

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

LOS ANGELES COUNTY

**REPORT ON
AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
INCLUDING REPORTS ON COMPLIANCE
June 30, 2004**



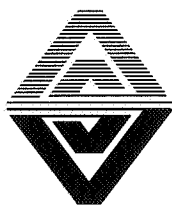
MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

AUDIT REPORT

June 30, 2004

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-19
BASIC FINANCIAL STATEMENTS:	
Statement of Net Assets – Primary Government and Component Unit.....	20
Statement of Revenues, Expenses and Changes in Net Assets – Primary Government and Component Unit	21
Statement of Cash Flows – Primary Government and Component Unit	22-23
Statement of Fiduciary Net Assets – Component Unit.....	24
Statement of Changes in Fiduciary Net Assets – Component Unit	25
NOTES TO FINANCIAL STATEMENTS	26-51
SUPPLEMENTARY INFORMATION:	
History and Organization	52
Schedule of Expenditures of Federal Awards.....	53
Schedule of State Financial Assistance - Grants.....	54
Schedule of Workload Measures for Program-Based Funding	55
Reconciliation of Annual Financial and Budget Report With Audited Fund Balances	56
Schedule of Financial Trends and Analysis	57
Schedule of Budgeted Comparison for the General Fund	58
Notes to Supplementary Information	59-60
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.....	61-62
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 .	63-64
Report on State Compliance	65-67
Schedule of Findings and Questioned Costs – Summary of Auditor Results.....	68
Schedule of Findings and Questioned Costs Related to Financial Statements.....	69
Schedule of Findings and Questioned Costs Related to Federal Awards	70
Status of Prior Year Findings and Questioned Costs.....	71-72
STATISTICAL SECTION (UNAUDITED)	73



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INDEPENDENT AUDITORS' REPORT

Principal

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Senior Managers

TIMOTHY D. EVANS

PHEBE M. MCCUTCHEON

SHARI PROSSER

GEMA M. PTASINSKI

COLLEEN K. TAYLOR

DEAN WEST

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

We have audited the accompanying basic financial statements of the Mt. San Antonio Community College District, as of and for the year ended June 30, 2004 as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements listed in the aforementioned table of contents present fairly, in all material respects, the financial position of the Mt. San Antonio Community College District as of June 30, 2004, and the results of its operations, changes in net assets and cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 1, 2004 on our consideration of the Mt. San Antonio Community College District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



Board of Trustees
Mt. San Antonio Community College District

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

Our audit was conducted for the purpose of forming an opinion on the Mt. San Antonio Community College District's financial statements. The management's discussion and analysis section, supplementary section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements. The supplementary information, including the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The management's discussion and analysis section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.


VICENTI, LLOYD & STUTZMAN LLP

October 1, 2004

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2004

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, 2004. This discussion is prepared by management and should be read in conjunction with the financial statements and notes thereto which follow this section.

Mt. San Antonio Community College District is a public community college that offers a diversified program designed to develop qualities of general education essential for citizens in a democratic society. The mission of the District is to provide accessible and affordable quality learning opportunities in response to the needs and interests of individuals and organizations; to provide quality transfer, career, and lifelong learning programs that prepare students with knowledge and skills needed for success in an interconnected world; and to advance the state and region's economic growth and global competitiveness through education, training, and services that contribute to continuous workforce improvement.

Mt. San Antonio Community College District has emerged as a leader in education not only in the San Gabriel Valley, but in the State of California. The District is the largest, single-campus community college district in the state. The District proudly celebrates over 57 years of educational excellence. The District will continue to offer access to quality programs and services as well as provide an environment for educational excellence throughout the 21st century.

Accounting Standards

In June 1999, the Governmental Accounting Standard's Board (GASB) released Statement No. 34, "Basic Financial Statement and Management's Discussion and Analysis for State and Local Governments," which established a new reporting format for annual financial statements. In November 1999, GASB released Statement No. 35, "Basic Financial Statement and Management's Discussion and Analysis for Public Colleges and Universities," which applied new reporting standards to public colleges and universities. The Fiscal Accountability and Standards Committee of the California Community Colleges Chancellor's Office recommended that all California community colleges follow the new standards under the Business Type Activity (BTA) model. Nearly all public colleges and universities nationwide have selected the BTA reporting model. As such, the District is reporting according to these standards following the BTA model for reporting these financial statements.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2004

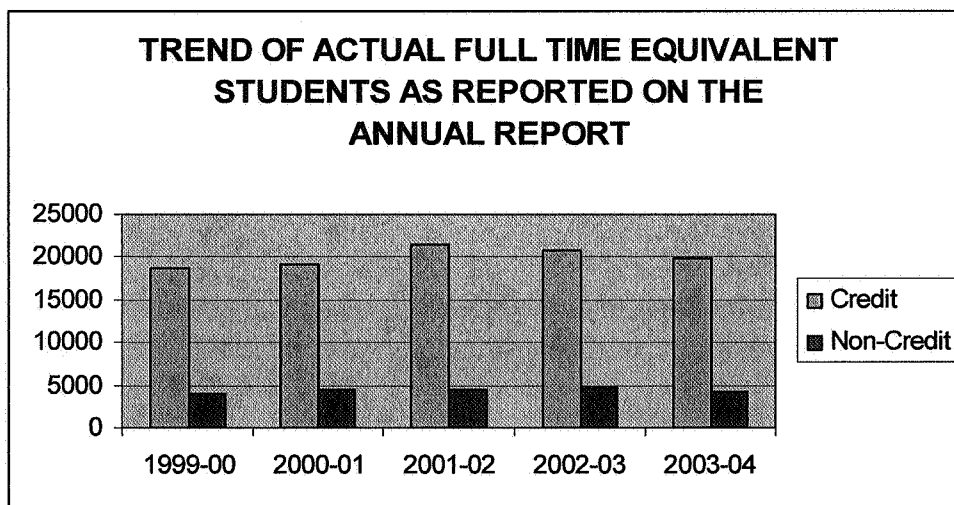
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Financial Highlights

This section is to provide an overview of the District's financial activities. A comparative analysis is included in the Management's Discussion and Analysis using prior year information.

Selected Highlights

- During 2003-04, the total actual full-time equivalent students decreased approximately 5.85% for credit and non-credit courses. The total funded full-time equivalent students decreased approximately 0.5% for credit and non-credit. Funded credit and non-credit FTES, along with other workload measures, are the basis for the District's state apportionment.



- On November 6, 2001 the voters of the District approved a \$221 million dollar bond measure with \$40 million issued in May 2002 and \$75 million issued in February 2004. There are 17 major projects to be undertaken that will provide better facilities for the students, faculty and community. Ground breaking began for some of the projects during 2001-02 and will continue through fiscal year 2010-2011. During 2003-04, construction was completed for the Livestock Pavilion, which is included in Project 5 – Agricultural Sciences.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2004

(Continued)

Financial Statement Presentation and Basis of Accounting

The District's financial report includes three financial statements: The Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets and the Statement of Cash Flows. Additional information regarding these financial statements is provided on the following pages.

The financial statements noted above are prepared in accordance with Governmental Accounting Standard Board Statements No. 34 and 35 which provides an entity wide perspective. Therefore, the financial data presented in these financial statements is a combined total of all District funds including Student Financial Aid Programs.

Also, in accordance with Governmental Accounting Standards Board Statements No. 34 and 35, the financial statements have been prepared under the full accrual basis of accounting which requires that revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. A reconciliation between the fund balances reported on the June 30, 2004 Annual Financial and Budget Report (CCFS-311) based upon governmental accounting principles and the modified accrual basis of accounting and the total net assets recorded on the full accrual basis of accounting is as follows:

Unrestricted Fund Balance	\$ 14,641,147
Restricted Fund Balance	1,633,386
Bond Interest and Redemption Fund Balance	5,086,861
Building Fund Balance	68,356,559
Capital Outlay Funds Balance	6,572,592
All Other Funds	<u>1,812,335</u>
Total fund balances as reported on the Annual Financial and Budget Report (CCFS-311)	\$ 98,102,880

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2004

(Continued)

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

Capital assets used for governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets, net of accumulated depreciation are added to total net assets	\$ 92,056,603
Interest earned but not accrued through June 30, 2004 is added to total net assets	360,677
Inventory purchased but not used at June 30, 2004 is added to total net assets	200,000
Long-term liabilities, including bond 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 are added to the statement of net assets which reduces the total net assets reported	(109,528,601)
Interest expense related to bond and notes payable incurred through June 30, 2004 are required to be accrued under full accrual basis of accounting. This liability is added to the Statement of Net Assets which reduces the total net assets reported	(1,663,737)
The supplemental employee retirement plan liability is not due and Payable in the current period and, therefore, not reported as a liability in the governmental funds	(3,785,318)
Amount for 2003-2004 property taxes levied for debt service not received as of June 30, 2004	<u>344,325</u>
Total net assets	<u>\$ 76,086,829</u>

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2004

(Continued)

Statement of Net Assets

The Statement of Net Assets presents the assets, liabilities and net assets of the District as of the end of the fiscal year and is prepared using the accrual basis of accounting, which is similar to the accounting basis used by most private-sector organizations. The Statement of Net Assets is a point of time financial statement. The purpose of this statement is to present to the readers a fiscal snapshot of the District. The Statement of Net Assets presents end-of-year data concerning assets (current and non-current), liabilities (current and non-current) and net assets (assets minus liabilities).

From the data presented, readers of the Statement of Net Assets are able to determine the assets available to continue the operations of the District. Readers are also able to determine how much the District owes vendors and employees. Finally, the Statement of Net Assets provides a picture of the net assets and their availability for expenditure by the District.

The difference between total assets and total liabilities (net assets) is one indicator of the current financial condition of the District; the change in net assets is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allocation for depreciation expense.

