

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

LOS ANGELES COUNTY

**REPORT ON
AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
INCLUDING REPORTS ON COMPLIANCE
June 30, 2003**



MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

AUDIT REPORT

June 30, 2003

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DEAN WEST

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying basic financial statements of the Mt. San Antonio Community College District, as of and for the year ended June 30, 2003 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, 2003, 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.

The Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. 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.



Board of Trustees
Mt. San Antonio Community College District

In accordance with Government Auditing Standards, we have also issued a report dated October 2, 2003 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 grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial and statistical information identified as supplemental information, including the 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 not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The statistical section on pages 69 and 70 is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Mt. San Antonio Community College District. Such additional information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on it.

VICENTI, LLOYD & STUTZMAN LLP

October 2, 2003

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2003

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, 2003. This discussion is prepared by management and should be read in conjunction with the financial statements and notes thereto which follow this section.

The District is reporting according to the standards of Governmental Accounting Standards Board Statements No. 34 and 35 using the Business Type Activity (BTA) model. The California Community College Chancellor's Office, through its Fiscal and Accountability Standards Committee, recommended that all community college districts use the reporting standards under the BTA model.

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 education program 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 56 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.

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. Certain prior year amounts have been revised to follow current year classifications.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

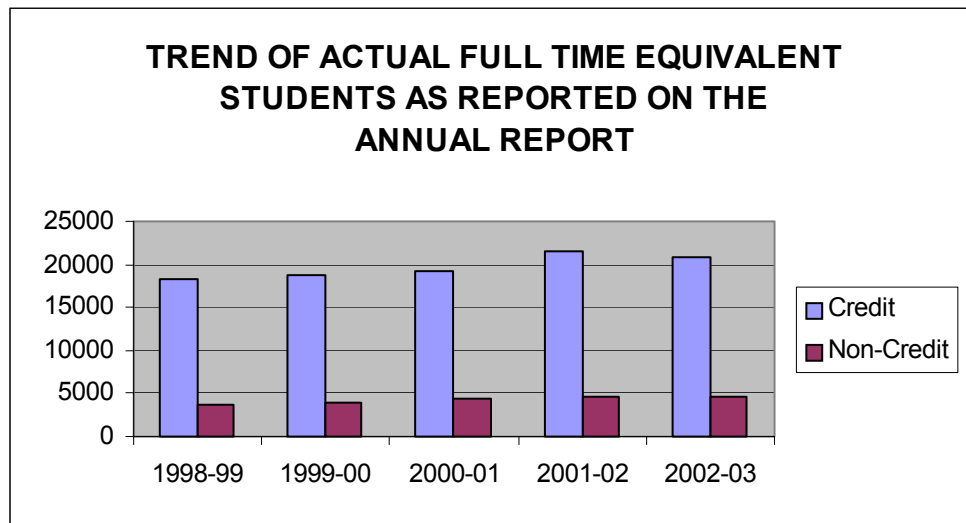
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2003

(Continued)

Selected Highlights

- During 2002-03, the total actual full-time equivalent students decreased approximately 2% for credit and non-credit courses. The total funded full-time equivalent students increased approximately 2% 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. 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.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2003

(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, 2003 Annual Financial and Budget Report (CCFS-311) based upon governmental accounting principles and the modified accrual basis of accounting and the total net assets recorded on the full accrual basis of accounting is as follows:

Unrestricted Fund Balance	\$12,986,596
Restricted Fund Balance	1,649,070
Building Fund Balance	22,385,075
Capital Outlay Funds Balance	7,050,152
All Other Funds	<u>2,839,249</u>
Total fund balances as reported on the Annual Financial and Budget Report (CCFS-311)	46,910,142

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2003

(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	61,866,118
Interest earned but not accrued through June 30, 2003 is added to total net assets	207,294
Inventory purchased but not used at June 30, 2003 is added to total net assets	75,000
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	(36,876,676)
Interest expense related to bond and notes payable incurred through June 30, 2003 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	(268,736)
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	(4,731,647)
Amount for 2002-2003 property taxes levied for debt service not received as of June 30, 2003	<u>311,516</u>
Total net assets	<u>\$ 67,493,011</u>

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2003

(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, 2003

(Continued)

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

	(in thousands)		
	<u>2003</u>	<u>2002</u>	<u>Change</u>
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 59,036	\$ 69,942	-15.59%
Receivables	3,768	7,641	-50.69%
Due from component units	847	831	1.93%
Inventory	<u>75</u>	<u>75</u>	0.00%
Total Current Assets	<u>63,726</u>	<u>78,489</u>	-18.81%
Non-Current Assets			
Restricted cash and cash equivalents	4,825	4,594	5.03%
Student loans receivable, net	219	227	-3.52%
Capital assets, net	<u>61,866</u>	<u>45,936</u>	34.68%
Total Non-Current Assets	<u>66,910</u>	<u>50,757</u>	31.82%
TOTAL ASSETS	<u>\$ 130,636</u>	<u>\$ 129,246</u>	1.08%
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts payable and accrued liabilities	\$ 15,845	\$ 15,249	3.91%
Due to component unit	132	500	-73.60%
Deferred revenue	2,591	3,498	-25.93%
Amount held in trust for others	2,967	2,899	2.35%
Supplemental employee retirement plan payable - current portion	946	-	100.00%
Long-term liabilities - current portion	<u>6,142</u>	<u>5,530</u>	11.07%
Total Current Liabilities	<u>28,623</u>	<u>27,676</u>	3.42%
Non-Current Liabilities			
Supplemental employee retirement plan payable - non-current portion	3,785	-	100.00%
Long-term liabilities less current portion	<u>30,735</u>	<u>37,033</u>	-17.01%
Total Non-Current Liabilities	<u>34,520</u>	<u>37,033</u>	-6.79%
TOTAL LIABILITIES	<u>63,143</u>	<u>64,709</u>	-2.42%
NET ASSETS			
Invested in capital assets, net of related debt	43,857	39,880	9.97%
Restricted	13,177	9,057	45.49%
Unrestricted	<u>10,459</u>	<u>15,600</u>	-32.96%
TOTAL NET ASSETS	<u>67,493</u>	<u>64,537</u>	4.58%
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 130,636</u>	<u>\$ 129,246</u>	1.08%

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2003

(Continued)

