

**MT. SAN JACINTO
COMMUNITY COLLEGE DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2010

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

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MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Board of Trustees
Mt. San Jacinto Community College District
San Jacinto, California

We have audited the accompanying basic financial statements of Mt. San Jacinto Community College District (the District) as of and for the year ended June 30, 2010, and its discretely presented component unit, Mt. San Jacinto Community College Foundation (the Foundation), as listed in the Table of Contents. These basic 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. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Mt. San Jacinto Community College District and its discretely presented component unit as of June 30, 2010, and the respective changes in financial position and cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 16 to the financial statements, the State of California continues to suffer the effects of a recessionary economy, which directly impacts the funding formula of Mt. San Jacinto Community College District.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2010, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and is important for assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 11 and the Schedule of Other Postemployment Benefits (OPEB) Funding Progress on page 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the Table of Contents, including the Schedule of Expenditures of Federal Awards, which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis 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 Additional Supplementary Information on pages 80 through 87 has been presented at the request of District management for purposes of additional analysis. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Vaurinek, June Dreyfus Co. LLP

Rancho Cucamonga, California
November 23, 2010



Mt. San Jacinto Community College District
1499 N. State Street, San Jacinto, CA 92583

Roger Schultz
Superintendent/President

Board of Trustees
Eugene V. Kadow
Dorothy J. McGargill
Ann Motte
Gwen Schlange
Joan F. Sparkman

USING THIS ANNUAL REPORT

The purpose of this annual report is to provide readers with information about the activities, programs, and financial condition of the Mt. San Jacinto Community College District (the District) as of June 30, 2010. The report consists of three basic financial statements: the Statement of Net Assets; Statement of Revenues, Expenses, and Changes in Net Assets; and Statement of Cash Flows and provides information about the District as a whole. This section of the annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2010. Please read it in conjunction with the District's financial statements, which immediately follow this section. Responsibility for the completeness and accuracy of this information rests with District management.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Mt. San Jacinto Community College District's financial statements are presented in accordance with Governmental Accounting Standards Board Statements (GASB) No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and No. 35, *Basic Financial Statements - and Management Discussion and Analysis - for Public College and Universities*. These statements allow for the presentation of financial activity and results of operations which focuses on the District as a whole. The entity-wide financial statements present the overall results of operations whereby all of the District's activities are consolidated into one total versus the traditional presentation by fund type. The focus of the Statement of Net Assets is designed to be similar to the bottom line results of the District. This statement combines and consolidates current financial resources with capital assets and long-term obligations. The Statement of Revenues, Expenses, and Changes in Net Assets focuses on the costs of the District's operational activities with revenues and expenses categorized as operating and nonoperating, and expenses are reported by natural classification. The Statement of Cash Flows provides an analysis of the sources and uses of cash within the operations of the District.

The California Community Colleges Chancellor's Office has recommended that all State community colleges follow the Business-Type Activity (BTA) model for financial statement reporting purposes.

FINANCIAL HIGHLIGHTS

- The District's primary funding source is from apportionment received from the State of California. The primary basis of this apportionment is the calculation of Full-Time Equivalent Students (FTES). During the 2009-2010 fiscal year, total reported resident FTES were 13,023 as compared to 11,160 in the 2008-2009 fiscal year. The District's funded credit FTES was 9,836, with unfunded credit FTES of 2,561 for fiscal year 2009-2010 compared to funded credit FTES of 10,255 and unfunded credit FTES of 905 for fiscal year 2008-2009.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)

JUNE 30, 2010

- Costs for employee salaries and benefits remained approximately the same as prior year due to careful planning by the District.
- During the 2009-2010 fiscal year, the District provided almost \$29 million in financial aid to students attending classes at the two campuses. This aid was provided in the form of grants, scholarships, loans, and tuition reductions funded through the Federal government, State Chancellor's Office, and local funding as shown below.

Federal Pell Grants (PELL)	\$ 15,446,085
Federal Supplement Education Opportunity Grant (FSEOG)	268,883
Federal Family Education Loans (FFEL)	6,720,561
Federal Work Study Program (FWS)	364,072
Federal Academic Competitiveness Grant (ACG)	66,666
State of California Cal Grant B and C (CALG-B and C)	782,060
California Community College Board of Governor's Fee Wavier	5,053,449
Total Financial Aid Provided to Students	<u>\$ 28,701,776</u>

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)

JUNE 30, 2010

THE DISTRICT AS A WHOLE

Net Assets

Table 1

(Amounts in thousands)

	<u>2010</u>	<u>2009</u>	<u>Change</u>
ASSETS			
Current Assets			
Cash and investments	\$ 11,979	\$ 10,654	\$ 1,325
Accounts receivable (net)	10,920	7,738	3,182
Due from fiduciaries	16	27	(11)
Other current assets	888	1,567	(679)
Total Current Assets	<u>23,803</u>	<u>19,986</u>	<u>3,817</u>
Other noncurrent assets	1,957	5,832	(3,875)
Capital assets (net)	67,637	67,294	343
Total Assets	<u>93,397</u>	<u>93,112</u>	<u>285</u>
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	6,761	9,449	(2,688)
Current portion of long-term obligations	603	2,505	(1,902)
Total Current Liabilities	<u>7,364</u>	<u>11,954</u>	<u>(4,590)</u>
Long-Term Obligations	<u>17,155</u>	<u>15,622</u>	<u>1,533</u>
Total Liabilities	<u>24,519</u>	<u>27,576</u>	<u>(3,057)</u>
NET ASSETS			
Invested in capital assets	55,167	64,989	(9,822)
Restricted	6,751	398	6,353
Unrestricted	6,960	149	6,811
Total Net Assets	<u>\$ 68,878</u>	<u>\$ 65,536</u>	<u>\$ 3,342</u>

Cash and investments consist primarily of funds held in the Riverside County Treasury. The changes in our cash position are explained in the Statement of Cash Flows on pages 15 and 16.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)

JUNE 30, 2010

Operating Results for the Year

The results of this year's operations for the District as a whole are reported in the Statement of Revenues, Expenses, and Changes in Net Assets on page 14.

Table 2

(Amounts in thousands)

	2010	2009	Change
Operating Revenues			
Tuition and fees (net)	\$ 5,625	\$ 5,057	\$ 568
Other operating revenues	4,892	5,271	(379)
Total Operating Revenues	<u>10,517</u>	<u>10,328</u>	<u>189</u>
Operating Expenses			
Salaries and benefits	51,068	52,553	(1,485)
Supplies and maintenance	14,701	14,645	56
Student financial aid	16,767	11,511	5,256
Depreciation	2,469	2,290	179
Total Operating Expenses	<u>85,005</u>	<u>80,999</u>	<u>4,006</u>
Loss on Operations	<u>(74,488)</u>	<u>(70,671)</u>	<u>(3,817)</u>
Nonoperating Revenues (Expenses)			
State apportionments	27,873	24,094	3,779
Property taxes	20,903	24,213	(3,310)
State revenues	5,330	2,096	3,234
Federal and State grants and contracts	19,435	19,671	(236)
Net investment income	242	254	(12)
Net interest expense	(684)	(130)	(554)
Other nonoperating revenues	3,752	242	3,510
Total Nonoperating Revenue	<u>76,851</u>	<u>70,440</u>	<u>6,411</u>
Other Revenues			
State and local capital income	979	404	575
Net Increase in Net Assets	<u>\$ 3,342</u>	<u>\$ 173</u>	<u>\$ 3,169</u>

The District's primary revenue is from the State apportionment calculation which is comprised of three sources: local property taxes, student enrollment fees, and State apportionment. Property taxes levied and received from property within the County decreased slightly. As a result, State apportionments increased.

Grant and contract revenues relate primarily to student financial aid, as well as to specific Federal and State grants received for programs serving the students and programs of the District. These grant and program revenues are restricted as to the allowable expenses related to the programs.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)

JUNE 30, 2010

Interest income of \$242 thousand was offset by interest expense of \$684 thousand. The interest income is primarily the result of cash held in the Riverside County Treasury. Interest income has decreased approximately \$12 thousand over the 2008-2009 fiscal year. Interest income has decreased due to significantly lower interest rates and a lower balance of the Lease Revenue Bonds in the Riverside County Treasury during fiscal year 2009-2010, while the interest expense increased, due in part to the State's apportionment deferral strategy passed along to community colleges.

In accordance with requirements set forth by the California Community Colleges Chancellor's Office, the District reports operating expenses by object code. Operating expenses by functional classification are as follows:

Table 3

Year ended June 30, 2010:

	Salaries and Employee Benefits	Supplies, Material, and Other Expenses and Services	Equipment, Maintenance, and Repairs	Financial Aid	Depreciation	Total
Instructional activities	\$25,116,243	\$ 969,187	\$ 997,789	\$ 312	\$ -	\$ 27,083,531
Academic support	4,999,754	540,124	226,016	-	-	5,765,894
Student services	6,786,804	589,389	115,276	254,225	-	7,745,694
Plant operations and maintenance	1,844,385	1,977,086	5,443	-	-	3,826,914
Instructional support services	7,118,780	2,281,383	127,133	-	-	9,527,296
Community services and economic development	714,488	802,514	67,543	-	-	1,584,545
Ancillary services and auxiliary operations	4,306,374	2,652,577	147,541	3,813	-	7,110,305
Physical property and related acquisitions	181,422	1,322,469	1,794,597	-	-	3,298,488
Transfers, student aid, and other outgoing	-	85,743	-	16,508,698	-	16,594,441
Unallocated depreciation	-	-	-	-	2,468,642	2,468,642
Total	\$51,068,250	\$ 11,220,472	\$ 3,481,338	\$16,767,048	\$2,468,642	\$ 85,005,750

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION) JUNE 30, 2010

Changes in Cash Position

Table 4

(Amounts in thousands)

	<u>2010</u>	<u>2009</u>	<u>Change</u>
Cash Provided by (Used in)			
Operating activities	\$ (74,800)	\$ (46,393)	\$ (28,407)
Noncapital financing activities	74,161	50,656	23,505
Capital financing activities	(2,084)	(2,271)	187
Investing activities	(748)	254	(1,002)
Net Increase (Decrease) in Cash	<u>(3,471)</u>	<u>2,246</u>	<u>(5,717)</u>
Cash, Beginning of Year	<u>15,450</u>	<u>13,204</u>	<u>2,246</u>
Cash, End of Year	<u><u>\$ 11,979</u></u>	<u><u>\$ 15,450</u></u>	<u><u>\$ (3,471)</u></u>

The Statement of Cash Flows on pages 15 and 16 provides information about our cash receipts and payments during the year. This statement also assists users in assessing the District's ability to meet its obligations as they come due and its need for external financing. The District's primary operating receipts are student tuition and fees and Federal, State, and local grants and contracts. The primary operating expense of the District is the payment of salaries and benefits to faculty, administrators, and classified staff.

While State apportionment revenues and property taxes are the primary source of noncapital related revenue, the GASB accounting standards require that this source of revenue is shown as nonoperating revenue as it comes from the general resources of the State and not from the primary users of the college's programs and services, the students. The District depends upon this funding to continue the current level of operations.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had \$87 million in a broad range of capital assets, including land, buildings, and furniture and equipment. At June 30, 2010, the District's net capital assets were \$68 million. Major capital improvement projects are ongoing throughout the college campuses. These projects are primarily funded through State Construction Revenues and District Lease Revenue Bonds. Projects are accounted for within our Construction in Progress account until the project is completed at which time the cost of the buildings and/or improvements will be recorded to the depreciable Buildings and Improvement category.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)
JUNE 30, 2010**

Table 5

(Amounts in thousands)

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Land and construction in progress	\$ 20,869	\$ 769	\$ 50	\$ 21,588
Buildings and land improvements	52,260	1,039	-	53,299
Equipment and vehicles	11,664	784	141	12,307
Subtotal	84,793	2,592	191	87,194
Accumulated depreciation	17,499	2,469	411	19,557
	<u>\$ 67,294</u>	<u>\$ 123</u>	<u>\$ (220)</u>	<u>\$ 67,637</u>

Obligations

At the end of the 2009-2010 fiscal year, the District had \$12.47 thousand in Lease Revenue Bonds outstanding. These bonds are repaid annually, utilizing District funds, in accordance with the obligation schedule of payments.

In addition to the above obligations, the District is obligated to employees of the District for vacation and load banking benefits and lease purchase agreements for equipment.

