099)
Long-term liabilities, including general obligation bonds and bond anticipation notes and notes payable are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. Long-term liabilities, net of deferred outflows, reduces the total net position		<u>(231,518,177)</u>
Total net position	\$	<u>167,082,851</u>

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

Statement of Net Position

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

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

The difference between total assets and total liabilities (net position) is one indicator of the current financial condition of the District as the change in net position 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 Position is 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 position; this net position is 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 position 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, 2013

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

	(in thousands)		
	<u>2013</u>	<u>2012*</u>	<u>Change</u>
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 39,974	\$ 5,098	684.11%
Account receivables, net	29,215	46,484	-37.15%
Due from component unit	<u>32</u>	<u>24</u>	33.33%
Total Current Assets	<u>69,221</u>	<u>51,606</u>	34.13%
Non-Current Assets			
Restricted cash and cash equivalents	50,795	61,481	-17.38%
Capitalized fees		2,105	-100.00%
Other post employment benefits asset		124	-100.00%
Capital assets, net	<u>328,961</u>	<u>316,813</u>	3.83%
Total Non-Current Assets	<u>379,756</u>	<u>380,523</u>	-0.20%
Deferred Outflow of Resources			
Deferred change on refunding	<u>3,669</u>	<u>4,478</u>	-18.07%
TOTAL ASSETS	<u>\$ 452,646</u>	<u>\$ 436,607</u>	3.67%
LIABILITIES AND NET POSITION			
Current Liabilities			
Accounts payable and accrued liabilities	\$ 13,384	\$ 11,642	14.96%
Unearned revenue	2,848	2,698	5.56%
Due to component unit	53	117	-54.70%
Amount held in trust for loans	21	15	40.00%
Tax Revenue Anticipation Notes (TRANS)	20,117		100.00%
Long-term liabilities - current portion	<u>13,958</u>	<u>12,380</u>	12.75%
Total Current Liabilities	<u>50,381</u>	<u>26,852</u>	87.62%
Non-Current Liabilities			
Compensated absences	6,237	5,927	5.23%
Long-term liabilities less current portion	<u>228,946</u>	<u>232,977</u>	-1.73%
Total Non-Current Liabilities	<u>235,183</u>	<u>238,904</u>	-1.56%
TOTAL LIABILITIES	<u>285,564</u>	<u>265,756</u>	7.45%
NET POSITION			
Invested in capital assets, net of related debt	93,775	77,256	21.38%
Restricted	46,952	59,017	-20.44%
Unrestricted	<u>26,355</u>	<u>34,578</u>	-23.78%
TOTAL NET POSITION	<u>167,082</u>	<u>170,851</u>	-2.21%
TOTAL LIABILITIES AND NET POSITION	<u>\$ 452,646</u>	<u>\$ 436,607</u>	3.67%

* Prior year amounts have not been restated for GASB Statements No. 62 and 65; however, certain prior year amounts have been reclassified to conform to the current year presentation.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

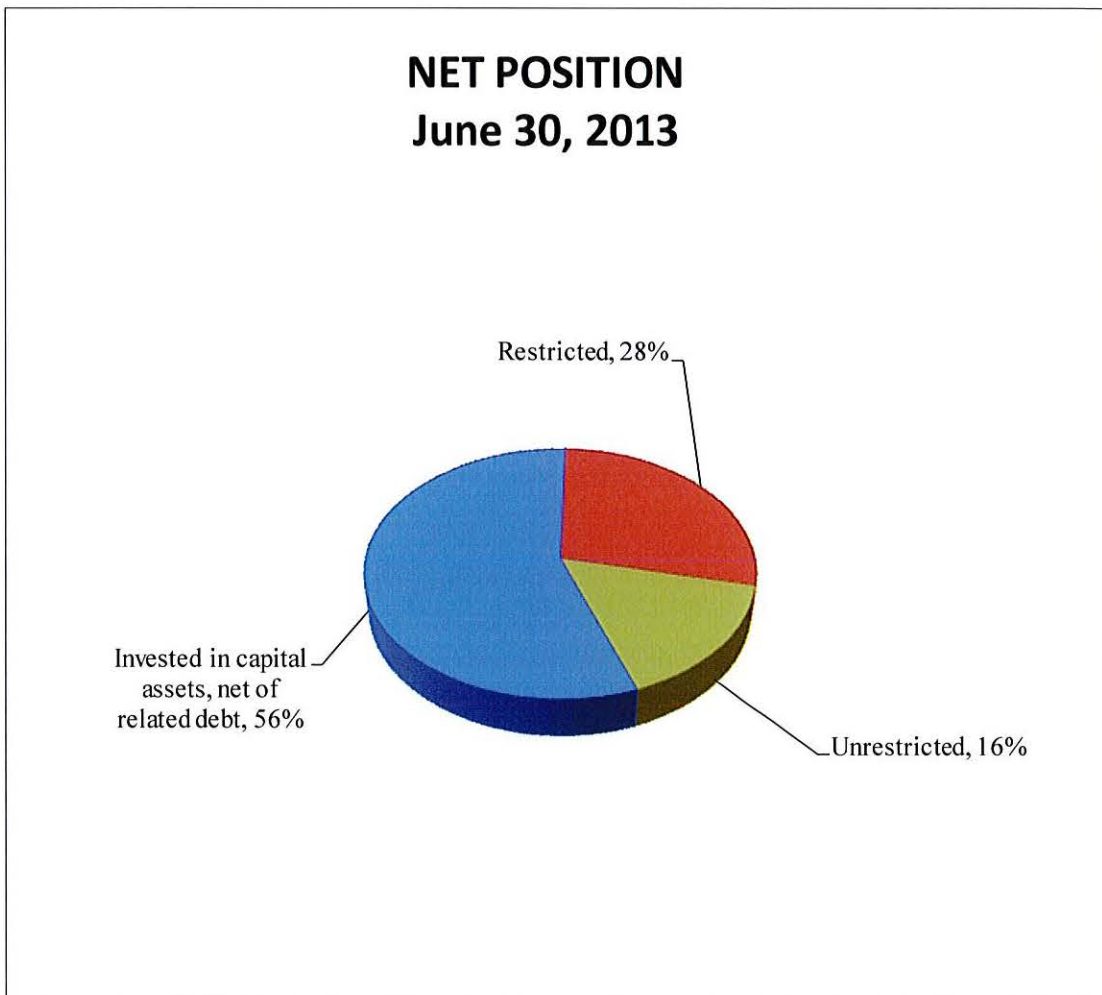
- The total cash balance had a net increase of \$24.2 million. The Unrestricted General Fund cash increased by \$34.9 million as a result of receiving Educational Revenue Augmentation Funds (ERAF) higher than anticipated, the transfer of the Auxiliary agency funds, and the issuance of Tax Revenue Anticipation Notes. The Bond and Interest Redemption Fund cash increased by \$3.9 million for the collection of property taxes for principal and interest payments related to the general obligation bond debt. The cash decreased by \$14.6 million mainly due to payments for the bond construction projects for the Design and Online Technology Center, the Child Development Center, the Astronomy Dome Project, and the Administration building remodel and landscape. The cash flow statement included in these financial statements provides greater detail on the sources and uses of the District's cash.
- The total account receivables decreased by \$17.3 million. The account receivables decreased by \$13 million in the Unrestricted General Fund due to the decrease of the statewide apportionment deferrals from \$961 million to \$801 million and the receipt of ERAF and property taxes over the total apportionment revenues. The remaining decrease was the result of the one-time \$5 million legal settlement with the City of Industry accrued in the fiscal year 2011-12.
- Capital assets had a net increase of \$6.5 million. The District had additions of \$16.9 million related to equipment purchases, site and site improvement, capitalized interest, and construction in progress. The District recognized depreciation expense of \$10.4 million during 2012-13. The balances as of June 30, 2012 have been adjusted by \$5.7 million as a result of the implementation of GASB No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." The capital asset section of this discussion and analysis provides greater information.
- The accounts payable and accrued liabilities had a net increase of \$1.7 million. This is mainly due to an increase of \$2.3 million in accounts payable for the Child Development Center bond construction project and a decrease of \$555 thousand in interest payable of general obligation bonds.
- The District implemented GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions" in fiscal year 2007-08 and GASB Statement No. 43, "Financial Reporting for Post-employment Benefits Plans Other than Pension Plans" in fiscal year 2008-09. With the implementation of GASB Statement No. 43, the District established the Mt. San Antonio Community College District OPEB Trust. Factors such as annual required contribution (ARC), interest income and contributions effect the change in net OPEB obligation. Additional information related to this asset/liability can be found in Note 13 of the financial statements.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

- The current liabilities increase is primarily contributed to the \$20.1 million for the issuance of tax and revenue anticipation notes, which will be paid on December 2013. These notes were issued to supplement the District's cash flow.
- The net decrease of \$2.1 million in our long term debt liabilities (current and non-current portions) is mainly due to the increase of \$4.3 million in bond anticipation notes accreted interest, the payment of \$10.8 million November 2001 general obligation bond debt by the taxpayers, \$2.1 million amortization of bond premiums, and the increase of \$6.5 million of Other postemployment benefits other than pensions (OPEB). The debt section of this discussion and analysis provides additional information.
- The following is a graphic representation of the Net Position as of June 30, 2013:



MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

Statement of Revenues, Expenses and Change in Net Position

Change in net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses and Change in Net Position. 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, 2013

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

	(in thousands)		
	<u>2013</u>	<u>2012*</u>	<u>Change</u>
OPERATING REVENUES			
Net enrollment, tuition and fees	\$ 17,082	\$ 15,628	9.30%
Grants and contracts, non-capital	<u>64,237</u>	<u>59,811</u>	7.40%
Total operating revenues	<u>81,319</u>	<u>75,439</u>	7.79%
Total operating expenses	<u>226,369</u>	<u>217,340</u>	4.15%
Operating loss	<u>(145,050)</u>	<u>(141,901)</u>	2.22%
Non-Operating revenues (expenses), non-capital			
State apportionments, non-capital	84,370	97,467	-13.44%
Local property taxes	29,925	17,716	68.92%
State taxes and other revenues (losses)	5,462	5,169	5.67%
Contributions, grants and other local revenue	346	5,037	-93.13%
Investment income, net	533	470	13.40%
Transfer to/from fiduciary funds, net	55	11	400.00%
Transfers Auxiliary agency funds	869		100.00%
Interest expense	<u>(6,917)</u>	<u>(8,450)</u>	-18.14%
Total non-operating revenues (expenses)	<u>114,643</u>	<u>117,420</u>	-2.37%
Other revenues, expenses, gains or losses, capital	<u>23,057</u>	<u>22,028</u>	4.67%
Change in net assets	(7,350)	(2,453)	199.63%
Net Position, beginning of year, as originally stated	170,851	173,304	-1.42%
Cumulative effect (see note 17)	<u>3,582</u>		100.00%
Net position, beginning of year, as restated	<u>174,433</u>	<u>173,304</u>	0.65%
Net position, end of year	<u>\$ 167,083</u>	<u>\$ 170,851</u>	-2.21%

* Prior year amounts have not been restated to reflect the implementation of GASB Statements No. 62 and 65.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

- Net enrollment, tuition and fees increased by approximately 9.3%. This increase is mainly due to the increase of student fees from \$36 to \$46 per unit, effective in summer 2012. The Board of Governors (BOG) fee waivers also increased due to the economic decline as more students are returning to school and are eligible for Board of Governors (BOG) fee waivers.
- Non-capital grants and contracts had a net increase of 7.4% as a result of the increase of Federal financial aid awarded to students, such as Pell grants and Cal Grants. This increase is a direct result of the current economic times as unemployed workers are returning to school, along with the increase in outreach efforts made by the District. Some notable increases in grant funding are for the Adult Education and Family Literacy Act, CyberWatch West, Asian American Native American Pacific Islander Serving Institutions (AANAPISI), Child Development Workforce Initiative, and Workforce Innovation Partnerships grants.
- The net increase in operating expenses of 4.2% is mainly due the increase in academic salaries for course increases in the Spring 2014, increase of the annual required contribution to the OPEB Trust as the retiree medical premiums were paid from the OPEB trust, increase in financial aid grants paid to students, and increase in depreciation expense. As new buildings are completed, depreciation expense is recognized.
- Until the fiscal year 2011-12, the District's base apportionment sources of funding included the following three components: State apportionment, property taxes and enrollment fees. On November 2012, voters approved Proposition 30, The Schools and Local Public Safety Protection Act of 2012. This proposition temporarily raises the sales tax and use tax by .25 cents for four years, and raises the income tax on annual earnings over \$250,000 for seven years. The language of this proposition required the creation of the Education Protection Account (EPA) in the State's General Fund. Therefore, this new component has been added as a source of the District's base apportionment, effective with fiscal year 2012-13. The EPA funds are not additional funds. Similar to Local Property Taxes, district's state aid is reduced by one dollar for each dollar received from the EPA. The net decrease of 0.8% is partially due to the 2012-13 community college statewide deficit of the redevelopment revenues. Legislation has been introduced to backfill this deficit; the right amount of the backfill is unknown.
- The "Contributions, grants and other local revenue" primarily decreased as a result of a \$5 million legal settlement with the City of Industry, which was a one-time event only for the fiscal year 2011-12.
- The Transfer's from Auxiliary agency funds increased by \$869 thousand. The District assumed the responsibility of handling these funds, effective July 1, 2012.
- Interest expense decreased by \$1.5 million primarily due to the 2011-12 write off of the general obligation bonds premiums due to the Series A refunding and the interest expenses that were capitalized in the fiscal year 2012-13.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