The Net Assets are divided into three major categories. The first category, invested in capital assets, provides the equity amount in property, plant and equipment owned by the District. The second category is expendable restricted net assets; these net assets are available for expenditure by the District, but must be spent for purposes as determined by external entities and/or donors that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net assets that are available to the District for any lawful purpose of the District.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2004

(Continued)

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

	(in thousands)		
	<u>2004</u>	<u>2003</u>	<u>Change</u>
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 99,526	\$ 59,036	68.59%
Receivables	10,497	3,768	178.58%
Due from component unit	891	847	5.19%
Inventory	<u>200</u>	<u>75</u>	166.67%
Total Current Assets	<u>111,114</u>	<u>63,726</u>	74.36%
Non-Current Assets			
Restricted cash and cash equivalents	10,983	4,825	127.63%
Student loans receivable, net	150	219	-31.51%
Capital assets, net	<u>92,057</u>	<u>61,866</u>	48.80%
Total Non-Current Assets	<u>103,190</u>	<u>66,910</u>	54.22%
TOTAL ASSETS	<u>\$214,304</u>	<u>\$130,636</u>	64.05%
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts payable and accrued liabilities	\$ 18,488	\$ 15,845	16.68%
Due to component unit	389	132	194.70%
Deferred revenue	3,027	2,591	16.83%
Amount held in trust for others	2,999	2,967	1.08%
Supplemental employee retirement plan payable - current portion	946	946	0.00%
Long-term liabilities - current portion	<u>1,396</u>	<u>6,142</u>	-77.27%
Total Current Liabilities	<u>27,245</u>	<u>28,623</u>	-4.81%
Non-Current Liabilities			
Supplemental employee retirement plan payable - non-current portion	2,839	3,785	-24.99%
Long-term liabilities less current portion	<u>108,133</u>	<u>30,735</u>	251.82%
Total Non-Current Liabilities	<u>110,972</u>	<u>34,520</u>	221.47%
TOTAL LIABILITIES	<u>138,217</u>	<u>63,143</u>	118.90%
NET ASSETS			
Invested in capital assets, net of related debt	48,007	43,857	9.46%
Restricted	15,068	13,177	14.35%
Unrestricted	<u>13,012</u>	<u>10,459</u>	24.41%
TOTAL NET ASSETS	<u>76,087</u>	<u>67,493</u>	12.73%
TOTAL LIABILITIES AND NET ASSETS	<u>\$214,304</u>	<u>\$130,636</u>	64.05%

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2004

(Continued)

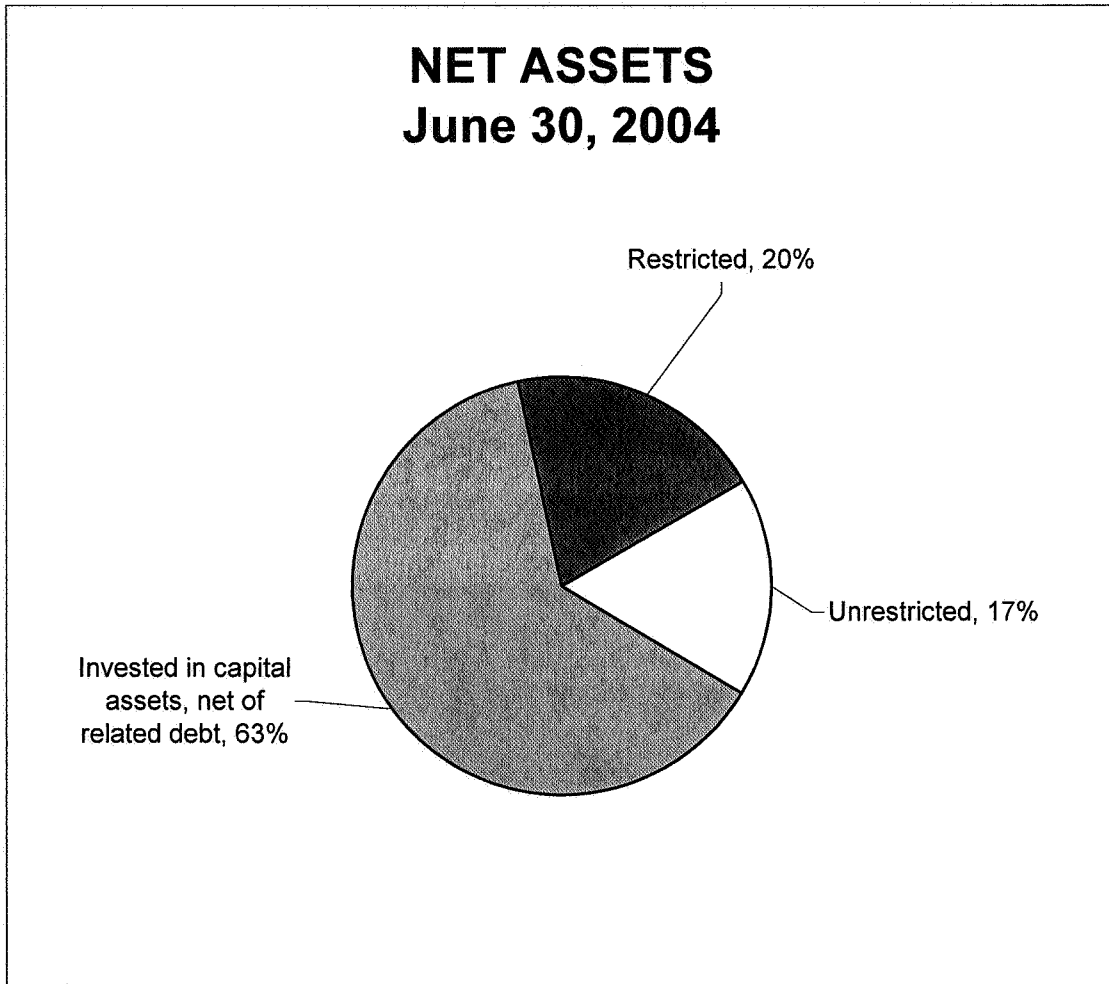
- In February 2004, the District issued Series "B" General Obligation Bonds in the amount of \$75 Million. The Cash balance increased primarily due to the receipt of the Series "B" bond proceeds. Construction continues for thirteen of the seventeen Bond Projects, therefore; cash continues to decrease as expenses are paid. The cash flow statement included in these financial statements provides greater detail on the sources and uses of the District's cash.
- Accounts receivable increased primarily due to the deferral of the State Apportionment and Partnership for Excellence funds, of which a receivable of almost \$4.5 million had been recorded. The 3rd and 4th Lottery payment were also recorded as a receivable in the amount of \$1.6 million.
- Capital assets had a net increase of \$30.2 million. The District had additions of \$36.9 million related to purchases and construction in progress. The District removed approximately \$245,000 in net cost and accumulated depreciation in assets no longer in service and recognized depreciation expense of \$4.8 million during 2003-04. The \$35.2 million includes an adjustment made to site improvements for parking lots, which had not been included in the inventory previously. The capital asset section of this discussion and analysis provides greater information.
- Accounts payable and accrued liabilities increased due to timing of expenditures for capital projects, specifically related to the science building and energy conservation projects.
- The increase in our long-term liabilities (current and non-current portions) is directly related to the issuance of our Series "B" General Obligation Bonds.
- In March 2003, the Board of Trustees approved the implementation of a Supplemental Employees Retirement Plan. In 2003-04 the first payment of \$946,329 toward reducing the liability was made, therefore reducing the long-term debt. Additional information related to this liability can be found in Note 13 of the financial statements.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2004

(Continued)



MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2004

(Continued)

Statement of Revenues, Expenses and Changes in Net Assets

Changes in total net assets as presented on the Statement of Net Assets are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Assets. The purpose of this statement is to present the operating and non-operative revenues earned, whether received or not, by the District, the operating and non-operating expenses incurred, whether paid or not, by the District, and any other revenues, expenses, gains and/or losses earned or incurred by the District. Thus, this Statement presents the District's results of operations.

Generally, operating revenues are earned for providing goods and services to the various customers and constituencies of the District. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues and to fulfill the mission of the District. Non-operating revenues are those received or pledged for which goods and services are not provided; for example, state appropriations are non-operating because they are provided by the legislature to the District without the legislature directly receiving commensurate goods and services for those revenues.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2004

(Continued)

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

	(in thousands)		
	<u>2004</u>	<u>2003</u>	<u>Change</u>
OPERATING REVENUES			
Net enrollment, tuition and fees	\$12,750	\$12,449	2.42%
Grants and contracts, non-capital:	<u>24,827</u>	<u>26,193</u>	-5.22%
Total operating revenues	<u>37,577</u>	<u>38,642</u>	-2.76%
Total operating expenses	<u>122,268</u>	<u>130,969</u>	-6.64%
Operating loss	<u>(84,691)</u>	<u>(92,327)</u>	-8.27%
Non-Operating revenues (expenses)			
State apportionments, non-capital	45,893	49,406	-7.11%
Local property taxes	43,169	40,608	6.31%
State taxes and other revenues	3,787	3,815	-0.73%
Interest expense	(3,007)	(1,917)	56.86%
Investment income, net	<u>956</u>	<u>1,265</u>	-24.43%
Total non-operating revenues (expenses)	<u>90,798</u>	<u>93,177</u>	-2.55%
Other revenues, expenses, gains or losses	<u>2,487</u>	<u>2,106</u>	18.09%
Change in net assets	8,594	2,956	190.73%
Net assets, beginning of year	<u>67,493</u>	<u>64,537</u>	4.58%
Net assets, end of year	<u>\$76,087</u>	<u>\$67,493</u>	12.73%

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2004

(Continued)

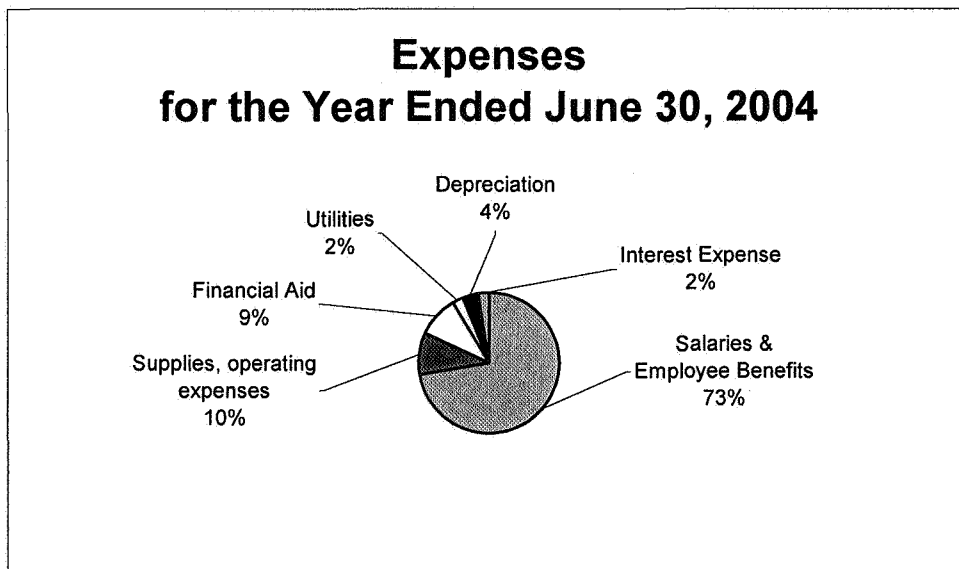
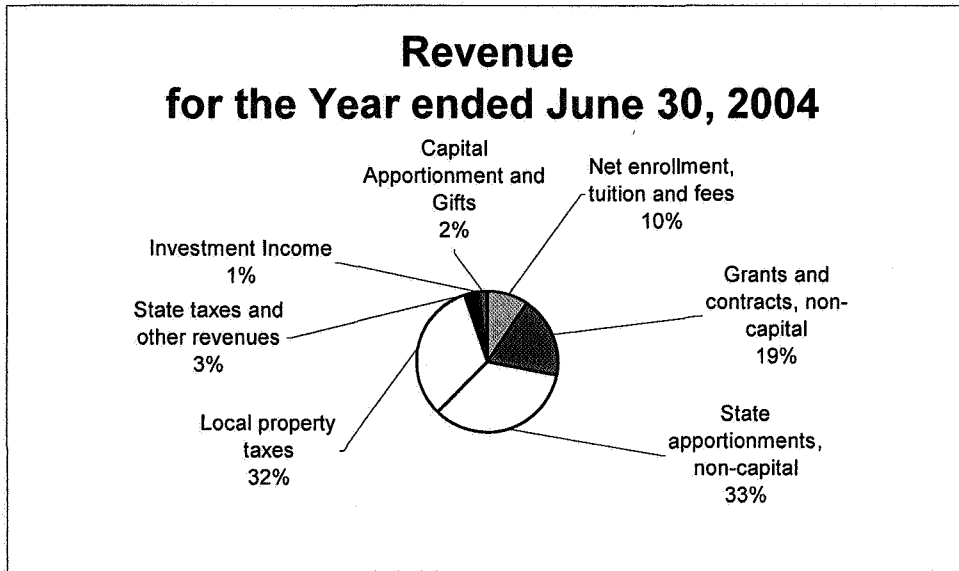
- Net enrollment, tuition and fees increased by approximately 2.4%. This increase could be attributed to the net effect of an increase in enrollment fees from \$11 to \$18 per unit, a decline in non-resident enrollment and a decrease in material and parking fees.
- Non-capital grants and contracts decreased due to fewer new federal, state and local grants and entitlements. In anticipation of a decrease in new funding and a decrease in allocations of existing grants, program managers have been prudent with their expenditures, which allowed the balance of funds to be carried over to the next fiscal year.
- The decrease in Operating expenses was directly related to the District implementing a "Hiring Chill," which slowed down the hiring of vacant positions. This effort resulted in an expenditure savings of over \$3.4 million. Other expenditure savings were the direct result of departments who made a conscious effort to conserve budgets.
- The total decline in non-capital and capital state apportionment (included in other revenues, expenses, gains or losses) and state taxes and other revenues is indicative of the current State of California's economy and budget. State apportionment was decreased by 2% due to a projected statewide shortfall in enrollment fees and property taxes.
- Local property taxes increased in spite of the struggling economy and stock market. The housing market has remained strong in California with home sales turning over quickly which keeps property tax revenues steady and increasing.
- The increase in interest expense is a result of accrued interest related to the second general obligation bond issue of \$75 million.
- Functional expenses are detailed in Note 15 of the financial statements.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2004