Table 6

(Amounts in thousands)

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Lease revenue bonds	\$ 12,720	\$ -	\$ (250)	\$ 12,470
Other liabilities	5,407	2,728	(2,846)	5,289
Total Long-Term Obligations	<u>\$ 18,127</u>	<u>\$ 2,728</u>	<u>\$ (3,096)</u>	<u>\$ 17,759</u>
Amount due within one year				<u>\$ 603</u>

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the District revises its budget to provide for unanticipated changes in revenues and expenditures. The Board of Trustees adopted the final amendment to the budget for the 2009-2010 fiscal year on June 10, 2010.

The District's final revised budget for the unrestricted General Fund anticipated that expenditures would exceed revenue by \$1.24 million. However, the actual results for the year showed revenues exceeded expenditures by \$1.38 million.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)

JUNE 30, 2010

ECONOMIC FACTORS AFFECTING THE FUTURE OF THE MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

The economic position of the District is closely tied to the State of California as State apportionments and property taxes represent approximately 86 percent of the total revenue received within the unrestricted General Fund. The District's total reported FTES increased during fiscal year 2009-2010. Due to significant declines in apportionment funding from the State in fiscal years 2008-2009 and 2009-2010, the District plans to offer fewer class sections in fiscal year 2010-2011 in order to reduce costs and lower the number of unfunded FTES. The District's fiscal year 2009-2010 adopted budget also contained other targeted expenditure reductions totaling approximately \$1.037 million and a similar reduction in fiscal year 2010-2011 in order to fund contractual increases and align spending with available funds. The District continues to monitor enrollment and operating costs of the District to ensure ongoing financial stability and retain the reserve levels required by Board Policy and the State Chancellor's Office

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Mt. San Jacinto Community College District at 1499 North State Street, San Jacinto, California 92583.

BASIC FINANCIAL STATEMENTS

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

**STATEMENT OF NET ASSETS - PRIMARY GOVERNMENT
JUNE 30, 2010**

ASSETS

Current Assets

Cash and cash equivalents - unrestricted	\$ 1,469,708
Restricted cash and cash equivalents	18,897
Investments - unrestricted	9,890,580
Investments - restricted	599,388
Accounts receivable	10,795,985
Student loans receivable	123,973
Due from fiduciary funds	15,790
Prepaid expenses - current portion	211,604
Inventories	676,702
Total Current Assets	<u>23,802,627</u>

Noncurrent Assets

Other postemployment benefits other than pensions (OPEB) asset	661,312
Prepaid expenses - noncurrent portion	300,000
Debt issuance costs and deferred charges, net	995,588
Nondepreciable capital assets	21,588,330
Depreciable capital assets, net of depreciation	46,048,782
Total Noncurrent Assets	<u>69,594,012</u>
TOTAL ASSETS	<u>93,396,639</u>

LIABILITIES

Current Liabilities

Accounts payable	4,773,990
Accrued interest payable	135,228
Due to fiduciary funds	84
Deferred revenue	1,851,091
Capital lease payable - current portion	348,276
Lease revenue bond obligations - current portion	255,000
Total Current Liabilities	<u>7,363,669</u>

Noncurrent Liabilities

Lease revenue bond payable - noncurrent portion	12,215,000
Capital lease payable - noncurrent portion	1,596,681
Golden Handshake payable - noncurrent portion	1,480,393
Compensated absences - noncurrent portion	1,254,799
Load banking liabilities - noncurrent portion	608,557
Total Noncurrent Liabilities	<u>17,155,430</u>
TOTAL LIABILITIES	<u>24,519,099</u>

NET ASSETS

Invested in capital assets, net of related debt	55,167,112
Restricted for:	
Capital projects	6,311,801
Educational programs	439,100
Unrestricted	6,959,527
TOTAL NET ASSETS	<u>\$ 68,877,540</u>

The accompanying notes are an integral part of these financial statements.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

**STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS - PRIMARY GOVERNMENT
FOR THE YEAR ENDED JUNE 30, 2010**

OPERATING REVENUES

Student Tuition and Fees	\$ 10,678,639
Less: Scholarship discount and allowance	(5,053,449)
Net tuition and fees	<u>5,625,190</u>
Auxiliary Enterprise Sales and Charges	
Bookstore	4,237,995
Other Operating Revenues	<u>654,155</u>
TOTAL OPERATING REVENUES	<u>10,517,340</u>

OPERATING EXPENSES

Salaries	41,848,915
Employee benefits	9,219,335
Supplies, materials, and other operating expenses and services	13,072,696
Student financial aid	16,767,048
Equipment, maintenance, and repairs	1,629,114
Depreciation	<u>2,468,642</u>
TOTAL OPERATING EXPENSES	<u>85,005,750</u>

OPERATING LOSS

(74,488,410)

NONOPERATING REVENUES (EXPENSES)

State apportionments, noncapital	27,873,426
Local property taxes, levied for general purposes	20,903,395
Federal grants	19,434,791
State grants	5,330,494
State taxes and other revenues	2,221,856
Investment income	241,511
Interest expense on capital related debt	(683,819)
Other nonoperating revenue	<u>1,529,781</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>76,851,435</u>

INCOME BEFORE OTHER REVENUES

2,363,025

State revenues, capital	310,421
Local revenues, capital	<u>668,563</u>

TOTAL OTHER REVENUES

978,984

CHANGE IN NET ASSETS

3,342,009

NET ASSETS, BEGINNING OF YEAR

65,535,531

NET ASSETS, END OF YEAR

\$ 68,877,540

The accompanying notes are an integral part of these financial statements.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

**STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT
FOR THE YEAR ENDED JUNE 30, 2010**

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	\$ 5,899,900
Disbursement of student loans	(123,973)
Payments to vendors for supplies and services	(19,817,439)
Payments to or on behalf of employees	(51,828,120)
Payments to students for scholarships and grants	(16,767,048)
Auxiliary enterprise sales and charges:	
Bookstore	7,836,475
Net Cash Flows From Operating Activities	<u>(74,800,205)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State apportionments	24,479,860
Grant and contracts	24,310,946
Property taxes - nondebt related	19,733,653
State taxes and other apportionments	4,106,702
Other nonoperating	1,529,781
Net Cash Flows From Noncapital Financing Activities	<u>74,160,942</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Purchase of capital assets	(2,811,575)
Proceeds - capital leases	1,291,495
State revenue, capital projects	310,421
Local revenue, capital projects	668,563
Principal paid on capital debt	(899,890)
Interest paid on capital debt	(683,819)
Deferred cost on issuance	40,495
Net Cash Flows From Capital Financing Activities	<u>(2,084,310)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Payment made to irrevocable trust	(661,312)
Investment loss	(86,390)
Net Cash Flows From Investing Activities	<u>(747,702)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>(3,471,275)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>15,449,848</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 11,978,573</u></u>

The accompanying notes are an integral part of these financial statements.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

**STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT, Continued
FOR THE YEAR ENDED JUNE 30, 2010**

**RECONCILIATION OF NET OPERATING LOSS TO NET CASH
FLOWS FROM OPERATING ACTIVITIES**

Operating Loss	<u>\$ (74,488,410)</u>
Adjustments to Reconcile Operating Loss to Net Cash Flows from Operating Activities:	
Depreciation and amortization expense	2,468,642
Changes in Assets and Liabilities:	
Receivables	2,944,325
Student receivables	(123,973)
Inventories	(10,156)
Prepaid expenses	387,866
Notes receivables, net	
Accounts payable and accrued liabilities	(5,312,389)
Deferred revenue	(41,468)
Accrued interest payable	135,228
Other postemployment benefits	(759,870)
Total Adjustments	<u>(311,795)</u>
Net Cash Flows From Operating Activities	<u><u>\$ (74,800,205)</u></u>

CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:

Cash in banks	\$ 1,488,605
Cash in county treasury	10,489,968
Total Cash and Cash Equivalents	<u><u>\$ 11,978,573</u></u>

NON CASH TRANSACTIONS

On behalf payments for benefits	<u><u>\$ 912,193</u></u>
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The accompanying notes are an integral part of these financial statements.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

**STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2010**

	<u>Trust</u>
ASSETS	
Cash and cash equivalents	\$ 155,135
Accounts receivable, net	649
Due from governmental funds	84
Total Assets	<u>155,868</u>
 LIABILITIES	
Accounts payable	4,609
Due to governmental funds	15,790
Total Liabilities	<u>20,399</u>
 NET ASSETS	
Unreserved	135,469
Total Net Assets	<u>\$ 135,469</u>

The accompanying notes are an integral part of these financial statements.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Trust</u>
ADDITIONS	
Local revenues	\$ 149,218
DEDUCTIONS	
Academic salaries	2,021
Classified salaries	2,640
Employee benefits	402
Books and supplies	70,889
Services and operating expenditures	54,978
Capital outlay	7,949
Total Deductions	<u>138,879</u>
Change in Net Assets	10,339
Net Assets - Beginning	<u>125,130</u>
Net Assets - Ending	<u><u>\$ 135,469</u></u>

The accompanying notes are an integral part of these financial statements.

***DISCRETELY PRESENTED COMPONENT UNIT
MT. SAN JACINTO COMMUNITY COLLEGE FOUNDATION***

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

**DISCRETELY PRESENTED COMPONENT UNIT
MT. SAN JACINTO COMMUNITY COLLEGE FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2010**

ASSETS

Current Assets

Cash and cash equivalents

 Unrestricted \$ 116,141

 Restricted 1,270,681

Student loan receivables - net 9,821

Accounts receivable 930

Prepaid expenses 1,380

 Total Current Assets 1,398,953

Noncurrent Assets

Investments - unrestricted 202,270

Investments - restricted 1,840,183

Capital assets (net of accumulated depreciation) 3,561

 Total Assets \$ 3,444,967

LIABILITIES

Current Liabilities

Borrowing from restricted funds

Accounts payable and other current liabilities \$ 17,813

Due to Mt. San Jacinto Community College District 12,678

Deferred revenue 7,500

 Total Current Liabilities 37,991

NET ASSETS

Unrestricted 296,112

Temporarily restricted 1,894,524

Permanently restricted 1,216,340

 Total Net Assets 3,406,976

 Total Liabilities and Net Assets \$ 3,444,967

The accompanying notes are an integral part of these financial statements.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

**DISCRETELY PRESENTED COMPONENT UNIT
MT. SAN JACINTO COMMUNITY COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUES				
Contributions	\$ 137,095	\$ 427,980	\$ -	\$ 565,075
Other income	88,806	-	-	88,806
Assets released from restrictions	468,977	(468,977)	-	-
Total Public Support and Revenues	<u>694,878</u>	<u>(40,997)</u>	<u>-</u>	<u>653,881</u>
EXPENSES				
Program expenses	479,543	-	-	479,543
Operating expenses	26,037	-	-	26,037
Fundraising expenses	74,507	-	-	74,507
Total Expenses	<u>580,087</u>	<u>-</u>	<u>-</u>	<u>580,087</u>
OTHER INCOME				
Interest and dividends	11,518	114,179	-	125,697
Unrealized gain on investments	-	52,291	-	52,291
Total Other Income	<u>11,518</u>	<u>166,470</u>	<u>-</u>	<u>177,988</u>
CHANGE IN NET ASSETS	126,309	125,473	-	251,782
NET ASSETS, BEGINNING OF YEAR	<u>169,803</u>	<u>1,769,051</u>	<u>1,216,340</u>	<u>3,155,194</u>
NET ASSETS, END OF YEAR	<u>\$ 296,112</u>	<u>\$ 1,894,524</u>	<u>\$ 1,216,340</u>	<u>\$ 3,406,976</u>

The accompanying notes are an integral part of these financial statements.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

DISCRETELY PRESENTED COMPONENT UNIT MT. SAN JACINTO COMMUNITY COLLEGE FOUNDATION STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2010

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ 251,782
Adjustments to Reconcile Change in Net Assets to Net Cash Flows from Operating Activities	
Depreciation	1,448
Unrealized gain on investments	(52,291)
Contributions restricted for long-term purposes	(427,980)
Changes in Assets and Liabilities	
Increase in accounts receivable	(930)
Decrease in student loans	1,573
Increase in prepaid expenses	(30)
Increase in accounts payable	1,149
Decrease in due to Mt. San Jacinto Community College District	(2,494)
Increase in deferred income	7,500
Net Cash Flows from Operating Activities	<u>(220,273)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investments	(583,886)
Sale of investments	308,434
Net Cash Flows from Investing Activities	<u>(275,452)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Collections of contributions restricted for long-term purposes	427,980
Net Cash Flows from Financing Activities	<u>427,980</u>

NET DECREASE IN UNRESTRICTED CASH AND CASH EQUIVALENTS (67,745)

UNRESTRICTED CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 183,886

UNRESTRICTED CASH AND CASH EQUIVALENTS, END OF YEAR \$ 116,141

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 1 - ORGANIZATION

The Mt. San Jacinto Community College District (the District) was established in 1962 as a political subdivision of the State of California and provides educational services to residents of the surrounding area. The District operates under a locally elected five-member Board of Trustees form of government, which establishes the policies and procedures by which the District operates. The Board must approve the annual budgets for the General Fund, special revenue funds, capital project funds, and proprietary funds, but these budgets are managed at the department level. Currently, the District is a single college with two campuses located within Riverside County. While the District is a political subdivision of the State of California, it is legally separate and is independent of other State and local governments, and it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 39.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The District has adopted GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. This statement amends GASB Statement No. 14, *The Financial Reporting Entity*, to provide additional guidance to determine whether certain organizations, for which the District is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the District. The three components used to determine the presentation are: providing a "direct benefit", the "environment and ability to access/influence reporting", and the "significance" criterion. As defined by accounting principles generally accepted in the United States of America and established by the Governmental Accounting Standards Board, the financial reporting entity consists of the primary government, the District, and the following component units:

- **Mt. San Jacinto Community College Foundation**

The Mt. San Jacinto Community College Foundation (the Foundation) is a legally separate, tax-exempt organization. The Foundation acts primarily as a fundraising organization to provide grants and scholarships to students and support to employees, programs, and departments of the District. Although the District does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the District by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the District, the Foundation is considered a component unit of the District with the inclusion of the statements as a discretely presented component unit. The Foundation is reported in separate financial statements because of the difference in its reporting model, as further described below.