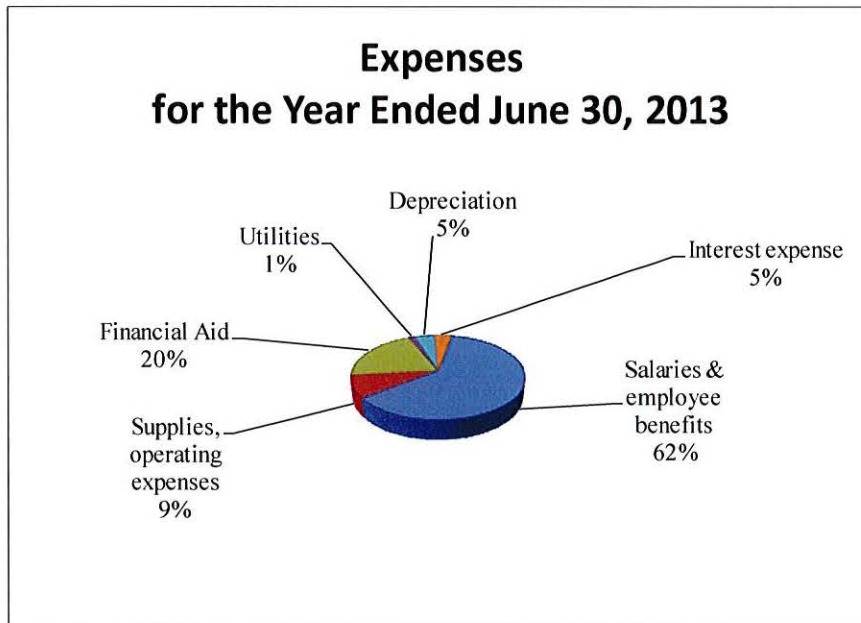
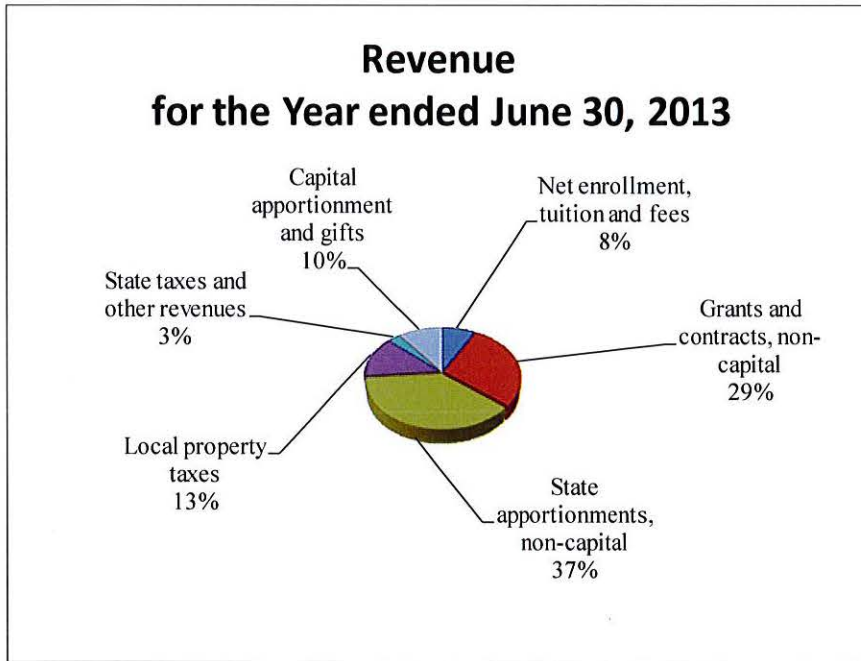
- The category "Other revenues, (expenses), gains or (losses), capital" reflects a net increase of \$1.0 million. This is mainly due to a decrease of \$1.6 million in reimbursements from the State for the Design and Online Technology building and the Administration building remodel, which were in process and completed, respectively, at the end of the year. The property taxes associated with the general obligation bonds repayment increased by \$2.6 million. This will vary every year, based on assessed valuations and tax collections. In addition, property taxes from redevelopment revenues increased by approximately \$400 thousand. These revenues will be used for educational facilities. Finally, the investment income decreased by \$259.2 thousand primarily in the Bond Anticipation Notes Fund and the Bond Construction Fund. This is essentially the result of decrease in cash and low interest rates during the fiscal year 2012-13.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

- Functional expenses are detailed in Note 16 of the financial statements.



MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

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 obtain 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, disclosing 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 Change in Net Position.

	(in thousands)		
	<u>2013</u>	<u>2012</u>	<u>Change</u>
Cash Provided By (Used in)			
Operating activities	\$ (130,960)	\$ (129,388)	1.21%
Non-capital financing activities	160,643	112,743	42.49%
Capital and related financing activities	(5,712)	(14,294)	-60.04%
Investing activities	<u>219</u>	<u>621</u>	-64.73%
Net change in cash and cash equivalents	24,190	(30,318)	179.79%
Cash Balance, Beginning of Year	<u>66,579</u>	<u>96,897</u>	-31.29%
Cash Balance, End of Year	<u>\$ 90,769</u>	<u>\$ 66,579</u>	36.33%

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

- 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 net increase in cash used by operating activities is primarily due to the timing of when revenue is received and payments are paid. During 2012-13, there was an increase in student fees from \$36 to \$46 effective in the Summer 2012.
- Cash received from “Non-capital financing activities” increased by \$47.9 million. This was the result of the passage of Proposition 30, which created the Education Protection Account (EPA). These funds were received on June 2013 for a total of \$20.1 million. The cash received also increased as a result of the decrease of the statewide apportionment deferrals from \$961 million in fiscal year 2011-12 to \$801 million in fiscal year 2012-13. The District received \$11.2 million more in property taxes over what was originally estimated; therefore, a respective payable for State apportionment was accrued and will be repaid in 2013-14. In addition, the District issued \$20.2 million on tax revenue anticipation notes, including premiums, in 2012-13. Finally, the cash also increased by \$868 thousand due to the transfer of the Auxiliary agency funds to the District.
- The cash from “Capital and related financing activities” had a net increase of \$8.5 million. This cash increase is primarily due to a decrease in debt payments and purchase of capital assets.
- Cash provided by “investing activities” includes interest earned on bank accounts and cash invested through the Los Angeles County pool. This revenue primarily consists of interest earned in the Unrestricted General Fund. The decrease in interest received in 2012-13 versus 2011-12 was \$0.4 million, which was mainly attributed to the decreased cash balances during the year and the low interest rates.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

District's Fiduciary Responsibility

The District includes Mt. San Antonio Auxiliary Services as a component unit. The Auxiliary is a separate not-for-profit corporation formed to promote and assist the educational programs of the District. Separate financial statements for the Auxiliary can be obtained through the District.

The Mt. San Antonio Community College District OPEB Trust was established in 2008-09. The Trust is an irrevocable government trust for the purpose of funding post-employment health benefits. The District acts as the fiduciary of the Trust and the financial activity of the Trust has been discretely presented in the financial statements.

The District has the responsibility of accounting for the Associated Student Trust, Student Loans and Scholarships, Student Representation Fee, Other Trusts, and Student Clubs. These fiduciary activities are reported in separate Statements of Fiduciary Net Position and Change in Fiduciary Net Position. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2013, the District had over \$328.9 million invested in net capital assets. Total cost of capital assets of \$427.4 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 \$98.5 million. Significant capital asset additions and deletions of \$16.7 million, which is mainly a net decrease in construction in progress totaling \$23.1 million, an increase in equipment totaling \$2.9 million, and a net increase in site improvements totaling \$36.9 million, occurred during 2012-13. In addition, the beginning balance has been restated by \$5.7 million to comply with GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." Depreciation expense of \$10.4 million was recorded for the fiscal year.

During 2012-13, the following projects were capitalized:

- Agricultural Science building (Project 5)
- Administration building remodel (Project L7)
- Landscape Improvements (Project 17)
- Remodel portions of Building 17, Building 18, Building 19B, Building 20, and Building 19B - Room 5

Construction in progress during 2012-13 includes the following projects:

- Science building 60
- Child Development Center building 70
- Design Technology Center
- Physical Education/Gymnasium building 46
- Physical Education remodel building 45
- Classroom remodel building 50G
- Astronomy Dome building 60
- Student Services Annex

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

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

	(in thousands)		
	<u>2013</u>	<u>2012*</u>	<u>Change</u>
Land	\$ 619	\$ 619	0.00%
Buildings and improvements	262,584	229,958	14.19%
Equipment and collections	7,744	6,782	14.18%
Construction in progress	<u>58,014</u>	<u>79,454</u>	-26.98%
Net Capital Assets	<u>\$ 328,961</u>	<u>\$ 316,813</u>	3.83%

* Prior year amounts have not been restated to reflect the implementation of GASB Statement No. 62. See Note 17.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

Debt

On June 30, 2013, the District had \$249.1 million in debt. The balance primarily consists of the remaining principal debt of \$4.2 million in Series "B" general obligation bonds issued in February 2004, \$11.8 million general obligation refunding bonds issued September 2005, \$78.8 million in Series "C" general obligation bonds issued in September 2006, \$23.1 million in Series "D" general obligation bonds issued in July 2008, and \$29.2 million general obligation refunding bonds issued June 2012. The general obligation bonds were initially issued to fund 17 major projects related to construction and renovation of instructional facilities, laboratories and centers. As a result of increased construction costs, three of these projects have been eliminated; which left 14 major projects. These projects will be completed in phases which began in 2001-02 and are scheduled to end in 2013-14. The general obligation bonds comprise approximately 62% of the District's total long-term 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 AA, Standard & Poor's has not changed from the prior year.

On November 4, 2008, the voters approved general obligation bonds for a total of \$353 million. These bonds will finance the repair, upgrade and acquisition of equipment and instructional facilities for the science and computer labs, library, fire academy training facility, classrooms for nursing, paramedics and police officers, classrooms for education and vocational job training, a new computer technology center, and the establishment of a 2008 lease revenue bonds escrow account.

As a result of the decline in the economy, which resulted in decreased property valuations, the District was not able to issue bonds from the 2008 election. To continue with construction projects, the District issued bond anticipation notes for a total of \$65 million on May 1, 2010. These anticipation bonds are currently financing the repair, upgrade, acquisition, construction and equipment of certain District property and facilities and an escrow account has been established to retire the debt for the 2008 lease revenue bonds. The District will retire this obligation, when general obligation bonds authorized in the November 2008 election are issued.

On June 26, 2013, the Board of Trustees approved the issuance of \$140 million 2001 election current interest refunding bonds. This will provide savings to the taxpayers. The Board of Trustees also approved the issuance of \$230 million 2008 election general obligation bonds. The proceeds will be used to pay the 2010 bond anticipation notes, equipment, and instructional facilities.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

Notes 7 through 11 to the financial statements provide additional information on long-term liabilities. A comparison of long-term debt is summarized below:

	(in thousands)		
	<u>2013</u>	<u>2012*</u>	<u>Change</u>
Long-term debt			
Loan payable	\$ 180	\$ 217	-17.05%
Compensated absences	7,494	7,249	3.38%
Bond anticipation notes (including premium)	65,426	65,640	-0.33%
Bond anticipation notes - accreted interest	8,184	5,319	53.86%
Bonds payable (including premium)	151,970	164,860	-7.82%
Bonds - accreted interest	9,426	7,999	17.84%
Other postemployment benefits other than pensions (OPEB)	<u>6,461</u>	<u> </u>	100.00%
Total long-term debt	249,141	251,284	-0.85%
Less current portion	<u>(13,958)</u>	<u>(12,380)</u>	12.75%
Long-term portion	<u>\$ 235,183</u>	<u>\$ 238,904</u>	-1.56%

* Prior year amounts have been restated to reflect current year reclassifications under GASB Statement No. 65, items previously reported as assets and liabilities.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

Economic Factors that May Affect the Future

As of June 30, 2013, the District's overall financial position is strong due to prior year's prudent fiscal management, which resulted in a healthy balance of \$27.7 million in the Unrestricted General Fund. The financial challenges of the 2012-13 fiscal year of a shortfall in redevelopment revenues and a statewide structural deficit for \$4.7 million, contributed to a \$7.3 million decrease in net position.