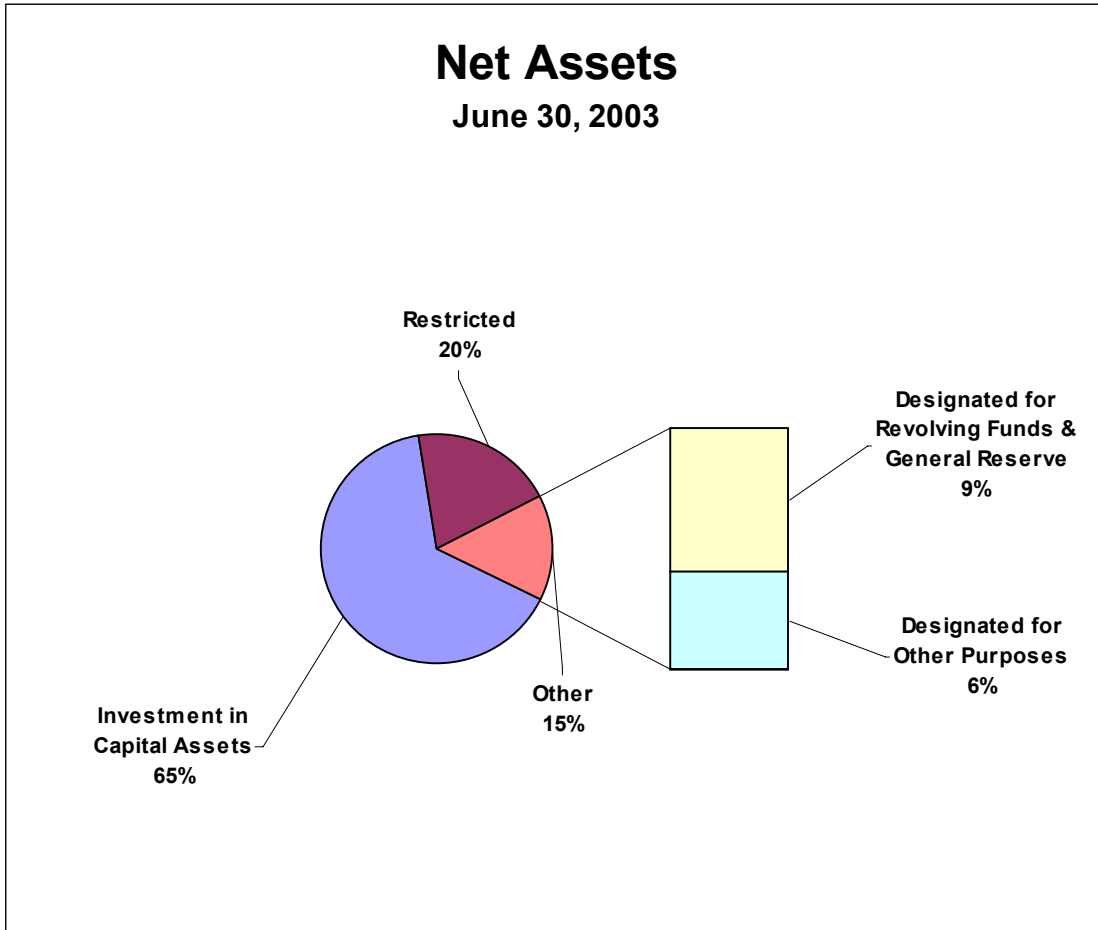
- In May 2002, the District issued Series "A" General Obligation Bonds in the amount of \$40 million. During 2002-03, construction activity began on thirteen of the seventeen Bond Projects. Cash decreased primarily due to the Bond Projects activity and payment of expenses. The cash flow statement included in these financial statements provides greater detail on the sources and uses of the District's cash.
- Accounts receivable decreased due to two significant prior year receivables. Specifically, a receivable of almost \$2.0 million had been recorded from the state for general apportionment; the receivable was created when the state deferred \$115 million state-wide from the June, 2002 payment in order to reduce the state general fund Proposition 98 payment. This same accrual was not necessary for June, 2003. Also, a \$2.0 million receivable had been accrued in the Capital Outlay Fund for the Science Building and Scheduled Maintenance Projects.
- Capital assets had a net increase of \$15.9 million. The District had additions of \$16.8 million related to purchases and construction in progress and depreciation expense of \$0.9 million recognized during 2002-03. The \$16.8 million includes a donation of \$1.2 million for an aircraft engine. The capital asset section of this discussion and analysis provides greater information.
- The net decrease in our Long-term Liabilities (current and non-current portions) is directly related to the payment made on our Series "A" General Obligation Bonds.
- In March 2003, the Board of Trustees approved the implementation of a Supplemental Employees Retirement Plan. 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, 2003

(Continued)



MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2003

(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, 2003

(Continued)

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

	(in thousands)		Percent
	2003	2002	Change
OPERATING REVENUES			
Net enrollment, tuition and fees	\$12,449	\$12,844	-3.08%
Grants and contracts, non-capital:	<u>26,193</u>	<u>25,595</u>	2.34%
Total operating revenues	<u>38,642</u>	<u>38,439</u>	0.53%
Total operating expenses	<u>130,969</u>	<u>127,184</u>	2.98%
Operating loss	<u>(92,327)</u>	<u>(88,745)</u>	4.04%
Non-Operating revenues (expenses)			
State apportionments, non-capital	49,406	49,958	-1.10%
Local property taxes	40,608	30,988	31.04%
State taxes and other revenues	3,815	3,844	-0.75%
Interest expense	(1,917)	(219)	88.57%
Investment income	<u>1,265</u>	<u>1,284</u>	-1.48%
Total non-operating revenues (expenses)	<u>93,177</u>	<u>85,855</u>	8.53%
Capital gifts and apportionments	<u>2,106</u>	<u>3,089</u>	-31.82%
Change in net assets	2,956	199	1385.43%
Net assets, beginning of year	<u>64,537</u>	<u>64,338</u>	0.31%
Net assets, end of year	<u>\$67,493</u>	<u>\$64,537</u>	4.58%

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2003

(Continued)

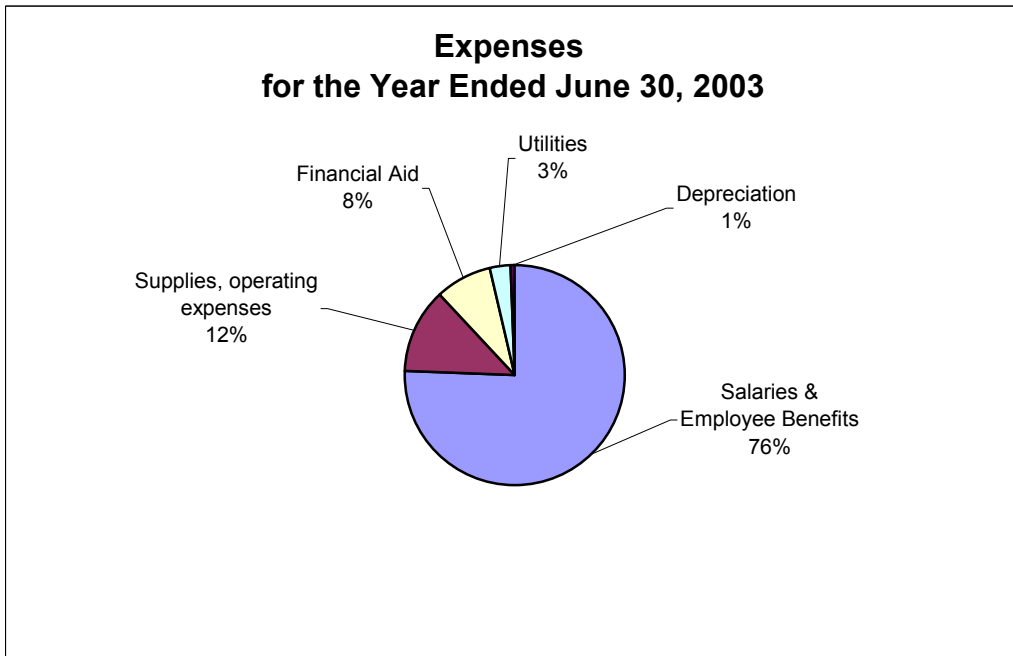
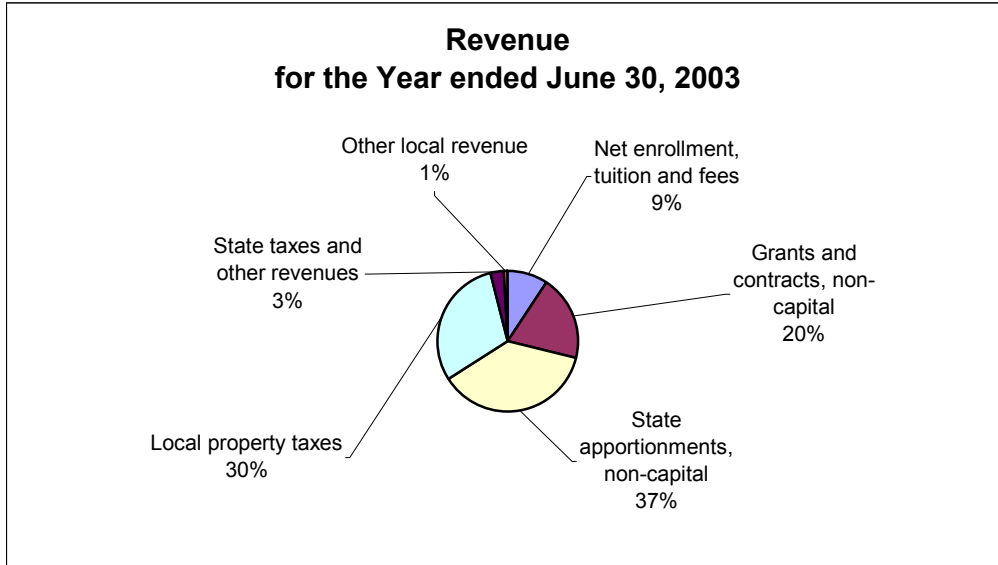
- Net enrollment, tuition and fees decreased by approximately 3%. This decrease could be attributed to the approximately 2% decrease in actual FTES and an increase in Board of Governor Fee Waivers.
- Non-capital grants and contracts increased due to additional funding for federal and state grants and entitlements. In addition to the increased funding, revenue increases in proportion to an increase in expenses as most programs require that revenues are recorded up to expense in a given fiscal year.
- Operating expenses continue to increase primarily due to increases in personnel costs and generally due to increases in the costs of supplies and services. California, in particular, experienced substantial increases in the areas of medical benefits, insurance and utilities. Effective July, 2002, the District was required to pay an employer contribution to the Public Employee Retirement System (PERS). The District went from a zero percent contribution to a 2.8% contribution, which increased expenditures by \$641,332 for 2002-03.
- The total decline in non-capital and capital state apportionment and state taxes and other revenues is indicative of the current State of California's economy and budget.
- 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 12 months of expense related to the general obligation bonds and the two energy loans. A minimal amount of interest expense was due in the 2002-03 year.
- Functional expenses are detailed in Note 15 of the financial statements.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2003