(Continued)



MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2004

(Continued)

Statement of Cash Flows

The Statement of Cash Flows provides information about cash receipts and cash payments during the fiscal year. This Statement also helps users assess the District's ability to generate positive cash flows, meet obligations as they come due and the need for external financing.

The Statement of Cash Flows is divided into five parts. The first part reflects operating cash flows and shows the net cash provided by the operating activities of the District. The second part details cash received for non-operating, non-investing and non-capital financing purposes. The third part shows cash flows from capital and related financing activities. This part deals with the cash used for the acquisition and construction of capital and related items. The fourth part provides information from investing activities and the amount of interest received. The last section reconciles the net cash used by operating activities to the operating loss reflected on the Statement of Revenues, Expenses and Changes in Net Assets.

	(in thousands)		
	<u>2004</u>	<u>2003</u>	<u>Change</u>
Cash Provided By (Used in)			
Operating activities	\$ (79,025)	\$(87,920)	-10.12%
Non-capital financing activities	89,853	96,171	-6.57%
Capital and related financing activities	35,484	(19,533)	281.66%
Investing activities	<u>336</u>	<u>607</u>	-44.65%
Net change in cash and cash equivalents	46,648	(10,675)	536.98%
Cash Balance, Beginning of Year	<u>63,861</u>	<u>74,536</u>	-14.32%
Cash Balance, End of Year	<u>\$110,509</u>	<u>\$ 63,861</u>	73.05%

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2004

(Continued)

- Cash receipts from operating activities are from student enrollment, tuition and other fees and from federal, state and local grants. Uses of cash are payments to employees, vendors and students related to the instruction programs. The decrease in cash used by operating activities is due to a decrease in payments to suppliers, employees and to/on-behalf of students as a result of conscious efforts to conserve budgets and reduce expenses.
- State apportionment received based on the workload measures generated by the District accounts for 47% of non-capital financing. Cash received from property taxes accounts for 52% of the cash generated in this section. The decrease in non-capital financing activities is related to the state deferral of apportionment and Partnership for Excellence funds, timing of tax receipts as well as the overall projected state-wide shortfall.
- The primary use included in capital and related financing activities is the purchase of capital assets (building improvements and equipment), and the receipt of the bond proceeds from our Series "B" General Obligation Bond. Current year increase is due to \$75 million in bond proceeds and increases in purchases of capital assets.
- Cash from investing activities is interest earned on cash in bank and cash invested through the Los Angeles County pool. Interest earnings had decreased by \$272,200 due to the interest rate decline.

District's Fiduciary Responsibility

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

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2004

(Continued)

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2004, the District had over \$92.1 million invested in net capital assets. Total capital assets of \$121.6 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 \$29.6 million. Significant capital asset additions and adjustments of \$36.9 million, which is mainly construction in progress totaling \$29.9 million, equipment totaling \$493,000 and site improvements totaling \$6.5 million, occurred during 2003-04. Depreciation expense of \$4.8 million was recorded for the fiscal year as were net retirements of \$245,000 which exclude the \$1.7 million transfer of construction in progress to site and site improvements.

Capital additions primarily comprise the parking lots, Livestock Pavilion and Farm Technology Equipment Building (dedication was held on October 3, 2003), replacement, renovation and new construction related to buildings and the energy project, as well as significant investments in equipment.

Construction in progress during 2003-04 includes the Campus-Wide Energy Conservation Program-Phase II which is approximately 95% complete. Other construction in progress includes the: Science Complex; Health Careers Center; Language Center; Welding and Air-Conditioning Programs; Athletic Fields renovation; Campus Classroom Improvements; and Landscape Improvements.

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

	(in thousands)		
	<u>2004</u>	<u>2003</u>	<u>Change</u>
Land	\$ 619	\$ 619	0.00%
Buildings and improvements	40,989	38,231	7.21%
Equipment	2,958	3,721	-20.51%
Construction in progress	<u>47,491</u>	<u>19,295</u>	146.13%
Net Capital assets	<u>\$92,057</u>	<u>\$61,866</u>	48.80%

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2004

(Continued)

Debt

At June 30, 2004, the District had \$113.3 million in debt, primarily due to the \$40 million in Series "A" General Obligation Bonds issued in May, 2002 and \$75 million in Series "B" General Obligation Bonds issued in February, 2004. The general obligation bonds were issued to fund 17 major projects related to construction and renovation of instructional facilities, laboratories and centers. These projects will be completed in phases beginning 2001-02 through the 2010-11 fiscal years. The general obligation bonds comprise approximately 92% of the District's total debt. Debt payments on the bond will be funded through property tax receipts collected over the term of the bonds. The District's bond rating of Triple A has not changed from the prior year.

The District implemented a Supplemental Employee Retirement Plan, which was approved by the Board of Trustees on March 26, 2003. This debt is approximately 3% of the District's total debt.

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

	(in thousands)		
	<u>2004</u>	<u>2003</u>	<u>Change</u>
Long-term debt			
Capital leases	\$ 166	\$ 327	-49.24%
Loan Payable	1,533	1,744	-12.10%
General Obligation bonds (including premium)	107,829	34,805	209.81%
Supplemental Employee Retirement Plan	<u>3,786</u>	<u>4,732</u>	19.99%
Total long-term debt	113,314	41,608	172.34%
Less current portion	<u>(2,342)</u>	<u>(7,088)</u>	-66.96%
Long term portion	<u>\$110,972</u>	<u>\$34,520</u>	221.47%

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2004

(Continued)

Economic Factors that May Affect the Future

As of June 30, 2004, the District's overall financial position is strong due to prior year's prudent fiscal management, which resulted in healthy reserves. Even with the financial challenges of fiscal year 2003-04, the District was able to increase total net assets by \$8.6 million.

The economic position of the District is closely tied to that of the State of California. Reductions in State appropriations to Community Colleges in general, and specifically to Mt. San Antonio Community College District, will have a direct negative impact on our programs and our ability to serve the student body. Management will maintain a close watch over resources to maintain our ability to react to internal and external issues if and when they arise.

Subsequent Event

On April 28, 2004 the Board of Trustees approved engaging the services of an investment management firm to provide investment management services in cooperation with the Los Angeles County Treasurer's Office for the Series "B" General Obligation Bond proceeds in order to maximize interest earnings.

BASIC FINANCIAL STATEMENTS

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET ASSETS

June 30, 2004

	<u>Primary Government</u>	<u>Component Unit</u> <u>Auxiliary Services</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 99,525,914	\$
Accounts receivable, net	10,496,818	363,219
Due from Auxiliary Services	891,530	
Due from the District		309,184
Inventories	200,000	1,518,711
Prepaid expenses and deposits		13,495
Total Current Assets	<u>111,114,262</u>	<u>2,204,609</u>
Non-Current Assets:		
Restricted cash and cash equivalents	10,982,585	
Cash investment for Auxiliary Services		2,002,950
Notes receivable		143,800
Student loans receivable, net	150,514	
Capital assets, net of accumulated depreciation	92,056,603	528,395
Total Non-Current Assets	<u>103,189,702</u>	<u>2,675,145</u>
TOTAL ASSETS	<u>\$ 214,303,964</u>	<u>\$ 4,879,754</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Bank overdraft	\$	\$ 370,751
Accounts payable	8,335,968	383,919
Accrued liabilities	7,800,379	607,258
Due to Auxiliary Services	389,204	
Deferred revenue	3,026,513	
Compensated absences	2,351,820	140,145
Due to the District		62,995
Amount held in trust for others	2,999,332	12,588
Supplemental employee retirement plan payable- current portion	946,329	
Capital leases - current portion	46,080	
Loans payable - current portion	194,788	
Bond payable - current portion	1,155,000	
Total Current Liabilities	<u>27,245,413</u>	<u>1,577,656</u>
Non-Current Liabilities:		
Supplemental employee retirement plan payable	2,838,989	
Capital leases	120,146	
Loans payable	1,338,464	
Bond payable	106,674,123	
Total Non-Current Liabilities	<u>110,971,722</u>	<u>-</u>
TOTAL LIABILITIES	<u>138,217,135</u>	<u>1,577,656</u>
NET ASSETS		
Invested in capital assets, net of related debt	48,007,277	528,395
Restricted for:		
Scholarships and loans	1,160	
Capital projects	11,453,182	
Debt service	1,207,738	
Other special services	2,405,907	
Unrestricted	13,011,565	2,773,703
TOTAL NET ASSETS	<u>76,086,829</u>	<u>3,302,098</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 214,303,964</u>	<u>\$ 4,879,754</u>

See the accompanying notes to the financial statements.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2004**

