MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2014 AND 2013

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

TABLE OF CONTENTS
JUNE 30, 2014 AND 2013

FINANCIAL SECTION

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

VALUE THE DIFFERENCE

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Mt. San Jacinto Community College District (the District) as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the District as of June 30, 2014 and 2013, and the changes in net position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Mailing Address: P. O. Box 20439 Riverside, CA 92516
6370 Magnolia Avenue, Suite 330 Riverside, CA 92506 Tel: 951.367.3000 Fax: 951.367.3010 www.vtdcpa.com
FRESNO • LAGUNA HILLS • PALO ALTO • PLEASANTON • RANCHO CUCAMONGA • RIVERSIDE • SACRAMENTO

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 17 to the financial statements, the District has elected to change its method of accounting for cost of debt issuance as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis on pages 4 through 12, and the Schedule of Other Postemployment Benefits (OPEB) Funding Progress on page 52, 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information listed in the Table of Contents, including the Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget (OMB) 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.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2014, 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, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co. LLP

Riverside, California
December 3, 2014

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, 2014. The report consists of three basic financial statements: the Statements of Net Position; Statements of Revenues, Expenses, and Changes in Net Position; and Statements 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, 2014. 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 Statements of Net Position is designed to be similar to the bottom line results of the District. These statements combine and consolidate current financial resources with capital assets and long-term obligations. The Statements of Revenues, Expenses, and Changes in Net Position 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 Statements 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).

	2013-2014	2012-2013	2011-2012
Total Reported Resident FTES:	$ 10,622	$ 10,052	$ 10,684
Funded Credit FTES:	9,558	9,313	9,309
Unfunded FTES:	641	102	905

- During the 2013-2014 fiscal year, the District provided $31,904,208 in financial aid to students attending classes at the two campuses. This aid was provided in the form of grants, scholarships, and tuition reductions funded through the Federal government, State Chancellor's Office, and local funding as shown below.

Federal Pell Grants (PELL)	$ 20,700,488
Federal Supplement Education Opportunity Grant (FSEOG)	363,600
Federal Work Study Program (FWS)	250,084
State of California Cal Grant B and C (CALG-B and C)	987,398
California Community College Board of Governor's Fee Wavier	9,602,638
Total Financial Aid Provided to Students	$ 31,904,208

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014 AND 2013

THE DISTRICT AS A WHOLE

Net Position

Table 1

(Amounts in thousands)	2014	2013	Change 2014-2013	2012*	Change 2013-2012
ASSETS					
Current Assets					
Cash and investments	$ 11,876	$ 14,559	$ (2,683)	$ 6,998	$ 7,561
Accounts receivable (net)	9,549	10,283	(734)	10,812	(529)
Due from fiduciaries	16	13	3	9	4
Other current assets	1,090	712	378	990	(278)
Total Current Assets	22,531	25,567	(3,036)	18,809	6,758
Other noncurrent assets	1,080	1,053	27	1,499	(446)
Capital assets (net)	83,167	83,548	(381)	81,652	1,896
Total Assets	106,778	110,168	(3,390)	101,960	8,208
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on Lease Revenue Bond	375	394	(19)	-	394
LIABILITIES					
Current Liabilities					
Accounts payable and accrued liabilities	7,771	13,298	(5,527)	6,504	6,794
Current portion of long-term obligations	1,226	781	445	898	(117)
Total Current Liabilities	8,997	14,079	(5,082)	7,402	6,677
Long-Term Obligations	14,353	15,480	(1,127)	15,625	(145)
Total Liabilities	23,350	29,559	(6,209)	23,027	6,532
NET ASSETS					
Net invested in capital assets	71,553	71,477	76	69,526	1,951
Restricted	5,455	4,358	1,097	5,137	(779)
Unrestricted	6,795	5,168	1,627	4,270	898
Total Net Position	$ 83,803	$ 81,003	$ 2,800	$ 78,933	$ 2,070

* As restated.

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 16 and 17.

Operating Results for the Year

The results of this year's operations for the District as a whole are reported in the Statements of Revenues, Expenses, and Changes in Net Position on page 15.