(Continued)



MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2003

(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>2003</u>	<u>2002</u>	<u>Change</u>
Cash Provided By (Used in)			
Operating activities	\$(87,920)	\$(88,755)	-0.94%
Non-capital financing activities	96,171	82,232	16.95%
Capital and related financing activities	(19,533)	37,850	-151.61%
Investing activities	<u>607</u>	<u>1,327</u>	-54.26%
Net change in cash and cash equivalents	(10,675)	32,654	-132.69%
Cash Balance, Beginning of Year	<u>74,536</u>	<u>41,882</u>	77.97%
Cash Balance, End of Year	<u>\$ 63,861</u>	<u>\$ 74,536</u>	-14.32%

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2003

(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.
- State apportionment received based on the workload measures generated by the District accounts for 54% of non-capital financing. Cash received from property taxes accounts for 42% of the cash generated in this section.
- The primary use included in capital and related financing activities is the purchase of capital assets (building improvements and equipment), and the first payment of our Series "A" General Obligation Bond.
- Cash from investing activities is interest earned on cash in bank and cash invested through the Los Angeles County pool.

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, 2003

(Continued)

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2003, the District had over \$61.8 million invested in net capital assets. Total capital assets of \$86.8 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 \$24.9 million. Significant capital asset additions of \$16.8 million, which is mainly construction in progress totaling \$14.7 million and equipment totaling \$2.1 million, occurred during 2002-03. Depreciation expense of \$.9 million was recorded for the fiscal year.

Capital additions primarily comprise replacement, renovation and new construction related to buildings and the energy project, as well as significant investments in equipment, including information technology.

Construction in progress during 2002-03 included the Campus-Wide Energy Conservation Program. Phase I of the Energy Project is complete and Phase II is 80% complete. Other construction in progress includes the Livestock Pavilion and Farm Technology Equipment Building (dedication was held on October 3, 2003); Science Complex; Health Careers Center; Language Center; 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>2003</u>	<u>2002</u>	<u>Change</u>
Land	\$ 619	\$ 619	0.00%
Buildings and improvements	38,231	38,599	-0.95%
Equipment	3,721	2,172	71.32%
Construction in progress	19,295	4,546	324.44%
Net Capital assets	<u>\$61,866</u>	<u>\$45,936</u>	34.68%

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2003

(Continued)

Debt

At June 30, 2003, the District had \$41.6 million in debt, primarily due to the \$40 million in general obligation bonds issued in May 2002. 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 84% 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 11% of the District's total debt.

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

	(in thousands)		
	<u>2003</u>	<u>2002</u>	<u>Change</u>
Long-term debt			
Capital leases	\$ 327	\$ 462	-29.22%
Loans payable	1,744	2,101	-16.99%
General Obligation Bonds	34,805	40,000	-12.99%
Supplemental Employee Retirement Plan	<u>4,732</u>	<u>-</u>	100.00%
Total long-term debt	41,608	42,563	-2.24%
Less current portion	<u>(7,088)</u>	<u>(5,530)</u>	28.17%
Long term portion	<u>\$34,520</u>	<u>\$37,033</u>	-6.79%

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2003

(Continued)

Economic Factors that May Affect the Future

As of June 30, 2003, 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 2002-03, the District was able to increase total net assets by \$2.9 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 November 19, 2003, the Board of Trustees approved the issuance of Series "B" General Obligation Bonds in the amount of \$75 million, which should be issued sometime in mid February, 2004.

BASIC FINANCIAL STATEMENTS

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET ASSETS

June 30, 2003

	<u>Primary Government</u>	<u>Component Unit Auxiliary Services</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 59,035,981	\$
Accounts receivable, net	3,768,148	345,422
Due from Auxiliary Services	846,571	
Due from the District		121,117
Inventories	75,000	1,273,236
Prepaid expenses and deposits		14,386
Total Current Assets	<u>63,725,700</u>	<u>1,754,161</u>
Non-Current Assets:		
Restricted cash and cash equivalents	4,824,852	
Cash investment for Auxiliary Services		1,981,370
Notes receivable		103,800
Student loans receivable, net	219,425	
Capital assets, net of accumulated depreciation	<u>61,866,118</u>	<u>439,362</u>
Total Non-Current Assets	<u>66,910,395</u>	<u>2,524,532</u>
TOTAL ASSETS	<u>\$ 130,636,095</u>	<u>\$ 4,278,693</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Bank overdraft	\$	\$ 448,446
Accounts payable	6,767,671	223,009
Accrued liabilities	6,848,913	477,780
Due to Auxiliary Services	131,702	49,865
Deferred revenue	2,591,132	109,807
Compensated absences	2,228,156	
Due to the District		8,870
Amount held in trust for others	2,967,187	
Supplemental employee retirement plan payable- current portion	946,329	
Capital leases - current portion	97,710	
Notes payable - current portion	188,977	
Bond payable - current portion	<u>5,855,000</u>	
Total Current Liabilities	<u>28,622,777</u>	<u>1,317,777</u>
Non-Current Liabilities:		
Supplemental employee retirement plan payable	3,785,318	
Capital leases	229,505	
Notes payable	1,555,484	
Bond payable	<u>28,950,000</u>	
Total Non-Current Liabilities	<u>34,520,307</u>	<u>-</u>
TOTAL LIABILITIES	<u>63,143,084</u>	<u>1,317,777</u>
NET ASSETS		
Invested in capital assets, net of related debt	43,857,370	439,362
Restricted for:		
Scholarships and loans	1,160	
Capital projects	10,567,299	
Debt service	959,461	
Other special services	1,649,070	
Unrestricted	<u>10,458,651</u>	<u>2,521,554</u>
TOTAL NET ASSETS	<u>67,493,011</u>	<u>2,960,916</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 130,636,095</u>	<u>\$ 4,278,693</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, 2003