	<u>Primary Government</u>	<u>Component Unit Auxiliary Services</u>
OPERATING REVENUES		
Enrollment, tuition and other fees (gross)	\$ 16,033,144	\$
Less: Scholarship discounts and allowances	<u>(3,283,140)</u>	
Net enrollment, tuition and other fees	12,750,004	
Grants and contracts, non-capital:		
Federal	13,834,995	
State	7,858,185	
Local	3,133,584	
Auxiliary enterprise sales and charges, net		<u>3,386,447</u>
TOTAL OPERATING REVENUES	<u>37,576,768</u>	<u>3,386,447</u>
OPERATING EXPENSES		
Salaries	72,015,842	1,990,477
Employee benefits	18,551,423	531,377
Supplies, materials and other operating expenses and services	12,213,130	695,263
Financial aid	11,697,204	
Utilities	3,005,918	
Depreciation	<u>4,783,987</u>	<u>119,590</u>
TOTAL OPERATING EXPENSES	<u>122,267,504</u>	<u>3,336,707</u>
OPERATING INCOME (LOSS)	<u>(84,690,736)</u>	<u>49,740</u>
NON-OPERATING REVENUES (EXPENSES)		
State apportionments, non-capital	45,892,682	
Local property taxes	43,169,039	
District fees		210,278
State taxes and other revenues	3,788,879	
Loss on disposal of fixed assets	(1,608)	
Interest expense	(3,007,420)	
Investment income, net	<u>955,761</u>	<u>81,164</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>90,797,333</u>	<u>291,442</u>
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS OR (LOSSES)	<u>6,106,597</u>	<u>341,182</u>
OTHER REVENUES, EXPENSES GAINS OR (LOSSES)		
State apportionments, capital	2,270,279	
Gifts, capital	<u>216,942</u>	
TOTAL OTHER REVENUES, EXPENSES, GAINS OR (LOSSES)	<u>2,487,221</u>	<u>-</u>
INCREASE IN NET ASSETS	8,593,818	341,182
NET ASSETS, BEGINNING OF YEAR	<u>67,493,011</u>	<u>2,960,916</u>
NET ASSETS, END OF YEAR	<u>\$ 76,086,829</u>	<u>\$ 3,302,098</u>

See the accompanying notes to the financial statements.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

**STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2004**

	<u>Primary Government</u>	<u>Component Unit Auxiliary Services</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Enrollment, tuition and fees	\$ 12,759,333	\$
Federal grants and contracts	14,244,133	
State grants and contracts	7,125,003	
Local grants and contracts	3,266,007	171,355
Sales		8,629,867
Fees and other contracts		93,096
Payments to suppliers	(12,908,439)	(6,501,437)
Payments to/on-behalf of employees	(91,672,370)	(2,348,908)
Payments to/on-behalf of students	(12,051,330)	
Other receipts/(payments)	<u>212,543</u>	
Net cash provided/(used) by operating activities	<u>(79,025,120)</u>	<u>43,973</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
State apportionments and receipts	41,908,004	
Property taxes	47,015,348	
Grants and gifts for other than capital purposes	<u>929,873</u>	
Net cash provided by non-capital financing activities	<u>89,853,225</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
State apportionment for capital purposes	2,509,865	
Grants and gifts for capital purposes	216,942	
District fees		182,761
Purchase of capital assets	(35,121,130)	(208,623)
Proceeds from Sale of capital assets	47,397	
Proceeds from bonded debt	75,000,000	
Principal paid on capital debt	(6,052,944)	
Interest paid on capital debt	(1,612,419)	
Interest on capital investments	<u>496,511</u>	
Net cash provided/(used) by capital and related financing activities	<u>35,484,222</u>	<u>(25,862)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	<u>335,339</u>	<u>81,164</u>
Net cash provided by investing activities	<u>335,339</u>	<u>81,164</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	46,647,666	99,275
CASH BALANCE - Beginning of Year	<u>63,860,833</u>	<u>1,532,924</u>
CASH BALANCE - End of Year	<u>\$ 110,508,499</u>	<u>\$ 1,632,199</u>
SUPPLEMENTAL DISCLOSURES		
Noncash financing equipment:		
Capital lease on equipment	\$ 98,487	

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, 2004

	<u>Primary Government</u>	<u>Component Unit</u> <u>Auxiliary Services</u>
Reconciliation of Operating Income/(Loss) to Net Cash Provided(Used) by Operating Activities		
CASH PROVIDED/(USED) BY OPERATING ACTIVITIES		
Operating Income/(Loss)	\$ (84,690,736)	\$ 49,740
Adjustments to reconcile net loss to net cash provided/ (used) by operating activities:		
Depreciation expense	4,783,987	119,590
Changes in assets and liabilities:		
Receivables, net	(278,851)	(17,797)
Due from Auxiliary	(44,959)	
Due from District		(160,550)
Inventories	(125,000)	(245,475)
Prepaid expenses		658
Notes receivable		(38,925)
Accounts payable	2,149,900	160,910
Accrued liabilities	(417,239)	128,636
Due to Auxiliary	257,502	
Deferred revenue	162,941	
Compensated absences	123,664	30,338
Due to District		13,130
Deposits held in custody for others		3,718
Supplemental employee retirement plan payable	(946,329)	
Net cash provided/(used) by operating activities	<u>\$ (79,025,120)</u>	<u>\$ 43,973</u>

See the accompanying notes to the financial statements.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS - COMPONENT UNIT

June 30, 2004

	<u>Auxiliary Services</u>	
	<u>Student Loans and Scholarship Fund</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 190,350	\$ 3,019,962
Cash with the District		996,382
Accounts receivable	14,507	179,785
Due from the District		80,020
Prepaid expenses and deposits		816
TOTAL ASSETS	<u>\$ 204,857</u>	<u>\$ 4,276,965</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 135	\$ 89,840
Other accrued liabilities		6,067
Deferred revenue		1,191,511
Due to the District		828,535
Compensated absences		35,211
Amount held in trust for others		2,125,801
TOTAL LIABILITIES	<u>135</u>	<u>4,276,965</u>
NET ASSETS		
Reserved for scholarships	135,525	
Reserved for loans	69,197	
TOTAL NET ASSETS	<u>204,722</u>	<u>-</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 204,857</u>	<u>\$ 4,276,965</u>

See the accompanying notes to the financial statements.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - COMPONENT UNIT

For the Fiscal Year Ended June 30, 2004

	<u>Auxiliary Services</u> <u>Student Loans</u> <u>and Scholarship</u> <u>Fund</u>
ADDITIONS	
Donations	\$ 266,335
TOTAL ADDITIONS	<u>266,335</u>
DEDUCTIONS	
Scholarships awarded	241,309
Miscellaneous expense	<u>1,838</u>
TOTAL DEDUCTIONS	<u>243,147</u>
Change in Net Assets	23,188
NET ASSETS, BEGINNING OF YEAR	<u>181,534</u>
NET ASSETS, END OF YEAR	<u>\$ 204,722</u>

See the accompanying notes to the financial statements.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. REPORTING ENTITY

The District is the level of government primarily accountable for activities related to public education. The governing authority consists of elected officials who, together, constitute the Board of Trustees.

The District considered its financial and operational relationships with potential component units under the reporting entity definition of GASB Statement No. 14, The Financial Reporting Entity. The basic, but not the only, criterion for including another organization in the District's reporting entity for financial reports is the ability of the District's elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one entity is dependent on another and that the dependent unit should be reported as part of the other.

Oversight responsibility is derived from the District's power and includes, but is not limited to: financial interdependency; selection of governing authority; designation of management; ability to significantly influence operations; and accountability for fiscal matters.

Based upon the requirements of GASB Statement No. 14, and as amended by GASB Statement No. 39, Determining Whether Certain Organizations are Component Units, certain organizations warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the District, including their ongoing financial support the District or its other component units. A legally separate, tax-exempt organization should be reported as a component unit of the District if all of the following criteria are met:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the District, its component units, or its constituents.
2. The District, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization that the District, or its component units, is entitled to, or has the ability to otherwise access, are significant to the District.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

(Continued)

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

A. REPORTING ENTITY (continued)

Based upon the application of the criteria listed above, the following potential component unit has been included in the District's reporting entity:

Mt. San Antonio College Auxiliary Services - The Auxiliary is a separate not-for-profit corporation formed to promote and assist the educational program of the District. The Board of Directors are comprised of the President/CEO and Vice President of Administrative Services for the District along with the Associated Students' President and two other members appointed by the President/CEO. In addition, the Auxiliary shall not carry on any activities not approved by the President/CEO of the District. Upon dissolution of the Auxiliary, net assets, other than trust funds, will be distributed to the District. The financial activities of the Auxiliary have been discreetly presented.

Based upon the application of the criteria listed above, the following potential component unit has been excluded from the District's reporting entity:

Mt. San Antonio College Foundation - The Foundation is a separate not-for-profit corporation. The Foundation is not included as a Component Unit because the third criterion was not met; the economic resources received and held by the Foundation are not significant to the District.

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

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

(Continued)

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

B. FINANCIAL STATEMENT PRESENTATION

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

The District operates a payroll clearance 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 \$393,161 on June 30, 2004, which represents withholdings payable. The Payroll Clearance 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, 2004

(Continued)

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

C. BASIS OF ACCOUNTING (continued)

For financial reporting purposes, the District is considered a special-purpose government engaged in business-type activities. Accordingly, the District's basic financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated with exception of those between the District and its component unit.

For internal accounting purposes, the budgetary and financial accounts of the District have been recorded and maintained in accordance with the Chancellor's Office of the California Community College's Budget and Accounting Manual.

To ensure compliance with the California Education Code, the financial resources of the District are divided into separate funds for which separate accounts are maintained for recording cash, other resources and all related liabilities, obligations and equities.

By state law, the District's Governing Board must approve a budget no later than September 15. A public hearing must be conducted to receive comments prior to adoption. The District's Governing Board satisfied these requirements. Budgets for all governmental funds were adopted on a basis consistent with generally accepted accounting principles (GAAP).

These budgets are revised by the District's Governing Board during the year to give consideration to unanticipated income and expenditures. Formal budgetary integration was employed as a management control device during the year for all budgeted funds. Expenditures cannot legally exceed appropriations by major object account.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

(Continued)

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

C. BASIS OF ACCOUNTING (continued)

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

1. Cash and Cash Equivalents

Cash in the County treasury is recorded at cost, which approximates fair value, in accordance with the requirements of GASB Statement No. 31. The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

2. Accounts Receivable

Accounts receivable consists primarily of amounts due from the Federal government, State and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grant and contracts. Accounts receivable are recorded net of estimated uncollectible amounts. The District recognized for budgetary and financial reporting purposes any amount of state appropriations deferred from the current fiscal year and appropriated from the subsequent fiscal year for payment of current year costs as a receivable in the current year.

3. Due from Auxiliary

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

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

(Continued)

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

C. BASIS OF ACCOUNTING (continued)

4. Inventory

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

5. Restricted Cash and Cash Equivalents

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

6. Student Loans Receivable, Net

Student loans receivable consist of loan advances to students awarded under the student financial aid programs the District administers for federal agencies. Student loans receivable are recorded net of cancelled principal. The receivables are held in trust for the awarding federal agency.