The Foundation is a not-for-profit organization under Internal Revenue Code (IRS) Section 501(c)(3) that reports its financial results under Financial Accounting Standards Board (FASB) Statements. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the District's financial reporting entity for these differences.

Audited financial statements for the Foundation can be obtained from the Foundation's Business Office at 1499 North State Street, San Jacinto, California 92583.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB Statements No. 34 and No. 35 as amended by GASB Statements No. 37, No. 38, and No. 39. This presentation provides a comprehensive entity-wide perspective of the District's assets, liabilities, activities, and cash flows and replaces the fund group perspective previously required. Accordingly, the District's 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 material intra-agency and intra-fund transactions have been eliminated.

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are classified as operating revenues. These transactions are recorded on the accrual basis when the exchange takes place. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Mt. San Jacinto Community College District, operating revenues consist primarily of student fees and auxiliary activities through the bookstore and cafeteria.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, certain grants, entitlements, and donations, and are classified as nonoperating revenue. Federal and State grants received to provide direct grants to students are classified as nonoperating revenues because the District does not generally receive any direct benefit from the grants and are recognized in the fiscal year in which all eligibility requirements are satisfied. Eligibility requirements may include time and/or purpose requirements. Property tax revenue is recognized in the fiscal year received. State apportionment revenue is earned based upon criteria set forth from the Community Colleges Chancellor's Office and is based on reporting of full-time equivalent student (FTES) attendance. This apportionment revenue is recognized in the period the FTES are generated.

Operating expenses are incurred to provide instructional services including support costs, auxiliary services, and depreciation of capital assets. All other expenses not meeting this definition are reported as nonoperating. Expenses are recorded on the accrual basis as they are incurred; when goods are received or services are rendered.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America (US GAAP) as applicable to colleges and universities, as well as those prescribed by the California Community Colleges Chancellor's Office. The District reports are based on all applicable GASB pronouncements, as well as applicable FASB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements. The District has not elected to apply FASB pronouncements after that date. When applicable, certain prior year amounts have been reclassified to conform to current year presentation. The budgetary and financial accounts of the District are maintained in accordance with the State Chancellor's Office *Budget and Accounting Manual*.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

The financial statements are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, as amended by GASB Statements No. 37 and No. 38. The business-type activities model followed by the District requires the following components of the District's financial statements:

- Management's Discussion and Analysis
- Basic Financial Statements for the District as a whole including:
 - Statement of Net Assets - Primary Government
 - Statement of Revenues, Expenses, and Changes in Net Assets - Primary Government
 - Statement of Cash Flows - Primary Government
 - Financial Statements for the Fiduciary Funds including:
 - Statement of Fiduciary Net Assets
 - Statement of Changes in Fiduciary Net Assets
- Notes to the Financial Statements

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include unrestricted cash with county treasury balances for purposes of the statement of cash flows. Restricted cash and cash equivalents represent balances restricted by external sources such as grants and contracts or specifically restricted for the repayment of capital debt.

Investments

Investments held at June 30, 2010, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

Accounts Receivable

Accounts receivable include amounts due from the Federal, State and/or local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of California. The District regularly monitors these student receivables and has determined all are fully collectable.

Prepaid Expenses

Prepaid expenses represent payments made to vendors and others for services that will benefit periods beyond June 30.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

Inventories

Inventories consist primarily of cafeteria food and supplies held for resale to the students and faculty of the college. Inventories are stated at cost, utilizing the weighted average method. The cost is recorded as an expense as the inventory is consumed.

Capital Assets and Depreciation

Capital assets are long-lived assets of the District as a whole and include land, construction-in-progress, buildings, leasehold improvements, and equipment. The District maintains an initial unit cost capitalization threshold of \$2,000. Assets are recorded at historical cost, or estimated historical cost, when purchased or constructed. The District does not possess any infrastructure. Donated capital assets are recorded at estimated fair market value at the date of donation. Improvements to buildings and land that significantly increase the value or extend the useful life of the asset are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Major outlays for capital improvements are capitalized as construction-in-progress as the projects are constructed.

Depreciation of capital assets is computed and recorded utilizing the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 15 to 50 years; improvements, 20 years; equipment, 5 to 20 years.

Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the entity-wide financial statements.

Deferred Issuance Costs, Premiums, and Discounts

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method.

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the entity-wide financial statements. The amounts have been recorded in the fund from which the employees, who have accumulated the leave, are paid. The District also participates in "load-banking" with eligible academic employees whereby the employee may teach extra courses in one period in exchange for time off in another period.

Sick leave is accumulated without limit for each employee based upon negotiated contracts. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is available to all full-time employees based on the California Public Employees' Retirement System (CalPERS) and the California State Teachers' Retirement System (CalSTRS) criteria.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

Deferred Revenue

Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Deferred revenues include (1) amounts received for tuition and fees prior to the end of the fiscal year that are related to the subsequent fiscal year and (2) amounts received from Federal and State grants received before the eligibility requirements are met are recorded as deferred revenue.

Net Assets

GASB Statements No. 34 and No. 35 report equity as "Net Assets." Net assets are classified according to imposed restrictions or availability of assets for satisfaction of District obligations according to the following net asset categories:

Invested in Capital Assets, Net of Related Debt: Capital Assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

Restricted - Expendable: Net assets whose use by the District is subject to externally imposed constraints that can be fulfilled by actions of the District pursuant to those constraints or by the passage of time. Net assets may be restricted for capital projects, debt repayment, and/or educational programs.

None of the District's restricted net assets have resulted from enabling legislation adopted by the District.

Unrestricted: Net assets that are not subject to externally imposed constraints. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net assets are designated for special purposes.

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed. The entity-wide financial statements report \$6,750,901 of restricted net assets.

State Apportionments

Certain current year apportionments from the State are based on financial and statistical information of the previous year. Any corrections due to the recalculation of the apportionment are made in February of the subsequent year. When known and measurable, these recalculations and corrections are accrued in the year in which the FTES are generated.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

On-Behalf Payments

GASB Statement No. 24 requires direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees for another legally separate entity be recognized as revenues and expenditures by the employer entity. The State of California makes direct on-behalf payments to CalSTRS and CalPERS on behalf of all community colleges in California.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. The County Assessor is responsible for assessment of all taxable real property. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Riverside bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when the County notifies the District of the availability of the revenues.

Scholarship Discounts and Allowances

Student tuition and fee revenue is reported net of scholarship discounts and allowances in the Statement of Revenues, Expenditures, and Changes in Net Assets. Scholarship discounts and allowances represent the difference between stated charges for enrollment fees and the amount that is paid by students or third parties making payments on the students' behalf. To the extent that fee waivers and discounts have been used to satisfy tuition and fee charges, the District has recorded a scholarship discount and allowance.

Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, FSEOG Grants, Federal Work-Study, Academic Competitiveness Grants, and Federal Family Education Loan programs, as well as other programs funded by the Federal government. Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash and/or loans. These programs are audited in accordance with the Single Audit Act Amendments of 1996, and the U.S. Office of Management and Budget's revised Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the related *Compliance Supplement*. During the year ended June 30, 2010, the District distributed \$6,720,561 in direct lending through the U.S. Department of Education. These amounts have not been included as revenues or expenses within the accompanying financial statements as the amounts were passed directly to qualifying students; however, the amounts are included on the Schedule of Expenditures of Federal Awards.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

Interfund Activity

Interfund transfers and interfund receivables and payables for governmental activities are eliminated during the consolidation process in the entity-wide financial statements.

Foundation Presentation

The Mt. San Jacinto Community College District Foundation presents its financial statements in accordance with accounting principles generally accepted in the United States of America and requirements of FASB. Under these requirements, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As permitted by the standards, the Foundation does not use fund accounting for reporting purposes.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that will be met by actions of the Foundation and/or the passage of time.

Unrestricted Net Assets - Net assets not subject to donor-imposed restrictions.

Revenues and expenses are recorded when incurred in accordance with the accrual basis of accounting. Revenues are reported as increases in the unrestricted net assets classification unless use of the related assets is limited by donor-imposed restrictions. Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized as revenue until the conditions on which they depend are substantially met. Contributions for in-kind gifts from outside sources are recorded at their fair market value on the date of the donation.

Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

New Accounting Pronouncements

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Classifications*. The objectives of this Statements is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this Statement are effective for the financial statements for periods beginning after June 15, 2010. The District does not anticipate a significant impact in reporting as a result of this Statement as fund financial information is not reported.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 3 - DEPOSITS AND INVESTMENTS

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis. The County Treasurer also holds investments in a separate investment agreement account other than the County Pooled Investment noted above on behalf of the District.

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

Summary of Deposits and Investments

Deposits and investments of the Primary Government as of June 30, 2010, consist of the following:

Cash on hand and in banks	\$ 913,677
Cash in revolving	25,000
Cash collections awaiting deposit	549,928
Investments	<u>10,489,968</u>
Total Deposits and Investments	<u><u>\$ 11,978,573</u></u>

Deposits and investments of the Fiduciary Funds as of June 30, 2010, consist of the following:

Cash on hand and in banks	<u>\$ 155,135</u>
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Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Pool and County Pooled Investment Fund.

Specific Identification

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investment by maturity:

<u>Investment Type</u>	<u>Fair Market Value</u>	<u>Maturity Date</u>
County Pooled Investment	\$ 5,702,674	1.02*
First American Treasury Obligation	4,799,234	49
Total	<u><u>\$ 10,501,908</u></u>	

*Weighted average of maturity in years.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in the County pool are rated Aaa by Fitch Ratings Ltd. as of June 30, 2010.

<u>Investment Type</u>	<u>Minimum Legal Rating</u>	<u>Rating June 30, 2010</u>	<u>Fair Market Value</u>
County Pooled Investment	Not Required	AAA/VI+	\$ 5,702,674
First American Treasury Obligation	Not Applicable	AAA	4,799,234
Total			<u>\$ 10,501,908</u>

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2010, the District's bank balance of \$1,643,740 was exposed to custodial credit risk because it was uninsured and collateralized at 110 percent of balance over \$250,000 with securities held by the pledging financial institution's trust department or agent, but not in the name of the District. At year end, all balances were fully insured.

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The cash held in the County Treasury is uncategorized and the fair value approximates carrying value are shown above in the credit risk schedule. Deposits with the County Treasury are not categories because they do not represent securities which exist in physical or book entry form. The deposits with the County Treasury are valued using the amortized cost method (which approximates fair value). The fair values are provided by the County Treasurer. As of June 30, 2010, \$5,690,734 is invested in the Riverside County Treasurer's Pooled Investment Fund. The Pooled Investment Fund is currently rated AAA/VI+ by Fitch Ratings Ltd.