The economic position of the District is closely tied to the State of California. With the passage of Proposition 30 and the dissolution of the redevelopment agencies, the apportionment funding for community colleges is more dependent on uncertain revenue estimates than in past years. In the fiscal year 2008-09, two thirds of the apportionment was General Fund approved in the Budget Act. Since the fiscal year 2012-13, this ratio has fallen to one-third. The remaining two-thirds are based on estimates that may or may not hold.

Subsequent Events

The District sold \$217.3 million general obligation bonds, 2008 election, Series 2013A and Series 2013B and \$123.1 million 2013 current interest refunding bonds Series A and B on August 1, 2013. Interest rates ranged from 0.717% to 7%. These bonds will mature between August 1, 2014 to August 2, 2043. The Series 2013A and 2013B were sold to pay the District's outstanding bond anticipation notes and to finance the construction, modernization, renovation and equipping of District sites and facilities. The 2013 Series A and B were sold to refund all or portions of District's prior bonds.

Effective July 1, 2013, all regular employees will receive a 1.57% on schedule salary increase, an additional 1% salary increase, and \$1,500 annually for health and welfare. The additional 1% salary increase and the annual \$1,500 for health and welfare will be considered one-time for the fiscal year 2013-14 if the State-funded COLA in 2014-15 is less than 2%.

BASIC FINANCIAL STATEMENTS

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET POSITION
June 30, 2013

	<u>Primary Government</u>	<u>Component Unit Auxiliary Services</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 39,974,442	\$ 1,686,664
Accounts receivable, net	29,215,257	301,542
Notes receivable		7,058
Due from Auxiliary Services	32,304	
Due from the District		52,683
Inventories		1,550,378
Prepaid expenses and deposits		12,359
Total Current Assets	<u>69,222,003</u>	<u>3,610,684</u>
Non-Current Assets:		
Restricted cash and cash equivalents	50,795,227	
Notes receivable		28,234
Capital assets, net of accumulated depreciation	<u>328,961,221</u>	<u>304,750</u>
Total Non-Current Assets	<u>379,756,448</u>	<u>332,984</u>
Total Assets	<u>448,978,451</u>	<u>3,943,668</u>
DEFERRED OUTFLOW OF RESOURCES		
Deferred charge on refunding	<u>3,668,404</u>	
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	<u>\$ 452,646,855</u>	<u>\$ 3,943,668</u>
LIABILITIES AND NET POSITION		
Current Liabilities:		
Accounts payable	\$ 8,055,963	\$ 207,047
Accrued liabilities	3,465,951	79,871
Accrued interest payable	1,861,149	
Unearned revenue	2,848,072	17,552
Due to Auxiliary Services	52,683	
Due to the District		32,304
Amount held in trust for loans or others	21,481	
Compensated absences - current portion	1,256,940	59,255
Tax Revenue Anticipation Notes (TRANS)	20,117,485	
Loans payable - current portion	28,985	
General obligation bonds payable - current portion	<u>12,672,408</u>	
Total Current Liabilities	<u>50,381,117</u>	<u>396,029</u>
Non-Current Liabilities:		
Compensated absences	6,236,600	
Other postemployment benefits other than pensions (OPEB)	6,461,099	97,785
Loans payable	150,937	
Bond anticipation note payable	73,610,440	
General obligation bonds payable, net	<u>148,723,811</u>	
Total Non-Current Liabilities	<u>235,182,887</u>	<u>97,785</u>
TOTAL LIABILITIES	<u>285,564,004</u>	<u>493,814</u>
NET POSITION		
Invested in capital assets, net of related debt	93,774,640	304,750
Restricted for:		
Scholarships and loans	2,827	
Capital projects	27,852,802	
Debt service	16,565,346	
Other special services	2,532,346	
Unrestricted	<u>26,354,890</u>	<u>3,145,104</u>
TOTAL NET POSITION	<u>167,082,851</u>	<u>3,449,854</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 452,646,855</u>	<u>\$ 3,943,668</u>

See the accompanying notes to the financial statements.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

**STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
For the Fiscal Year Ended June 30, 2013**

	Primary Government	Component Unit Auxiliary Services
OPERATING REVENUES		
Enrollment, tuition and other fees (gross)	\$ 36,633,818	\$
Less: Scholarship discounts and allowances	(19,552,127)	
Net enrollment, tuition and other fees	17,081,691	-
Grants and contracts, non-capital:		
Federal	51,322,735	
State	10,617,634	
Local	2,090,573	
Sales and charges, net	206,479	1,564,505
TOTAL OPERATING REVENUES	81,319,112	1,564,505
OPERATING EXPENSES		
Salaries	112,164,192	635,358
Employee benefits	31,690,608	321,167
Supplies, materials and other operating expenses and services	21,368,989	542,399
Financial aid	47,596,378	13,000
Utilities	3,150,450	
Depreciation	10,398,236	100,735
TOTAL OPERATING EXPENSES	226,368,853	1,612,659
OPERATING LOSS	(145,049,741)	(48,154)
NON-OPERATING REVENUES (EXPENSES)		
State apportionments, non-capital	84,369,975	
Local property taxes	29,925,091	
State taxes and other revenues	5,462,252	
Contributions, grants and other local revenue	302,122	
Investment income, net	533,255	4,723
Proceed from insurance settlements, non-capital	43,824	
Transfer in from fiduciary trust funds	55,000	
Transfers in from Auxiliary agency funds	868,838	
Interest expense	(6,917,292)	
TOTAL NON-OPERATING REVENUES (EXPENSES)	114,643,065	4,723
LOSS BEFORE OTHER REVENUES, EXPENSES, GAINS OR (LOSSES)	(30,406,676)	(43,431)
OTHER REVENUES, EXPENSES, GAINS OR (LOSSES)		
State apportionments, capital	922,892	
Local property taxes and revenues, capital	21,847,434	
Investment income, capital	268,947	
Gain on disposal of fixed assets	17,672	
TOTAL OTHER REVENUES, EXPENSES, GAINS OR (LOSSES)	23,056,945	-
DECREASE IN NET POSITION	(7,349,731)	(43,431)
NET POSITION, BEGINNING OF YEAR, AS ORIGINALLY STATED	170,850,968	3,493,285
Cumulative effect of change in accounting principle (see note 17)	3,581,614	
NET POSITION AT BEGINNING OF YEAR, AS RESTATED	174,432,582	3,493,285
NET POSITION, END OF YEAR	\$ 167,082,851	\$ 3,449,854

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, 2013**

	Primary Government	Component Unit Auxiliary Services
CASH FLOWS FROM OPERATING ACTIVITIES		
Enrollment, tuition and fees	\$ 16,939,715	\$
Federal grants and contracts	50,895,682	
State grants and contracts	9,635,566	
Local grants and contracts	910,778	
Payments to suppliers	(24,890,597)	(4,491,852)
Sales	206,479	5,355,127
Payments to/on-behalf of employees	(136,995,090)	(1,149,506)
Payments to/on-behalf of students	(47,586,858)	
Other receipts/(payments)	(75,128)	82,502
Net cash used by operating activities	<u>(130,959,453)</u>	<u>(203,729)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
State apportionments and receipts	98,712,126	
Property taxes	29,925,091	
Grants, gifts and other local revenue for other than capital purposes	10,856,690	
Proceeds from tax revenue anticipation notes, including premium	20,225,596	
Transfer in from Auxiliary agency funds	868,838	
Transfer in from fiduciary trust fund	55,000	
Net cash provided by non-capital financing activities	<u>160,643,341</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
State apportionment and receipts for capital purposes	902,950	
Property taxes and other local revenue for capital purposes	22,648,874	
Net purchase and sale of capital assets	(12,758,670)	
Proceeds from insurance settlements	43,824	
Principal and interest paid on capital debt, net	(16,860,527)	
Interest on capital investments	311,055	
Net cash used by capital and related financing activities	<u>(5,712,494)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	<u>219,552</u>	<u>4,723</u>
Net cash provided by investing activities	<u>219,552</u>	<u>4,723</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	24,190,946	(199,006)
CASH BALANCE - Beginning of Year	<u>66,578,723</u>	<u>1,885,670</u>
CASH BALANCE - End of Year	<u>\$ 90,769,669</u>	<u>\$ 1,686,664</u>
Breakdown of ending cash balance:		
Cash and cash equivalents	\$ 39,974,442	\$ 1,686,664
Restricted cash and cash equivalents	50,795,227	
Total	<u>\$ 90,769,669</u>	<u>\$ 1,686,664</u>
Supplemental Disclosure		
Non cash financing activities:		
Reduction on loans payable - usage credits	\$ 25,168	

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, 2013**

	<u>Primary Government</u>	<u>Component Unit Auxiliary Services</u>
<u>Reconciliation of Operating Loss to Net Cash Used by Operating Activities</u>		
CASH USED BY OPERATING ACTIVITIES		
Net Operating Loss	\$ (145,049,741)	\$ (48,154)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation expense	10,398,236	100,735
Bad debt write off	18,828	
Changes in assets and liabilities:		
Accounts and receivable, net	(2,903,042)	(106,633)
Due from Auxiliary Services	(7,935)	
Due from District		47,844
Inventories		(31,623)
Prepaid expenses		1,683
Other postemployment benefit obligation	6,585,543	(57,297)
Accounts payable and accrued liabilities	(320,126)	(90,997)
Due to Auxiliary Services	(64,368)	
Unearned revenue	132,234	17,552
Compensated absences	244,223	(24,909)
Due to District		8,185
Amount held in trust	6,695	(20,115)
Net cash used by operating activities	<u>\$ (130,959,453)</u>	<u>\$ (203,729)</u>

See the accompanying notes to the financial statements.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2013

	Primary Government	
	Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 2,531,530	\$ 116,954
Accounts receivable	54,783	2,500
TOTAL ASSETS	\$ 2,586,313	\$ 119,454
LIABILITIES		
Accounts payable	\$ 47,697	\$ 4,940
Unearned revenue	10	
Amount held in trust for loans	104,457	114,514
TOTAL LIABILITIES	152,164	119,454
NET POSITION		
Restricted	2,434,149	-
TOTAL NET POSITION	\$ 2,434,149	\$ -

See the accompanying notes to the financial statements.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

**STATEMENT OF CHANGE IN FIDUCIARY NET POSITION
For the Fiscal Year Ended June 30, 2013**

	Primary Government Trust Funds
	<u> </u>
ADDITIONS	
Contributions	\$ 599,821
Student representation fee	595,262
Interest income	12,104
Local income	735
Special events	<u>451,090</u>
TOTAL ADDITIONS	<u>1,659,012</u>
 DEDUCTIONS	
Salaries	335,463
Benefits	69,977
Supplies and materials	66,550
Capital outlay	77,399
Other operating	366,498
Scholarships awarded	<u>520,074</u>
TOTAL DEDUCTIONS	<u>1,435,961</u>
 OTHER SOURCES (USES)	
Interfund transfers in from Auxiliary agency funds	9,019
Interfund transfers out to Governmental funds	<u>(55,000)</u>
TOTAL OTHER SOURCES (USES)	<u>(45,981)</u>
 Change in Net Position	177,070
NET POSITION, BEGINNING OF YEAR	<u>2,257,079</u>
 NET POSITION, END OF YEAR	<u>\$ 2,434,149</u>

See the accompanying notes to the financial statements.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT
STATEMENT OF OTHER POSTEMPLOYMENT BENEFITS TRUST NET POSITION
June 30, 2013

	Primary Government	Component Unit Auxiliary Services
	Retiree Benefit Trust	Retiree Benefit Trust
ASSETS		
Cash and cash equivalents	\$ 2,604,600	\$ 320,044
Contributions receivable	184,163	
Interest receivable	454,639	31,646
Investments	69,413,643	2,871,217
TOTAL ASSETS	72,657,045	3,222,907
LIABILITY		
Accounts payable	733,262	
TOTAL NET POSITION - RESTRICTED FOR OTHER POSTEMPLOYMENT BENEFITS	\$ 71,923,783	\$ 3,222,907

See the accompanying notes to the financial statements.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

**STATEMENT OF CHANGE IN OTHER POSTEMPLOYMENT BENEFITS TRUST NET POSITION
For the Fiscal Year Ended June 30, 2013**

	Primary Government	Component Unit Auxiliary Services
	Retiree Benefit Trust	Retiree Benefit Trust
ADDITIONS		
Interest and investment income	\$ 2,792,436	\$ 147,257
Net realized/unrealized gains	<u>1,269,681</u>	<u>21,794</u>
TOTAL ADDITIONS	<u>4,062,117</u>	<u>169,051</u>
DEDUCTIONS		
Benefits	4,431,678	
Administrative expenses	<u>129,075</u>	<u>5,678</u>
TOTAL DEDUCTIONS	<u>4,560,753</u>	<u>5,678</u>
Increase (Decrease) in Net Position	(498,636)	163,373
NET POSITION - RESTRICTED FOR OTHER POSTEMPLOYMENT BENEFITS, BEGINNING OF YEAR	<u>72,422,419</u>	<u>3,059,534</u>
NET POSITION - RESTRICTED FOR OTHER POSTEMPLOYMENT BENEFITS, END OF YEAR	<u>\$ 71,923,783</u>	<u>\$ 3,222,907</u>

See the accompanying notes to the financial statements

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*.