Table 2

(Amounts in thousands)	2014	2013	Change 2014-2013	2012	Change 2013-2012
Operating Revenues					
Tuition and fees (net)	$ 4,132	$ 4,778	$ (646)	$ 4,451	$ 327
Other operating revenues	2,343	2,671	(328)	3,017	(346)
Total Operating Revenues	6,475	7,449	(974)	7,468	(19)
Operating Expenses					
Salaries and benefits	51,303	49,564	1,739	51,556	(1,992)
Supplies and maintenance	13,935	13,870	65	10,833	3,037
Student financial aid	22,188	18,666	3,522	19,236	(570)
Depreciation	3,002	2,607	395	2,858	(251)
Total Operating Expenses	90,428	84,707	5,721	84,483	224
Loss on Operations	(83,953)	(77,258)	(6,695)	(77,015)	(243)
Nonoperating Revenues (Expenses)					
State apportionments	30,590	24,611	5,979	27,390	(2,779)
Property taxes	18,374	17,164	1,210	17,547	(383)
State taxes and other revenues	3,309	3,519	(210)	1,965	1,554
Federal and State grants and contracts	30,512	25,961	4,551	26,690	(729)
Net investment income	46	36	10	96	(60)
Net interest expense	(493)	(520)	27	(530)	10
Other nonoperating revenues (expenses) - net	3,548	6,060	(2,512)	2,726	3,334
Total Nonoperating Revenue	85,886	76,831	9,055	75,884	947
Other Revenues					
State and local capital income	867	2,497	(1,630)	10,581	(8,084)
Net Increase in Net Position	$ 2,800	$ 2,070	$ 730	$ 9,450	$ (7,380)

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 increased in 2013-2014. State apportionments decreased due to system-wide reductions in workload allocations and funding.

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.

Interest income of $46 thousand was offset by interest expense of $493 thousand. The interest income is primarily the result of cash held in the Riverside County Treasury. Interest income has increased approximately $10 thousand over the 2013-2014 fiscal year. Interest income has increased due to higher overall balance held in the Riverside County Treasury during fiscal year 2013-2014. The interest expense decreased, due primarily to principal reductions related to lease revenue bonds.

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, 2014:

	Salaries and Employee Benefits	Supplies, Material, and Other Expenses and Services	Equipment, Maintenance, and Repairs	Financial Aid	Depreciation	Total
Instructional activities	$ 23,731,890	$ 797,571	$ 135,076	$ -	$ -	$ 24,664,537
Academic support	6,116,413	596,767	58,852	-	-	6,772,032
Student services	7,287,338	902,319	40,275	1,546,360	-	9,776,292
Plant operations and maintenance	2,135,583	2,337,899	7,180	-	-	4,480,662
Instructional support services	7,779,200	5,127,508	23,207	-	-	12,929,915
Community services and economic development	629,630	763,396	21,517	-	-	1,414,543
Ancillary services and auxiliary operations	3,484,896	1,203,908	18,635	46,428	-	4,753,867
Physical property and related acquisitions	138,206	1,206,212	440,272	-	-	1,784,690
Transfers, student aid, and other outgoing	-	253,957	123	20,595,662	-	20,849,742
Unallocated depreciation	-	-	-	-	3,001,512	3,001,512
Total	$ 51,303,156	$ 13,189,537	$ 745,137	$ 22,188,450	$ 3,001,512	$ 90,427,792

Year ended June 30, 2013:

	Salaries and Employee Benefits	Supplies, Material, and Other Expenses and Services	Equipment, Maintenance, and Repairs	Financial Aid	Depreciation	Total
Instructional activities	$ 22,347,426	$ 711,943	$ 58,710	$ -	$ -	$ 23,118,079
Academic support	6,152,576	438,090	27,421	-	-	6,618,087
Student services	6,829,567	950,282	6,030	208,096	-	7,993,975
Plant operations and maintenance	2,053,041	2,176,098	3,997	-	-	4,233,136
Instructional support services	8,006,916	5,515,114	38,021	-	-	13,560,051
Community services and economic development	649,593	683,020	1,203	-	-	1,333,816
Ancillary services and auxiliary operations	3,505,250	1,113,381	13,563	-	-	4,632,194
Physical property and related acquisitions	19,763	1,645,969	487,363	-	-	2,153,095
Transfers, student aid, and other outgoing	-	-	-	18,457,475	-	18,457,475
Unallocated depreciation	-	-	-	-	2,606,665	2,606,665
Total	$ 49,564,132	$ 13,233,897	$ 636,308	$ 18,665,571	$ 2,606,665	$ 84,706,573

Changes in Cash Position

Table 4

(Amounts in thousands)	2014	2013	Change 2014-2013	2012	Change 2013-2012
Cash Provided by (Used in)					
Operating activities	$ (85,490)	$ (70,781)	$ (14,709)	$ (73,652)	$ 2,871
Noncapital financing activities	85,476	81,316	4,160	75,354	5,962
Capital financing activities	(2,688)	(3,020)	332	(5,262)	2,242
Investing activities	19	46	(27)	331	(285)
Net Change in Cash	(2,683)	7,561	(10,244)	(3,229)	10,790
Cash, Beginning of Year	14,559	6,998	7,561	10,227	(3,229)
Cash, End of Year	$ 11,876	$ 14,559	$ (2,683)	$ 6,998	$ 7,561

The Statement of Cash Flows on pages 16 and 17 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. 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, 2014, the District had $113 million in a broad range of capital assets, including land, buildings, and furniture and equipment. At June 30, 2014, the District's net capital assets were $83 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.