Discretely Presented Component Unit

The Foundation's deposits and investments consist primarily of cash in banks and investments within equity funds and corporate and government bonds. As of June 30, 2010, the balances held in financial institutions of \$1,386,822 were fully insured.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable for the District consisted primarily of intergovernmental grants, entitlements, interest, and other local sources.

The accounts receivable are as follows:

Federal Government	
Categorical aid	\$ 1,351,300
State Government	
Apportionment	5,923,498
Categorical aid	158,322
Lottery	877,476
Other State sources	22,076
Local Sources	
Interest	327,901
Property taxes	1,088,112
Riverside County Redevelopment Agency	81,630
Other local sources	965,670
Total	<u>\$ 10,795,985</u>
Student receivables	<u>\$ 123,973</u>

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2010, was as follows:

	Balance Beginning of Year	Additions	Deductions and Adjustments	Balance End of Year
Capital Assets Not Being Depreciated				
Land	\$ 6,426,949	\$ 433,003	\$ 50,000	\$ 6,809,952
Construction in progress	14,442,051	336,327	-	14,778,378
Total Capital Assets Not Being Depreciated	<u>20,869,000</u>	<u>769,330</u>	<u>50,000</u>	<u>21,588,330</u>
Capital Assets Being Depreciated				
Land improvements	5,721,086	180,578	-	5,901,664
Buildings and improvements	46,539,027	858,032	-	47,397,059
Furniture and equipment	11,663,619	783,761	140,698	12,306,682
Total Capital Assets Being Depreciated	<u>63,923,732</u>	<u>1,822,371</u>	<u>140,698</u>	<u>65,605,405</u>
Total Capital Assets	<u>84,792,732</u>	<u>2,591,701</u>	<u>190,698</u>	<u>87,193,735</u>
Less Accumulated Depreciation				
Land improvements	1,955,094	294,445	330,714	1,918,825
Buildings and improvements	10,009,842	783,470	-	10,793,312
Furniture and equipment	5,533,617	1,390,727	79,858	6,844,486
Total Accumulated Depreciation	<u>17,498,553</u>	<u>2,468,642</u>	<u>410,572</u>	<u>19,556,623</u>
Net Capital Assets	<u>\$ 67,294,179</u>	<u>\$ 123,059</u>	<u>\$ (219,874)</u>	<u>\$ 67,637,112</u>

Depreciation expense for the year was \$2,468,642.

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable for the District consisted of the following:

Accrued payroll and benefits	\$ 311,459
Apportionment	2,529,932
Vendor payables	1,052,084
Other	880,515
Total	<u>\$ 4,773,990</u>

Discretely Presented Component Unit

The accounts payable of the Foundation consist primarily of amounts owed to vendors and the District for supplies and services.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 7 - DEFERRED REVENUE

Deferred revenue at consisted of the following:

Federal financial assistance	\$ 126,764
State categorical aid	1,045,380
Enrollment fees	274,710
Other local	404,237
Total	<u>\$ 1,851,091</u>

NOTE 8 - INTERFUND TRANSACTIONS

Interfund Receivables and Payables (Due To/Due From)

Balances owing between funds at year-end were for cost allocation. The balances result from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Interfund balances for the primary government at June 30, 2010, have been eliminated in the consolidation process for financial statement presentation.

Interfund Operating Transfers

Operating transfers between funds of the District are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Operating transfers between the primary government funds of the District have been eliminated in the consolidation process.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 9 - LONG-TERM OBLIGATIONS

Long-Term Obligations Summary

The changes in the District's long-term obligations during the 2010 fiscal year consisted of the following:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year	Due in One Year
Lease Revenue Bonds					
Series 2003	\$ 6,955,000	\$ -	\$ 185,000	\$ 6,770,000	\$ 190,000
Series 2008A	5,765,000	-	65,000	5,700,000	65,000
Total Bonds Payable	<u>12,720,000</u>	<u>-</u>	<u>250,000</u>	<u>12,470,000</u>	<u>255,000</u>
Other Liabilities					
Compensated absences	1,306,071	-	51,272	1,254,799	-
Capital leases	1,252,080	1,291,495	598,618	1,944,957	348,276
Golden Handshake	1,198,712	827,684	546,003	1,480,393	-
Load banking	-	608,557	-	608,557	-
Other postemployment benefits	1,650,108	-	1,650,108	-	-
Total Other Liabilities	<u>5,406,971</u>	<u>2,727,736</u>	<u>2,846,001</u>	<u>5,288,706</u>	<u>348,276</u>
Total Long-Term Obligations	<u>\$ 18,126,971</u>	<u>\$ 2,727,736</u>	<u>\$ 3,096,001</u>	<u>\$ 17,758,706</u>	<u>\$ 603,276</u>

Description of Debt

Payments on the lease revenue bonds are made by the capital outlay fund. The capital lease payments are made by the General Fund and capital outlay fund. The compensated absences are made by the fund for which the employees' salaries are paid from. The District's General Fund makes payments for the Golden Handshake and load banking obligations from the General Fund.

Lease Revenue Bonds

On June 30, 2003, the District issued Series 2003 Bonds through the California Community College Financial Authority consisting of Current Interest Bonds and Capital Appreciation Bonds in the amount of \$8,000,000. The bonds bear variable interest rates from 3.0 percent to 4.25 percent. Debt issuance costs of \$386,639 and deferred charges of \$440,788, totaling \$827,427, have been capitalized and will be amortized through June 1, 2033 (term of Lease Revenue Bonds). Outstanding unamortized amounts at June 30, 2010, amounted to \$634,360.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

On June 12, 2008, the District issued Series 2008A Bonds through the California Community College Financial Authority consisting of Current Interest Bonds and Capital Appreciation Bonds in the amount of \$5,860,000. The bonds bear variable interest rates from 3.5 percent to 5.0 percent. Debt issuance costs of \$267,000 and deferred charges of \$120,426 with additional costs of \$19,128 at June 30, 2010, totaling \$406,554 have been capitalized and will be amortized through May 1, 2038 (term of Lease Revenue Bonds). Outstanding unamortized amounts at June 30, 2010, amounted to \$361,228. Interest on both Lease Revenue Bonds will be payable semiannually on June 1 and December 1 of each year, commencing December 1, 2003, and continuing through the maturity date of May 1, 2038.

The outstanding Lease Revenue Bond is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds
				Outstanding July 1, 2009	Issued	Redeemed	Outstanding June 30, 2010
6/12/03	6/1/2033	3.00-4.25	\$ 8,000,000	\$ 6,955,000	\$ -	\$ 185,000	\$ 6,770,000
5/22/08	5/1/2038	3.50-5.00	5,860,000	5,765,000	-	65,000	5,700,000
				<u>\$ 12,720,000</u>	<u>\$ -</u>	<u>\$ 250,000</u>	<u>\$ 12,470,000</u>

Debt service requirements to maturity - Series 2003 Lease Revenue Bond matures through 2031 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2011	\$ 190,000	\$ 280,324	\$ 470,324
2012	195,000	274,624	469,624
2013	200,000	268,530	468,530
2014	205,000	261,780	466,780
2015	215,000	254,605	469,605
2016-2020	1,200,000	1,145,291	2,345,291
2021-2025	1,465,000	875,538	2,340,538
2026-2030	1,810,000	526,969	2,336,969
2031	1,290,000	114,624	1,404,624
Total	<u>\$ 6,770,000</u>	<u>\$ 4,002,285</u>	<u>\$ 10,772,285</u>

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

Debt service requirements to maturity - Series 2008A Lease Revenue Bond matures through 2038 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2011	\$ 65,000	\$ 260,589	\$ 325,589
2012	70,000	257,989	327,989
2013	75,000	254,489	329,489
2014	80,000	250,789	330,789
2015	85,000	247,589	332,589
2016-2020	470,000	1,173,294	1,643,294
2021-2025	580,000	1,063,859	1,643,859
2026-2030	725,000	923,481	1,648,481
2031-2035	1,365,000	741,619	2,106,619
2036-2038	2,185,000	205,117	2,390,117
Total	<u>\$ 5,700,000</u>	<u>\$ 5,378,815</u>	<u>\$ 11,078,815</u>

Capital Leases

The District has entered into various capital lease arrangements for equipment:

	<u>Capital Lease</u>
Balance, July 1, 2009	\$ 1,252,080
Additions	1,291,495
Payments	(598,618)
Balance, June 30, 2010	<u>\$ 1,944,957</u>

The District's principal obligations on lease agreements with options to purchase are summarized below:

<u>Year Ending June 30,</u>	<u>Lease Payment</u>
2011	\$ 493,321
2012	448,062
2013	448,062
2014	412,163
2015	318,907
2016	289,144
Subtotal	<u>2,409,659</u>
Less Amount Representing Interest	(464,702)
Total	<u>\$ 1,944,957</u>

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

Golden Handshake Agreements

The District has adopted an early retirement incentive program (Golden Handshake) pursuant to *Education Code* Sections 22714 and 87488, whereby the service credit to eligible employees is increased by two years. Eligible employees must have five or more years of service credit under the State Teachers' Retirement System and retire during a period of not more than 120 days or less than 60 days from the date formal action is taken by the District. The District determined that the formal actions taken would result in a net savings to the District. The District also demonstrated and certified such results to the Chancellor's Office. The approximate accumulated future liability for the District at June 30, 2010, is \$1,480,393.

Other Obligations

The compensated absences balance at June 30, 2010, was \$1,254,799.

The amount owed to employees for load banking balances at June 30, 2010, was \$608,557.

NOTE 10 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATION

The District provides postemployment health care benefits for retired employees in accordance with approved Board policy.

Plan Description

The Mt. San Jacinto Community College District has established a GASB Statement No. 43 trust with California Employers' Retirement Benefit Trust to fund future OPEB obligations. As of June 30, 2010, the value of the Plan assets was \$1,156,287.

The Mt. San Jacinto Community College District Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the District. The Plan provides medical benefits to eligible retirees and their spouses. Membership of the Plan consists of 52 retirees and beneficiaries currently receiving benefits and 431 active plan members.

Funding Policy

The contribution requirements of plan members and the District are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to prefund benefits as determined annually through agreements between the District and the bargaining units. For fiscal year 2009-2010, the District contributed \$201,876 of which \$5,000 was contributed to the Irrevocable Trust and \$196,876 was used for current year premiums.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the payments of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding costs) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	\$ 544,868
Contributions made by District	<u>(201,876)</u>
Change in net OPEB obligation (asset)	342,992
Revised net OPEB obligation (asset), beginning of year	<u>(1,004,304)</u>
Net OPEB obligation (asset), end of year	<u><u>\$ (661,312)</u></u>

Trend Information

Trend information for the annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the past two years is as follows:

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation (Asset)
2009	\$ 371,772	\$ 1,376,076	370%	\$ (1,004,304)
2010	\$ 544,868	\$ 201,876	37%	\$ (661,312)

Funding Status and Funding Progress

The funded status of the OPEB Plan as of June 30, 2010, is as follows:

Actuarial Accrued Liability (AAL)	\$ 4,856,592
Actuarial Value of Plan Assets *	<u>1,156,287</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u><u>\$ 3,700,305</u></u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	24%
Covered Payroll	<u>\$ 36,147,539</u>
UAAL as Percentage of Covered Payroll	<u><u>10.24%</u></u>

* Asset Valuation as of June 30, 2010

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

The above noted actuarial accrued liability was based on the March 1, 2010, actuarial valuation. Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information, follows the notes to the financial statements and presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

In the March 1, 2010 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 7.75 percent investment rate of return (net of administrative expenses), based on the Plan being funded in an irrevocable employee benefit trust fund invested in a long-term fixed income portfolio. The UAAL is being amortized at a level dollar method. The remaining amortization period at June 30, 2010, was 28 years. The actuarial value of assets was not determined in this actuarial valuation. At June 30, 2010, the Trust held net assets in the amount of \$1,156,287, which consisted of deposits with CalPERS.

NOTE 11 - RISK MANAGEMENT

Insurance Coverages

The District is exposed to various risks of loss related to torts and liability; theft of, damage to and destruction of assets; errors and omissions and injuries to employees. The District obtains coverage for these risks as a member of various joint powers authorities or through the purchase of coverage from a risk retention group. The District uses SAFER for excess property limits of \$250,000,000 per occurrence, with no aggregate and a \$5,000 member retained limit. Then, their excess liability has the first \$1,000,000 worth of coverage through the Statewide Association of Community Colleges (SWACC) and \$24,000,000 excess coverage of \$1,000,000 is in SAFER with a \$10,000 Member Retained Limit.