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 a financial benefit or burden relationship is present 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.

Due to the nature and significance of their relationship with the District, including ongoing financial support of the District or its other component units, certain organizations warrant inclusion as part of the financial reporting entity. 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.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

A. REPORTING ENTITY (continued)

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

Based upon the application of the criteria listed above, the following potential component units have 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 programs of the District. The Board of Directors are comprised of the Vice President of Administrative Services and Vice President of Student Services of the District along with the Associated Students' President and two other members appointed by the Vice President of Administrative Services. In addition, the Auxiliary may not carry on any activities not approved by the Vice President of Administrative Services of the District. Upon dissolution of the Auxiliary, net position, other than trust funds, will be distributed to the District. The Auxiliary's accounting function was transferred to the District's Fiscal Services department in July 2012. The financial activities of the Auxiliary have been discretely presented. Separate financial information for the Auxiliary can be obtained through the District.

Mt. San Antonio Community College District OPEB Trust – The Trust is an irrevocable governmental trust pursuant to Section 115 of the Internal Revenue Code for the purpose of funding certain post-employment benefits. The Trust Investment Committee, comprised of the Vice President, Administrative Services; Associate Vice President, Fiscal Services; and a Manager appointed by the President/CEO provide oversight over Trust investments. The Trust Administrative Committee comprised of the Vice President, Administrative Services, and a representative from the Faculty Association, CSEA 651 and CSEA 262, provide oversight over the plan administration. As such, the District acts as the fiduciary of the Trust. The financial activity of the Trust has been discretely presented. Separate financial statements are not prepared for the Trust.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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 excluded from the District's reporting entity:

Mt. San Antonio College Foundation - The Foundation is a separate not-for-profit corporation created for the benefit of the District and its students and organized for educational purposes. 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 information for the Foundation can be obtained through the District.

B. FINANCIAL STATEMENT PRESENTATION

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The financial statement presentation required by GASB provides a comprehensive, entity-wide perspective of the District's financial activities. The entity-wide perspective replaces the fund-group perspective previously required. Fiduciary activities, with the exception of Student Financial Aid Programs, are excluded from the entity-wide perspective and are reported separately in the fiduciary statements.

The District operates a Warrant Pass-Through agency fund as a holding account for amounts collected from employees for Federal taxes, state taxes and other contributions. The District had cash in the County Treasury amounting to \$3,890,162 on June 30, 2013, 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, 2013

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 fiduciary funds and its component units.

The statements of plan net position and change in plan net position of the other postemployment benefits trust are prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

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, 2013

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

C. BASIS OF ACCOUNTING (continued)

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. All material receivables are considered fully collectible. 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.

Accounts receivable from students for tuition and fees is recorded net of a provision for uncollectable amounts. In addition, accounts receivable also includes student loans receivable which 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.

3. Investments

Investments are reported at fair value, which is determined by the most recent bid and asking price as obtained from dealers that make markets in such securities.

4. Due from Auxiliary Services

Due from Auxiliary Services consists primarily of salary and benefits reimbursement, accounting services and workers' compensation.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

C. BASIS OF ACCOUNTING (continued)

5. Inventories

Instructional, custodial, health and other supplies held for consumption are expensed when purchased. The District has evaluated balances at year end and determined amounts on hand are not material to the financial statements.

6. Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents are those designated for disbursement in acquisitions or construction of noncurrent assets or that are segregated for the liquidation of long-term debt.

7. 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 costs are capitalized as part of the historical cost of acquiring certain capital assets. To qualify for interest capitalization, assets must require a period of time before they are ready for their intended purpose. In determining the amount to be capitalized, interest earned on proceeds of the District's tax-exempt debt restricted to the acquisition of qualifying assets is offset against interest costs.

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.

The collections - art includes donated paintings and fine art. The collections - art is on display in the art gallery. All items are deemed inexhaustible assets and therefore are not depreciated.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

C. BASIS OF ACCOUNTING (continued)

8. Deferred Outflow of Resources

Deferred outflow of resources represent a consumption of net position that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The District has a deferred charge on refunding reported in the statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

9. Accounts Payable and Accrued Liabilities

Accounts payable consists of amounts due to vendors. Accrued liabilities consist of salaries and benefits payable.

10. Accrued Interest Payable

Accrued interest payable consists of interest expense related to financing incurred through June 30, 2013.

11. Unearned Revenue

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

12. Due to Auxiliary Services

Due to Auxiliary Services consists primarily of expenses related to the Bookstore for various campus programs and functions.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

C. BASIS OF ACCOUNTING (continued)

13. Compensated Absences

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

The District has accrued a liability for the amounts attributable to load banking hours within compensated absences. Load banking hours consist of hours worked by instructors in excess of a full-time load for which they may carryover for future paid time off.

Sick leave benefits are accumulated without limit for each employee. The employees do not gain a vested right to accumulated sick leave. Accumulated employee sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires within the constraints of the appropriate retirement systems.

14. Net Position

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.

Restricted net position -- expendable: Restricted expendable net position includes resources in which the District is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties or by enabling legislation adopted by the District. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

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

14. Net Position (continued)

Restricted net position – nonexpendable: Nonexpendable restricted net position consists 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 position – nonexpendable.

Unrestricted net position: Unrestricted net position represents resources available to be used for transactions relating to the general operations of the District, and may be used at the discretion of the governing board to meet current expenses for any purpose.

15. Minimum Fund Balance Policy

The District has adopted a minimum fund balance policy in order to assure ongoing fiscal health and stability. The policy requires an unassigned fund balance of no less than 10% of unrestricted general fund expenditures. This policy meets the minimum reserve balance recommended by the California Community College Chancellor's Office that districts provide for a minimum prudent reserve balance of 5% of unrestricted expenditures.

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 2014 will be recorded in the year computed by the State.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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 January 1. Taxes are payable in two installments on November 1 and February 1. 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.

For the fiscal year 2012-13, The District received a premium of \$22,699 in local revenue from the California Statewide Delinquent Tax Finance Authority for the sale of \$278,656 in delinquent tax receivables.

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 \$1,271,000 for STRS.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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 Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting*, and GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

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 change in net position. 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, 2013

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.

22. Fiscal Accountability and Fiscal Independence

On October 12, 2011, the District received approval from the Los Angeles County Superintendent of Schools to operate under the fiscal independence status beginning July 1, 2012. On November 7, 2011, the Board of Governor's confirmed and approved the District's request. As a district with fiscal independence, Los Angeles County Superintendent of Schools will continue to have the ability to monitor the district to assure that proper internal controls are in place to provide the appropriate oversight and internal audit functions for the issuance of payroll and commercial warrants directly through the County Treasury without review and approval by Los Angeles County Superintendent of Schools for scrutiny of the legality and propriety of district accounting transactions.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 2 - DEPOSITS AND INVESTMENTS:

A. Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial risk. As of June 30, 2013, none of the District's bank balance of \$480,802 was exposed to credit risk.

In addition, at June 30, 2013, \$2,604,600 of the Mt. San Antonio OPEB Trust's (the Trust's) assets were exposed to credit risk as uninsured and uncollateralized deposits. These deposits are held with a trustee in money market funds and are rated AAA or better by Standard and Poor's, in accordance with the Trust's investment policy.

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 amortized cost which approximates fair value. The fair market value of the District's deposits in this pool as of June 30, 2013, as provided by the pool sponsor, was \$92,133,964, as is based upon the District's pro-rata share of the fair value for the entire portfolio (in relation to amortized cost of the portfolio).

The county is authorized to deposit cash and invest excess funds by California Government code Section 53648 et. seq. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The funds maintained by the County are either secured by Federal depository insurance or are collateralized. The county investment pool is not required to be rated. Interest earned is deposited quarterly into participating funds, except for the Restricted General Fund, Student Financial Aid Fund and the Warrant Pass-Through Fund, in which case interest 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, 2013

NOTE 2 - DEPOSITS AND INVESTMENTS: (continued)

A. Deposits (continued)

Cash with Fiscal Agent

The District has deposited certain amounts with the Alliance of Schools for Cooperative Insurance Programs (ASCIP). ASCIP is regulated by California Government Code Sections 16430, 53601 and 53635 (as is the District). The balance available for withdrawal is the carrying value, based upon historical cost. At June 30, 2013, the carrying value reported in the accompanying financial statements was \$635,778 which approximates fair value based upon the District's pro-rata share of the fair value provided by ASCIP for the entire ASCIP portfolio (in relation to the amortized cost of the portfolios). The investment is not required to be rated. The District has a written agreement with ASCIP for this deposit arrangement.

B. Investments

Investments held by the Mt. San Antonio OPEB Trust (the Trust) are limited to those within the terms of the trust agreement, any applicable plan documents and in accordance with California Code Section 53620 through 53622. The Trust did not violate any provisions of the above during the fiscal year ended June 30, 2013.

Investments held by the Trust at June 30, 2013 are presented below:

<u>Investment Type</u>	<u>Fair Value</u>
Corporate Bonds	\$ 19,929,649
Foreign Issues	1,133,083
Municipal Bonds	29,182,656
Common Stock	12,594,935
Equity Mutual Funds	<u>6,573,320</u>
Total	<u>\$ 69,413,643</u>

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 2 - DEPOSITS AND INVESTMENTS: (continued)

B. Investments (continued)

Interest Rate Risk – Debt Securities

Interest risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Trust does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Maturities (in Years)	Fair Value	Debt Investments		
		Corporate Bonds	Foreign Bonds	Municipal Bonds
<Than 1	\$ 707,374	\$ 707,374	\$	\$
1 - 5	18,591,514	13,521,976		5,069,538
6 - 10	15,137,161	5,038,704	610,878	9,487,579
>Than 10	<u>15,809,339</u>	<u>661,595</u>	<u>522,205</u>	<u>14,625,539</u>
Total	<u>\$ 50,245,388</u>	<u>\$ 19,929,649</u>	<u>\$ 1,133,083</u>	<u>\$ 29,182,656</u>

Credit Risk – Debt Securities

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Trust authorizes the use of a broad range of investment choices that have distinctly different risk and return characteristics, with the provision that all investments must continue to adhere to the underlying requirements of California Government Code Section 53600.5 and, in particular, its emphasis on preservation of capital. The individual investment ratings are indicated below.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 2 - DEPOSITS AND INVESTMENTS: (continued)

B. Investments (continued)

Credit Risk – Debt Securities (continued)

<u>Quality Ratings</u>	<u>Fair Value</u>	<u>Rated Debt Investments</u>		
		<u>Corporate Bonds</u>	<u>Foreign Bonds</u>	<u>Municipal Bonds</u>
A	\$ 9,368,821	\$ 1,156,000	\$ 522,205	\$ 7,690,616
A-	6,743,920	4,419,003	320,697	2,004,220
A+	9,625,391	4,447,178		5,178,213
AA	4,852,757	936,583		3,916,174
AA-	6,941,324	935,615		6,005,709
AA+	2,191,079			2,191,079
BB	406,000	406,000		
BBB+	301,374	301,374		
BBB	255,301	255,301		
BBB-	913,595	913,595		
Not Rated	8,645,826	6,159,000	290,181	2,196,645
	<u>\$ 50,245,388</u>	<u>\$ 19,929,649</u>	<u>\$ 1,133,083</u>	<u>\$ 29,182,656</u>

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 2 - DEPOSITS AND INVESTMENTS: (continued)

B. Investments (continued)

Concentration of Credit Risk

Concentration of credit risk is the risk of a loss attributed to the magnitude of a government's investment in a single issuer, however, the Trust places no limit on the amount that may be invested in any one issue, however, the Trust is exposed to concentration of credit risk whenever investments in any one issuer exceeds 5%. At June 30, 2013, the Trust's investments exposed to a concentration of credit risk were:

<u>Investment</u>	<u>Fair Value</u>	<u>Percentage of Investment</u>
Corporate issues		
JP Morgan Chase Co	\$ 5,159,000	10%
Municipal Issues		
California Short Term	3,085,964	6%
California Short Term Debt	2,397,450	5%
Capistrano Ca Unified School District Facilities	2,611,482	5%
Santa Cruz City Ca High School District Refunding	<u>2,573,792</u>	5%
	<u>\$ 15,827,688</u>	

Custodial Credit Risk

Custodial Credit Risk is the risk that, in the event of the failure of counterparty, the Trust will not be able to recover the value of its investments that are in possession of an outside party. Of the total investments, the Trust has a custodial credit risk exposure on all its investments in corporate securities and debt securities because the related securities are uninsured and unregistered. The Trust does not have a policy limiting the amount of securities that can be held by counterparties.

NOTE 3 - ACCOUNTS RECEIVABLE:

The accounts receivable balance as of June 30, 2013 consists of the following:

Federal and State	\$25,675,638
Debt Service Property Tax	1,246,526
Miscellaneous	1,703,508
Tuition and Fees (net of allowance for doubtful accounts \$362,640)	<u>589,585</u>
	<u>\$29,215,257</u>

SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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, except for transactions occurring between governmental and fiduciary funds.