	Primary Government	Component Unit Auxiliary Services
OPERATING REVENUES		
Enrollment, tuition and other fees (gross)	\$ 10,507,170	\$
Less: Scholarship discounts and allowances	1,941,471	
Net enrollment, tuition and other fees	12,448,641	
Grants and contracts, non-capital:		
Federal	13,953,325	
State	8,969,166	
Local	3,271,298	
Auxiliary enterprise sales and charges, net		3,264,440
TOTAL OPERATING REVENUES	38,642,430	3,264,440
OPERATING EXPENSES		
Salaries	77,539,532	1,975,346
Employee benefits	21,588,781	453,714
Supplies, materials and other operating expenses and services	16,183,616	725,634
Financial aid	10,909,632	
Utilities	3,855,786	
Depreciation	891,796	138,213
TOTAL OPERATING EXPENSES	130,969,143	3,292,907
OPERATING LOSS	(92,326,713)	(28,467)
NON-OPERATING REVENUES (EXPENSES)		
State apportionments, non-capital	49,406,667	
Local property taxes	40,607,630	
District fees		244,858
State taxes and other revenues	3,814,503	
Interest expense	(1,917,601)	
Investment income, net	1,265,378	119,823
TOTAL NON-OPERATING REVENUES (EXPENSES)	93,176,577	364,681
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS OR (LOSSES)	849,864	336,214
OTHER REVENUES, EXPENSES GAINS OR (LOSSES)		
State apportionments, capital	906,223	
Gifts, capital	1,200,000	
TOTAL OTHER REVENUES, EXPENSES, GAINS OR (LOSSES)	2,106,223	-
INCREASE IN NET ASSETS	2,956,087	336,214
NET ASSETS, BEGINNING OF YEAR, AS PREVIOUSLY REPORTED	64,536,924	2,710,016
Adjustment for Restatement		(85,314)
NET ASSETS, BEGINNING OF YEAR, AS RESTATED	64,536,924	2,624,702
NET ASSETS, END OF YEAR	\$ 67,493,011	\$ 2,960,916

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, 2003**

	<u>Primary Government</u>	<u>Component Unit Auxiliary Services</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Enrollment, tuition and fees	\$ 12,443,205	\$
Federal grants and contracts	15,277,172	
State grants and contracts	7,222,464	
Local grants and contracts	2,870,706	196,076
Sales		9,069,271
Fees and other contracts		28,004
Payments to suppliers	(17,611,845)	(2,397,891)
Payments to/on-behalf of employees	(97,372,586)	(6,662,582)
Payments to/on-behalf of students	(10,623,888)	
Other receipts/(payments)	<u>(125,435)</u>	
Net cash provided/(used) by operating activities	<u>(87,920,207)</u>	<u>232,878</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
State apportionments and receipts	51,995,245	
Property taxes	40,296,114	
Grants and gifts for other than capital purposes	<u>3,879,431</u>	
Net cash provided by non-capital financing activities	<u>96,170,790</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
State apportionment for capital purposes	2,738,161	
Grants and gifts for capital purposes	(191,917)	
District fees		496,620
Purchase of capital assets	(15,632,725)	(218,772)
Principal paid on capital debt	(5,505,593)	
Interest paid on capital debt	(1,867,988)	
Interest on capital investments	<u>926,790</u>	
Net cash provided/used by capital and related financing activities	<u>(19,533,272)</u>	<u>277,848</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	<u>607,539</u>	<u>119,823</u>
Net cash provided by investing activities	<u>607,539</u>	<u>119,823</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(10,675,150)	630,549
CASH BALANCE - Beginning of Year	<u>74,535,983</u>	<u>902,375</u>
CASH BALANCE - End of Year	<u><u>\$ 63,860,833</u></u>	<u><u>\$ 1,532,924</u></u>
SUPPLEMENTAL DISCLOSURES		
Noncash financing transaction:		
Equipment contribution	<u><u>\$ 1,200,000</u></u>	<u><u>\$ -</u></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, 2003**

	<u>Primary Government</u>	<u>Component Unit Auxiliary Services</u>
Reconciliation of Net Loss to <u>Net Cash Provided/(Used) by Operating Activities</u>		
CASH USED BY OPERATING ACTIVITIES		
Operating income loss	\$ (92,326,713)	\$ (28,467)
Adjustments to reconcile net loss to net cash provided/ (used) by operating activities:		
Depreciation expense	891,796	138,213
Changes in assets and liabilities:		
Receivables, net	2,780,817	467,089
Notes receivable		(103,800)
Due from District		30,740
Due from other funds	(16,285)	
Inventory		207,975
Prepaid expenses		4,209
Accounts payable	(948,736)	(517,379)
Accrued liabilities	(1,848,150)	(6,993)
Due to District	(367,779)	19,073
Deferred revenue	(715,235)	
Compensated absences	(101,569)	19,090
Supplemental employee retirement plan payable	4,731,647	
Deposits held in custody for others		3,128
Net cash provided/(used) by operating activities	<u>\$ (87,920,207)</u>	<u>\$ 232,878</u>

See the accompanying notes to the financial statements.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS - COMPONENT UNIT

June 30, 2003

	<u>Auxiliary Services</u>	
	<u>Student Loans and Scholarship Fund</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 166,333	\$ 3,000,058
Cash with the District		985,817
Accounts receivable	15,274	184,302
Due from the District		10,585
Prepaid expenses and deposits		810
TOTAL ASSETS	<u>\$ 181,607</u>	<u>\$ 4,181,572</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Bank overdraft	\$	\$ 79,900
Accounts payable	73	
Other accrued liabilities		1,812
Deferred revenue		1,195,724
Due to the District		796,706
Compensated absences		27,900
Amount held in trust for others		2,079,530
TOTAL LIABILITIES	<u>73</u>	<u>4,181,572</u>
NET ASSETS		
Reserved for scholarships	118,449	
Reserved for loans	63,085	
TOTAL NET ASSETS	<u>181,534</u>	<u>-</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 181,607</u>	<u>\$ 4,181,572</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, 2003

	<u>Auxiliary Services</u> <u>Student Loans</u> <u>and Scholarship</u> <u>Fund</u>
ADDITIONS	
Donations	\$ 323,841
TOTAL ADDITIONS	<u>323,841</u>
DEDUCTIONS	
Scholarships awarded	277,492
Miscellaneous expense	<u>7,806</u>
TOTAL DEDUCTIONS	<u>285,298</u>
Change in Net Assets	38,543
NET ASSETS, BEGINNING OF YEAR	<u>142,991</u>
NET ASSETS, END OF YEAR	<u>\$ 181,534</u>

See the accompanying notes to the financial statements.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. REPORTING ENTITY

In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles (GAAP) and GASB Statement No. 14. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the Board of Trustee's ability to exercise oversight responsibility. A second criterion used in evaluating potential component units is the scope of public service. A third criterion used to evaluate potential component units is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities.

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 Board of Directors are elected independent of any District Board of Director's appointments. The Board is responsible for approving its own budget and accounting and finance related activities.

Based upon the application of the criteria above, the following potential component unit has been included as part of 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.

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

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2003

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

B. FINANCIAL STATEMENT PRESENTATION

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), 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 \$269,114 on June 30, 2003, 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, 2003

(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, 2003

(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.

3. Due from Auxiliary

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

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.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2003

(Continued)

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

C. BASIS OF ACCOUNTING: (continued)

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 and contracts 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 as well as renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Interest incurred during construction is not capitalized.

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.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2003

(Continued)

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

C. BASIS OF ACCOUNTING: (continued)

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 \$6,580,177 and accrued interest payable of \$268,736. 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 financial aid programs, the Bursar's Office and Performing Arts.

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.

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.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2003

(Continued)

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

C. BASIS OF ACCOUNTING: (continued)

12. Compensated Absences (continued)

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 and 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.

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.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2003

(Continued)

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

C. BASIS OF ACCOUNTING: (continued)

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 2004 will be recorded in the year computed by the State.