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 as well as renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure valued at a cost of \$50,000 are capitalized. Interest incurred during construction is not capitalized.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

(Continued)

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

C. BASIS OF ACCOUNTING (continued)

7. Capital Assets (continued)

The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend the asset's life is recorded in operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 50 years for buildings and building and land improvements, 8 years for equipment and vehicles and 3 years for technology.

8. Accounts Payable

Accounts payable consists of amounts due to vendors.

9. Accrued Liabilities

Accrued liabilities consist of salary and benefits payable and load banking of \$6,136,642 and accrued interest payable of \$1,663,737 on bonded debt. 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.

10. Due to Auxiliary

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

11. Deferred Revenue

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

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

(Continued)

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

C. BASIS OF ACCOUNTING (continued)

12. Compensated Absences

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

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.

13. Net Assets

Invested in capital assets, net of related debt: This represents the District's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

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

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

(Continued)

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

C. BASIS OF ACCOUNTING (continued)

13. Net Assets (continued)

Restricted net assets – nonexpendable: Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. The District had no restricted net assets – nonexpendable.

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

14. 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 2005 will be recorded in the year computed by the State.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

(Continued)

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

C. BASIS OF ACCOUNTING (continued)

15. Property Taxes

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on November 15 and March 15. Unsecured property taxes are payable in one installment on or before August 31.

Real and personal property tax revenues are reported in the same manner in which the County auditor records and reports actual property tax receipts to the Department of Education. This is generally on a cash basis. A receivable has not been recognized in the General Fund for property taxes due to the fact that any receivable is offset by a payable to the State for revenue limit purposes. Property taxes for debt service purposes have been accrued in the basic financial statements.

16. 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 and Public Employees Retirement Systems 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 \$1,830,000 for STRS and \$19,400 for PERS.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

(Continued)

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

C. BASIS OF ACCOUNTING (continued)

17. Classification of Revenues

The District has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as student fees, net of scholarship discounts and allowances, and federal and most state and local grants and contracts.

Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as state apportionments, taxes, and other revenue sources that are defined as nonoperating revenues by GASB No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting, and GASB No. 33, such as investment income.

18. Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statement of revenues, expenses, and changes in net assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the District, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as operating revenues in the District's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the District has recorded a scholarship discount and allowance.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

(Continued)

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

C. BASIS OF ACCOUNTING (continued)

19. 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 at June 30, 2004, consisted of the following:

Deposits:

Cash on Hand and in Banks	\$	57,747
Cash in Revolving Fund		10,000
Cash Collections Awaiting Deposit		51,968

Pooled Funds (not required to be categorized)

Cash in County Treasury		110,388,784
-------------------------	--	-------------

Cash balances held in banks and in revolving funds are insured up to \$100,000 by the Federal Depository Insurance Corporation. In addition, the California Government Code requires California banks and savings and loan associations to secure the District's deposits by pledging Government securities as collateral. The market value of pledged securities must equal 110 percent of an agency's deposits. All cash held by the financial institutions is insured or collateralized as indicated below.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

(Continued)

NOTE 2 - DEPOSITS: (continued)

In accordance with the Budget and Accounting Manual, the District maintains substantially all of its cash in the Los Angeles County Treasury as part of the common investment pool. These pooled funds are carried at cost which approximates fair value. The fair market value of the District's deposits in this pool as of June 30, 2004, as provided by the pool sponsor, was \$110,071,747. Interest earned is deposited quarterly into participating funds, except for the Restricted General Fund, Student Financial Aid Fund and Payroll Clearance Fund, in which case interest earned is credited to the General Fund. Any investment losses are proportionately shared by all funds in the pool.

Deposits as of June 30, 2004, held on behalf of the Mt. San Antonio Community College District, are presented below, categorized separately to give an indication of the level of risk associated with each deposit:

	Category*			Bank Balance	Carrying Amount
	1	2	3		
Cash on Hand and in Banks	\$ 28,320	\$	\$	\$ 28,320	\$ 57,747
Cash in Revolving Fund	9,271			9,271	10,000
Cash Collections Awaiting Deposit	<u>83,735</u>	<u>—</u>	<u>215,824</u>	<u>299,559</u>	<u>51,968</u>
Total	<u>\$121,326</u>	<u>\$ 0</u>	<u>\$215,824</u>	<u>\$337,150</u>	<u>\$ 119,715</u>

* Category 1 includes amounts that are insured or collateralized. Category 2 includes amounts that are insured or collateralized by the pledging financial institution's trust department or agent in the District's name. Category 3 includes amounts that are fully insured or collateralized but not in the District's name.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

(Continued)

NOTE 3 – ACCOUNTS RECEIVABLE:

The accounts receivable balance as of June 30, 2004 consists of the following:

Federal and State	\$3,214,683
Miscellaneous	7,282,135

NOTE 4 - INTERFUND TRANSACTIONS:

Interfund transfers consist of operating transfers from funds receiving resources to funds through which the resources are to be expended. Interfund receivables and payables result when the interfund transfer is transacted after the close of the fiscal year. Interfund activity has been eliminated in the basic financial statements.

NOTE 5 – CAPITAL ASSETS:

The following provides a summary of changes in capital assets for the year ended June 30, 2004:

	<u>Balance</u> <u>June 30,2003</u>	<u>Additions (1)</u>	<u>Retirements</u>	<u>Adjustments (2)</u>	<u>Balance</u> <u>June 30,2004</u>
Land	\$ 619,480	\$	\$	\$	\$ 619,480
Site and site improvements	58,634,544	3,533,123	(25,585)	2,998,381	65,140,463
Equipment	8,289,919	281,753	(383,874)	210,935	8,398,733
Construction in progress	19,295,210	29,896,118	(1,700,693)		47,490,635
Total cost	<u>86,839,153</u>	<u>33,710,994</u>	<u>(2,110,152)</u>	<u>3,209,316</u>	<u>121,649,311</u>
Less accumulated depreciation for:					
Site and site improvements	(20,404,194)	(1,539,519)	25,585	(2,233,895)	(24,152,023)
Equipment	<u>(4,568,841)</u>	<u>(808,975)</u>	138,729	<u>(201,598)</u>	<u>(5,440,685)</u>
Total accumulated depreciation	<u>(24,973,035)</u>	<u>(2,348,494)</u>	164,314	<u>(2,435,493)</u>	<u>(29,592,708)</u>
Governmental capital assets, net	<u>\$ 61,866,118</u>	<u>\$ 31,362,500</u>	<u>\$ (1,945,838)</u>	<u>\$ 773,823</u>	<u>\$ 92,056,603</u>

(1) Additions in total costs include \$1,700,693 in construction in progress completed and reclassified as site and site improvements.

(2) Adjustments were made to site improvements for parking lots and to equipment for capital assets previously excluded.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

(Continued)

NOTE 6 – CAPITAL LEASES:

The District leases equipment valued at approximately \$239,125 under agreements which provide for title to pass upon expiration of the lease period. Future minimum lease payments are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004-05	\$ 46,080	\$ 12,297	\$ 58,377
2005-06	42,739	8,415	51,154
2006-07	40,541	4,677	45,218
2007-08	18,531	2,280	20,811
2008-09	<u>18,335</u>	<u>741</u>	<u>19,076</u>
Total	<u>\$166,226</u>	<u>\$ 28,410</u>	<u>\$194,636</u>

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

NOTE 7 – OPERATING LEASES:

Operating Leases

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

<u>Fiscal Year</u>	<u>Lease Payment</u>
2004-05	\$163,453
2005-06	119,819
2006-07	<u>115,044</u>
Total	<u>\$398,316</u>

Current year expenditures for operating leases is approximately \$200,398. The District will receive no sublease rental revenues nor pay any contingent rentals for these properties.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

(Continued)

NOTE 8 - LOANS PAYABLE:

A. City of Walnut

The District has entered into an agreement on November 24, 1993 with the Walnut Improvement Agency (the Agency) on behalf of the City of Walnut (the City) whereby the Agency shall contribute a maximum of \$1,000,000 to the District for construction of the Performing Arts Center. The District will reimburse the City for the Agency's contribution over a period of 20 years. The District must pay the City on a quarterly basis as of March 31, June 30, September 30 and December 31, \$1 for every ticket sold for all performances during the respective quarters and receive credit towards the loan for the City's usage of the facility.

During fiscal year 2003-04, the District repaid \$17,108 to the City, and received \$5,124 in facility usage credit. The remaining balance of \$447,536 is reflected as a liability on the Statement of Net Assets.

B. California Energy Commission

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

The loan payments will be made as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$137,398	\$ 16,229	\$153,627
2006	141,549	12,078	153,627
2007	145,827	7,800	153,627
2008	<u>150,227</u>	<u>3,400</u>	<u>153,627</u>
	<u>\$575,001</u>	<u>\$ 39,507</u>	<u>\$614,508</u>

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

(Continued)

NOTE 8 - LOANS PAYABLE: (continued)

B. California Energy Commission (continued)

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

The loan payments will be made as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 57,390	\$ 14,896	\$ 72,286
2006	59,125	13,161	72,286
2007	60,913	11,373	72,286
2008	62,729	9,557	72,286
2009	64,649	7,637	72,286
2010-2012	<u>205,909</u>	<u>10,950</u>	<u>216,859</u>
	<u>\$510,715</u>	<u>\$ 67,574</u>	<u>\$578,289</u>

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

(Continued)

NOTE 9 - BONDED DEBT:

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

The outstanding bonded debt of Mt. San Antonio Community College District at June 30, 2004 is:

<u>Date of Issue</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2003</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2004</u>
5/1/02 A	3.25-5.50%	5/1/2027	\$40,000,000	\$34,805,000	\$ 0	\$ 5,855,000	\$ 28,950,000
2/4/04 B	2.50-5.25%	8/1/2028	<u>75,000,000</u>	<u>0</u>	<u>75,000,000</u>	<u>0</u>	<u>75,000,000</u>
			<u>\$115,000,000</u>	<u>\$34,805,000</u>	<u>\$75,000,000</u>	<u>\$ 5,855,000</u>	<u>\$103,950,000</u>

The annual requirements to amortize all bonds payable, outstanding as of June 30, 2004, are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 1,155,000	\$ 1,422,131	\$ 2,577,131
2006	5,410,000	6,306,205	11,716,205
2007	7,445,000	4,586,669	12,031,669
2008	8,055,000	4,344,294	12,399,294
2009	2,795,000	4,065,981	6,860,981
2010-2014	15,135,000	18,507,363	33,642,363
2015-2019	17,940,000	14,621,708	32,561,708
2020-2024	21,990,000	9,590,924	31,580,924
2025-2029	<u>24,025,000</u>	<u>3,482,525</u>	<u>27,507,525</u>
Total debt service	103,950,000	\$ <u>66,927,800</u>	\$ <u>170,877,800</u>
Unamortized bond premium*	<u>3,879,123</u>		
Total	<u>\$107,829,123</u>		

*Proceeds received in excess of debt are added to the maturity amount and amortized to interest income over the life of the liability. The Series B bonds issued in February 2004 included a premium. This amount is amortized using the straight-line method.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

(Continued)

NOTE 10 – LONG-TERM DEBT:

A schedule of changes in long-term debt for the year ended June 30, 2004 is shown below:

	<u>Balance</u> <u>July 1, 2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2004</u>
Capital Leases	\$ 327,215	\$ 98,487	\$ 259,476	\$ 166,226
Loan Payable	469,768		22,232	447,536
Energy Loans Payable	1,274,693		188,977	1,085,716
Bonds	34,805,000	75,000,000	5,855,000	103,950,000
Bond Premium		3,879,123		3,879,123
Supplemental Employee Retirement Plan	<u>4,731,647</u>		<u>946,329</u>	<u>3,785,318</u>
Totals	\$ <u>41,608,323</u>	\$ <u>78,977,610</u>	\$ <u>7,272,014</u>	\$ <u>113,313,919</u>

NOTE 11 - EMPLOYEE RETIREMENT PLANS:

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of the State Teachers' Retirement System (STRS) and classified employees are members of the Public Employees' Retirement System (PERS).