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2013 is shown below.

	Balance June 30, 2012	Adjustments	Restated Balance June 30, 2012*	Additions	Deletions	Balance June 30, 2013
Non-depreciable assets:						
Land	\$ 619,480	\$	\$ 619,480	\$	\$	\$ 619,480
Collections - art	118,058		118,058			118,058
Construction in progress	79,453,378	1,684,696	81,138,074	12,880,482	(36,004,134)	58,014,422
Total non-depreciable assets	<u>80,190,916</u>	<u>1,684,696</u>	<u>81,875,612</u>	<u>12,880,482</u>	<u>(36,004,134)</u>	<u>58,751,960</u>
Depreciable assets:						
Building and building improvements	296,780,610	4,310,630	301,091,240	37,030,353	(124,638)	337,996,955
Equipment	27,722,661		27,722,661	2,953,335		30,675,996
Total depreciable assets	<u>324,503,271</u>	<u>4,310,630</u>	<u>328,813,901</u>	<u>39,983,688</u>	<u>(124,638)</u>	<u>368,672,951</u>
Less accumulated depreciation for:						
Building and building improvements	(66,822,464)	(308,655)	(67,131,119)	(8,407,109)	124,638	(75,413,590)
Equipment	(21,058,973)		(21,058,973)	(1,991,127)		(23,050,100)
Total accumulated depreciation	<u>(87,881,437)</u>	<u>(308,655)</u>	<u>(88,190,092)</u>	<u>(10,398,236)</u>	<u>124,638</u>	<u>(98,463,690)</u>
Total depreciable assets, net	<u>236,621,834</u>	<u>4,001,975</u>	<u>240,623,809</u>	<u>29,585,452</u>	<u>-</u>	<u>270,209,261</u>
Governmental capital assets, net	<u>\$ 316,812,750</u>	<u>\$ 5,686,671</u>	<u>\$ 322,499,421</u>	<u>\$ 42,465,934</u>	<u>\$ (36,004,134)</u>	<u>\$ 328,961,221</u>

* June 30, 2012 amounts have been adjusted by \$5,686,671 due to the implementation of GASB Statement No. 62. See Note 17.

Total interest cost incurred for the year ended June 30, 2013 was \$7,270,608. Interest costs capitalized was \$483,213 and interest revenue used to offset interest cost was \$239,315.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 6 - TAX AND REVENUE ANTICIPATION NOTES (TRANS):

The District issued \$20,000,000 of tax and revenue anticipation dated March 14, 2013 through the California Community College Financing Authority Tax and Revenue Anticipation Notes Program (2012-13, Series F). The notes include interest at a rate of 2.00% and will mature on December 31, 2013. The notes were sold by the District to supplement its cash flow.

Repayment requirements are that \$17,271,056 be deposited with the County Treasurer in August 2013, and a final payment of \$3,047,833, plus an amount sufficient to pay interest on the notes be deposited in November 2013.

NOTE 7 - LOANS PAYABLE:

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

During fiscal year 2012-13, the District repaid \$12,294 to the City, and received \$25,168 in facility usage credits. The remaining balance of \$179,922 is reflected as a liability on the statement of net position.

NOTE 8 - 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 May 1, 2002 the District offered for sale \$40,000,000 in general obligation bonds. The bonds are the first series (Series A) of general obligation bonds authorized by the November 6, 2001 election. The bonds were issued as current interest bonds. The bonds have been fully redeemed.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 8 - GENERAL OBLIGATION BONDS: (continued)

On February 4, 2004 the District offered for sale \$75,000,000 in general obligation bonds. The bonds are the second series (Series B) of general obligation bonds authorized by the November 6, 2001 election. The bonds were issued as current interest bonds.

On September 7, 2005 the District offered for sale \$75,745,843 in general obligation refunding bonds. The bonds were issued to refund certain outstanding general obligation bonds (Series A and Series B) of the District and to pay for certain capital improvements. The bonds were issued as current interest bonds in the aggregate principal amount of \$63,945,000 and as capital appreciation bonds in the aggregate principal amount of \$11,800,843.

The proceeds associated with the refunding were deposited in an escrow fund for future repayment. At June 30, 2013 the outstanding balance of the defeased debt to be paid by the escrow agent totaled \$44,170,000 and is scheduled to be repaid in August 2014. These bonds are considered fully defeased and are not recorded on the financial statements.

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.

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

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 8 - GENERAL OBLIGATION BONDS (continued)

The capital appreciation bonds were issued with maturity dates of June 1, 2010 through June 1, 2018. Prior to the applicable maturity date, each bond will accrete interest on the principal component.

On June 6, 2012 the District offered for sale \$29,850,000 in general obligation refunding bonds. The bonds were issued to refund certain outstanding general obligation bonds (2005 Refunding) of the District. The bonds were issued as current interest bonds.

The proceeds associated with the refunding were deposited in an escrow fund for future repayment. At June 30, 2013 there is no outstanding balance of the defeased debt as \$30,585,000 was repaid in August 2012. These bonds are considered fully defeased and are not recorded on the financial statements.

The outstanding bonded debt of Mt. San Antonio Community College District at June 30, 2013 is:

Date of Issue	Interest Rate %	Final Maturity Date ⁽¹⁾	Amount of Original Issue	Outstanding July 1, 2012	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2013
2/4/2004 B	2.75-5.0%	8/1/2014	\$ 75,000,000	\$ 6,200,000	\$	\$ 1,975,000	\$ 4,225,000
9/7/2005	3.5-5.0%	8/1/2017	75,745,843	18,750,843		6,950,000	11,800,843
9/8/2006 C	4.0-5.0%	9/1/2031	79,996,203	79,212,694		457,694	78,755,000
7/9/2008 D	2.92-5.0%	6/1/2033	26,003,609	23,827,409		741,325	23,086,084
6/6/2012	2.0-3.75%	8/1/2016	29,850,000	29,850,000		640,000	29,210,000
			<u>\$ 286,595,655</u>	<u>\$ 157,840,946</u>	<u>\$ -</u>	<u>\$ 10,764,019</u>	<u>\$ 147,076,927</u>

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

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 8 - GENERAL OBLIGATION BONDS: (continued)

The annual requirements to amortize all bonds payable, outstanding as of June 30, 2013, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Accreted Interest</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 12,672,408	\$ 182,592	\$ 5,796,681	\$ 18,651,681
2015	12,397,021	217,979	5,358,888	17,973,888
2016	13,155,731	254,269	4,899,325	18,309,325
2017	7,693,707	7,901,293	4,643,450	20,238,450
2018	7,468,060	8,626,940	4,594,550	20,689,550
2019-2023	25,905,000		19,894,850	45,799,850
2024-2028	33,070,000		12,821,314	45,891,314
2029-2033	34,715,000		3,921,338	38,636,338
Total Debt Service	<u>\$ 147,076,927</u>	<u>\$ 17,183,073</u>	<u>\$ 61,930,396</u>	<u>\$ 226,190,396</u>

Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The bonds included total premiums of \$20,255,940. This amount will be amortized using the straight line method. Amortization of \$2,124,679 was recognized during 2012-13.

At June 30, 2012, \$9,425,535, accreted interest, net of payments, has been accrued and included in long-term debt.

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 refunding escrow agents exceeded the existing carrying value of the refunded debt by \$8,193,594. Amortization of \$810,002 was recognized during 2012-13. The unamortized value of \$3,668,404 is reflected as deferred outflows of resources in the statement of net position.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 9 - BOND ANTICIPATION NOTES:

On April 28, 2010, the District issued \$64,999,815 in bond anticipate notes. The notes were issued to (a) finance the repair, upgrading, acquisition, construction and equipping of certain District property and facilities and (b) refund the District's outstanding 2008 lease revenue bonds.

The notes are payable only at maturity, and will not pay interest on a current basis. The notes accrete in value from their initial principal amount to their maturity value, at an approximate accretion rate of 4.034% per annum. The maturity value of the notes is the accreted value of \$79,270,000 and the maturity date is May 1, 2015.

The principal amount of the notes, together with the interest thereon, will be payable from the proceeds of the future sale of bonds pursuant to the authorization, or from other funds of the District lawfully available for the purpose of repaying the notes.

Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The notes included total premiums of \$1,066,974. This amount will be amortized using the straight line method. Amortization of \$213,395 was recognized during 2012-13.

At June 30, 2013, the outstanding long-term debt for the notes is \$64,999,815 with \$8,183,835 in accreted interest having been accrued.

NOTE 10 - DEFEASED DEBT - LEASE REVENUE BONDS:

Certain outstanding lease revenue bonds of the District have been defeased by placing the proceeds of bond anticipation notes in an irrevocable escrow accounts held and managed by bank trustees, and invested in U.S. Treasury obligations. The principal and interest on which will provide amounts sufficient to pay the principal and interest on the defeased bonds in accordance with the schedule of remaining payments due. Accordingly, the escrow account and the defeased bonds are not included in the District's financial statements. On May 18, 2010, proceeds in the amount of \$9,596,000 were deposited in an escrow fund for future repayment. At June 30, 2013, \$5,950,000 in principal of the defeased bonds is still outstanding and is scheduled to be repaid by May 2018.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 11- LONG-TERM DEBT:

A schedule of changes in long-term debt for the year ended June 30, 2013 is shown below:

	Balance			Balance	Amounts
	June 30, 2012 (1)	Additions	Deletions	June 30, 2013	Due in
					One Year
Loan payable-City of Walnut	\$ 217,384	\$	\$ 37,462	\$ 179,922	\$ 28,985
Compensated absences	7,249,317	244,223		7,493,540	1,256,940
Bond anticipation notes:					
Notes payable	64,999,815			64,999,815	
Premium	640,185		213,395	426,790	
Accreted interest	5,319,017	2,864,818		8,183,835	
General obligation bonds:					
Bonds payable	157,840,946		10,764,019	147,076,927	12,672,408
Premium	7,018,436		2,124,679	4,893,757	
Accreted interest	7,999,128	1,692,388	265,981	9,425,535	
Other postemployment benefits other than pensions (OPEB)		6,461,099		6,461,099	
Total	<u>\$ 251,284,228</u>	<u>\$ 11,262,528</u>	<u>\$ 13,405,536</u>	<u>\$ 249,141,220</u>	<u>\$ 13,958,333</u>

Liabilities liquidated by the General Fund for governmental activities, include compensated absences. The City of Walnut loan payable is liquidated by the Capital Outlay Fund. General obligation bond liabilities are liquidated through property tax collections as administered by the County Controller's office through the Bond Interest and Redemption Fund. Bond anticipation notes are to be liquidated through a future general obligation bond issuance.

(1) The beginning balance has been restated to reflect current year reclassifications under GASB Statement No. 65, items previously reported as assets and liabilities.

NOTE 12 - 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).

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 12 - EMPLOYEE RETIREMENT PLANS: (continued)

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.

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 2012-13 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.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 12 - EMPLOYEE RETIREMENT PLANS: (continued)

Public Employees' Retirement System (PERS) (continued)

Funding Policy

Active plan members are required to contribute 7% of their salary; currently the District contributes the employees' portion for California School Employees Association and confidential staff members. 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 2012-13 was 11.417% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

Contributions to STRS and PERS

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

Year Ended June 30,	STRS		PERS	
	Required Contribution	Percent Contributed	Required Contribution	Percent Contributed
2011	\$5,022,739	100%	\$3,667,850	100%
2012	5,148,943	100%	3,703,438	100%
2013	5,199,057	100%	4,014,846	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.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 12 - EMPLOYEE RETIREMENT PLANS: (continued)

MetLife (continued)

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 \$735,163 during the fiscal year. The total amount of covered compensation was \$9,802,168. Total contributions made are 100% of the amount of contributions required for fiscal year 2012-13.

NOTE 13 - POSTEMPLOYMENT HEALTHCARE BENEFITS:

Plan Description

The District administers a single-employer defined benefit healthcare plan (the Retiree Health Plan). The plan provides medical benefits to eligible retirees and their spouses in accordance with provisions established through negotiations between the District and the bargaining unions representing employees. Plan provisions are renegotiated each three-year bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

Retirees and beneficiaries receiving benefits	557
Terminated plan members entitled to but not yet receiving benefits	8
Active plan members	<u>834</u>
Total	<u>1,399</u>

Funding Policy

The contribution requirements are established and may be amended by the District. The required contribution is based on projected pay-as-you-go financing requirements, with an annual adjustment to fully fund the actuarially determined annual required contribution. For fiscal year 2012-13, the District did not contribute to the plan. Current year premiums of \$4,431,678 were paid by the Mt. San Antonio Community College District OPEB Trust. The District pays for 100% of coverage.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 13 - POSTEMPLOYMENT HEALTHCARE BENEFITS: (continued)

Annual OPEB Cost and Net OPEB Obligation (Asset)

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The District has elected to amortize the unfunded actuarial liability over 30 years. The table below shows the components of the District's annual OPEB cost for the year, the amount actually contributed, and change in the District's net OPEB obligation (asset).