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 Government-wide 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 \$1,923,000 for STRS and \$20,400 for PERS.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2003

(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, 2003

(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, 2003, consisted of the following:

Deposits:

Cash on Hand and in Banks	\$ 53,737
Cash in Revolving Fund	10,000
Cash Collections Awaiting Deposit	4,504,802

Pooled Funds (not required to be categorized)

Cash in County Treasury	59,292,294
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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, 2003

(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, 2003, as provided by the pool sponsor, was \$59,360,561. 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, 2003, 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	\$115,121	\$	\$219,361	\$334,482	\$ 53,737
Cash in Revolving Fund	8,953			8,953	10,000
Cash Collections Awaiting Deposit	<u>0</u>	<u>—</u>	<u>167,382</u>	<u>167,382</u>	<u>4,504,802</u>
Total	<u>\$124,074</u>	<u>\$ 0</u>	<u>\$386,743</u>	<u>\$510,817</u>	<u>\$4,568,539</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, 2003

(Continued)

NOTE 3 – ACCOUNTS RECEIVABLE:

The accounts receivable balance as of June 30, 2003 consists of the following:

Federal and State	\$ 731,454
Miscellaneous	3,036,694

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, 2003:

	<u>Balance</u> <u>July 1, 2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2003</u>
Land	\$ 619,480	\$	\$	\$ 619,480
Site and site improvements	58,634,544			58,634,544
Equipment	6,217,386	2,072,533		8,289,919
Construction in progress	<u>4,546,269</u>	<u>14,748,941</u>		<u>19,295,210</u>
Total Cost	<u>70,017,679</u>	<u>16,821,474</u>		<u>86,839,153</u>
Site and site improvements	(20,035,622)	(368,572)		(20,404,194)
Equipment	<u>(4,045,617)</u>	<u>(523,224)</u>		<u>(4,568,841)</u>
Total Accumulated Depreciation	<u>(24,081,239)</u>	<u>(891,796)</u>		<u>(24,973,035)</u>
Net Capital Assets	<u>\$45,936,440</u>	<u>\$15,929,678</u>	<u>\$</u>	<u>\$ 61,866,118</u>

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2003

(Continued)

NOTE 6 – CAPITAL LEASES:

The District leases equipment valued at approximately \$624,400 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>
2003-04	\$ 97,710	\$ 12,868	\$110,578
2004-05	81,058	8,805	89,863
2005-06	77,598	5,041	82,639
2006-07	<u>70,849</u>	<u>1,498</u>	<u>72,347</u>
Total	<u>\$327,215</u>	<u>\$ 28,212</u>	<u>\$355,427</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. None of these agreements contain purchase options. Future minimum lease payments under these agreements are as follows:

<u>Fiscal Year</u>	<u>Lease Payment</u>
2003-04	\$288,436
2004-05	223,670
2005-06	136,402
2006-07	<u>126,852</u>
Total	<u>\$775,360</u>

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, 2003

(Continued)

NOTE 8 - LOANS PAYABLE:

A. City of Walnut

The District has entered into an agreement 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 2002-03, the District repaid \$15,867 to the City, and received \$5,874 in facility usage credit. The remaining balance of \$469,768 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>
2004	\$133,314	\$ 20,313	\$ 153,627
2005	137,396	16,231	153,627
2006	141,549	12,078	153,627
2007	145,827	7,800	153,627
2008	<u>150,229</u>	<u>3,398</u>	<u>153,627</u>
	<u>\$708,315</u>	<u>\$ 59,820</u>	<u>\$ 768,135</u>

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2003

(Continued)

NOTE 8 - LOANS PAYABLE: (continued)

B. California Energy Commission (continued)

On July 20, 2001 the District entered into a loan agreement for \$647,136 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>
2004	\$ 55,663	\$ 16,623	\$ 72,286
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
2009-2012	<u>270,558</u>	<u>18,587</u>	<u>289,145</u>
	<u>\$566,378</u>	<u>\$ 84,197</u>	<u>\$650,575</u>

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2003

(Continued)

NOTE 9 - BONDED DEBT:

The bonds are the first series of an authorization of \$221 million approved by District voters on November 6, 2001. 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, 2003 is:

<u>Date of Issue</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2002</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2003</u>
5/1/02 A	3.25-5.50%	5/1/2027	\$40,000,000	\$40,000,000	\$ 0	\$ 5,195,000	\$34,805,000

The annual requirements to amortize all bonds payable, outstanding as of June 30, 2003, are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
General obligation funds:			
2004	\$ 5,855,000	\$ 1,612,418	\$ 7,467,418
2005	1,155,000	1,422,131	2,577,131
2006	1,140,000	1,384,593	2,524,593
2007	1,125,000	1,347,544	2,472,544
2008	1,115,000	1,308,169	2,423,169
2009-2013	5,615,000	5,791,694	11,406,694
2014-2018	6,035,000	4,280,032	10,315,032
2019-2023	6,725,000	2,586,151	9,311,151
2024-2027	<u>6,040,000</u>	<u>765,000</u>	<u>6,805,000</u>
Totals	<u>\$34,805,000</u>	<u>\$20,497,732</u>	<u>\$55,302,732</u>

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2003

(Continued)

NOTE 10 – LONG-TERM DEBT:

A schedule of changes in long-term debt for the year ended June 30, 2003 is shown below:

	Balance <u>July 1, 2002</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2003</u>
Capital Leases	\$ 462,385	\$	\$ 135,170	\$ 327,215
Loan Payable	491,509		21,741	469,768
Energy Loans Payable	1,609,753		335,060	1,274,693
Bonds	40,000,000		5,195,000	34,805,000
Supplemental Employee Retirement Plan	<u> </u>	<u>4,782,837</u>	<u>51,190</u>	<u>4,731,647</u>
Totals	<u>\$42,563,647</u>	<u>\$ 4,782,837</u>	<u>\$ 5,738,161</u>	<u>\$41,608,323</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, 2003

(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 2002-03 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 2002-03 was 2.894% through January 31, 2003 and 2.771% effective February 1, 2003 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, 2003

(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	
	Required Contribution	Percent Contributed	Required Contribution	Percent Contributed
2001	\$2,587,961	100%	\$ 0	100%
2002	2,972,982	100%	0	100%
2003	3,488,449	100%	641,332	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 \$642,305 during the fiscal year. The total amount of covered compensation was \$8,564,065. Total contributions made is 100% of the amount of contributions required for fiscal year 2002-03.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2003

(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. The employee's contributions amounted to \$412,487 for 2002-03. At June 30, 2003, there were 462 retirees participating in the plan. The District budgeted \$2,500,856 for these benefits in 2002-03. In 2002-03, the District did not contribute to the Retiree Medical Insurance reserve, and has not budgeted a contribution for 2003-04.

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 over the next five years totaling \$4,731,647 with \$946,329 due during 2003-04. The total liability has been reflected in these financial statements.

The savings for the first year of the plan is estimated at \$2.4 million, with additional savings for the next five years.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2003

(Continued)

NOTE 14 - JOINT POWERS AGREEMENT:

The Mt. San Antonio Community College District participates in four joint powers agreement (JPA) entities; the Alliance of Schools for Cooperative Insurance Programs (ASCIP); the Southern California Community College District Joint Powers Agency (SCCCD-JPA); the Schools Excess Liability Fund (SELF); and the 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 fund 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, 2003

(Continued)

NOTE 14 - JOINT POWERS AGREEMENT: (continued)

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 newly formed JPA and financial information is not yet available.