Table 5

(Amounts in thousands)

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Land and construction in progress	$ 31,430	$ -	$ (10,549)	$ 20,881
Buildings and land improvements	62,501	12,385	-	74,886
Equipment and vehicles	17,192	788	(422)	17,558
Subtotal	111,123	13,173	(10,971)	113,325
Accumulated depreciation	27,575	3,002	(419)	30,158
	$ 83,548	$ 10,171	$ (10,552)	$ 83,167

We present more detailed information about our capital assets in Note 5 to the financial statements.

Obligations

At the end of the 2013-2014 fiscal year, the District had $11 million 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 for lease purchase agreements for equipment and obligations to employees of the District for vacation, load banking, and retirement benefits.

Table 6

(Amounts in thousands)

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Lease revenue bonds	$ 11,675	$ -	$ (285)	$ 11,390
Other liabilities	4,586	1,278	(1,675)	4,189
Total Long-Term Obligations	$ 16,261	$ 1,278	$ (1,960)	$ 15,579
Amount due within one year				$ 1,226

We present more detailed information about our long-term obligations in Note 10 to the financial statements.

UNRESTRICTED 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 2013-2014 fiscal year on May 8, 2014.

The District's unrestricted General Fund anticipated that expenditures would exceed revenue by $2,605,151. However, the actual results for the year showed revenues exceeded expenditures by $1,735,209. This is due in large part to deferral of expenditures planned for in 2014 to 2015 and carryover reserve funds for technology and resource allocation.

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

Over the past several years, the District's enrollment management team has worked diligently and strategically to continue to serve students while maintaining an acceptable level of unfunded FTES. With restoration funding in the State budget, the District will increase enrollment by an estimated 525 FTES, which provides for a targeted five percent over funded cap.

With the passage of Proposition 30, the Schools and Local Safety Protection Act of 2012, the state-wide budget begins a reinvestment in community colleges and will start to build back programs that have experienced significant cuts over the last few years. In addition to the funding provided in the State-wide budget, trailer bill language makes a number of policy changes including allocating funding to create adult education regional consortiums, allocating funding to create a Center for Training and Education with pathways and shifting oversight of the apprenticeship program to the Community Colleges Chancellor's Office.

The District will receive an estimated $8,311,021 funding from the Educational Protection Account (EPA) per the 2014-2015 Advance Principal Apportionment calculations, which will be used entirely to fund instructional salaries and benefits. The EPA funds are components of the "computational revenue" calculation which supplants the State's General Fund.

Mt. San Jacinto Community College General Obligation Bond, Measure AA was approved on the November 4, 2014 election. A 55 percent plus one supermajority vote was required for approval. Measure AA authorizes the issuance of $295 million in bonds to fund capital improvement projects District-wide. The funds were designated to ensure school buildings are accessible for the disabled; upgrade classrooms, labs, electrical systems, and technology infrastructure and acquire, construct, and repair classrooms and facilities. Fiscal accountability will be monitored by the nine member Citizen's Oversight Committee once the bonds have been issued.