Annual required contribution (ARC)	\$ 6,583,670
Interest on net OPEB obligation	(6,222)
Adjustment to annual required contribution	<u>8,095</u>
Annual OPEB cost (expense)	6,585,543
Contributions made	<u>-</u>
Change in net OPEB obligation/(asset)	6,585,543
Net OPEB asset - beginning of year	<u>(124,444)</u>
Net OPEB obligation - end of year	<u><u>\$ 6,461,099</u></u>

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 13 - POSTEMPLOYMENT HEALTHCARE BENEFITS: (continued)

Annual OPEB Cost and Net OPEB Obligation (Asset) (continued)

The District's annual OPEB cost for the year, the percentage of annual OPEB cost contributed, and the net OPEB obligation for fiscal year ended 2013 was as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation (Assets)</u>
6/30/2011	\$ 4,611,375	125.53%	\$ (1,263,410)
6/30/2012	5,895,397	80.68%	(124,444)
6/30/2013	6,585,543	0.00%	6,461,099

Funding Status and Funding Progress

As of March 1, 2012 the most recent actuarial valuation date, the plan was 59.4% funded. The actuarial accrued liability for benefits was \$120.1 million, and the actuarial value of assets held in the Mt. San Antonio Community College District OPEB Trust was \$71.3 million, resulting in an unfunded actuarial liability (UAAL) of \$48.8 million. The covered payroll (annual payroll of active employees covered by the plan was \$75 million, and the ratio of the UAAL to the covered payroll was 64.9%.

Actuarial valuations of an ongoing benefit plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of postemployment healthcare benefits funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets, if any, is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 13 - POSTEMPLOYMENT HEALTHCARE BENEFITS: (continued)

Funding Status and Funding Progress (continued)

The accompanying schedule of employee contributions, also presented as required supplementary information, presents trend information about the amounts contributed to the plan by employers in comparison to the Annual Required Contribution (ARC), an amount that is actuarially determined in accordance with the parameters of GASB Statement No. 43. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, if any, consistent with the long-term perspective of the calculations.

The actuarial cost method used in determining the benefit obligations is the Entry Age Normal Cost method. The actuarial assumptions included a 5.0 percent investment rate of return (net of administrative expenses) which is a blended rate of the expected long-term investment returns on plan assets and on the employers own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 4.0 percent which included a 3.0 percent inflation assumption. The initial UAAL is being amortized as a level percentage of projected payroll on a closed basis over a 30 year period. The remaining amortization period will expire on June 30, 2037. The remaining UAAL is being amortized as a level percentage of projected payroll on an open basis over a 30 year period.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 14 - SELF-INSURANCE PROGRAM:

The District finances its risk of loss related to property and liability through a combination of self-insurance and participation the ASCIP JPA. Under this program, the District provides coverage for up to a maximum of \$25,000 for each general liability or property damage claim. ASCIP provides excess insurance coverage above the member retained limit.

Claims are managed by a third-party administrator (TPA). Funding of the amounts held by the TPA as well as reserves held by ASCIP as trustee are based on estimates of the amounts needed to pay prior and current year claims. Funding is provided by transfers from the general fund and claims paid within the member retained limit during 2012-13 totaled \$162,192. Settled claims have not exceeded the coverage provided by the JPA in any of the past three fiscal years.

NOTE 15 - JOINT POWERS AGREEMENT:

The Mt. San Antonio Community College District participates in four 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); and the Protected Insurance Programs for Schools (PIPS).

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 12).

SCCCD-JPA provides workers' compensation coverage for its seven member districts for workers' compensation self-insured run-off claims dated prior to 1995. Payments transferred to funds maintained under the JPA are expensed when made. SCCCDD has self-funded their workers' compensation coverage since inception as a joint banking pool, and accordingly, does not transfer risk between members. 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.

SELF arranges for and provides a self-funded or additional insurance for excess liability for approximately 1,100 public educational agencies. SELF is governed by a board of 16 elected voting members, elected alternates, and two ex-officio members. The board controls the operations of SELF, including selection of management and approval of operating budgets, independent of any influence by the members beyond their representation on the board. Each member pays an annual contribution based upon that calculated by SELF's board of directors and shares surpluses and deficits proportionately to its participation in SELF.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 15 - JOINT POWERS AGREEMENT: (continued)

PIPS provides workers' compensation reinsurance protection to its membership for public schools and community colleges throughout California. This is a finite risk sharing pool that transfers risk away from the members. Premiums are determined based on payroll expense and additional premiums may be required in subsequent years.

Each JPA is governed by a board consisting of a representative from each member district. Each governing board controls the operations of its JPA independent of any influence by the Mt. San Antonio Community College District beyond the District's representation on the governing boards.

The relationships between the Mt. San Antonio Community College District and the JPAs are such that none of the JPAs are component units of the District for financial reporting purposes.

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

	ASCIP 6/30/2013 (Unaudited)	SCCCD-JPA 6/30/2013 (Audited)	SELF 6/30/2013 (Audited)	PIPS 6/30/2013 (Audited)
		Workers' Compensation <u>Insurance</u> <u>Fund</u>		
Total assets	\$ 295,931,235	\$ 43,038,878	\$ 166,243,000	\$ 93,631,244
Total liabilities	<u>161,186,476</u>	<u>916,375</u>	<u>129,963,000</u>	<u>77,229,529</u>
Net position	<u>\$ 134,744,759</u>	<u>\$ 42,122,503</u>	<u>\$ 36,280,000</u>	<u>\$ 16,401,715</u>
Total revenues	\$ 201,182,650	\$ 4,955,252	\$ 11,589,000	\$ 213,438,410
Total expenditures	<u>190,821,296</u>	<u>6,982,864</u>	<u>14,165,000</u>	<u>220,030,304</u>
Change in net position	<u>\$ 10,361,354</u>	<u>\$ (2,027,612)</u>	<u>\$ (2,576,000)</u>	<u>\$ (6,591,894)</u>

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 16 - FUNCTIONAL EXPENSE:

	Salaries	Employee Benefits	Supplies, Materials, Utilities, Other Expenses and Services	Student Aid and Other Uses	Depreciation	Total
Instructional	\$ 67,466,175	\$ 15,698,500	\$ 3,718,033	\$	\$	\$ 86,882,708
Academic Support	10,273,107	3,219,541	630,681			14,123,329
Student Services	11,468,855	3,852,088	924,192	194,587		16,439,722
Operation & Maintenance of Plant	5,833,089	2,691,006	5,043,049			13,567,144
Institutional Support	11,368,552	4,426,203	4,457,442			20,252,197
Community Services and Economic Development	1,507,686	426,816	977,172			2,911,674
Ancillary Services and Auxiliary Operations	3,826,570	1,279,543	1,987,656			7,093,769
Student Aid				47,085,433		47,085,433
Other Outgo	420,158	96,911	6,781,214	316,358		7,614,641
Depreciation Expense					10,398,236	10,398,236
Totals by Object	<u>\$ 112,164,192</u>	<u>\$ 31,690,608</u>	<u>\$ 24,519,439</u>	<u>\$ 47,596,378</u>	<u>\$ 10,398,236</u>	<u>\$ 226,368,853</u>

NOTE 17 - CHANGE IN ACCOUNTING PRINCIPLES:

The beginning net position of the District has been increased by \$5,686,671 to record capitalized interest, net of depreciation. In accordance with GASB Statement No. 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, interest costs incurred on the District's debt financing during the period assets were under construction are considered part of the historical costs of acquiring the asset.

There was no effect on beginning net position for the adoption of GASB Statement No 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*.

The beginning net position of the District has been restated by \$2,105,057 to write-off the balance of capitalized fees in accordance with the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The fees were prepaid general obligation bond issuance costs that are now required to be expensed in the period incurred.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 18 - COMMITMENTS AND CONTINGENCIES:

A. State and Federal Allowances, Awards and Grants

The District has received state and federal funds for specific purposes 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. 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.

C. Purchase Commitments

As of June 30, 2013 the District was committed under various capital expenditure purchase agreements for various projects totaling approximately \$11 million to be funded from general obligation bond proceeds, bond anticipation notes 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, scalable, 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 including ongoing maintenance provided from the unrestricted general fund. Funding for the first three years of implementation came from the designated EAS reserve.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

**NOTE 19 - GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS
ISSUED, NOT YET EFFECTIVE:**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2013, that have effective dates that may impact future financial presentations; however, the impact of the implementation of each of the statements below to the District's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 68

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. This standard is designed to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions provided by other entities. This statement replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and GASB Statement No. 50, *Pension Disclosures*. This statement is effective for fiscal year 2014-15 financial statements.

Governmental Accounting Standards Board Statement No. 69

In January 2013, the GASB issued Statement No. 69 *Government Combinations and Disposals of Government Operations*. This statement provides guidance on the measurement of assets and liabilities in a government merger or when a government acquires another entity, or its operations, in exchange for significant consideration. This statement also provides guidance for transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

**NOTE 19 - GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS
ISSUED, NOT YET EFFECTIVE: (continued)**

Governmental Accounting Standards Board Statement No. 70

In April 2013, the GASB issued Statement No. 70 *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This Statement requires a government to recognize a liability when qualitative factors and historical data indicate that more likely than not it will be required to make a payment on a nonexchange financial guarantee; the government that issued the guaranteed obligation would recognize a revenue to the extent of the reduction in its guaranteed liabilities.

NOTE 20 - SUBSEQUENT EVENTS:

A. General Obligation Bonds

The District sold \$217.3 million general obligation bonds, 2008 election, Series 2013A and Series 2013 B and \$123.1 million 2013 current interest refunding bonds Series A and B on August 1, 2013. Interest rates ranged from 0.717% to 7%. These bonds will mature between August 1, 2013 to August 2, 2043. The Series 2013A and 2013B were sold to pay the District's outstanding bond anticipation notes and to finance the construction modernization, renovation and equipping of District sites and facilities. The 2013 refunding Series A and B were sold to refund all or portions of District's prior bonds.

B. Negotiation Settlement

Effective July 1, 2013, all regular employees will receive a 1.57% on schedule salary increase, an additional 1% salary increase, and \$1,500 annually for health and welfare. The additional 1% salary increase and the annual \$1,500 for health and welfare will be considered one-time for the fiscal year 2013-14 and the State-funded COLA in 2014-15 is less than 2%.

REQUIRED SUPPLEMENTARY INFORMATION

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF POSTEMPLOYMENT HEALTHCARE BENEFITS FUNDING PROGRESS
For the Fiscal Year Ended June 30, 2013**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (AVA)</u>	<u>Actuarial Accrued Liability (Entry Age Normal Method) (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funding Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
5/1/2009	\$ 60,367,776	\$ 87,651,507	\$ 27,283,731	68.9%	\$ 74,599,091	36.6%
5/1/2011	65,348,742	114,656,841	49,308,099	57.0%	75,140,236	65.6%
3/1/2012	71,343,707	120,114,689	48,770,982	59.4%	75,140,236	64.9%

See the accompanying notes to the required supplementary information.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
For the Fiscal Year Ended June 30, 2013**

<u>Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2011	\$ 4,612,037	125.51%
2012	5,905,111	80.55%
2013	6,583,670	0.00%

See the accompanying notes to the required supplementary information.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2013

NOTE 1 - PURPOSE OF SCHEDULES:

A. Schedule of Postemployment Healthcare Benefits Funding Progress

This schedule is prepared in accordance with Statement No. 45 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The schedule is intended to show trends about the funding progress of the District's actuarially determined liability for postemployment benefits other than pensions.

B. Schedule of Employer Contributions

This schedule is prepared in accordance with Statement No. 43 of the Governmental Accounting Standards Board, *Financial Reporting for Postemployment Benefits Other Than Pension Plans*. The schedule is intended to show trends about the percentage of the annual required contribution made to the plan.