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

	ASCIP 6/30/2003 <u>(Unaudited)</u>	SCCCD-JPA 6/30/2003 <u>(Audited)</u>	SELF 6/30/2002 <u>(Audited)</u>	
		Workers Compensation Insurance <u>Fund</u>	Retiree Health Insurance <u>Fund</u>	
Total assets	\$80,514,569	\$16,811,597	\$61,221,932	\$112,123,757
Total liabilities	<u>45,409,240</u>	<u>970,142</u>	<u>11,268</u>	<u>64,483,431</u>
Retained earnings	<u>\$35,105,329</u>	<u>\$15,841,455</u>	<u>\$61,210,664</u>	<u>\$ 47,640,326</u>
Total revenues	\$48,632,152	\$ 4,664,646	\$ 5,323,854	\$ 25,828,579
Total expenditures	<u>33,766,606</u>	<u>5,047,588</u>	<u>52,345</u>	<u>11,022,709</u>
Net increase in retained earnings	<u>\$14,865,546</u>	<u>\$ (382,942)</u>	<u>\$ 5,271,509</u>	<u>\$ 14,805,870</u>

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2003

(Continued)

NOTE 15 – FUNCTIONAL EXPENSE:

	<u>Salaries</u>	<u>Employee Benefits</u>	<u>Supplies, Material & Other Expenses & Services</u>	<u>Other Outgo/Uses</u>	<u>Depreciation</u>	<u>Total</u>
Instructional	\$46,120,438	\$11,406,223	\$ 5,315,405	\$ 36,444	\$	\$ 62,878,510
Academic Support	8,110,544	1,746,101	1,850,492	5,236		11,712,373
Student Services	7,702,453	1,829,239	1,428,938	70,932		11,031,562
Operation & Maint. of Plant	4,770,224	1,444,280	4,614,976			10,829,480
Institutional Support	7,481,696	4,411,904	3,612,166			15,505,766
Com Svcs and Econ Devt	664,649	95,146	508,970			1,268,765
Ancillary Svcs., Auxiliary Op	2,630,971	652,195	1,022,480	190,094		4,495,740
Student Aid				10,909,632		10,909,632
Other Outgo	58,557	3,693	1,383,269			1,445,519
Depreciation Expense					<u>891,796</u>	<u>891,796</u>
Total	<u>\$77,539,532</u>	<u>\$21,588,781</u>	<u>\$19,736,696</u>	<u>\$11,212,338</u>	<u>\$ 891,796</u>	<u>\$130,969,143</u>

NOTE 16 - COMMITMENTS AND CONTINGENCIES:

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.

SUPPLEMENTARY INFORMATION

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

HISTORY AND ORGANIZATION

June 30, 2003

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>
Gayle Pacheco	President	November 30, 2003
Fred Chyr	Vice President	November 30, 2003
David Hall	Clerk	November 30, 2005
Manual Baca	Member	November 30, 2003
Judy Chen Haggerty	Member	November 30, 2005
Victor Prado	Student Trustee (Effective October 2003)*	June 30, 2004

*The student trustee position was vacant during fiscal year end June 30, 2003.

DISTRICT EXECUTIVE OFFICERS

Christopher C. O'Hearn	President/CEO
Dr. Rita L. Cavin	Vice President, Instruction
Nancy M. Rice	Vice President, Administrative Services
Dr. Audrey Yamagata-Noji	Vice President, Student Services
Karen Meyers	Vice President, Community Education & Economic Development
Dr. Pat Rasmussen	Vice President, Institutional Advancement
Wade Frary	Vice President, Human Resources
Dr. Jerry Nogy	Vice President, Information and Educational Technology

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2003

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures
Federal Categorical Aid Programs:			
Department of Education:			
Adult Basic Education	84.002	03303	\$ 1,262,852
SEOG	84.007	(1)	523,542
Strengthening Institutions Program	84.031	(1)	477,383
Federal Work Study	84.033	(1)	386,673
Vocational and Applied Technology Education Act	84.048	03578	1,223,506
Pell	84.063	(1)	8,305,726
Veterans Education	84.065	(1)	3,353
FIPSE Adjunct Faculty Staff Development Program			1,137
BECCA Counsel and Guidance			10,000
TANF	84.000	(1)	106,643
Enhanced Mentor Program	84.000		121,310
Americorps	94.006		58,240
Foster Care			8,500
Administrative Expenses	84.000	(1)	20,365
Sub-Total Department of Education			<u>12,509,230</u>
Department of Health & Human Services :			
Maternal & Child Care Health Services Block Grant to States	93.994	(1)	323,067
Centers of Excellence			186,917
			<u>509,984</u>
Department of Agriculture:			
Parent in School Program			59,000
Child Nutrition Program	10.555	03755	52,078
			<u>111,078</u>
Department of Labor:			
Job Training and Partnership Act (JTPA)	17.250	03422	243,887
National Science Foundation:			
Pre-service Science Class			14,817
Histologic Technician Program	47.076	(1)	157,741
Sub-Total National Science Foundation			<u>172,558</u>
Small Business Development Center:			
Small Business Development Center	59.037	(1)	406,588
Total Federal Grants			<u>\$ 13,953,325</u>
Student Financial Aid Loan Programs:			
<u>Loans Outstanding</u>			
Mt. San Antonio Community College District had the following loan balance outstanding as of 6/30/03:			
Perkins Program	84.038		\$ 219,425
<u>Federal Direct Loan Program</u>			
During the fiscal year ended June 30, 2003, the Mt. San Antonio Community College District processed the following amounts of new loans under the William D. Ford Program:			
	84.268		\$ 487,286
Total Student Financial Aid Loan Programs			<u>\$ 706,711</u>

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

See the accompanying notes to the supplementary information.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF STATE FINANCIAL ASSISTANCE - GRANTS

For the Fiscal Year Ended June 30, 2003

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	\$ 0	\$ 62,277	\$ 62,277	\$ 37,294	\$ 20,946	\$	\$ 58,240	\$ 58,240
Articulation	5,000	534	5,534	5,534		0	5,534	5,534
Block Grant		425,099	425,099	425,098		409,280	15,818	15,818
Cal Works	110,904	589,051	699,955	691,679		40,877	650,802	650,802
Child Care Tax Bailout	153,625		153,625	153,625			153,625	153,625
Child Development Consortium	11,216		11,216	10,700		277	10,423	10,423
Child Nutrition Program	3,500		3,500	3,500			3,500	3,500
Disabled Student Program Services	1,448,961	33,171	1,482,132	1,483,281		61,203	1,422,078	1,422,078
Economic Development	234,728	8,042	242,770	200,074	19,180		219,254	219,254
Ednet Funds		12,616	12,616		12,616		12,616	12,616
EOPS-CARE	125,194	20,810	146,004	159,787		33,015	126,772	126,772
Extended Opportunity Program and Services	686,013		686,013	782,900		99,341	683,559	683,559
Foster Parent Training Program	8,500		8,500	8,500			8,500	8,500
Full Day Preschool	74,825		74,825	74,825			74,825	74,825
General Child Care	330,209		330,209	330,209			330,209	330,209
Infant and Toddler Child Care	12,524		12,524	12,524			12,524	12,524
Infant and Toddler Playground	8,137		8,137	8,137			8,137	8,137
Instructional Equipment	1,026,258		1,026,258	405,623			405,623	405,623
Matriculation	1,301,684	92,605	1,394,289	555,223			555,223	555,223
Mental Health Worker Certification	10,658		10,658	10,658			10,658	10,658
Parent in School	59,000		59,000	59,000			59,000	59,000
Staff Development	27,258	43,365	70,623	70,623		27,572	43,051	43,051
State Preschool	69,617		69,617	69,617			69,617	69,617
Student Success (GAP)	100,550		100,550	100,551		1,211	99,340	99,340
TANF		2,440	2,440	2,440			2,440	2,440
Teacher Reading Development	275,000	9,977	284,977	216,227		20,247	195,980	195,980
TTIP Grant	95,800	237,525	333,325	355,479		68,097	287,382	287,382
Total State Programs	\$ 6,179,161	\$ 1,537,512	\$ 7,716,673	\$ 6,233,108	\$ 52,742	\$ 761,120	\$ 5,524,730	\$ 5,524,730

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, 2003

Categories

A.	Credit Full-Time Equivalent Students	
	1. Weekly census	16,113.07
	2. Daily census	913.37
	3. Actual hour of attendance	377.20
	4. Independent study/work experience	458.08
	5. Summer intersession	2,971.95
	Total	<u>20,833.67</u>
B.	Non-Credit FTES	
	1. Actual hour of attendance	3,215.18
	2. Summer intersession	1,454.06
	Total	<u>4,669.24</u>
C.	Gross Square Footage	
	Existing facilities	<u>1,208,417</u>
D.	FTES in Leased Facilities	<u>399.77</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, 2003