Joint Powers Authority Risk Pools

During fiscal year ending June 30, 2010, the District contracted with SWACC Joint Powers Authority (JPA) for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

Workers' Compensation

For fiscal year 2009-2010, the District participated in the Protected Insurance Programs for Schools (PIPS) JPA, an insurance purchasing pool. The intent of the JPA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the JPA. The workers' compensation experience of the participating districts is calculated as one experience, and a common premium rate is applied to all districts in the JPA. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall saving. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the JPA. Participation in the JPA is limited to K-12 and community college districts that can meet the JPA's selection criteria.

<u>Insurance Program / JPA Name</u>	<u>Type of Coverage</u>	<u>Limits</u>
Protected Insurance Program for Schools (PIPS)	Workers' Compensation	\$150,000,000
Schools Association For Excess Risk (SAFER)	Excess Liability	\$ 24,000,000
Statewide Association of Community Colleges (SWACC)	Property and Liability	\$244,750,000

Employee Medical Benefits

The District has contracted with REEP for Benefits JPA through Keenan & Associates, Kaiser Permanente, Anthem Blue Cross, United Health, and Pacific Care plans to provide employee medical benefits. The District provides health and welfare benefits to all full-time and permanent part-time employees (20 hours or more). Those employees working less than full-time will receive a pro-rata share of the benefit package. Employees in positions less than 20 hours per week do not receive any fringe benefits.

If the employee elects not to enroll for health insurance coverage from one of the carriers provided by the District, such employee must provide evidence of other health insurance coverage.

- Medical - The employee has a choice of Kaiser Permanente, Anthem Blue Cross, United Health, and Pacific Care plans. The employee may elect to change carriers once per year during open enrollment. Normally, such election shall be effective July 1 of each year.
- Dental - Delta, MetLife, and MetLife/Safeguard carried insurance coverage for employees and is provided by the District. All employees shall participate in the program.
- Life Insurance - The District provides a \$20,000 group term life insurance policy by a carrier designated by REEP. All employees participate in this life insurance program.

Rates are set by the REEP for Benefits JPA. The District pays monthly premiums which are placed in a common fund with REEP from which claim payments are made for all participating districts. Claims are paid for all participants regardless of the claim's expense. The REEP Board of Directors has the right to return monies to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer retirement plans maintained by agencies of the State of California. Certificated employees are members of CalSTRS, and classified employees are members of CalPERS.

CalSTRS

Plan Description

The District contributes to CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, CA 95826.

Funding Policy

Active members of the DB Plan are required to contribute 8.0 percent of their salary while 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 CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2009-2010 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's total contributions to CalSTRS for the fiscal years ended June 30, 2010, 2009, and 2008, were \$1,763,673, \$1,708,685, and \$1,542,440, respectively, and equals 100 percent of the required contributions for each year.

CalPERS

Plan Description

The District contributes to the School Employer Pool under 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 survivor benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

Funding Policy

Active plan members are required to contribute 7.0 percent 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 District's contribution rate to CalPERS for fiscal year 2009-2010 was 9.709 percent of covered payroll. The District's contributions to CalPERS for fiscal years ending June 30, 2010, 2009, and 2008, were \$1,433,990, \$1,204,468, and \$1,132,820, respectively, and equaled 100 percent of the required contributions for each year.

On-Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS which amounted to \$912,193, \$883,752, and \$797,768, respectively, (4.267 percent) of salaries subject to CalSTRS for the years ending June 30, 2010, 2009, and 2008. This amount has been reflected in the basic financial statements as a component of nonoperating revenue and employee benefit expense.

Deferred Compensation

The District offers its employees deferred compensation plans created in accordance with Internal Revenue Code Section 403(b) and Section 457. The plans, available to all District employees, permit them to defer a portion of their salary until future years. The deferred compensation is not available to the employees until termination, retirement, death, or an unforeseeable emergency.

NOTE 13 - CalSTRS EARLY RETIREMENT INCENTIVE PROGRAM

The District has adopted an early retirement incentive program pursuant to *Education Code* Sections 22714 and 87488, whereby the service credit to eligible employees is increased by two years (and age is increased by two years). Eligible employees must have five or more years of service under the California State Teachers' Retirement System and retire during a period of not more than 120 days or less than 60 days from the date of the formal action taken by the District (retire during the window period in the formal action taken by the District's Governing Board). (See Golden Handshake.)

NOTE 14 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

The District is a member of the Statewide Association of Community Colleges (SWACC), Schools Association for Excess Risk (SAFER), Protected Insurance Program for Schools (PIPS), Riverside County Employer/Employee Partnerships for Benefits (REEP), and Community Colleges of Riverside County Self-Insurance Program for Employees (CCRCSIPE) Joint Powers Authorities (JPAs). The District pays annual premiums for its property liability, health, and workers' compensation coverage. The relationship between the District and the JPAs is such that they are not component units of the District for financial reporting purposes.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

The JPAs have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, transactions between the JPAs and the District are included in these statements. Audited financial statements are available from the respective entities.

The District's share of year-end assets, liabilities, or fund equity has not been calculated.

During the year ended June 30, 2010, the District made payments of \$324,096 to SWACC.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2010.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2010.

Construction Commitments

As of June 30, 2010, the District had the following budgetary commitments with respect to the unfinished capital projects:

	Budgeted Construction Commitment	Expected Fiscal Year Completion
CAPITAL PROJECT		
Classroom Building I Construction	\$ 11,941,000	2012
Classroom Building I Group II Equipment	1,235,000	2012
	<u>\$ 13,176,000</u>	

Real Property Purchase Option

In May 2003, an option to purchase land that will be used for a new campus in the future was purchased for \$100,000. This two-year option may be extended by six months up to four times for \$50,000 per extension. On October 16, 2006, an amendment was made to the Option Agreement to the effect that the costs previously paid by the District shall be deemed adequate consideration for the two-year extension to the Option Agreement, for a total of six years, ending April 30, 2009. During the year ended June 30, 2009, the District extended the purchase option through April 30, 2011. The next purchase option payment is due November 1, 2010. The option is for the purchase of approximately 80 acres for \$4.8 million.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

Deferral of State Apportionments

The State legislature had not enacted a budget as of June 30, 2010. As a result, certain apportionments owed to the Community College District System in general, and the Mt. San Jacinto Community College District specifically, for funding of FTES, categorical programs, and construction reimbursements which are attributable to the 2009-2010 fiscal year have been deferred to the 2010-2011 fiscal year. The total amount of funding deferred into the 2010-2011 fiscal year was \$5,923,498. As of July 16, 2010, this amount has been received. These deferrals of apportionment are considered permanent with future funding also being subject to deferral into future years.

Fiscal Issues Relating to State-Wide Cash Flow and Funding Reductions

The State of California economy is continuing through a three-year recessionary economy. The California Community College System is reliant on the State of California to appropriate the funding necessary to provide for the educational services and student support programs that are mandated for the colleges. In addition to the reductions in funding due to the economic environment, the State of California has failed to pass a budget in a timely manner during the past two years. The budget for the 2010-2011 fiscal year was adopted on October 8, 2010, fully 100 days beyond the July 1 budget requirements. As a result of the delay in the budget adoption, cash payments to community colleges in general, and the Mt. San Jacinto Community College District specifically, were suspended for the period between July 2010 and October 2010. For Mt. San Jacinto Community College District, this is approximately \$11.4 million.

In addition to the deferral of cash payments, actual reductions in the funding of FTES have cost the District over \$12.4 million in State apportionment funding. Significant reductions in funding for other categorical programs and services have also impacted the ability of the District to provide programs and services to the students attending Mt. San Jacinto Community College District.

The District has implemented budgetary reductions to counter the reductions in apportionment and program funding and has issued short-term borrowings to cover the cash shortfalls. However, continued reductions and deferral of cash payments will ultimately impact the District's ability to meet the educational services goals.

NOTE 16 - SUBSEQUENT EVENT

The District issued \$3,530,000 of tax and revenue anticipation notes dated July 29, 2010. The notes mature on June 30, 2011, with an interest rate of two percent, and yield ranging from .85 to 12 percent interest. The notes were sold to supplement cash flow shortages as a result of State deferrals of apportionment.

Repayment requirements are that a percentage of principal and interest be deposited with the fiscal agent. Two payments are made: the first 50 percent is due January 2011, and then the balance of principal and interest due is paid on account in April 2011.

REQUIRED SUPPLEMENTARY INFORMATION

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING
PROGRESS
FOR THE YEAR ENDED JUNE 30, 2010**

Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets (a)*	Actuarial Accrued Liability (AAL) - Entry Age Normal Method Used (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
October 20, 2008	\$ 999,816	\$ 3,758,708	\$ 2,758,892	27%	\$ 35,212,196	7.84%
March 1, 2010	\$ 1,156,287	\$ 4,856,592	\$ 3,700,305	24%	\$ 36,147,539	10.24%

* Asset Valuation as of June 30, 2010.

SUPPLEMENTARY INFORMATION

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION JUNE 30, 2010

The Mt. San Jacinto Community College District was established in 1962 and is comprised of an area of approximately 180 square miles located in Riverside County. There were no changes in the boundaries of the District during the current year. The District's College is accredited by the Accrediting Commission for Community and Junior Colleges, Western Association of Schools and Colleges, which is one of six regional associations that accredit public and private schools, colleges, and universities in the United States.

BOARD OF TRUSTEES

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Eugene V. Kadow	President	2011
Gwendolyn Schlange	Clerk	2013
Dorothy McGargill	Trustee	2011
Ann Motte	Trustee	2013
Joan F. Sparkman	Trustee	2011

ADMINISTRATION

Dr. Roger Schultz	Superintendent/President
Ms. Becky Elam	Vice President, Business Services
Dr. William Vincent	Vice President, Student Services
Dr. Dennis Anderson	Vice President, Instructional Services
Ms. Irma Ramos	Vice President, Human Resources

See accompanying note to supplementary information.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass Through Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Hispanic Serving Institutions Education (USDA)	10.223		\$ 83,131
Passed through the California Department of Education			
Child and Adult Care Food Program	10.558	3094-1A	<u>80,735</u>
Total U.S. Department of Agriculture			<u>163,866</u>
U.S. DEPARTMENT OF LABOR			
WORKFORCE INVESTMENT ACT			
Passed through from the Workforce Development Center /Riverside County			
WIA Cluster			
ARRA: Workforce Investment Act	17.258	197-102/105	<u>169,382</u>
Total U.S. Department of Labor			<u>169,382</u>
U.S. DEPARTMENT OF VETERANS AFFAIRS			
Passed through the California Community College Chancellor's Office			
Veterans Education	64.116	[1]	4,761
Chapter 33 - Veterans Post 911 GI Bill	64.027	[1]	<u>243,282</u>
Total U.S. Department of Veterans Affairs			<u>248,043</u>
U.S. DEPARTMENT OF EDUCATION			
HIGHER EDUCATION ACT			
TRIO - Upward Bound	84.047A		220,089
Talent Search Program	84.044A		212,050
College Cost Reduction and Access Act-STEM	84.031C		929,621
Childcare Access Means Parents in School (CCAMPIS)	84.335A		<u>47,698</u>
Total Higher Education Act			<u>1,409,458</u>
Passed through the California Department of Education			
Workforce Investment Act, Title II: Adult Education and Family Literacy Act			
English as a Second Language	84.002	[1]	148,137
STUDENT FINANCIAL ASSISTANCE CLUSTER			
Federal Supplement Education Opportunity Grant (FSEOG)	84.007		256,050
FSEOG Administrative	84.007		12,833
Federal Family Education Loans (FFEL)	84.032		6,720,561
Federal Work Study Program (FWS)	84.033		347,123
Federal Work Study Administrative	84.033		16,949
Federal Pell Grants (PELL)	84.063		15,418,630
Federal Pell Administrative	84.063		27,455
Academic Competitiveness Grant (ACG)	84.375		<u>66,666</u>
Total Student Financial Assistance Cluster			<u>22,866,267</u>
AMERICAN RECOVERY AND REINVESTMENT ACT			
Passed through from California Community College Chancellor's Office			
ARRA State Stabilization Funds	84.394	S394A090005	216,021

[1] Pass-Through Identifying Number is unavailable.