State Teachers' Retirement System (STRS)

Plan Description

The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from STRS, 7667 Folsom Boulevard, Sacramento, CA 95826.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

(Continued)

NOTE 11 - EMPLOYEE RETIREMENT PLANS: (continued)

State Teachers' Retirement System (STRS) (continued)

Funding Policy

Active plan members are required to contribute 8.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2003-04 was 8.25% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

Public Employees' Retirement System (PERS)

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

Funding Policy

Active plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution for fiscal year 2003-04 was 10.42% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

(Continued)

NOTE 11 - EMPLOYEE RETIREMENT PLANS: (continued)

Contributions to STRS and PERS

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

Year Ended June 30,	STRS		PERS	
	<u>Required Contribution</u>	<u>Percent Contributed</u>	<u>Required Contribution</u>	<u>Percent Contributed</u>
2002	\$2,972,982	100%	\$ 0	100%
2003	3,488,449	100%	641,332	100%
2004	3,320,832	100%	2,197,885	100%

Los Angeles Regionalized Insurance Services Authority (LARISA)

Plan Description

The Los Angeles Regionalized Insurance Services Authority (LARISA) is a defined contribution plan qualifying under §401(a) and §501 of the Internal Revenue Code. The plan covers part-time, seasonal and temporary employees and employees not covered by §3121(b)(7)(F) of the Internal Revenue Code. The benefit provisions and contribution requirements of plan members and the District are established and may be amended by the LARISA Board of Trustees.

Funding Policy

Contributions of 3% of covered compensation of eligible employees are made by the employer and 4.5% are made by the employee. Total contributions, employer and employee combined, were made in the amount of \$517,614 during the fiscal year. The total amount of covered compensation was \$6,901,514. Total contributions made is 100% of the amount of contributions required for fiscal year 2003-04.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

(Continued)

NOTE 12 - RETIREE BENEFITS:

The District currently provides retiree medical or Medicare supplement coverage for employees that have rendered at least five years of service for the District and have retired at the age of 50 for PERS retirees or the age of 55 for STRS retirees. These benefits provide for both the employee and their spouse until death. For all employees hired after January, 1996, these benefits are no longer provided for the spouse. In addition, the employee must have at least ten years of service credit as well as a 4 percent deduction in salary. At June 30, 2004, there were 460 retirees participating in the plan. The employee's contributions amounted to \$709,515 for 2003-04. The District did not contribute to the reserve in 2003-04 and the District has not budgeted a contribution for these benefits in 2004-05.

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

NOTE 13 – SUPPLEMENTAL EMPLOYEE RETIREMENT PLAN:

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

A total of 27 full-time faculty, 10 managers, 27 classified staff and 2 confidential employees are participating. The District will pay benefits of \$946,239 annually over five years totaling \$4,731,647. The first payment was made during 2003-04. The total remaining liability has been reflected in these financial statements.

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

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

(Continued)

NOTE 14 - JOINT POWERS AGREEMENT:

The Mt. San Antonio Community College District participates in five joint powers agreement (JPA) entities; the Alliance of Schools for Cooperative Insurance Programs (ASCIP); the Southern California Community College District Joint Powers Agency (SCCCD-JPA); the Schools Excess Liability Fund (SELF); the Protected Insurance Programs for Schools (PIPS); and the California Statewide Tax Authority (the Authority). The relationship between the District and the JPAs is such that none of the JPAs are a component unit of the District for financial reporting purposes, as explained on the following pages.

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

SCCCD-JPA provides workers' compensation coverage and a reserve to be used toward funding long-term retiree health insurance liabilities for its six member districts. Payments transferred to funds maintained under the JPA are expensed when made. Based upon an actuarial study, District administrators are of the opinion that the procedures for accumulating and maintaining reserves are sufficient to cover future contingencies under potential workers' compensation claims; however, the reserve for retiree health insurance is not yet sufficient to cover future potential payments. An actuarial study dated March 2003 estimates a present value of future post retirement medical benefits of \$71,200,000 for the District and \$3,500,000 for Mt. San Antonio College Auxiliary. The JPA balance at June 30, 2003 applicable to Mt. San Antonio Community College District was approximately \$47,000,000 and approximately \$2,300,000 was applicable to the Mt. San Antonio College Auxiliary.

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

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

(Continued)

NOTE 14 - JOINT POWERS AGREEMENT: (continued)

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

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

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

	ASCIP 6/30/2004 <u>(Unaudited)</u>	SCCCD-JPA 6/30/2003 <u>(Audited)</u>	SELF 6/30/2004 <u>(Unaudited)</u>	PIPS 6/30/04 <u>(Audited)</u>
		Workers' Compensation Insurance Fund	Retiree Health Insurance Fund	
Total assets	\$95,539,161	\$16,811,597	\$61,221,932	\$ 573,783
Total liabilities	<u>63,592,613</u>	<u>970,142</u>	<u>11,268</u>	<u>147,298,263</u>
Net assets	<u>\$31,946,548</u>	<u>\$15,841,455</u>	<u>\$61,210,664</u>	<u>\$ 49,805</u>
Total revenues	\$56,340,878	\$ 4,664,646	\$ 5,323,854	\$150,070,575
Total expenditures	<u>48,406,946</u>	<u>5,047,588</u>	<u>52,345</u>	<u>85,188,703</u>
Change in net assets	<u>\$ 7,933,932</u>	<u>\$ (382,942)</u>	<u>\$ 5,271,509</u>	<u>\$ (10,706,700)</u>

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

(Continued)

NOTE 15 – FUNCTIONAL EXPENSE:

	Salaries	Employee Benefits	Supplies, Materials, Utilities, Other Expenses and Services	Student Aid and Other Uses	Depreciation	Total
Instructional	\$ 44,979,308	\$ 9,201,435	\$ 3,223,725	\$ 10,894		\$ 57,415,362
Academic Support	5,520,836	1,542,845	685,265			7,748,946
Student Services	7,553,039	2,131,883	965,021	522,703		11,172,646
Operation & Maintenance of Plant	3,310,416	1,380,410	4,037,538			8,728,364
Institutional Support	6,795,595	3,242,234	3,713,015			13,750,844
Community Services and Economic Development	1,767,016	432,464	836,263			3,035,743
Ancillary Services and Auxiliary Operations	2,033,896	616,711	1,310,836	29,133		3,990,576
Student Aid				11,118,753		11,118,753
Other Outgo	55,736	3,441	447,385	15,721		522,283
Depreciation Expense					4,783,987	4,783,987
Totals by Object	<u>\$ 72,015,842</u>	<u>\$ 18,551,423</u>	<u>\$ 15,219,048</u>	<u>\$ 11,697,204</u>	<u>\$ 4,783,987</u>	<u>\$ 122,267,504</u>

NOTE 16 - COMMITMENTS AND CONTINGENCIES:

A. State and Federal Allowances, Awards and Grants

The District has received state and federal funds for specific purposes, including reimbursement of mandated costs, that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

B. Purchase Commitments

1. Planetarium Projector Purchase Commitment

On April 28, 2004, the Board of Trustees approved the purchase of a Zeiss ZKP3/B Planetarium Projector. Total cost of the projector will be \$324,418, of which \$150,000 was prepaid by the District during 2003-04 and the remainder will be paid by the Foundation after installation. The purchase contract was authorized by the District. If payment is not received from the Foundation, the District will be liable for the balance due of \$174,418.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

(Continued)

NOTE 16 - COMMITMENTS AND CONTINGENCIES: (continued)

B. Purchase Commitments (continued)

2. Construction Contracts

As of June 30, 2004 the District was committed under various capital expenditure purchase agreements for various projects totaling approximately \$16,094,000 to be funded from bond proceeds.

3. License Agreement (Subsequent Event)

In July 2004 the District entered into a three year licensing agreement for the development and maintenance of the College's information system. The cost of the license agreement of \$620,007 will be paid in equal annual installments of \$206,669 over the term of the agreement.

C. Litigation

The District is a defendant in various pending liability lawsuits. The outcome of the litigation is unknown at the present time, but it is anticipated that possible judgments against the District will be covered through insurance.

NOTE 17 – SUBSEQUENT EVENTS:

GASB Statement No. 45

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

SUPPLEMENTARY INFORMATION

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

HISTORY AND ORGANIZATION

June 30, 2004

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>
Fred Chyr	President	November 30, 2007
David Hall	Vice President	November 30, 2005
Judy Chen Haggerty	Clerk	November 30, 2005
Rosanne Bader	Member	November 30, 2007
Manual Baca	Member	November 30, 2007
Victor Prado	Student Trustee	May 30, 2004*
Jean Lee	Student Trustee	June 30, 2005*

*The student trustee position was vacant at fiscal year end June 30, 2004. The seat was filled by Jean Lee effective July 1, 2004.