The audit resulted in no adjustments to the fund balances reported on the June 30, 2003 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) 2004		2003		2002		2001	
	Amount	%	Amount	%	Amount	%	Amount	%
GENERAL FUND:								
Revenue								
Federal	\$ 2,219,068	2.07	\$ 4,626,305	4.11	\$ 3,530,117	3.10	\$ 2,876,515	2.77
State	50,967,640	47.64	60,109,841	53.39	63,620,418	55.94	61,264,412	58.96
County and Local	50,665,095	47.36	47,573,885	42.26	46,097,780	40.54	43,826,017	42.18
Total Revenue	<u>103,851,803</u>	<u>97.07</u>	<u>112,310,031</u>	<u>99.76</u>	<u>113,248,315</u>	<u>99.58</u>	<u>107,966,944</u>	<u>103.91</u>
Expenditures								
Academic Salaries	44,564,842	41.66	48,078,425	42.71	48,641,609	42.78	41,591,053	40.03
Classified Salaries	25,413,422	23.75	28,282,422	25.12	27,660,610	24.32	24,412,166	23.49
Employee Benefits	18,981,066	17.74	16,609,692	14.75	15,798,944	13.89	13,875,520	13.35
Supplies and Materials	3,322,414	3.11	3,113,487	2.77	3,186,411	2.80	3,228,417	3.11
Other Operating Expenses and Services	11,826,152	11.05	11,572,926	10.28	13,261,222	11.66	13,072,015	12.58
Capital Outlay	2,594,380	2.43	3,580,488	3.18	3,052,344	2.69	4,915,901	4.73
Other Uses	282,245	0.26	1,343,794	1.19	2,118,540	1.86	2,812,703	2.71
Total Expenditures	<u>106,984,521</u>	<u>100.00</u>	<u>112,581,234</u>	<u>100.00</u>	<u>113,719,680</u>	<u>100.00</u>	<u>103,907,775</u>	<u>100.00</u>
Other Financing Sources	<u>2,000,000</u>	<u>1.87</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>261</u>	<u>0.00</u>
Change in Fund Balance	<u>\$ (1,132,718)</u>	<u>(1.06)</u>	<u>\$ (271,203)</u>	<u>(0.24)</u>	<u>\$ (471,365)</u>	<u>(0.42)</u>	<u>\$ 4,059,430</u>	<u>3.91</u>
Ending Fund Balance	<u>\$ 13,502,948</u>	<u>12.62</u>	<u>\$ 14,635,666</u>	<u>13.00</u>	<u>\$ 14,906,869</u>	<u>13.11</u>	<u>\$ 15,378,234</u>	<u>14.80</u>
Available Reserve Balance	<u>\$ 5,603,321</u>	<u>5.24</u>	<u>\$ 6,385,746</u>	<u>5.67</u>	<u>\$ 5,628,238</u>	<u>4.95</u>	<u>\$ 9,271,820</u>	<u>8.92</u>
Full-time Equivalent Students	<u>24,960</u>		<u>25,503</u>		<u>25,986</u>		<u>23,459</u>	
Total Long-Term Debt	<u>\$ 34,520,307</u>		<u>\$ 41,608,323</u>		<u>\$ 42,563,647</u>		<u>\$ 660,152</u>	

IMPORTANT NOTES:

Available reserve balance is the amount designated for general reserve and any other remaining undesignated amounts in the General Fund. The 2004 Budget reserve balance was estimated using the ending General Fund Balance less 2003 actual amounts reserved, restricted or designated for other purposes.

All percentages are of total expenditures.

The 2004 budget is the Plan and Budget adopted by the Board of Trustees on September 24, 2003.

The California Community College Chancellor's Office has provided guidelines that recommend an ending fund balance of 3% of expenditures as a minimum, with a prudent ending fund balance being 5% of 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.

See the accompanying notes to the supplementary information.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

NOTES TO THE SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2003

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, 2003 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 report is prepared to show financial trends of the General Fund over the past three fiscal years as well as the current year budget. This report is intended to identify if the District faces potential fiscal problems and if they have met the recommended available reserve percentages.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

**NOTES TO THE SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2003**

(Continued)

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS:

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

Child Development Fund:	
Supplies, Materials and Other Operating Expenses and Services	\$ 1,479
Special Reserve Fund #1 for Capital Projects:	
Classified Salaries	69,528
Employee Benefits	4,453
Supplies and Materials	96,674
Special Reserve Fund #2 for Capital Projects:	
Other Outgo	15,867
Building Fund:	
Supplies and Materials	10,606
Other Operating Expenses and Services	95,977



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

Chairman

ROYCE A. STUTZMAN

Partners

PETER F. GAUTREAU

RENÉE S. GRAVES

WADE N. McMULLEN

KARIN HECKMAN NELSON

CARL PON

MARY ANN QUAY

LINDA M. SADDLEMIRE

Principal

JERI A. WENGER

Senior Managers

TIMOTHY D. EVANS

PHEBE M. MCCUTCHEON

GEMA M. PTASINSKI

ARVEE ROBINSON

COLLEEN K. TAYLOR

DEAN WEST

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, 2003, and have issued our report thereon dated October 2, 2003. 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.

Compliance

As part of obtaining reasonable assurance about whether Mt. San Antonio Community College District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 noncompliance that are required to be reported under Government Auditing Standards.

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 opinion on the combined general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal



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

(Continued)

Internal Control Over Financial Reporting (continued)

control over financial reporting and its operation that we consider to be a reportable condition. 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. The reportable condition is described in the accompanying schedule of findings and questioned costs related to the general purpose financial statements.

A material weakness is a 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 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.

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 2, 2003



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

Chairman

ROYCE A. STUTZMAN

Partners

PETER F. GAUTREAU

RENÉE S. GRAVES

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COLLEEN K. TAYLOR

DEAN WEST

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

Compliance

We have audited the compliance of Mt. San Antonio Community College District 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, 2003. 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, 2003.

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.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Mt. San Antonio Community College District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 03-2.

A material weakness is a 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 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. Our consideration of the internal control over compliance 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.

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

(Continued)

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 2, 2003



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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, 2003, and have issued our report thereon dated October 2, 2003.

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 2003 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 resident students is claimed for apportionment purposes.



REPORT ON STATE COMPLIANCE

(Continued)

- Whether the District has claimed for apportionment purposes only the attendance of students actively enrolled in a course section as of the census date.
- 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 matriculation activities and that all matriculation expenditures are consistent with the District's State approved matriculation plan. Also, whether the District used the State matriculation allocation to expand levels of services that were in place in 1986-87 or to add entirely new services.
- Whether the District's salaries of instructors teaching FTES generating classes, school counselors providing academic advisement, and financial aid officers conducting need analysis tests, are not considered supportable charges against either Extended Opportunity Programs and Services (EOPS) or Disabled Student Program Services (DSPS) accounts unless their activities require them to perform additional functions for the EOPS or DSPS 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 EOP&S Director/Administrator from funds other than EOP&S. In addition, the District must employ a full-time 100% Director to manage the daily operations of the EOP&S program unless a waiver has been obtained.
- Whether the Gann Limit Calculation was properly supported by adequate documentation and approved by the governing board.
- 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 at least one dollar of District funds for each dollar 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.

REPORT ON STATE COMPLIANCE

(Continued)

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

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

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

VICENTI, LLOYD & STUTZMAN LLP

October 2, 2003

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

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

June 30, 2003

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? X Yes None reported

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

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

Identification of major programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.007, 84.033 and 84.063	Student Financial Assistance Cluster of Programs
47.076	Histologic Technician Program
59.037	Small Business Development Center
93.994	Maternal and Child Health Services Block Grant to States – Prenatal Education

Dollar threshold used to distinguish between Type A
and Type B programs: \$ 418,600

Auditee qualified as low-risk auditee? X Yes No

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

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

June 30, 2003

FINDING 03-1 CAPITAL ASSETS

Finding: During our testing of District capital assets we noted the following concerns related to the recording of and 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 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.