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

STATEMENTS OF NET POSITION – PRIMARY GOVERNMENT
JUNE 30, 2014 AND 2013

	2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents - unrestricted	$ 1,751,340	$ 2,092,910
Restricted cash and cash equivalents	30,799	-
Investments - unrestricted	9,482,360	11,938,445
Investments - restricted	611,734	527,802
Accounts receivable	9,134,146	9,971,356
Student loans and receivable (net)	414,836	311,572
Due from fiduciary funds	15,989	12,629
Prepaid expenses - current portion	259,990	244,032
Inventories	829,732	467,859
Total Current Assets	22,530,926	25,566,605
Noncurrent Assets		
Other postemployment benefits (OPEB) asset	730,210	702,968
Prepaid expenses - noncurrent portion	350,000	350,000
Nondepreciable capital assets	20,881,224	31,430,032
Depreciable capital assets, net of depreciation	62,285,499	52,117,978
Total Noncurrent Assets	84,246,933	84,600,978
TOTAL ASSETS	106,777,859	110,167,583
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charges on Lease Revenue Bond	375,391	394,096
LIABILITIES		
Current Liabilities		
Accounts payable	4,836,424	5,294,377
Accrued interest payable	125,548	128,142
Unearned revenue	2,809,445	1,874,793
Current loans	-	6,000,000
Long-term liabilities - current portion	1,226,240	781,021
Total Current Liabilities	8,997,657	14,078,333
Noncurrent Liabilities		
Lease revenue bond payable - noncurrent portion	11,090,000	11,390,000
Capital lease payable - noncurrent portion	51,962	223,831
Golden handshake payable - noncurrent portion	1,007,714	2,266,323
Compensated absences - noncurrent portion	1,167,933	1,271,536
Supplemental Early Retirement Plan	767,037	-
Load banking liabilities - noncurrent portion	267,633	328,462
Total Noncurrent Liabilities	14,352,279	15,480,152
TOTAL LIABILITIES	23,349,936	29,558,485
NET POSITION		
Net investment in capital assets	71,552,892	71,477,309
Restricted for:		
Capital projects	4,933,232	3,929,599
Educational programs	521,828	391,868
Other activities	-	36,855
Unrestricted	6,795,362	5,167,563
TOTAL NET POSITION	$ 83,803,314	$ 81,003,194

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

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PRIMARY GOVERNMENT
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
OPERATING REVENUES		
Student Tuition and Fees	$ 13,734,139	$ 14,170,956
Less: Scholarship discount and allowance	(9,602,638)	(9,392,632)
Net tuition and fees	4,131,501	4,778,324
Auxiliary Enterprise Sales and Charges		
Bookstore	1,990,979	2,076,456
Other Operating Revenues	352,450	594,304
TOTAL OPERATING REVENUES	6,474,930	7,449,084
OPERATING EXPENSES		
Salaries	39,952,644	38,399,879
Employee benefits	11,350,512	11,164,253
Supplies, materials, and other operating expenses and services	13,189,537	13,233,897
Student financial aid	22,188,450	18,665,571
Equipment, maintenance, and repairs	745,137	636,308
Depreciation	3,001,512	2,606,665
TOTAL OPERATING EXPENSES	90,427,792	84,706,573
OPERATING LOSS	(83,952,862)	(77,257,489)
NONOPERATING REVENUES (EXPENSES)		
State apportionments, noncapital	30,590,382	24,610,884
Local property taxes, levied for general purposes	18,374,467	17,163,818
Federal grants	24,403,639	21,283,529
State grants	6,108,706	4,677,540
Other State revenues	3,309,104	3,519,237
Investment income	46,219	35,647
Interest expense on capital related debt	(493,574)	(520,405)
Disposal of capital assets	(3,303)	-
Other nonoperating revenue	3,550,085	6,060,295
TOTAL NONOPERATING REVENUES (EXPENSES)	85,885,725	76,830,545
INCOME (LOSS) BEFORE OTHER REVENUES	1,932,863	(426,944)
State revenues, capital	54,664	1,789,068
Local revenues, capital	812,593	708,155
TOTAL OTHER REVENUES	867,257	2,497,223
CHANGE IN NET POSITION	2,800,120	2,070,279
NET POSITION, BEGINNING OF YEAR AS RESTATED	81,003,194	78,932,915
NET POSITION, END OF YEAR	$ 83,803,314	$ 81,003,194

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

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

STATEMENTS OF CASH FLOWS - PRIMARY GOVERNMENT
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$ 4,563,359	$ 5,161,471
(Disbursement) Repayments of student loans	(103,264)	(25,005)
Payments to vendors for supplies and services	(19,187,966)	(10,032,531)
Payments to or on behalf of employees	(51,528,940)	(49,771,447)
Payments to students for scholarships and grants	(22,188,450)	(18,665,571)
Other operating receipts	2,955,691	2,071,903
Net Cash Flows From Operating Activities	(85,489,570)	(71,261,180)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State apportionments	30,688,877	27,788,208
Grant and contracts	30,241,605	25,947,671
Property taxes - nondebt related	17,676,682	17,762,770
State taxes and other apportionments	3,318,333	2,655,114
Other nonoperating	3,550,085	7,162,646
Net Cash Flows From Noncapital Financing Activities	85,475,582	81,316,409
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchase of capital assets	(2,623,528)	(4,103,646)
State revenue, capital projects	54,664	2,497,223
Local revenue, capital projects	812,593	-
Principal paid on capital debt	(456,870)	(454,204)
Interest paid on capital debt	(493,574)	(520,405)
Deferred charges on lease revenue bonds	18,705	40,493
Net Cash Flows From Capital Financing Activities	(2,688,010)	(2,540,539)
CASH FLOWS FROM INVESTING ACTIVITIES		
Changes to irrevocable trust	(27,242)	11,167
Investment gain	46,316	35,416
Net Cash Flows From Investing Activities	19,074	46,583
NET CHANGE IN CASH AND CASH EQUIVALENTS	(2,682,924)	7,561,273
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	14,559,157	6,997,884
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 11,876,233	$ 14,559,157