(Continued)

See accompanying note to supplementary information.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass Through Identifying Number	Federal Expenditures
CAREER AND TECHNICAL EDUCATION ACT			
Passed through from California Community College Chancellor's Office			
Perkins, Title I, Part C	84.048	09-C01-035	\$ 511,494
Perkins, Title II, Technical Preparation	84.243	09-139-940	<u>67,750</u>
Total U.S. Department of Education			<u>25,219,127</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Pass through from California Community College Chancellor's Office			
Temporary Assistance to Needy Families (TANF)	93.558	[1]	71,604
Healthy Community Forum	93.252	05-110-04	273,352
Pass through from Yosemite Community College District			
Child Development Training Consortium	93.575	09-10-4474	<u>9,978</u>
Total U.S. Department of Health and Human Services			<u>354,934</u>
Total Federal Expenditures			<u>\$ 26,155,352</u>

[1] Pass-Through Identifying Number is unavailable.

See accompanying note to supplementary information.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

Program	Program Entitlements		
	Current Year	Prior Year	Total Entitlement
GENERAL FUND			
Board Financial Assistance Program (BFAP)	\$ 437,221	\$ -	\$ 437,221
Basic Skills	163,075	320,057	483,132
Articulation	2,040	-	2,040
State Lottery	-	34,715	34,715
CTE Community Collaborative Pathways	400,000	-	400,000
CTE Community Collaborative New Pathways	310,000	-	310,000
CTE Community Collaborative	237,984	-	237,984
CTE Enrollment Growth and Retention ADN-RN	71,557	33,541	105,098
CAHSEE Prep Program	41,544	-	41,544
Statewide Discipline/Industry Collaborative Mini-Grant	7,950	-	7,950
LVN to RN Specialty Nursing	-	-	-
Extended Opportunity Program and Service - (EOPS)	432,286	32,973	465,259
Extended Opportunity Program and Service - (EOPS/CARE)	104,058	15,806	119,864
TTIP	6,971	-	6,971
Matriculation Grant	344,517	73,752	418,269
Matriculation Grant - Noncredit	27,259	-	27,259
Staff Development	-	3,059	3,059
Staff Diversity	6,174	15,315	21,489
Disabled Student Program and Services - DSPS	414,117	15,608	429,725
Nursing Faculty Recruitment and Retention	38,306	-	38,306
CalWORKS	245,299	-	245,299
First 5 Facilities Assistance Grant	7,368	-	7,368
Equipment for Nursing and Allied Health Programs	10,185	-	10,185
@One	120,000	193,914	313,914
Cal Grant B and C	757,306	-	757,306
Total State Programs			

See accompanying note to supplementary information.

Program Revenues					
Cash Received	Accounts Receivable	Accounts Payable	Deferred Revenue	Total Revenue	Program Expenditures
\$ 437,221	\$ -	\$ -	\$ 6,648	\$ 430,573	\$ 430,573
483,132	-	-	265,822	217,310	217,310
2,040	-	-	1,423	617	617
34,715	197,895	-	-	232,610	232,610
400,000	-	-	216,097	183,903	183,903
310,000	-	-	310,000	-	-
237,984	-	-	-	237,984	237,984
105,098	12,017	-	-	117,115	117,115
41,544	99,552	-	-	141,096	141,096
7,950	-	-	-	7,950	7,950
-	18,215	-	-	18,215	18,215
465,259	-	-	32,248	433,011	433,011
119,864	-	-	1,077	118,787	118,787
6,971	-	-	779	6,192	6,192
418,269	-	-	-	418,269	418,269
27,259	-	-	-	27,259	27,259
3,059	-	-	2,559	500	500
21,489	-	-	14,327	7,162	7,162
429,725	-	-	-	429,725	429,725
38,306	-	-	29,986	8,320	8,320
245,299	-	-	-	245,299	245,299
7,368	1,142	-	6,226	2,284	2,284
10,185	-	-	-	10,185	10,185
313,914	-	-	158,188	155,726	155,726
757,306	27,080	2,326	-	782,060	782,060
<u>\$ 4,923,957</u>	<u>\$ 355,901</u>	<u>\$ 2,326</u>	<u>\$ 1,045,380</u>	<u>\$ 4,232,152</u>	<u>\$ 4,232,152</u>

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF WORKLOAD MEASURES FOR STATE
GENERAL APPORTIONMENT - ANNUAL (ACTUAL) ATTENDANCE
AS OF JUNE 30, 2010**

CATEGORIES	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Audited Data</u>
Credit Full-Time Equivalent Student (FTES)			
A. Summer Intersession (Summer 2009 only)			
1. Noncredit	13	-	13
1. Credit	708	-	708
B. Summer Intersession (Summer 2010 - Prior to July 1, 2010)			
1. Credit	-	-	-
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure			
(a) - Weekly Census Contact Hours	9,886	-	9,886
(b) - Daily Census Contact Hours	1,761	-	1,761
2. Actual Hours of Attendance			
(a) - Noncredit	608	-	608
(b) - Credit	33	-	33
3. Independent Study/Work Experience			
(a) - Weekly Census Procedure Courses	9	-	9
(b) - Daily Census Procedure Courses	5	-	5
Subtotal	<u>13,023</u>	<u>-</u>	<u>13,023</u>
Supplemental Information (subset of above information)			
In-Service Training Courses (FTES)			-
Basic Skills Courses			
1. Noncredit			558
2. Credit			885
Total Basic Skills FTES			<u><u>1,443</u></u>

See accompanying note to supplementary information.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311)
WITH FUND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2010.

See accompanying note to supplementary information.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEETS TO THE
STATEMENT OF NET ASSETS
JUNE 30, 2010**

**Amounts Reported for Governmental Activities in the Statement
of Net Assets are Different Because:**

Total Fund Balance and Retained Earnings:

General Funds	\$ 9,527,609	
Cafeteria	21,488	
Capital Outlay Projects Funds	6,311,801	
Bookstore	1,886,497	
Internal Service Funds	224,729	
Fiduciary Funds	<u>270,681</u>	
Total Fund Balance - All District Funds		\$ 18,242,805

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

The cost of capital assets is	87,193,735	
Accumulated depreciation is	(19,556,623)	
Less fixed assets already recorded in the enterprise funds	<u>(242,843)</u>	67,394,269

Recognize the OPEB asset resulting from the difference between annual OPEB cost on the accrual basis and OPEB contributions in the governmental funds.

661,312

Amounts held in trust on behalf of others (Trust and Agency Funds)

(135,469)

In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term obligations is recognized when it is incurred.

(135,228)

Long-term liabilities at year end consist of:

Bonds payable	12,470,000	
Golden Handshake	1,480,393	
Load banking	608,557	
Capital leases payable	1,944,957	
Compensated absences	1,254,799	
Less load banking already recorded in funds	<u>(608,557)</u>	<u>(17,150,149)</u>
Total Net Assets		<u>\$ 68,877,540</u>

See accompanying note to supplementary information.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2010

NOTE 1 - PURPOSE OF SCHEDULES

District Organization

This schedule provides information about the District's governing board members and administration members.

Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The following schedule provides reconciliation between revenues reported on the statement of revenues, expenses, and changes in net assets and the related expenditures reported on the schedule of expenditures of Federal awards. The reconciling amounts represent Federal funds that have been recorded as revenues or expenses within the accompanying financial statements as the amounts were passed directly to qualifying students.

Description	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenses, and Changes in Net Assets:		\$ 19,434,791
Federal Family Education Loans (FFEL)	84.032	<u>6,720,561</u>
Total Expenditures of Federal Awards		<u><u>\$ 26,155,352</u></u>

Schedule of Expenditures of State Awards

The accompanying schedule of expenditures of State awards includes the State grant activity of the District and is presented on the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The information in this schedule is presented to comply with reporting requirements of the California State Chancellor's Office.

Schedule of Workload Measures for State General Apportionment - Annual (Actual) Attendance

Full-Time Equivalent Students (FTES) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds, including restricted categorical funding, are made to community college districts. This schedule provides information regarding the annual attendance measurements of students throughout the District.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2010

Reconciliation of Annual Financial and Budget Report (CCFS-311) With Fund Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Form CCFS-311 to the District's internal fund financial statements.

Reconciliation of the Governmental Fund Balance Sheets to the Statement of Net Assets

This schedule provides a reconciliation of the adjustments necessary to bring the District's internal fund financial statements, prepared on a modified accrual basis, to the entity-wide full accrual basis financial statements required under GASB Statements No. 34 and No. 35 business-type activities reporting model.

INDEPENDENT AUDITORS' REPORTS



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

Board of Trustees
Mt. San Jacinto Community College District
San Jacinto, California

We have audited the basic financial statements of Mt. San Jacinto Community College District (the District) for the year ended June 30, 2010, and have issued our report thereon dated November 23, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Mt. San Jacinto Community College District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mt. San Jacinto Community College District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Mt. San Jacinto Community College District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified the following deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs, that we consider to be significant deficiencies in internal control over financial reporting as item 2010-1. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

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

This report is intended solely for the information and use of the Board of Trustees, District Management, the California Community Colleges Chancellor's Office, and the District's Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vaurinek, Irine, Day & Co. LLP

Rancho Cucamonga, California
November 23, 2010



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Trustees
Mt. San Jacinto Community College District
San Jacinto, California

Compliance

We have audited the compliance of Mt. San Jacinto Community College District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2010. Mt. San Jacinto Community College District's major Federal programs are identified in the summary of auditors' 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 Jacinto Community College District's management. Our responsibility is to express an opinion on Mt. San Jacinto 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 Jacinto 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 of Mt. San Jacinto Community College District's compliance with those requirements.

As described in the accompanying schedule of findings and questioned costs as items 2010-2 through 2010-4, the District did not comply with requirements regarding Special Tests and Reporting Requirements that are applicable to its ARRA State Stabilization Funds. Compliance with such requirements is necessary, in our opinion, for the District to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Mt. San Jacinto Community College District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of Mt. San Jacinto Community College District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered Mt. San Jacinto Community College District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Mt. San Jacinto Community College District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2010-2 through 2010-4 to be significant deficiencies.

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

This report is intended solely for the information and use of the Board of Trustees, District Management, the California Community Colleges Chancellor's Office, and the District's Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vaurinek, Irine, Day & Co. LLP

Rancho Cucamonga, California
November 23, 2010



REPORT ON STATE COMPLIANCE

Board of Trustees
Mt. San Jacinto Community College District
San Jacinto, California

We have audited the compliance of Mt. San Jacinto Community College District (the District) with the types of compliance requirements described in Section 400 of the California State Chancellor's Office's *California Community College District Audit Manual (CDAM)* that are applicable to community colleges in the State of California. The specific requirements are described below.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America and the standards for financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements with State laws and regulations have occurred. An audit includes examining, on a test basis, evidence about Mt. San Jacinto 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 of Mt. San Jacinto Community College District's compliance with those requirements.

General Directive

Section 424: MIS Implementation - State General Apportionment Funding System

Administration

Section 435: Open Enrollment

Section 437: Student Fees - Instructional Materials and Health Fees

Apportionments

Section 423: Apportionment of Instructional Service Agreements/Contracts

Section 425: Residency Determination for Credit Courses

Section 427: Concurrent Enrollment of K-12 Students in Community College Credit Courses

Section 432: Enrollment Fee

Section 426: Students Actively Enrolled

Fiscal Operations

Section 421: Salaries of Classroom Instructors (50% Law)

Section 431: Gann Limit Calculation

Student Services

Section 428: Use of Matriculation Funds

Section 433: CalWORKs - Use of State and Federal TANF Funding

Facilities

Section 434: Scheduled Maintenance Program

In our opinion, Mt. San Jacinto Community College District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported and are described in the accompanying schedule of findings and questioned costs as items 2010-5 through 2010-7.

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

This report is intended solely for the information of the Board of Trustees, District Management, the California Community Colleges Chancellor's Office, the California Department of Finance, and the California Department of Education, and is not intended to be and should not be used by anyone other than these specified parties.

Whurinek Fine, Day & Co. LLP

Rancho Cucamonga, California

November 23, 2010

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

**SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2010**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>Yes</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>Yes</u>
Unqualified for all major programs except for the following programs which were qualified:	

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.394 (ARRA)</u>	<u>ARRA State Stabilization Fund</u>

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	<u>Yes</u>
Identification of major programs:	

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.007, 84.032, 84.033, 84.063, 84.375</u>	<u>Student Financial Assistance Cluster</u>
<u>84.394 (ARRA)</u>	<u>ARRA State Stabilization Fund</u>
<u>17.258 (ARRA)</u>	<u>WIA (ARRA)</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u>No</u>

STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for State programs:	<u>Unqualified</u>

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2010

The following findings represent significant deficiencies and/or instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

LOAD BANKING

2010-1 Finding

Criteria or Specific Requirement

Internal Revenue Regulation 1.451-2(a).