DISTRICT EXECUTIVE OFFICERS

Christopher C. O'Hearn	President/CEO
Dr. John S. Nixon**	Vice President, Instruction
Nancy M. Rice	Vice President, Administrative Services
Dr. Audrey Yamagata-Noji	Vice President, Student Services
Dr. Pat Rasmussen	Vice President, Institutional Advancement
Wade Frary	Vice President, Human Resources
Dr. Jerry Nogy	Vice President, Information and Educational Technology

**The Vice President, Instruction position was filled effective July 1, 2004.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2004

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures
Federal Categorical Aid Programs:			
Department of Agriculture:			
Child Nutrition Program	10.555	03755	\$ 53,809
National Science Foundation:			
Pre-service Science Class Histologic Technician Program	47.076	(1)	286,348
Small Business Development Center:			
Small Business Development Center	59.037	(1)	186,523
Department of Education:			
Workforce Investment Act, Title II: Adult Education and Family Literacy Act, Section 225/231	84.002A	03303	837,667
Administrative Expenses	84.000	(1)	51,890
SEOG	84.007	(1)	409,950
Federal Work Study	84.033	(1)	403,235
Upward Bound	84.047	(1)	70,805
Vocational and Applied Technology Education Act	84.048	03578	1,427,893
Pell	84.063	(1)	9,122,621
Strengthening Institutions - Hispanics Serving Institutions	84.031S	(1)	479,156
Parent in School Program	84.335A	(1)	59,000
Sub-Total Department of Education			12,862,217
Department of Health & Human Services:			
Temporary Assistance for Needy Families (TANF)	93.558	(1)	111,523
Maternal & Child Care Health Services Block Grant to States	93.994	(1)	334,575
Sub-Total Department of Health & Human Services			446,098
Total Federal Grants			\$ 13,834,995
Student Financial Aid Loan Programs:			
<u>Loans Outstanding</u>			
Mt. San Antonio Community College District had the following loan balance outstanding as of 6/30/04:			
Perkins Program	84.038		\$ 150,514
<u>Federal Direct Loan Program</u>			
During the fiscal year ended June 30, 2004, the Mt. San Antonio Community College District processed the following amounts of new loans under the William D. Ford Program:			
	84.268		157,104
Total Student Financial Aid Loan Programs			\$ 307,618

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

See the accompanying notes to the supplementary information.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF STATE FINANCIAL ASSISTANCE - GRANTS
For the Fiscal Year Ended June 30, 2004

Program Name	Program Entitlements			Program Revenues				Total Program Expenditures
	Current Year	Prior Year Carryover	Total	Cash Received	Accounts Receivable	Deferred Revenue	Total	
State Categorical Aid Programs:								
Americorps	\$ 100,940	\$	\$ 100,940	\$	\$ 60,750	\$	\$ 60,750	\$ 60,750
Articulation	5,000		5,000	5,000			5,000	5,000
Block Grant	200,279	409,280	609,559	609,559		595,844	13,715	13,715
Cal Works	499,199	40,877	540,076	499,199		2,503	496,696	496,696
Child Care Tax Bailout	153,625		153,625	153,625			153,625	153,625
Child Development Consortium	10,000	277	10,277	10,000			10,000	10,000
Child Nutrition Program	3,500		3,500	3,500			3,500	3,500
Disabled Student Program Services	1,471,422	66,717	1,538,139	1,538,139			1,538,139	1,538,139
Economic Development	632,910	95,974	728,884	696,561		1,575	694,986	694,986
CARE	132,028	33,015	165,043	132,028			132,028	132,028
Extended Opportunity Program and Services	761,908	99,341	861,249	761,908		49,757	712,151	712,151
Foster Parent Training Program	8,000		8,000	7,986			7,986	7,986
Full Day Preschool	74,825		74,825	68,403	6,422		74,825	74,825
General Child Care	328,431		328,431	328,431			328,431	328,431
Infant and Toddler Child Care	2,484		2,484	2,484			2,484	2,484
Infant and Toddler Playground	8,137		8,137	8,137			8,137	8,137
Matriculation	1,273,032		1,273,032	1,273,032			1,273,032	1,273,032
Staff Development		12,781	12,781	12,781		6,401	6,380	6,380
State Preschool	69,617		69,617	63,700	5,917		69,617	69,617
Student Success (GAP)	1,211	1,211	2,422	1,211			1,211	1,211
Teacher Reading Development	125,773	20,247	146,020	115,273		18,163	97,110	97,110
TTIP Grant	64,234	68,097	132,331	132,331		91,510	40,821	40,821
Total State Programs	\$ 5,926,555	\$ 847,817	\$ 6,774,372	\$ 6,423,288	\$ 73,089	\$ 765,753	\$ 5,730,624	\$ 5,730,624

See the accompanying notes to the supplementary information.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF WORKLOAD MEASURES FOR PROGRAM-BASED FUNDING
For the Fiscal Year Ended June 30, 2004**

Categories

A.	Credit Full-Time Equivalent Students	
	1. Weekly census	15,843.94
	2. Daily census	696.15
	3. Actual hour of attendance	441.97
	4. Independent study/work experience	446.02
	5. Summer intersession	2,442.45
	Total	<u>19,870.53</u>
B.	Non-Credit FTES	
	1. Actual hour of attendance	3,015.72
	2. Summer intersession	1,125.68
	Total	<u>4,141.40</u>
C.	Gross Square Footage	
	Existing facilities	<u>1,208,417</u>
D.	FTES in Leased Facilities	<u>426.80</u>

See the accompanying notes to the supplementary information.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT WITH AUDITED FUND BALANCES
For the Fiscal Year Ended June 30, 2004

The audit resulted in no adjustments to the fund balances reported on the June 30, 2004 Annual Financial and Budget Report (CCFS-311) based upon governmental accounting principles. Additional entries were made to comply with the GASB 34/35 reporting requirements. These entries are not considered audit adjustments for purposes of this reconciliation.

See the accompanying notes to the supplementary information.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

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

	(Budget) 2005		2004		2003		2002	
	Amount	%	Amount	%	Amount	%	Amount	%
GENERAL FUND:								
Revenue								
Federal	\$ 3,215,338	2.85	\$ 4,189,615	3.85	\$ 4,626,305	4.11	\$ 3,530,117	3.10
State	57,234,871	50.64	55,503,198	51.02	60,109,841	53.39	63,620,418	55.94
County and Local	48,727,574	43.11	50,679,467	46.59	47,573,885	42.26	46,097,780	40.54
Total Revenue	<u>109,177,783</u>	<u>96.60</u>	<u>110,372,280</u>	<u>101.46</u>	<u>112,310,031</u>	<u>99.76</u>	<u>113,248,315</u>	<u>99.58</u>
Expenditures								
Academic Salaries	46,797,871	41.40	44,784,955	41.17	48,078,425	42.71	48,641,609	42.78
Classified Salaries	26,850,202	23.76	26,022,943	23.92	28,282,422	25.12	27,660,610	24.32
Employee Benefits	20,114,725	17.80	19,182,961	17.63	16,609,692	14.75	15,798,944	13.89
Supplies and Materials	3,546,753	3.14	2,564,228	2.36	3,113,487	2.77	3,186,411	2.80
Other Operating Expenses and Services	12,323,506	10.90	11,892,198	10.93	11,572,926	10.28	13,261,222	11.66
Capital Outlay	2,819,262	2.49	2,573,100	2.37	3,580,488	3.18	3,052,344	2.69
Other Uses	572,774	0.51	1,760,425	1.62	1,343,794	1.19	2,118,540	1.86
Total Expenditures	<u>113,025,093</u>	<u>100.00</u>	<u>108,780,810</u>	<u>100.00</u>	<u>112,581,234</u>	<u>100.00</u>	<u>113,719,680</u>	<u>100.00</u>
Other Financing Sources	-	-	47,397	0.04	-	-	-	-
Change in Fund Balance	<u>\$ (3,847,310)</u>	<u>(3.40)</u>	<u>\$ 1,638,867</u>	<u>1.5</u>	<u>\$ (271,203)</u>	<u>(0.24)</u>	<u>\$ (471,365)</u>	<u>(0.41)</u>
Ending Fund Balance	<u>\$ 12,427,223</u>	<u>11.00</u>	<u>\$ 16,274,533</u>	<u>14.96</u>	<u>\$ 14,635,666</u>	<u>13.00</u>	<u>\$ 14,906,869</u>	<u>13.11</u>
Available Reserve Balance	<u>\$ 11,683,396</u>	<u>10.34</u>	<u>\$ 9,565,020</u>	<u>8.79</u>	<u>\$ 6,385,746</u>	<u>5.67</u>	<u>\$ 5,628,238</u>	<u>4.95</u>
Full-time Equivalent Students	<u>24,944</u>		<u>24,012</u>		<u>25,503</u>		<u>25,986</u>	
Total Long-Term Debt	<u>\$ 107,364,184</u>		<u>\$ 109,434,796</u>		<u>\$ 41,608,323</u>		<u>\$ 42,563,647</u>	

IMPORTANT NOTES:

Available reserve balance is the amount designated for general reserve and any other remaining undesignated amounts in the General Fund. The 2005 budget reserve balance was estimated using the budgeted contingency reserve balances less other 2004 amounts reserved.

All percentages are of total expenditures.

The 2005 budget is the Plan and Budget adopted by the Board of Trustees on August 25, 2004.

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

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

See the accompanying notes to the supplementary information.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF BUDGETED COMPARISON FOR THE GENERAL FUND
For the Fiscal Year Ended June 30, 2004

	General Fund		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUES			
Revenue from Federal Sources			
Higher Education Act	1,092,139	601,851	(490,288)
Temporary Assistance for Needy Families	111,523	111,523	-
Student Financial Aid	421,636	403,235	(18,401)
Vocational and Technical Education Act	1,499,328	1,427,893	(71,435)
Other Federal Revenue	2,402,057	1,645,113	(756,944)
Revenue from State Sources			
General Apportionments	45,580,286	45,892,682	312,396
Categorical Apportionments	6,029,754	4,934,541	(1,095,213)
Other State Revenues	4,547,490	4,675,975	128,485
Revenue from Local Sources			
Property Taxes	35,173,754	35,566,339	392,585
Interest and Investment Income	300,000	244,244	(55,756)
Student Fees and Charges	13,719,331	12,060,341	(1,658,990)
Other Local Revenue	4,248,701	2,808,543	(1,440,158)
TOTAL REVENUES	<u>115,125,999</u>	<u>110,372,280</u>	<u>(4,753,719)</u>
EXPENDITURES			
Academic Salaries	46,374,286	44,784,955	1,589,331
Classified Salaries	28,793,006	26,022,943	2,770,063
Employee Benefits	20,190,435	19,182,961	1,007,474
Supplies and Materials	3,651,685	2,564,228	1,087,457
Other Operating Expenses & Services	14,958,764	11,892,198	3,066,566
Capital Outlay	3,445,914	2,573,100	872,814
TOTAL EXPENDITURES	<u>117,414,090</u>	<u>107,020,385</u>	<u>10,393,705</u>
Excess (deficiency) of revenues over expenditures	<u>(2,288,091)</u>	<u>3,351,895</u>	<u>5,639,986</u>
OTHER FINANCING SOURCES (USES)			
Proceeds of General Fixed Assets	37,180	47,397	10,217
Interfund Transfers In	2,000,000	-	(2,000,000)
Interfund Transfers Out	(13,827,317)	(1,182,213)	12,645,104
Student Financial Aid	(557,438)	(578,212)	(20,774)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(12,347,575)</u>	<u>(1,713,028)</u>	<u>10,634,547</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>\$ (14,635,666)</u>	<u>1,638,867</u>	<u>\$ 16,274,533</u>
Fund Balances at Beginning of Year		<u>14,635,666</u>	
Fund Balances at End of Year		<u>\$ 16,274,533</u>	

See the accompanying notes to the supplementary information.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

**NOTES TO THE SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2004**

NOTE 1 - PURPOSE OF SCHEDULES:

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

The audit of the Mt. San Antonio Community College District for the year ended June 30, 2004 was conducted in accordance with OMB Circular A-133, which requires a disclosure of the financial activities of all federally funded programs. To comply with A-133 and state requirements, the Schedule of Federal Awards and the Schedule of State Financial Assistance was prepared for the Mt. San Antonio Community College District on the modified accrual basis of accounting.

