

**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT**

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

**June 30, 2014**



**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT**

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

**June 30, 2014**

**CONTENTS**

	<u>Page</u>
<b>Independent Auditor’s Report .....</b>	<b>1-2</b>
<b>Balance Sheet –Bond Construction Fund (Measure R) .....</b>	<b>3</b>
<b>Statement of Revenues, Expenditures and Change in Fund Balance – Bond Construction Fund (Measure R) .....</b>	<b>4</b>
<b>Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual –Bond Construction Fund (Measure R) .....</b>	<b>5</b>
<b>Notes to Financial Statements .....</b>	<b>6-11</b>
<b>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 <i>Government Auditing Standards</i> .....</b>	<b>12-13</b>
<b>Schedule of Findings and Responses.....</b>	<b>14</b>



## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the Mt. San Antonio Community College District, as of and for the fiscal year ended June 30, 2014, and have issued our report thereon dated November 20, 2014. We have also audited the accompanying financial statements of the Bond Construction Fund (Measure R) of the Mt. San Antonio Community College District as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, 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.

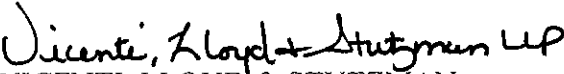
The Board of Trustees  
The Citizens' Oversight Committee  
Mt. San Antonio Community College District

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Bond Construction Fund (Measure R) of the Mt. San Antonio Community College District as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2014 on our consideration of the Mt. San Antonio Community College District's internal control over the Bond Construction Fund (Measure R) financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over the Bond Construction Fund (Measure R) financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Mt. San Antonio Community College District's internal control over the Bond Construction Fund (Measure R) financial reporting and compliance.

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

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

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

**ASSETS**

Cash in County Treasury	\$	516,973
Accounts Receivable		<u>1,681</u>
<b>TOTAL ASSETS</b>	<b>\$</b>	<b><u>518,654</u></b>

**LIABILITIES AND FUND BALANCE**

**Liabilities**

Accounts Payable	\$	<u>18,249</u>
<b>TOTAL LIABILITIES</b>		<u>18,249</u>

**Fund Balance**

Restricted for Capital Projects		<u>500,405</u>
<b>TOTAL FUND BALANCE</b>		<u>500,405</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$</b>	<b><u>518,654</u></b>

See the accompanying notes to the financial statements.

**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGE IN FUND BALANCE  
BOND CONSTRUCTION FUND  
(MEASURE R)**

**For the Fiscal Year Ended June 30, 2014**

**REVENUES**

Revenues from Local Sources	
Interest Income	\$ 6,016
<b>TOTAL REVENUES</b>	<u>6,016</u>

**EXPENDITURES**

Supplies and Materials	6,587
Other Expenses and Services	1,351
Capital Outlay	<u>324,637</u>
<b>TOTAL EXPENDITURES</b>	<u>332,575</u>

Net Change in Fund Balance	(326,559)
Fund Balance at Beginning of Year	<u>826,964</u>
Fund Balance at End of Year	<u>\$ 500,405</u>

See the accompanying notes to the financial statements.

**MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL**  
**BOND CONSTRUCTION FUND**  
**(MEASURE R)**  
**For the Fiscal Year Ended June 30, 2014**

	<b>Budget*</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES</b>			
Revenues from Local Sources			
Interest Income	\$ 6,016	\$ 6,016	\$ -
<b>TOTAL REVENUES</b>	<u>6,016</u>	<u>6,016</u>	<u>-</u>
<b>EXPENDITURES</b>			
Supplies and Materials	9,187	6,587	2,600
Other Expenses and Services	1,351	1,351	-
Capital Outlay	742,505	324,637	417,868
<b>TOTAL EXPENDITURES</b>	<u>753,043</u>	<u>332,575</u>	<u>420,468</u>
Net Change in Fund Balance	<u>\$ (747,027)</u>	<u>(326,559)</u>	<u>\$ 420,468</u>
Fund Balance at Beginning of Year		<u>826,964</u>	
Fund Balance at End of Year		<u>\$ 500,405</u>	

\* The budget for revenues reflects estimated amounts to be received in the current year. The budget for expenditures reflects amounts remaining and available for current and subsequent years' expenditures and does not necessarily coincide with actual planned expenditures in the current year.