Condition

The District currently offers faculty the opportunity to work and bank hours within one term for use in a subsequent term. The District has allowed employees to cash out banked load hours after meeting certain time requirements at which time it is the employee's option to take time off or request a cash payment. This is considered constructive receipt by the IRS which requires compensation to be subject to all payroll taxes at the time the employee controls the timing of the payment.

Recommendation

The District should ensure the proper accounting of all payroll taxes in the year the employee controls payment of the previously banked time.

District Response

Internal Revenue Service Regulation 1.451-2(a) states that "Income, although not actually reduced to a taxpayer's possession, is constructively received by him in the taxable year during which it is credited to his account, set apart for him, or otherwise made available so that he may draw upon it at any time, or so that he could have drawn upon it during the taxable year if notice of intention to withdraw had been given. **However, income is not constructively received if the taxpayer's control of its receipt is subject to substantial limitations or restrictions.**"

To be eligible to receive a cash-out of banked load, full-time faculty must first bank the required 1.2 FTE load. Once the employee has accumulated a maximum load of 1.2 FTE, the employee has two (2) years in which to use the banked load to take time off from their teaching assignment. If the employee does not take the 1.2 FTE banked load as time off within the two-year period, only then would the employee be eligible to receive a cash distribution of the banked load. **This is the earliest time the cash-out election can be made.** Pursuant to IRS Regulation 1.451-2(a), "income is taxable at the earliest date that the income could have been received. Therefore....., the IRS will determine that the **income is taxable at the earliest time the election could be made.**" The District maintains full control over when the banked load will be cashed out. Since earnings associated with banked load are not available to the employee at any time prior to the accumulation of the 1.2 FTE or within the two years immediately preceding the accumulation of the 1.2 FTE, we contend that the earnings are not constructively received at the time they were earned and are not taxable until such time that the banked load is cashed out.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

The following findings represent significant deficiencies and/or instances of noncompliance including questioned costs that are required to be reported by OMB Circular A-133.

2010-2 Finding

Federal Program Affected

U.S. Department of Education (DOE) Student Financial Assistance Cluster - Pell CFDA# 84.063.

Compliance Requirement

Special Tests.

Criteria or Specific Requirement

Return of Title IV Funds: 34 CFR 668.22(j) and (34 CFR Section 668.173(b)) states that, "An institution must return the amount of Title IV funds for which it is responsible under paragraph (g) of this section as soon as possible but no later than 45 days after the date of the institution's determination that the student withdrew..."

Return of Title IV funds are required to be deposited or transferred into the SFA account or electronic fund transfers initiated to ED or the appropriate FFEL lender as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew. Returns by check are late if the check is issued more than 45 days after the institution determined the student withdrew or the date on the canceled check shows the check was endorsed more than 60 days after the date the institution determined that the student withdrew.

Condition

During our review of the requirements for Return to Title IV at the District, it was noted that in some instances, the District's portion of the Return to Title IV funds were not returned within the 45 day requirement.

Questioned Costs

No questioned costs. The District did return the funds; however, they were not returned within the 45 day requirement in all cases.

Context

There were 14 payments out of 25 tested that were returned after the 45 day requirement. No additional testing was performed as the error rate was in excess of 50 percent. All payments were noted to have been made.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

Effect

Without proper monitoring of Title IV returns, the District risks non-compliance with 34 CFR 668.22(j).

Cause

Procedures are not currently in place to monitor, report, and remit Return to Title IV funds within 45 days.

Recommendation

It is recommended that the District review the requirements of 34 CFR 668.22(j) and (34 CFR Section 668.173(b)) and implement procedures to ensure that Return of Title IV funds are returned within 45 days of the date that the District determined that the student withdrew from all classes.

District Response

The District has revised the Return to Title IV Funding procedures to accurately reflect and comply with the 45 day requirement.

2010-3 Finding

Federal Program Affected

U.S. Department of Education (DOE) Student Financial Assistance Cluster - FFEL Loans
CFDA #84.032.

Compliance Requirement

Special Tests.

Criteria or Specific Requirement

Loan funds must be disbursed within 30 days if the lender provided the funds by check payable to the borrower or copayable to the borrower and the institution (34 CFR Sections 668.162, 668.164, 668.167(b), 682.603, and 682.604(d)).

If the institution does not disburse FFEL loan proceeds to a student or parent in accordance with the time frames required in 34 CFR Section 668.167(b), the institution must return the funds to the lender within 10 business days after the date the funds were required to be disbursed. Exceptions are described in 34 CFR Sections 668.167(b)(3) and (c) (34 CFR Section 668.167(b)(2)).

Condition

During our review of the requirements for FFEL loans at the District, it was noted that during the spring 2010 term, the loan funds were not disbursed within the 30 day requirement.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

Questioned Costs

None.

Context/Cause

There were seven students out of twelve where the funds were disbursed after the 30 day requirement. We noted that the timing occurred between 37-57 days after receipt. The Student Financial Aid Office appears to have waited for confirmation of the actual classes enrolled prior to disbursing of the funds.

Effect

Without proper monitoring of FFEL Loans, the District risks non-compliance with 34 CFR 668.167.

Recommendation

It is recommended that the District implement procedures to ensure that loan funds received for the benefit of students are disbursed within 30 days of the date the District receives the funds. Checks not disbursed are to be returned to the lender within 10 business days after the date the funds were required to be disbursed.

District Response

The District has discontinued its Direct Loan Program as of July 1, 2010.

2010-4 Finding

Federal Program Affected

U.S. Department of Education (DOE) ARRA State Stabilization Fund - CFDA #84.394.

Compliance Requirement

Reporting.

Criteria or Specific Requirement

The State Stabilization program is authorized in Title XIV of Division A of the American Recovery and Reinvestment Act of 2009 (ARRA). The funds are to restore support for secondary education and higher education, but must be consistent with the ARRA's reporting and accountability requirements. Per the transparency, accountability, reporting, and other obligation requirements of the funds, the requirements are that the District must maintain records that separately track and account for its ARRA revenue and expenditures and report on the specific use of those funds.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

Condition

During our testing of the State Stabilization ARRA Grant, it was noted that the District did not separately identify the ARRA expenditures in their general ledger. They did claim appropriate expenditures on the required report. However, the expenditures were generalized and not separately identified from other expenditures as required.

Questioned Costs

\$216,021 (the full amount of the programs expenditures).

Context/Cause

The District received \$216,021 of Federal revenue and the whole amount was required to have expenditures identified and reported to the State Chancellor's Office.

Effect

Without proper segregation of allocation of expenditures, the District risks non-compliance with the State Stabilization ARRA Grant.

Recommendation

While it is noted the District did follow guidance on the expenditure and reporting of the State Stabilization funds issued by the State Chancellor's Office, the District should implement a procedure to ensure Federal requirements are followed.

District Response

The District had segregated these ARRA expenditures in their files; however, we did not segregate them in our accounting system. In the future, all ARRA Income and Expenditures will be segregated in the Restricted Fund with their own Resource and Function code.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

The following findings represent instances of noncompliance and/or questioned costs relating to State program laws and regulations.

OPEN ENROLLMENT

2010-5 Finding

Criteria or Specific Requirement

California Code of Regulations, Title 5, Section 58104 requires that all courses be "reasonably well publicized" and if a district chooses to post a class exclusively on the Internet, the class must be advertised for a minimum of 30 continuous days prior to the first meeting of the class.

Condition

Of the 33 classes we reviewed for open enrollment, seven classes were held at a high school or middle school campus and were advertised exclusively online. All seven of these classes were not published within the required time frame of 30 days before the start of the class; publication occurred 10 to 20 days prior to the start of the course. The requirements for classes to be open to all potential students, therefore, have not been followed as the District personnel were not aware of the 30 day requirement.

Questioned Costs

None.

Recommendation

The District should revise its procedures for posting courses in the online schedule of classes to ensure that they are posted at a minimum 30 days prior to the first day of class.

District Response

The District began a dual enrollment program in the fall of 2009 and was unaware of the 30 day posting criteria. We have implemented a yearly timeline that is now part of the dual enrollment program that will comply with the 30 day posting of online schedule requirement. This will go into effect spring of 2011 as the fall term of 2010 had already begun its enrollment.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

CONCURRENT ENROLLMENT

2010-6 Finding

Criteria or Specific Requirement

Contracted District Audit Manual, Section 427 Concurrent Enrollment of K-12 Students in Community College Credit Courses, Part .04 Step 2 states that enrollment fees should be assessed for all units once 11 units are exceeded and students become a special full-time student.

California *Education Code* 76300 (f) provides an exemption from the enrollment fee requirement for special part-time students, not special full-time students.

Condition

The enrollment system does not correctly identify special full-time students so that enrollment fees can be properly charged. It was noted that the District does not correctly assess fees for concurrently enrolled students who are enrolled in 12 units or more. Rather than assessing fees for all units enrolled, the District only assesses fees for the portion of the units enrolled in excess of 12 units. Per review of the District enrollment records, there were only two special admit students who were considered full-time. The condition identified above affected both students. The amount of fees that should have been assessed for the students reviewed amounted to \$650, but the District only charged \$26 for both students. Therefore, enrollment fees have not been properly assessed or collected from special admit students.

Questioned Costs

None.

Recommendation

The District should revise its procedures for calculating fees for special full-time students to ensure fees are assessed for all units enrolled. The enrollment system should be updated to code K-12 students attending classes and flag those students with 12 or more units.

District Response

The District has revised and implemented the systematic calculation of fees, and new registration tuition rate tables were created to ensure that concurrent enrollment of K-12 students enrolled in over 11 units are assessed enrollment fees for all units. California *Education Code* 76300 (9f) provides an exemption from the enrollment fee requirement for special part-time students, not special full-time students.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

STUDENTS ACTIVELY ENROLLED

2010-7 Finding

Criteria or Specific Requirement

Student Headcount data requirements pursuant to the California Community Colleges Management Information Systems Data Element Dictionary requires that census rosters be certified by the instructor and maintained for all courses claimed for FTES.

Condition

It was noted that census rosters are not monitored to ensure that all instructors have completed and turned in the rosters prior to the census date. We selected 25 classes for review; four did not have census rosters on hand. Therefore, the accounting for attendance may not accurately reflect the true attendance and enrollment of all students. A procedure does not appear to be in place to monitor the receipt of instructors' census rosters and provide for follow-up of those rosters not received.

Questioned Costs

None.

Recommendation

It is recommended that the Admissions and Records Office develop procedure to follow up with instructors who have not submitted the census rosters.

District Response

There *is* a process in place that was adopted by the Office of Instruction in collaboration with the Admissions and Records Office after a prior auditor recommendation in June of 2009. At the December 2009 Board of Trustees meeting, the auditor indicated improvement in census roster reporting based on their prior recommendations. The District will continue to review and assess the effectiveness of the current procedures to ensure timely submission for census rosters.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2010

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of audit findings and questioned costs.

STATE COMPLIANCE

2009-1 Finding

The District did not maintain census rosters for several courses selected for our testing of State Compliance Requirements. Out of thirty-four courses chosen for review, thirty had census rosters on file. Although there was an aggressive effort by the District to collect the census rosters, several instructors did not submit them on a timely basis and some did not turn them in at all. This is in noncompliance with the Credit Student Headcount data requirements pursuant to the California Community Colleges Management Information Systems Data Element Dictionary.

Recommendation

We recommend that the District implement written procedures encouraging instructors in the adherence of State requirements.

Current Status

Not implemented. See State awards finding 2010-7.

2009-2 Finding

Instructors did not properly maintain census rosters for several students selected for our testing of State Compliance Requirements. Out of thirty students chosen for review, two students claimed they attended courses during the Fall 2008/Spring 2009 semesters with no accurate attendance records provided by instructors. Census data had to be modified and later re-establish that these students in fact attended a course for which no census data was provided. By not providing accurate census data, the District could potentially miss out on FTES allocations by the State. This is also in noncompliance with the Credit Student Headcount data requirements pursuant to the California Community Colleges Management Information Systems Data Element Dictionary.

Recommendation

We recommend that the District implement written procedures encouraging instructors in the adherence of State requirements.