B. Schedule of Workload Measures for Program-Based Funding

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

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

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

D. Schedule of Financial Trends and Analysis

This schedule is prepared to show financial trends of the General Fund over the past three fiscal years as well as the current year budget. This schedule is intended to identify if the District faces potential fiscal problems and if they have met the recommended available reserve percentages.

E. Schedule of Budgeted Comparison for the General Fund

Continuing disclosure for the general obligation bond requires a budgetary comparison be presented for the General Fund. This schedule presents the final General Fund budget as of the fiscal year end, actual amounts at fiscal year end and the variance between the final budget and actual amounts.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

**NOTES TO THE SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2004**

(Continued)

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS:

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

General Fund:	
Other Outgo	\$ 20,774
Child Development Fund:	
Employee Benefits	2,778
Special Reserve Fund #2 for Capital Projects:	
Other Outgo	2,180



Chairman

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Partners

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SHARI PROSSER

GEMA M. PTASINSKI

COLLEEN K. TAYLOR

DEAN WEST

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

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

We have audited the financial statements of Mt. San Antonio Community College District (the District) as of and for the year ended June 30, 2004, and have issued our report thereon dated October 1, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Mt. San Antonio Community College District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Mt. San Antonio Community College District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings and questioned costs at item 04-1.



**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**

(Continued)

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness.

Compliance and Other Matters

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

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


VICENTI, LLOYD & STUTZMAN LLP

October 1, 2004



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

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

Chairman
ROYCE A. STUTZMAN

Partners
PETER F. GAUTREAU
RENÉE S. GRAVES
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COLLEEN K. TAYLOR
DEAN WEST

Compliance

We have audited the compliance of Mt. San Antonio Community College District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. Mt. San Antonio Community College District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Mt. San Antonio Community College District's management. Our responsibility is to express an opinion on Mt. San Antonio Community College District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Mt. San Antonio Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Mt. San Antonio Community College District's compliance with those requirements.



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

(Continued)

In our opinion, Mt. San Antonio Community College District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

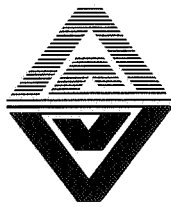
The management of Mt. San Antonio Community College District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Mt.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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

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

October 1, 2004



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DEAN WEST

REPORT ON STATE COMPLIANCE

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

We have audited the basic financial statements of Mt. San Antonio Community College District, as of and for the year ended June 30, 2004, and have issued our report thereon dated October 1, 2004.

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

In connection with our audit, we performed an audit for compliance as required in Part II, State and Federal Compliance Requirements for those programs identified in the California Department of Finance's 2004 transmittal of audit requirements for community colleges. The objective of the examination of compliance applicable to Mt. San Antonio Community College District is to determine with reasonable assurance:

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



REPORT ON STATE COMPLIANCE

(Continued)

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

In our opinion, Mt. San Antonio Community College District complied with the compliance requirements for the state programs listed and tested above. Nothing came to our attention as a result of the aforementioned procedures to indicate that Mt. San Antonio Community College District had not complied with the terms and conditions of state assisted educational programs not selected for testing.

REPORT ON STATE COMPLIANCE

(Continued)

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

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

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

October 1, 2004

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDITOR RESULTS

June 30, 2004

Financial Statements

Type of auditor's report issued: Unqualified

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

Noncompliance material to financial statements noted? Yes X No

Federal Awards

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

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

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

Identification of major programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
59.037 84.002A	Small Business Development Center (SBDC) Workforce Investment Act, Title II: Adult Education and Family Literacy act, Section 224.231 .
84.007, 84.033 and 84.063, 84.038 and 84.268	Student Financial Assistance Cluster of Programs

Dollar threshold used to distinguish between Type A
and Type B programs: \$ 415,050

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, 2004

FINDING 04-1 CAPITAL ASSETS

Original Finding 03-1

Finding: During our testing of District's capital assets we noted that following concerns related to the internal control associated with capital assets:

- The total acquisition cost of capital assets, specifically equipment, does not include the cost of sales tax. This may be due in part to the process of entering capital asset information from the purchase order rather than the final invoice. For additions made in recent fiscal years, we determined the unrecorded value of sales tax related to equipment purchases was not material to the basic financial statements therefore an adjustment was not made to the GASB 34/35 statements. Over time however, this could result in a material effect.
- A physical inventory has been taken, however, the capital asset listing used by the District to track assets has not been reconciled to the physical inventory. The reconciliation process will ensure that the capital asset listing is accurate and that all capital assets are accounted for.

Recommendation:

- The District should implement procedures to ensure the capital assets listing reflects the total acquisition cost of assets.
- The District should develop a plan to begin the reconciliation process as soon as feasible.

District Response:

Total Acquisition Costs of Capital Equipment Assets – Purchasing and Fiscal Services will implement a joint procedure to assure that the total acquisition cost of any capital equipment asset (including sales tax, shipping, handling, and any other cost directly associated with placing the asset for its use) will be the cost posted to the District's capital asset inventory records. This new procedure will be used for all new capital equipment purchases.

Purchasing is also working with the Facilities and IET departments to consider the purchase and installation of a new Maintenance Management System which is better able to manage our inventory records, including calculating depreciation, making changes and generating reports.

Reconciliation of Records with Physical Inventory – The recent addition of part-time staff to assist with inventory management will assure that the reconciliation of capital asset records with physical inventory will continue to move forward.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FEDERAL AWARDS
June 30, 2004

There were no findings and questioned costs related to federal awards for the fiscal year end June 30, 2004.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

June 30, 2004

Original Finding No.	Finding	Recommendation	Current Status
02-1	<u>CAPITAL ASSETS</u>		
	<p>During our testing of District capital assets we noted the following concerns related to the recording of and internal control associated with capital assets:</p>	<ul style="list-style-type: none"> • The District should implement procedures to ensure the capital assets listing reflects the total acquisition cost of assets. • The District should develop a plan to begin the reconciliation process as soon as feasible. • The District should research the historical cost of these site improvements and update the capital asset listing for these items including the related accumulated depreciation. 	<p>Partially implemented. See current year finding 04-1.</p>
	<ul style="list-style-type: none"> • The total acquisition cost of capital assets, specifically equipment, does not include the cost of sales tax. This may be due in part to the process of entering capital asset information from the purchase order rather than the final invoice. For current year additions, we determined the sales tax of purchased equipment was not material to the basic financial statements therefore an adjustment was not made to the GASB 34/35 statements. Over time however, this could result in a material effect. • A physical inventory has been taken, however, the capital asset listing used by the District to track assets has not been reconciled to the physical inventory. The reconciliation process will ensure that the capital asset listing is accurate and that all capital assets are accounted for. • The historical cost of parking lots and associated accumulated depreciation is not included in the asset listing. 		

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2004

Original Finding No.	Finding	Recommendation	Current Status
02-1	<p><u>STUDENT FINANCIAL AID</u></p> <p>Federal Program: Student Financial Assistance Cluster</p> <p>Federal Catalog Number: 84.007, 84.033, 84.038, 84.063 and 84.268</p> <p>During our review of the Student Financial Aid Fund we noted the following issues:</p> <ul style="list-style-type: none"> • There are outstanding balances in several receivable and payable accounts that have not been reconciled. This appears to be a combination of amounts carried forward from prior years or current year amounts that most likely have been paid or received and applied against the wrong account. • There is a lack of segregation of duties in the Auxiliary's financial aid department. During the fiscal year the bookkeeper posted all entries, issued manual checks, received and distributed all checks, processed voids and completed the drawdown of Federal funds. • Stale dated checks, cancelled in April 2003, related to Cal Grant programs had not been returned to the appropriate agency in a timely manner. A total of \$19,187 in funds should be returned. 	<ul style="list-style-type: none"> • Staff should research all outstanding balances. Any uncollectible or previously paid amounts should be written off. • For better internal controls, some of the duties currently performed by the financial aid bookkeeper should be shifted to other staff. If this is not possible, other compensating controls should be implemented. This could include additional management oversight and an outside reconciliation of drawdowns. • Funds not disbursed to students should be returned to the appropriate agency within a reasonable time frame. 	<p>Implemented.</p>

STATISTICAL SECTION

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT
SELECTED STATISTICAL INFORMATION (UNAUDITED)
June 30, 2004

Assessed valuation for fiscal year 2003-04	\$44,998,546,279	(2)
Secured tax levies for fiscal year 2003-04	\$ 10,527,171	(1)
Secured tax delinquencies for fiscal year 2003-04	\$ 528,153	(1)
Secured tax collections for fiscal year 2003-04	\$ 9,999,018	(1)

2003-04 LARGEST LOCAL SECURED TAXPAYERS
MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT (2)

<u>Property Owner</u>	<u>Land Use</u>	<u>2003-04 Assessed Valuation</u>	<u>% of Total(3)</u>
1. James Campbell, Trust (C.R. Churchill, W.M. McVay, Trustees)	Commercial	\$ 146,505,761	0.33%
2. Plaza West Covina LLC	Shopping Center	133,855,894	0.30
3. Majestic Realty Co.	Industrial	131,663,740	0.29
4. Santee Dairies Inc.	Industrial	99,029,701	0.22
5. Eastland Shopping Center LLC	Shopping Center	85,519,519	0.19
6. PFG Park LP and Majestic Realty Co.	Industrial	85,393,420	0.19
7. RR and C Development Co.	Office Building	72,299,301	0.16
8. RVIP Puente Hills LLC	Commercial	65,264,278	0.15
9. Essex The Crest LP	Apartments	61,126,496	0.14
10. Puente Hills Mall LLC	Commercial	56,872,571	0.13
11. Metropolitan Life Insurance Company	Office Building	56,176,222	0.12
12. Majestic Fullerton Road LLC	Industrial	52,158,204	0.12
13. Adcor Realty Corp.	Industrial	47,083,160	0.10
14. Copley Industry Gale No. 1 Associates	Industrial	44,224,614	0.10
15. Aslan Arbor Heights LLC	Apartments	37,237,620	0.08
16. Edward P. Roski, Jr.	Industrial	36,682,672	0.08
17. KIR Covina LP	Commercial	35,880,571	0.08
18. Calwest Industrial Properties LLC	Industrial	34,378,932	0.08
19. M and H Realty Partners IV LP	Shopping Center	33,838,168	0.07
20. Tropicana Products Sales Inc.	Industrial	<u>33,527,962</u>	<u>0.07</u>
		<u>\$1,348,718,806</u>	3.00%

Total 2003-04 Local Secured Assessed Valuation was \$44,998,546,279.

- (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 2003-04 of \$44,998,546,279.