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.
- 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.

District Response:

- Sales tax and any other costs directly associated with getting an asset to its requestor will be included in the total purchase price of the asset. Costs are currently being entered manually into the Escape Fixed Asset Program, which procedure will continue for the foreseeable future.
- The District is in the process of contracting with a third-party consultant to update the inventory previously done by VRM. Once the update is complete, District staff will perform a manual reconciliation with the findings to assure the accuracy of the physical asset inventory. This project is scheduled to be completed by June 2004.
- Parking lot improvements and all other site improvements for which we have historical records and that exceed \$150,000 in construction value will be manually added to the Fixed Asset Program. Current and upcoming projects will be similarly accounted for.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

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

June 30, 2003

FINDING 03-2 – STUDENT FINANCIAL AID

Prior Year Finding Number 02-1

Federal Program: Student Financial Assistance Cluster

Federal Catalog Number: 84.007, 84.033, 84.038, 84.063 and 84.268

Finding: During our review of the Student Financial Aid Fund we noted the following issues:

- 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 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.

Questioned Costs: Not Applicable

Recommendation:

- 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.

District Response: Effective July 1, 2003, the responsibility for Financial Aid accounting was transferred from Auxiliary Services to the District. The District will be setting up procedures to ensure the proper accounting and review of all Federal and State Financial Aid funds. These funds will be reconciled on a monthly basis.

The District will continue to work with Auxiliary Services to reconcile outstanding balances and to closeout the prior year's general ledger.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2003

<u>Original Finding No.</u>	<u>Finding</u>	<u>Code</u>	<u>Recommendation</u>	<u>Current Status</u>
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 and 84.063</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 financial aid department. Currently the bookkeeper posts all entries, issues manual checks, receives and distributes all checks, processes voids and completes the drawdown of Federal funds. • Return of Title IV funds and other over-awards to students are not recorded in the accounting records until payment is received. Because these amounts are never recorded, the reduction of expense is not properly recognized. A manual listing of amounts receivable is maintained. Based on this schedule, approximately \$66,000 was outstanding as of June 30, 2002 that is not reflected on the financial statements. The amount is considered immaterial, therefore an adjustment was not recorded. 		<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. • Any over-award to students should be recorded in the accounting records and shown as a reduction of expense. Additionally, a subsequent drawdown should be reduced by the amount of the overpayment. • Because of the complexity of the financial aid program and the stringent regulations related to its operation, the Auxiliary may not have adequate personnel resources to implement the recommendations noted above. The District may consider either providing oversight to the Auxiliary's operation of this program or may consider recording the activities of this fund directly on the district books and assuming the daily operation of this program. 	Partially implemented. See current year finding 03-2.

STATISTICAL SECTION

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT
SELECTED STATISTICAL INFORMATION (UNAUDITED)
June 30, 2003

Assessed valuation for fiscal year 2002-03	\$41,957,328,339	(2)
Secured tax levies for fiscal year 2002-03	\$ 9,757,066	(1)
Secured tax delinquencies for fiscal year 2002-03	\$ 398,561	(1)
Secured tax collections for fiscal year 2002-03	\$ 9,358,505	(1)

2002-03 LARGEST LOCAL SECURED TAXPAYERS
MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT (2)

<u>Property Owner</u>	<u>Land Use</u>	<u>2002-03 Assessed Valuation</u>	<u>% of Total</u>
1. James Campbell, Trust	Commercial	\$ 147,105,815	0.35%
2. Majestic Realty Co. and Patrician Associates	Industrial	137,307,429	0.33
3. Plaza West Covina LLC	Shopping Center	130,825,299	0.31
4. Santee Dairies Inc.	Industrial	99,490,304	0.24
5. PFG Park LP and Majestic Realty Co.	Industrial	83,320,111	0.20
6. Eastland Shopping Center LLC	Shopping Center	82,912,341	0.20
7. RVIP Puente Hills LLC	Commercial	72,515,880	0.17
8. RR and C Development Co.	Commercial	72,471,206	0.17
9. Krausz Puente LLC	Commercial	63,561,189	0.15
10. Industry East Land LLC, Lessee	Industrial	62,268,560	0.15
11. The Crest Essex LP	Apartments	59,553,370	0.14
12. Metropolitan Life Insurance Company	Office Building	54,904,443	0.13
13. Majestic Fullerton Rod LLC	Industrial	51,995,704	0.12
14. Copley Industry Gale No. 1 Associates	Industrial	44,224,614	0.11
15. Adcor Realty Corp.	Industrial	40,690,133	0.10
16. Aslan Arbor Heights LLC	Apartments	36,348,500	0.09
17. Kir Covina LP	Commercial	34,990,002	0.08
18. Tropicana Products Sales Inc.	Industrial	33,672,385	0.08
19. M and H Realty Partners IV LP	Shopping Center	32,689,426	0.08
20. Calwest Industrial Properties LLC	Industrial	<u>32,612,894</u>	<u>0.08</u>
		\$1,373,459,605	3.27%

Total 2002-03 Local Secured Assessed Valuation was \$41,957,328,339.

(1) Information obtained from the Los Angeles County Auditor-Controller's Office.
(2) Information obtained from California Municipal Statistics, Inc.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

SELECTED STATISTICAL INFORMATION (UNAUDITED)

For the Fiscal Year Ended June 30, 2003

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Revenue from Federal Sources			
Job Training Partnership Act	\$ 273,407	\$ 243,887	\$ (29,520)
Veteran's Education	-	3,353	3,353
VATEA	1,518,494	1,223,505	(294,989)
Other Federal Revenue	3,766,595	3,155,560	(611,035)
Revenue from State Sources			
General Apportionments	51,460,117	50,793,421	(666,696)
Categorical Apportionments	6,041,225	4,687,532	(1,353,693)
Other State Revenues	6,605,034	4,628,888	(1,976,146)
Revenue from Local Sources			
Property Taxes	30,356,013	32,545,711	2,189,698
Interest and Investment Income	600,000	483,739	(116,261)
Student Fees and Charges	11,972,062	11,685,272	(286,790)
Other Local Revenue	3,198,577	2,852,894	(345,683)
TOTAL REVENUES	<u>115,791,524</u>	<u>112,303,762</u>	<u>(3,487,762)</u>
EXPENDITURES			
Academic Salaries	49,804,673	48,078,425	1,726,248
Classified Salaries	29,709,105	28,282,422	1,426,683
Employee Benefits	19,322,136	16,609,692	2,712,444
Supplies and Materials	4,278,097	3,113,487	1,164,610
Other Operating Expenses & Services	14,441,279	11,514,825	2,926,454
Capital Outlay	4,464,326	3,484,292	980,034
TOTAL EXPENDITURES	<u>122,019,616</u>	<u>111,083,143</u>	<u>10,936,473</u>
Excess (deficiency) of revenues over expenditures	<u>(6,228,092)</u>	<u>1,220,619</u>	<u>7,448,711</u>
OTHER FINANCING SOURCES (USES)			
Interfund Transfers In	2,000,000	6,269	(1,993,731)
Interfund Transfers Out	(1,056,652)	(1,039,423)	17,229
Debt Service	(154,297)	(154,297)	-
Student Financial Aid	(391,467)	(304,371)	87,096
TOTAL OTHER FINANCING SOURCES (USES)	<u>397,584</u>	<u>(1,491,822)</u>	<u>(1,889,406)</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>\$ (5,830,508)</u>	<u>(271,203)</u>	<u>\$ 5,559,305</u>
Fund Balances at Beginning of Year		<u>14,906,869</u>	
Fund Balances at End of Year		<u>\$ 14,635,666</u>	