See the accompanying notes to the financial statements.

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

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**ACCOUNTING POLICIES**

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board and *Audits of State and Local Governmental Units* issued by the American Institute of Certified Public Accountants.

**FUND STRUCTURE**

The Statement of Revenues, Expenditures, and Change in Fund Balance is a statement of financial activities of the Bond Construction Fund (Measure R) related to the current reporting period. Expenditures frequently include amounts for buildings, equipment, etc. Consequently, these statements do not purport to present the result of operations or the net income or loss for the period as would a statement of income for a profit-type organization.

**BASIS OF ACCOUNTING**

The Bond Construction Fund (Measure R) of the Mt. San Antonio Community College District (the District) is maintained on the modified accrual basis of accounting. As such, revenues are recognized when they become susceptible to accrual, which is to say, when they become both measurable and available to finance expenditures of the current period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered).

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

**BUDGET**

The Statement of Revenues, Expenditures and Change in Fund Balances – Budget and Actual includes a column entitled “Budget”. The amounts in this column represent the budget adopted by the Board and all amendments throughout the year.



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

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

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

**FUND BALANCE CLASSIFICATION**

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

**CAPITAL ASSETS AND LONG-TERM DEBT**

The accounting and reporting treatment applied to the capital assets and long-term liabilities associated with the Bond Construction Fund (Measure R) are determined by its measurement focus. The Bond Construction Fund (Measure R) is accounted for on a spending or “financial flow” measurement focus. This means that only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered a measure of “available spendable resources”. Thus, the capital assets and long-term liabilities associated with the Bond Construction Fund (Measure R) are accounted for in the basic financial statements of the District.

**ESTIMATES**

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**NOTE 2 – DEPOSITS – CASH IN COUNTY TREASURY:**

In accordance with the Budget and Accounting Manual, the District maintains all of its cash in the Los Angeles County Treasury as part of the common investment pool. These pooled funds are carried at amortized cost which may differ from fair value. The fair value of the District’s deposits for the Bond Construction Fund (Measure R) in this pool as of June 30, 2014, as provided by the pool sponsor, was \$515,823, as is based upon the District’s pro-rata share of the fair value for the entire portfolios (in relation to the amortized cost of the portfolio).

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

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

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

The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et. seq. The County is restricted by Government Code Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The funds maintained by the County are either secured by federal depository insurance or are collateralized. The County investment pool is not required to be rated. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

**NOTE 3 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS:**

No excess of expenditures over appropriations, by major object codes, occurred in the Bond Construction Fund (Measure R).

**NOTE 4 – BONDED DEBT:**

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

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

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

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

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

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

**NOTE 4 – BONDED DEBT: (continued)**

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

On September 8, 2006 the District offered for sale \$79,996,203 in general obligation bonds. The bonds are the third series (Series C) of general obligation bonds authorized by the November 6, 2001 election. The bonds were issued as current interest bonds in the aggregate principal amount of \$78,755,000 and as capital appreciation bonds in the principal amount of \$1,241,203. Certain maturities of the bonds have been in-substance defeased.

The capital appreciation bonds were issued with maturity dates of September 1, 2008 through September 1, 2012. Prior to the applicable maturity date, each bond will accrete interest on the principal component. Accreted interest is included as long-term debt in the basic financial statements of the District.

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

The capital appreciation bonds were issued with maturity dates of June 1, 2010 through June 1, 2018. Prior to the applicable maturity date, each bond will accrete interest on the principal component. Accreted interest is included as long-term debt in the basic financial statements of the District.

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

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

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

**NOTE 4 – BONDED DEBT: (continued)**

The proceeds associated with the refunding were deposited in an escrow fund for repayment of the outstanding balance of the defeased debt in August 2012. The refunded bonds are considered fully defeased and are not recorded on the basic financial statements of the District.