SUPPLEMENTARY INFORMATION

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

HISTORY AND ORGANIZATION

June 30, 2013

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>
Manuel Baca	President	November 30, 2014
Fred Chyr	Vice President	November 30, 2014
Dr. David K. Hall	Clerk	November 30, 2014
Roxanne M. Bader	Member	November 30, 2013
Judy Chen Haggerty	Member	November 30, 2013
Elisa Marin	Student Trustee	June 30, 2013

DISTRICT EXECUTIVE OFFICERS

Dr. William Scroggins	President/CEO
Dr. Virginia Burley	Vice President, Instruction
Michael D. Gregoryk	Vice President, Administrative Services
James P. Czaja	Vice President, Human Resources
Dr. Audrey Yamagata-Noji	Vice President, Student Services

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013**

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures
Federal Categorical Aid Programs:			
Student Financial Assistance Cluster:			
Department of Education:			
Direct:			
Student Financial Aid Cluster:			
Student Financial Aid Administrative Expenses	84.000	N/A	\$ 129,007
Supplemental Educational Opportunities Grant (SEOG)	84.007	N/A	359,612
Federal Work Study	84.033	N/A	547,900
Pell	84.063	N/A	42,028,983
Direct Loans - William D. Ford Program	84.268	N/A	2,304,859
TRIO Cluster:			
Department of Education:			
Passed through from the California Department of Education:			
Student Support Services	84.042A	(1)	244,586
Upward Bound	84.047A	(1)	346,782
Department of Agriculture:			
Direct:			
Hispanic Serving Institutions - Agriculture Pathways Program	10.223	N/A	19,160
Passed through from the California Department of Education:			
Child Nutrition Program	10.555	03755	59,707
Department of Labor:			
Direct:			
American Recovery and Reinvestment Act (ARRA) - Health Care Sector and Other High Growth and Emerging Industries	17.275	N/A	647,841
National Science Foundation:			
Direct:			
Advance Technological Education (ATE) -			
Regional Information Systems Security Center (RISSC)	47.076	N/A	60,025
Science, Technology, Engineering, and Mathematics (STEM)	47.076	N/A	95,810
Promoting STEM Research to College Freshmen and Sophomores	47.076	N/A	13,679
CyberWatch West	47.076	N/A	463,242
Passed through from California State University Fullerton:			
Test Up - Talent Expansion in Science and Technology	47.076	(1)	150,241

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, 2013**

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures
Department of Education:			
Direct:			
Parent in School Program	84.335A	N/A	122,740
Veteran's Education Administrative Expenses	84.065	N/A	6,672
Asian American Native American Pacific Islander Serving Institutions (AANAPISI)	84.382B	N/A	418,080
Passed through from the California Department of Education:			
Workforce Investment Act, Title II: Adult Education and Family Literacy Act, Section 225, Section 231, and English Literacy and Civics Education	84.002	(1)	1,028,689
Passed through from the California Community College Chancellor's Office:			
Career and Technical Education (CTE):			
Perkins, Title I, Part C, Family and Consumer Sciences	84.048	(1)	280,973
Perkins, Title I, Part C	84.048	03578	924,633
Perkins, Title I, Part C, Transitions	84.048A	(1)	49,389
Pilot Course Material Rental Program	84.116T	(1)	280,613
Department of Health & Human Services :			
Direct:			
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	N/A	112,833
Passed through from the California Department of Education:			
Child Development Division, Childcare and Development Quality Improvement funds, Child Development Training Consortium	93.575	(1)	8,348
Passed through from the California Community College Chancellor's Office:			
Temporary Assistance for Needy Families (TANF)	93.558	(1)	103,572
Personal and Home Care Aide State Training Program	93.512	(1)	156,362
Department of Interior, Bureau of Reclamation			
Passed through from the Metropolitan Water District of Southern California			
Water Conservation Field Services Program (WCFSP)	15.530	(1)	<u>10,000</u>
Total Federal Expenditures			<u>\$ 50,974,338</u>
Reconciliation to Federal Revenue:			
Total federal program expenditures			\$ 50,974,338
Revenues in excess of expenditures related to federal entitlement program:			
Passed through the California Public Employees' Retirement System:			
Medicare Part D Retiree Drug Subsidy (RDS)	93.770	(1)	<u>348,397</u>
Total Federal Revenue			<u>\$ 51,322,735</u>
Student Financial Aid Loan Programs:			
Perkins Program	84.038		<u>\$ 118,372</u>
Mt. San Antonio Community College District had the following loan balance outstanding as of 6/30/13			<u>\$ 118,372</u>

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

N/A Pass-through entity identifying number not applicable

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, 2013

Program Name	Program Revenues			Total	Total Program Expenditures
	Cash Received	Accounts Receivable	Deferred Revenue		
State Categorical Aid Programs:					
Basic Skills	\$ 1,521,299	\$	\$ 366,849	\$ 1,154,450	\$ 1,154,450
Board Financial Assistance Program (BFAP)	1,011,112		24,710	986,402	986,402
California State Preschool Program	223,298			223,298	223,298
CalWorks	344,243			344,243	344,243
CARE	104,721			104,721	104,721
Career Technical Education - Community Collaborative (San Gabriel Valley)	80,135	11,425		91,560	91,560
Center of Excellence - Career Technical Education: Strategic Hubs	262,500		231,714	30,786	30,786
Center of Excellence - Economic Development	219,263	164,000		383,263	383,263
Child Care Food Program	2,589	577		3,166	3,166
Child Care General Center and Development Program	276,205			276,205	276,205
Child Care Tax Bailout	88,976			88,976	88,976
Child Development Workforce Initiative	148,352	71,912		220,264	220,264
Disabled Student Program & Services (DSPS)	1,508,979			1,508,979	1,508,979
Enrollment Growth AA Nursing	218,977	41,710		260,687	260,687
Equal Employment Opportunity	25,498		16,986	8,512	8,512
Extended Opportunities Program & Services (EOPS)	638,660			638,660	638,660
Health Careers Training Program	10,800	1,200		12,000	12,000
Instructional Equipment and Library Materials	8,283			8,283	8,283
Matriculation - Credit	720,987			720,987	720,987
Matriculation - Noncredit	840,065			840,065	840,065
Song-Brown Registered Nurse Program	121,662	13,542		135,204	135,204
Workforce Innovation Partnerships	348,916	119,965	164,063	304,818	304,818
Total State Programs	\$ 8,725,520	\$ 424,331	\$ 804,322	\$ 8,345,529	\$ 8,345,529

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, 2013**

	<u>Annual - Factored FTES</u>		
	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Audited Data</u>
A. Summer Intersession (Summer 2012 only)			
1. Noncredit ¹	2,112.61		2,112.61
2. Credit	768.47		768.47
B. Summer Intersession (Summer 2013 - Prior to July 1, 2013)			
1. Noncredit ¹	-		-
2. Credit	-		-
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	17,843.84		17,843.84
(b) Daily Census Contact Hours	2,040.57		2,040.57
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit ¹	3,398.82		3,398.82
(b) Credit	988.05		988.05
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	1,018.96		1,018.96
(b) Daily Census Contact Hours	478.85		478.85
(c) Noncredit Independent Study/Distance Education Courses	N/A		N/A
D. Total FTES	<u>28,650.17</u>	<u>-</u>	<u>28,650.17</u>
Supplemental Information (subset of above information)			
E. In-Service Training Courses (FTES)	N/A		
H. Basic Skills courses and Immigrant Education			
(a) Noncredit ¹	4,710.87		
(b) Credit	2,077.50		
<u>CCFS 320 Addendum</u>			
CDCP Noncredit FTES	3,577.06		
Centers FTES			
(a) Noncredit	N/A		
(b) Credit	N/A		

¹ 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, 2013

The audit resulted in no adjustments to the fund balances reported on the June 30, 2013 Annual Financial and Budget Report (CCFS-311) based upon governmental accounting principles.

The financial data for the District's Bond Interest and Redemption Fund is a component part of these financial statements and is not reported in the District's CCFS-311 series.

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

RECONCILIATION OF 50 PERCENT LAW CALCULATION
For the Fiscal Year Ended June 30, 2013

	Object/TOP Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Academic Salaries							
Instructional Salaries							
Contract or Regular	1100	\$ 32,182,487	\$	\$ 32,182,487	\$ 32,182,487	\$	\$ 32,182,487
Other	1300	23,927,265		23,927,265	23,927,265		23,927,265
Total Instructional Salaries		56,109,752		56,109,752	56,109,752		56,109,752
Non-Instructional Salaries							
Contract or Regular	1200			-	10,481,833		10,481,833
Other	1400			-	1,295,789		1,295,789
Total Non-Instructional Salaries				-	11,777,622		11,777,622
Total Academic Salaries		56,109,752	-	56,109,752	67,887,374	-	67,887,374
Classified Salaries							
Non-Instructional Salaries							
Regular Status	2100			-	24,729,938		24,729,938
Other	2300			-	2,772,505		2,772,505
Total Non-Instructional Salaries					27,502,443		27,502,443
Instructional Aides							
Regular Status	2200	1,584,043		1,584,043	1,584,043		1,584,043
Other	2400	1,264,134		1,264,134	1,264,134		1,264,134
Total Instructional Aides		2,848,177		2,848,177	2,848,177		2,848,177
Total Classified Salaries		2,848,177	-	2,848,177	30,350,620	-	30,350,620
Employee Benefits	3000	10,936,179		10,936,179	22,040,384		22,040,384
Supplies and Materials	4000			-	2,224,051		2,224,051
Other Operating Expenses	5000			-	10,292,152		10,292,152
Equipment Replacement	6420			-			-
Total Expenditures Prior to Exclusions		69,894,108	-	69,894,108	132,794,581	-	132,794,581

See the accompanying notes to the supplementary information.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF 50 PERCENT LAW CALCULATION
For the Fiscal Year Ended June 30, 2013

	Object/TOP Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Exclusions							
Activities to Exclude							
Instructional Staff-Retirees' Benefits and Retirement Incentives	5900			-			-
Student Health Services Above Amount Collected	6441			-			-
Student Transportation	6491			-	217,788		217,788
Non-instructional Staff-Retirees' Benefits and Retirement Incentives	6740			-			-
Objects to Exclude							
Rents and Leases	5060			-	231,110		231,110
Lottery Expenditures							
Academic Salaries	1000			-			-
Classified Salaries	2000			-			-
Employee Benefits	3000			-			-
Supplies and Materials	4000			-			-
Software	4100			-			-
Books, Magazines, & Periodicals	4200			-			-
Instructional Supplies & Materials	4300			-			-
Noninstructional, Supplies & Materials	4400			-			-
Total Supplies and Materials							
Other Operating Expenses and Services	5000			-	3,661,166		3,661,166
Capital Outlay	6000			-			-
Library Books	6300			-			-
Equipment	6400			-			-
Equipment - Additional	6410			-			-
Equipment - Replacement	6420			-			-
Total Equipment							
Total Capital Outlay							
Other Outgo	7000			-			-
Total Exclusions		-	-	-	4,110,064	-	4,110,064
Total for ECS 84362, 50% Law		\$ 69,894,108	\$ -	\$ 69,894,108	\$128,684,517	\$ -	\$128,684,517
Percent of CEE (Instructional Salary Cost / Total CEE)		54.31%	0.00%	54.31%	100.00%	0.00%	100.00%
50% of Current Expense of Education					\$ 64,342,259	\$ -	\$ 64,342,259

See the accompanying notes to the supplementary information.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
UNRESTRICTED AND RESTRICTED GENERAL FUNDS (COMBINED)**

For the Fiscal Year Ended June 30,

	<u>(Budget) 2014</u>		<u>2013</u>		<u>2012</u>		<u>2011</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Revenue								
Federal	\$ 4,044,781	2.43	\$ 6,446,834	4.14	\$ 5,548,744	3.53	\$ 6,063,939	3.82
State	117,469,328	70.67	97,375,470	62.58	109,278,286	69.50	122,976,832	77.57
County and Local	35,456,147	21.33	48,233,860	31.00	39,295,935	24.99	33,010,421	20.82
Total Revenue	<u>156,970,256</u>	<u>94.43</u>	<u>152,056,164</u>	<u>97.72</u>	<u>154,122,965</u>	<u>98.02</u>	<u>162,051,192</u>	<u>102.21</u>
Expenditures								
Academic Salaries	72,521,824	43.63	70,152,313	45.09	68,764,908	43.73	68,703,665	43.33
Classified Salaries	41,338,567	24.87	39,825,446	25.60	38,838,597	24.70	39,447,243	24.88
Employee Benefits	26,035,301	15.66	24,552,898	15.78	29,385,276	18.69	29,110,611	18.36
Supplies and Materials	5,176,478	3.11	3,332,331	2.14	3,038,201	1.93	3,140,628	1.98
Other Operating Expenses and Services	17,527,328	10.54	13,740,644	8.83	13,360,849	8.50	13,226,895	8.34
Capital Outlay	2,693,115	1.62	3,012,872	1.94	2,515,841	1.60	2,549,255	1.62
Other Uses	929,937	0.57	974,607	0.63	1,337,310	0.85	2,364,590	1.49
Total Expenditures	<u>166,222,550</u>	<u>100.00</u>	<u>155,591,111</u>	<u>100.00</u>	<u>157,240,982</u>	<u>100.00</u>	<u>158,542,887</u>	<u>100.00</u>
Other Financing Sources	218,545	-	1,097,068	0.71	45,798	0.03	37,323	0.02
Change in Fund Balance	<u>\$ (9,033,749)</u>	<u>(5.43)</u>	<u>\$ (2,437,879)</u>	<u>(1.57)</u>	<u>\$ (3,072,219)</u>	<u>(1.95)</u>	<u>\$ 3,545,628</u>	<u>2.24</u>
Unrestricted General Fund:								
Assigned Fund Balance	\$ 1,238,791	0.75	\$ 3,959,495	2.54	\$ 6,592,580	4.19	\$ 1,458,943	0.92
Unassigned Fund Balance	18,456,198	11.10	23,770,463	15.28	23,741,054	15.10	32,354,128	20.41
Restricted Fund Balance	373,824	0.22	1,372,604	0.88	1,206,807	0.77	799,589	0.50
Ending Fund Balance	<u>\$ 20,068,813</u>	<u>12.07</u>	<u>\$ 29,102,562</u>	<u>18.70</u>	<u>\$ 31,540,441</u>	<u>20.06</u>	<u>\$ 34,612,660</u>	<u>21.83</u>
Full-time Equivalent Students	<u>28,803</u>		<u>28,650</u>		<u>28,702</u>		<u>31,152</u>	
Total Long-Term Debt	<u>\$ 229,862,340</u>		<u>\$ 243,820,673</u>		<u>\$ 243,625,607</u>		<u>\$ 250,264,957</u>	

IMPORTANT NOTES:

The California Community College Chancellor's Office has provided guidelines that recommend a minimum prudent ending fund balance of 5% of unrestricted expenditures. In addition, the District's Board policy requires a 10% unrestricted ending fund balance. As such, the unassigned balance is the 10% Board Policy reserve and any other remaining unassigned amounts in the unrestricted General Fund.