Current Status

Implemented.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2010

INTERNAL CONTROL

2009-3 Finding

Statement of Auditing Standards (SAS) # 112 states that the auditor cannot be a component of the District's internal control system and that the District is responsible for the preparation, review and approval of its financial statements and related footnote disclosures in conformity with generally accepted accounting principles. The District's personnel were not capable of preparing, reviewing and approving full disclosure financial statements, in conformity with GASB #35 allowing for the remote likelihood that a misstatement of their financial statements that is more than inconsequential will not be prevented or detected. Under the standard, this is defined as an inadequate design of the District's internal controls over the financial statements being audited.

Recommendation

We recommend that the District evaluate the benefits of preparing, reviewing and approving its own full disclosure financial statements in conformity with GASB #35 at yearend against the cost of doing so, internally or through an independent CPA.

Current Status

Implemented.

ADDITIONAL SUPPLEMENTARY INFORMATION

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEETS
JUNE 30, 2010**

	<u>General Unrestricted</u>	<u>General Restricted</u>
ASSETS		
Cash and cash equivalents	\$ 542,913	\$ 18,897
Investments	4,161,535	599,388
Accounts receivable	7,966,235	1,358,410
Due from other funds	632,763	-
Prepaid expenses	126,699	19,271
Total Assets	<u>\$13,430,145</u>	<u>\$ 1,995,966</u>
 LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable	\$ 3,895,805	\$ 135,319
Due to other funds	24,403	12,603
Deferred revenue	421,428	1,408,944
Total Liabilities	<u>4,341,636</u>	<u>1,556,866</u>
 FUND BALANCES		
Reserved	151,699	19,271
Unreserved		
Designated	6,169,000	419,829
Undesignated	2,767,810	-
Total Fund Balances	<u>9,088,509</u>	<u>439,100</u>
Total Liabilities and Fund Balances	<u>\$13,430,145</u>	<u>\$ 1,995,966</u>

See accompanying note to additional supplementary information.

Cafeteria	Child Development	Capital Outlay Projects	Total Governmental Fund (Memorandum Only)
\$ 9,416	\$ (546)	\$ 4,352	\$ 575,032
16,560	41,189	5,344,397	10,163,069
946	180,812	387,291	9,893,694
27	12,575	-	645,365
22,090	-	1,295,588	1,463,648
<u>\$ 49,039</u>	<u>\$ 234,030</u>	<u>\$ 7,031,628</u>	<u>\$ 22,740,808</u>
\$ 19,944	\$ 100,784	\$ 343,142	\$ 4,494,994
7,607	133,246	376,685	554,544
-	-	-	1,830,372
<u>27,551</u>	<u>234,030</u>	<u>719,827</u>	<u>6,879,910</u>
-	-	1,295,588	1,466,558
-	-	-	6,588,829
21,488	-	5,016,213	7,805,511
<u>21,488</u>	<u>-</u>	<u>6,311,801</u>	<u>15,860,898</u>
<u>\$ 49,039</u>	<u>\$ 234,030</u>	<u>\$ 7,031,628</u>	<u>\$ 22,740,808</u>

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

**GOVERNMENTAL FUNDS
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2010**

	General Unrestricted	General Restricted
REVENUES		
Federal revenues	\$ 270,171	\$ 3,051,315
State revenues	30,128,585	3,462,238
Local revenues	27,072,187	517,206
Total Revenues	<u>57,470,943</u>	<u>7,030,759</u>
EXPENDITURES		
Current Expenditures		
Academic salaries	23,071,776	1,281,217
Classified salaries	13,010,553	2,543,531
Employee benefits	9,090,764	717,548
Books and supplies	1,030,295	544,577
Services and operating expenditures	6,262,227	901,533
Capital outlay	2,504,933	820,182
Debt service - principal	157,544	64,753
Debt service - interest and other	-	-
Total Expenditures	<u>55,128,092</u>	<u>6,873,341</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,342,851</u>	<u>157,418</u>
OTHER FINANCING SOURCES (USES)		
Operating transfers in	-	421,674
Operating transfers out	(1,673,940)	-
Other sources	745,069	-
Other uses	(33,248)	(443,931)
Total Other Financing Sources (Uses)	<u>(962,119)</u>	<u>(22,257)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>1,380,732</u>	<u>135,161</u>
FUND BALANCE, BEGINNING OF YEAR	<u>7,707,777</u>	<u>303,939</u>
FUND BALANCE, END OF YEAR	<u>\$ 9,088,509</u>	<u>\$ 439,100</u>

See accompanying note to additional supplementary information.

Cafeteria	Child Development	Capital Outlay Projects	Total Governmental Fund (Memorandum Only)
\$ -	\$ 128,677	\$ -	\$ 3,450,163
-	1,052,533	310,421	34,953,777
414,236	330,689	674,965	29,009,283
<u>414,236</u>	<u>1,511,899</u>	<u>985,386</u>	<u>67,413,223</u>
-	937	-	24,353,930
137,381	1,246,871	-	16,938,336
25,686	414,226	-	10,248,224
162,305	36,147	66,587	1,839,911
191,206	20,529	469,026	7,844,521
26,170	-	1,041,766	4,393,051
-	-	626,321	848,618
-	-	548,591	548,591
<u>542,748</u>	<u>1,718,710</u>	<u>2,752,291</u>	<u>67,015,182</u>
<u>(128,512)</u>	<u>(206,811)</u>	<u>(1,766,905)</u>	<u>398,041</u>
150,000	210,624	1,000,000	1,782,298
-	-	-	(1,673,940)
-	-	-	745,069
-	(3,813)	546,426	65,434
<u>150,000</u>	<u>206,811</u>	<u>1,546,426</u>	<u>918,861</u>
21,488	-	(220,479)	1,316,902
-	-	6,532,280	14,543,996
<u>\$ 21,488</u>	<u>\$ -</u>	<u>\$ 6,311,801</u>	<u>\$ 15,860,898</u>

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

**PROPRIETARY FUNDS
BALANCE SHEETS
JUNE 30, 2010**

	<u>Enterprise Funds</u>	
	<u>Bookstore</u>	<u>Internal Service Fund</u>
ASSETS		
Cash and cash equivalents	\$ 877,931	\$ -
Investments	-	326,899
Accounts receivable	526,572	864
Prepaid expenses	43,544	-
Inventories	676,702	-
Furniture and equipment (net)	242,843	-
Total Assets	<u>\$ 2,367,592</u>	<u>\$ 327,763</u>
LIABILITIES AND FUND EQUITY		
LIABILITIES		
Accounts payable	\$ 381,575	\$ 82,315
Due to other funds	99,520	-
Deferred revenue	-	20,719
Total Liabilities	<u>481,095</u>	<u>103,034</u>
FUND EQUITY		
Retained earnings	<u>1,886,497</u>	<u>224,729</u>
Total Liabilities and Fund Equity	<u>\$ 2,367,592</u>	<u>\$ 327,763</u>

See accompanying note to additional supplementary information.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

**PROPRIETARY FUNDS
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN
RETAINED EARNINGS
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Enterprise Funds</u>	
	<u>Bookstore</u>	<u>Internal Service Fund</u>
OPERATING REVENUES		
Sales revenues	\$ 4,237,995	\$ -
OPERATING EXPENSES		
Classified salaries	549,702	6,947
Employee benefits	138,251	1,678
Books and supplies	3,232,903	15,133
Services and other operating expenditures	174,699	131,570
Capital outlay	-	63,608
Total Operating Expenses	<u>4,095,555</u>	<u>218,936</u>
Operating Income (Loss)	<u>142,440</u>	<u>(218,936)</u>
NONOPERATING REVENUES (EXPENSES)		
Interest income	1,413	3,938
Miscellaneous revenues	28,281	213,672
Operating transfers out	(150,000)	-
Total Nonoperating Revenues (Expenses)	<u>(120,306)</u>	<u>217,610</u>
NET INCOME (LOSS)	22,134	(1,326)
RETAINED EARNINGS, BEGINNING OF YEAR	1,864,363	226,055
RETAINED EARNINGS, END OF YEAR	<u>\$ 1,886,497</u>	<u>\$ 224,729</u>

See accompanying note to additional supplementary information.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

**PROPRIETARY FUNDS
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Enterprise Funds</u>	
	<u>Bookstore</u>	<u>Internal Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating gain (loss)	\$ 22,134	\$ (1,326)
Adjustments to Reconcile Change in Net Assets to Net Cash Flow Operating Activities		
Depreciation	93,555	-
Decrease in accounts receivable	9,036	81,181
Decrease in due from other funds	173,964	-
Increase in inventory	(15,326)	-
Increase in prepaids	(41,850)	-
Increase (Decrease) in accounts payable	(2,137)	25,738
Increase in deferred revenue	-	7,028
Decrease in due to other funds	(38,739)	(39)
Net Cash Flows from Operating Activities	<u>200,637</u>	<u>112,582</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from investments	120,306	-
Interest on investments	1,413	-
Other nonoperating income	28,281	-
Transfers out	(150,000)	-
Acquisition of equipment	(21,649)	-
Net Cash Flows from Investing Activities	<u>(21,649)</u>	<u>-</u>
Net increase in cash and cash equivalents	178,988	112,582
Cash and cash equivalents - Beginning	698,943	214,317
Cash and cash equivalents - Ending	<u>\$ 877,931</u>	<u>\$ 326,899</u>
CASH AND CASH EQUIVALENTS CONSISTS OF:		
Cash in banks	\$ 877,931	\$ -
Cash in county pooled investment	-	326,899
	<u>\$ 877,931</u>	<u>\$ 326,899</u>

See accompanying note to additional supplementary information.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

**FIDUCIARY FUNDS
BALANCE SHEETS
JUNE 30, 2010**

	Associated Students Trust	Student Representation Fee	Student Financial Aid	Total
ASSETS				
Cash and cash equivalents	\$ 150,751	\$ 4,384	\$ 35,642	\$ 190,777
Accounts receivable	631	18	374,855	375,504
Student loans receivable, net	-	-	123,973	123,973
Due from other funds	84	-	24,405	24,489
Total Assets	\$ 151,466	\$ 4,402	\$ 558,875	\$ 714,743
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 4,609	\$ -	\$ 423,663	\$ 428,272
Due to other funds	15,790	-	-	15,790
Total Liabilities	20,399	-	423,663	444,062
FUND BALANCES				
Unreserved				
Undesignated	131,067	4,402	135,212	270,681
Total Fund Balances	131,067	4,402	135,212	270,681
Total Liabilities and Fund Balances	\$ 151,466	\$ 4,402	\$ 558,875	\$ 714,743

See accompanying note to additional supplementary information.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

**FIDUCIARY FUNDS
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2010**

	Associated Students Trust	Student Representation Fee	Student Financial Aid	Total
REVENUES				
Federal revenues	\$ -	\$ -	\$ 15,984,628	\$ 15,984,628
State revenues	-	-	782,420	782,420
Local revenues	148,433	785	241	149,459
Total Revenues	<u>148,433</u>	<u>785</u>	<u>16,767,289</u>	<u>16,916,507</u>
EXPENDITURES				
Current Expenditures				
Academic salaries	2,021	-	-	2,021
Classified salaries	2,640	-	-	2,640
Employee benefits	402	-	-	402
Books and supplies	70,889	-	-	70,889
Services and operating expenditures	54,978	-	368	55,346
Capital outlay	7,949	-	-	7,949
Total Expenditures	<u>138,879</u>	<u>-</u>	<u>368</u>	<u>139,247</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>9,554</u>	<u>785</u>	<u>16,766,921</u>	<u>16,777,260</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	630,060	630,060
Operating transfers out	-	-	(588,418)	(588,418)
Other uses	-	-	(16,767,048)	(16,767,048)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(16,725,406)</u>	<u>(16,725,406)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES	9,554	785	41,515	51,854
FUND BALANCE, BEGINNING OF YEAR	121,513	3,617	93,697	218,827
FUND BALANCE, END OF YEAR	<u>\$131,067</u>	<u>\$ 4,402</u>	<u>\$ 135,212</u>	<u>\$ 270,681</u>

See accompanying note to additional supplementary information.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

NOTE TO ADDITIONAL SUPPLEMENTARY INFORMATION JUNE 30, 2010

NOTE 1 - PURPOSE OF SCHEDULES

Fund Financial Statements

The accompanying financial statements report the governmental, proprietary, and fiduciary fund activities of Mt. San Jacinto Community College District and are presented on the modified accrual basis of accounting. Therefore, some amounts presented in these financial statements may differ from amounts presented in, or used in, the preparation of the basic financial statements. The information is not a required component of the financial statements in accordance with GASB Statements No. 34 and No. 35 and is presented at the request of the District management.