On August 1, 2013 the District offered for sale \$74,910,000 (Series A) and \$48,190,000 (Series B) in general obligation refunding bonds. The bonds were issued to refund certain outstanding general obligation bonds (2005 Refunding, Series C, and 2012 Refunding) of the District. The bonds were issued as current interest bonds.

The proceeds associated with the refunding were deposited in an escrow fund for future repayment. At June 30, 2014 the outstanding balance of the refunded debt to be paid by the escrow agent totaled \$122,696,000 and is scheduled to be fully repaid by August, 2017. The refunded bonds are considered in-substance defeased and are not recorded on the basic financial statements of the District.

The outstanding bonded debt of the District at June 30, 2014 is:

Date of Issue	Interest Rate %	Final Maturity Date <sup>(1)</sup>	Amount of Original Issue	Outstanding July 1,	Issued Current Year	Redeemed Current Year	Outstanding June 30,
2/4/2004 B	2.75-5.00%	8/1/2014	\$ 75,000,000	\$ 4,225,000	\$	\$ 2,075,000	\$ 2,150,000
9/7/2005	3.50-5.00%	8/1/2017	75,745,843	11,800,843		11,800,843	-
9/8/2006 C	4.00-5.00%	9/1/2031	79,996,203	78,755,000		75,815,000	2,940,000
7/9/2008 D	2.92-5.00%	6/1/2033	26,003,609	23,086,084		707,408	22,378,676
6/6/2012	2.00-3.75%	8/1/2016	29,850,000	29,210,000		29,210,000	-
8/1/2013 A	2.00-5.00%	9/1/2028	74,910,000		74,910,000		74,910,000
8/1/2013 B	0.72-4.10%	8/1/2023	48,190,000		48,190,000		48,190,000
			<u>\$ 409,695,655</u>	<u>\$ 147,076,927</u>	<u>\$ 123,100,000</u>	<u>\$ 119,608,251</u>	<u>\$ 150,568,676</u>

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

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

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

**NOTE 4 – BONDED DEBT: (continued)**

The annual requirements to amortize the bonds payable, outstanding as of June 30, 2014, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Accreted Interest</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 5,892,021	\$ 217,979	\$ 6,321,183	\$ 12,431,183
2016	7,655,731	254,270	6,136,733	14,046,734
2017	8,161,112	288,888	5,898,886	14,348,886
2018	8,574,812	485,188	5,602,168	14,662,168
2019	10,445,000		5,274,272	15,719,272
2020-2024	66,345,000		18,745,781	85,090,781
2025-2029	36,615,000		6,009,250	42,624,250
2030-2033	6,880,000		832,000	7,712,000
Total Debt Service	<u>\$ 150,568,676</u>	<u>\$ 1,246,325</u>	<u>\$ 54,820,273</u>	<u>\$ 206,635,274</u>

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

**NOTE 5 – COMMITMENTS AND CONTINGENCIES:**

A. Purchase Commitments

As of June 30, 2014 the District was committed under various capital expenditure purchase agreements for bond projects totaling approximately \$160 thousand associated with the Bond Construction Fund (Measure R).

B. Litigation

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



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the Balance Sheet, Statement of Revenues, Expenditures and Change in Fund Balance and Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual for the Bond Construction Fund (Measure R) of the Mt. San Antonio Community College District (the District), as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's Bond Construction Fund (Measure R) financial statements, and have issued our report thereon dated November 20, 2014.

**Internal Control Over Financial Reporting**

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

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

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

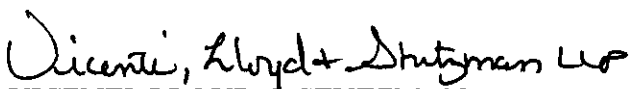
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

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

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

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

There were no findings related to the financial audit of the Bond Construction Fund (Measure R) for the fiscal years ended June 30, 2014 and June 30, 2013.