All percentages are of total unrestricted and restricted expenditures combined.

The 2014 budget is the Plan and Budget adopted by the Board of Trustees on September 11, 2013.

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 charges on bonded debt.

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, 2013**

	<u>General Fund</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Revenue from Federal Sources			
Higher Education Act	\$ 3,063,676	\$ 2,036,314	\$ (1,027,362)
Temporary Assistance for Needy Families	103,572	103,572	-
Student Financial Aid	-	611,277	611,277
Veterans Education	6,672	6,672	-
Vocational and Technical Education Act	1,275,825	1,254,995	(20,830)
Other Federal Revenue	3,388,723	2,434,004	(954,719)
Revenue from State Sources			
General Apportionments	87,939,484	84,369,975	(3,569,509)
Categorical Apportionments	6,723,847	6,315,301	(408,546)
Other State Revenues	7,203,903	6,690,194	(513,709)
Revenue from Local Sources			
Property Taxes	29,925,094	29,925,091	(3)
Interest and Investment Income	825,581	349,346	(476,235)
Student Fees and Charges	15,478,103	15,601,953	123,850
Other Local Revenue	3,439,179	2,055,348	(1,383,831)
TOTAL REVENUES	<u>159,373,659</u>	<u>151,754,042</u>	<u>(7,619,617)</u>
EXPENDITURES			
Academic Salaries	70,444,381	70,152,313	292,068
Classified Salaries	40,869,692	39,825,446	1,044,246
Employee Benefits	25,514,520	24,552,898	961,622
Supplies and Materials	5,477,065	3,332,331	2,144,734
Other Operating Expenses & Services	19,887,655	13,740,644	6,147,011
Capital Outlay	4,130,593	3,012,872	1,117,721
TOTAL EXPENDITURES	<u>166,323,906</u>	<u>154,616,504</u>	<u>11,707,402</u>
Excess (deficiency) of revenues over expenditures	<u>(6,950,247)</u>	<u>(2,862,462)</u>	<u>4,087,785</u>
OTHER FINANCING SOURCES (USES)			
Contributions	514,912	302,122	(212,790)
Proceeds from the sale of non-capitalized equipment	61,497	17,672	(43,825)
Interfund Transfers In	210,558	1,079,396	868,838
Interfund Transfers Out	(475,427)	(463,660)	11,767
Student Financial Aid	(605,998)	(510,947)	95,051
TOTAL OTHER FINANCING SOURCES (USES)	<u>(294,458)</u>	<u>424,583</u>	<u>719,041</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>\$ (7,244,705)</u>	<u>(2,437,879)</u>	<u>\$ 4,806,826</u>
Fund Balances at Beginning of Year		<u>31,540,441</u>	
Fund Balances at End of Year		<u>\$ 29,102,562</u>	

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, 2013**

NOTE 1 - PURPOSE OF SCHEDULES:

A. Schedules of Expenditures of Federal Awards and State Financial Fund Balances

The audit of the Mt. San Antonio Community College District for the year ended June 30, 2013 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 on the modified accrual basis of accounting.

Subrecipients

The District provided Federal awards to subrecipients as follows:

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Amount Provided to Subrecipients
American Recovery and Reinvestment Act (ARRA) - Health Care Sector and Other High Growth and Emerging Industries	17.275	
- Chaffey Community College District		\$ 22,152
- Rio Hondo Community College District		<u>60,786</u>
		<u>\$ 82,938</u>
Advance Technological Education (ATE) - CyberWatch West	47.076	
- Cal Poly University, Pomona		\$ 124,714
- Whatcom Community College		65,154
- California State University, San Bernardino		49,952
- California State University, Dominguez Hills		<u>39,644</u>
		<u>\$ 279,464</u>

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.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2013

NOTE 1 - PURPOSE OF SCHEDULES: (continued)

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 Annual Financial and Budget Report (Form CCFS-311).

D. Reconciliation of 50 Percent Law Calculation

This schedule reports any audit adjustments made to the 50 percent law calculation (Education Code Section 84362).

E. Proposition 30 Education Protection Account (EPA) Expenditure Report

This schedule reports how funds received from the passage of Proposition 30, Schools and Local Public Safety Protection Act were recorded and expended.

F. 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.

G. 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.

OTHER INDEPENDENT AUDITOR'S REPORTS



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the basic financial statements of the Mt. San Antonio Community College District (the District) as of and for the year ended June 30, 2013 and have issued our report thereon dated November 26, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

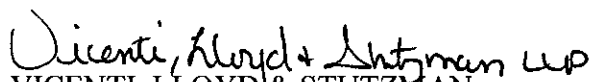
**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


VICENTI, LLOYD & STUTZMAN LLP
Glendora, CA
November 26, 2013



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited the Mt. San Antonio Community College District's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY OMB CIRCULAR A-133**

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 13-01. Our opinion on each major federal program is not modified with respect to this matter.

The District's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance, for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance such that there is a reasonable possibility, that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY OMB CIRCULAR A-133**

Report on Internal Control Over Compliance (continued)

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Vicenti, Lloyd & Stutzman LLP
VICENTI, LLOYD & STUTZMAN LLP
Glendora, CA
November 26, 2013



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

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

We have audited the Mt. San Antonio Community College District's (the District) compliance with the types of compliance requirements described in the *2012-13 Contracted District Audit Manual*, published by the California Community Colleges Chancellor's Office for the year ended June 30, 2013. The District's State compliance requirements are identified below.

Management's Responsibility

Management is responsible for compliance with the State laws and regulations as identified below.

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance based on our audit of the types of compliance requirements referred to below.

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 the *2012-13 Contracted District Audit Manual*, published by the California Community Colleges Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas listed below has 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 on state compliance. However, our audit does not provide a legal determination of the District's compliance.

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Compliance Requirements Tested

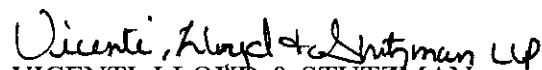
In connection with our audit referred to above, we selected and tested transactions and records to determine the District's compliance with the State laws and regulations applicable to the following items:

Section 421	Salaries of Classroom Instructors
Section 423	Apportionment for Instructional Service Agreements/Contracts
Section 424	State General Apportionment Funding System
Section 425	Residency Determination for Credit Courses
Section 426	Students Actively Enrolled
Section 427	Concurrent Enrollment of K-12 Students in Community College Credit Courses
Section 431	Gann Limit Calculation
Section 433	CalWORKS
Section 435	Open Enrollment
Section 437	Student Fees – Instructional and Other Materials
Section 438	Student Fees – Health Fees and Use of Health Fee Funds
Section 474	Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE)
Section 475	Disabled Student Programs and Services (DSPS)
Section 479	To Be Arranged Hours (TBA)
Section 490	Proposition 1D State Bond Funded Projects
Section 491	Proposition 30 Education Protection Account Funds

In our opinion, the Mt. San Antonio Community College District complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2013.

Purpose of this Report

The purpose of this report on state compliance is solely to describe the results of testing based on the requirements of the *2012-13 Contracted District Audit Manual*, published by the California Community Colleges Chancellor's Office. Accordingly, this report is not suitable for any other purpose.


VICENTI, LLOYD & STUTZMAN LLP
Glendora, CA
November 26, 2013

FINDINGS AND QUESTIONED COSTS

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

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

June 30, 2013

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:
 Material weakness(es) identified? Yes X No
 Significant deficiencies identified not considered
 to be material weaknesses? Yes X None reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:
 Material weakness(es) identified? Yes X No
 Significant deficiencies identified not considered
 to be material weaknesses? Yes X None reported

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

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

Identification of major programs tested:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.000, 84.007, 84.033, 84.038, 84.063, and 84.268	Student Financial Assistance Cluster of Programs
17.275	American Recovery and Reinvestment Act (ARRA) - Health Care Sector and Other High Growth and Emerging Industries
47.076	Advance Technologies Education (ATE) CyberWatch West
84.002	Workforce Investment Act, Title II, Adult Education and Family Literacy Act, Section 225 Section 231 and English Literacy and Civic Education
84.382B	Asian American and Native American Pacific Islander Serving Institution (AANAPISI)

Dollar threshold used to distinguish between Type A
 and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? X Yes No

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

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

June 30, 2013

There were no findings and questioned costs related to the financial statements for the year ended June 30, 2013.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

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

June 30, 2013

FINDING 13-01 – TRANSPARENCY ACT REPORTING

CFDA Title and Number: Advance Technologies Education - CyberWatch (47.076)

Federal Award Number and Year: DUE-110478; 2011

Name of Federal Agency: National Science Foundation

Name of the Pass-through Agency: Not Applicable

Finding and Effect: According to the Federal Funding Accounting and Transparency Act, direct recipients of grants who make first-tier subawards and contracts must be reported if the value of the Federal prime contract award under which that subcontract was awarded was \$25,000 or more. Grant and cooperative agreement recipients and contractors are required to register in the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS) and report subaward data through FSRS. Recipients are required to report in FSRS no later than the last day of the month following the month in which the award or modification was made. The District is a direct recipient of Advance Technologies Education - CyberWatch funding and, during the 2012-13 fiscal year, made first-tier subawards totaling \$279,464. We noted that the District did not report subaward data through FSRS timely.

Questioned Costs: Not applicable.

Recommendation: Implement specific procedures to register in the FSRS and report subaward data through FSRS annually and in a timely manner.

District Response: The requirement to report on the Federal Funding Accounting Transparency Act is a relatively new requirement. The District reported as soon as we became aware of this regulation. The District will implement procedures for the timely registration of sub-recipient award data to the Federal Funding Accountability and Transparency Act Sub-award Reporting System. The District will also implement internal controls to monitor the timely registration to this system.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

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

June 30, 2013

There were no findings and questioned costs related to state awards for the fiscal year ended June 30, 2013.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2013

There were no findings and questioned for the fiscal year ended June 30, 2012.

CONTINUING DISCLOSURE INFORMATION

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT
CONTINUING DISCLOSURE INFORMATION (UNAUDITED)
June 30, 2013

Assessed valuation for fiscal year 2012-13	\$ 65,818,902,443 (2)
Secured tax levies for fiscal year 2012-13	\$ 15,177,266 (1)
Secured tax delinquencies for fiscal year 2012-13	\$ (284,372) (1)
Secured tax collections for fiscal year 2012-13	\$ 14,892,894 (1)

2012-13 LARGEST LOCAL SECURED TAXPAYERS
MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT (2)

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2012-13 Assessed Valuation</u>	<u>% of Total (3)</u>
1.	Industry East Land LLC – Lessee	Industrial	\$ 207,527,478	0.32%
2.	Puente Hills Mall LLC	Shopping Center	184,981,429	0.28
3.	Fairway Sub A-E LLC	Industrial	164,092,819	0.25
4.	Plaza West Covina LLC	Shopping Center	150,852,894	0.23
5.	JCC California Properties LLC	Commercial	130,826,293	0.20
6.	Tropicana Manufacturing Company Inc.	Industrial	104,999,061	0.16
7.	Eastland Shopping Center LLC	Shopping Center	102,819,384	0.16
8.	Crow Family Holdings Industrial LP	Industrial	99,806,372	0.15
9.	LBA Met Partners II Company LLC	Industrial	81,363,894	0.12
10.	Quemetco West LLC	Industrial	78,639,906	0.12
11.	Diamond Ridge Development LLC	Shopping Center	75,145,290	0.11
12.	Realty Associates Fund LP	Industrial	74,325,066	0.11
13.	Metropolitan Life Insurance Co.	Office Building	71,080,001	0.11
14.	Costco Wholesale Corporation	Commercial	66,035,619	0.10
15.	Adcor Realty Corp.	Industrial	65,411,968	0.10
16.	Ikea Property Inc.	Commercial	52,661,577	0.08
17.	CP III Emerald Ridge LLC	Apartments	49,274,970	0.07
18.	Sysco Continental Food Services	Industrial	48,460,658	0.07
19.	Windsor at Victoria Heights LLC	Apartments	46,926,241	0.07
20.	Gateway Crescent LLC	Office Building	<u>46,800,000</u>	<u>0.07</u>
			\$1,902,024,920	2.89%

(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 2012-13 of \$65,818,902,443