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

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

STATEMENTS OF CASH FLOWS - PRIMARY GOVERNMENT, Continued
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Loss	$ (83,952,862)	$ (77,257,489)
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities:		
Depreciation and amortization expense	3,001,512	2,606,665
Changes in Assets and Liabilities:		
Receivables	612,262	(598,857)
Student receivables	(103,264)	(25,005)
Inventories	(361,873)	130,107
Prepaid expenses	(15,958)	147,586
Accounts payable and accrued liabilities	(5,375,661)	4,468,905
Unearned revenue	934,652	(523,164)
Accrued interest payable	(2,594)	(2,613)
Other postemployment benefits	(225,784)	(207,315)
Total Adjustments	(1,536,708)	5,996,309
Net Cash Flows From Operating Activities	$ (85,489,570)	$ (71,261,180)
CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:		
Cash in banks	$ 1,782,139	$ 2,092,910
Cash in county treasury	10,094,094	12,466,247
Total Cash and Cash Equivalents	$ 11,876,233	$ 14,559,157
NON CASH TRANSACTIONS		
Interest paid	$ 493,574	$ 520,405
On behalf payments for benefits	$ 1,132,683	$ 1,102,351

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

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

STATEMENTS OF FIDUCIARY NET POSITION
JUNE 30, 2014 AND 2013

	2014 Trust	2013 Trust
ASSETS		
Cash and cash equivalents	$ 156,278	$ 143,571
Accounts receivable, net	95	1,323
Prepaid expenses	538	84
Total Assets	156,911	144,978
LIABILITIES		
Accounts payable	1,562	1,479
Due to primary government	15,989	12,629
Total Liabilities	17,551	14,108
NET POSITION		
Unreserved	139,360	130,870
Total Net Position	$ 139,360	$ 130,870

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

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014 Trust	2013 Trust
ADDITIONS		
Local revenues	$ 156,420	$ 142,476
Total Additions	156,420	142,476
DEDUCTIONS		
Books and supplies	71,610	70,271
Services and operating expenditures	73,973	84,831
Capital outlay	547	4,987
Total Deductions	146,130	160,089
OTHER FINANCING SOURCES (USES)		
Other sources	-	11,213
Other uses	(1,800)	(11,829)
Total Other Financing Sources (Uses)	(1,800)	(616)
Change in Net Position	8,490	(17,613)
Net Position - Beginning	130,870	148,483
Net Position - Ending	$ 139,360	$ 130,870

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

NOTES TO FINANCIAL STATEMENTS

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 is a comprehensive, public, two-year institution offering 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 one center and two other offsite locations 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. 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 GASB Statement No. 61. The District has considered all potential component units in determining how to define the reporting entity using criteria set forth in accounting principles generally accepted in the United States of America. The basic criteria for including a component unit are (1) the economic resources held or received by the other entity are entirely or almost entirely for the direct benefit of the District, (2) the District is entitled to, or has the ability to otherwise access, a majority of the economic resources held or received by the other entity, and (3) the other entity's resources to which the District is entitled, or has the ability to otherwise access, are significant to the District. If any of these criteria are not met, the final criterion for including a component unit is whether the other entity is closely related to, or financially integrated with, the District. The District identified no component units.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The District has adopted GASB Statement No. 61, *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. Management has reviewed the following potential component units and has determined the established criteria has not been met, and the financial activity has been excluded from the District's reporting entity:

> Mt. San Jacinto Community College Foundation - The Foundation is a legally separate not-for-profit corporation. The Board of Directors is elected by their own Board and independent of any District Board of Trustees appointments. The Board is responsible for approving its own audit and accounting and finance related activities.

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 and No. 38. 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. The significant accounting policies followed by the District in preparing these financial statements are in accordance with accounting principles generally accepted in the United States of America as prescribed by GASB. Additionally, the District's policies comply with the California Community Colleges Chancellor's Office *Budget and Accounting Manual*. 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 Federal and State grants, entitlements, and donations. 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 includes reporting of full-time equivalent students (FTES) attendance. The corresponding apportionment revenue is recognized in the period the FTES are generated. Revenue from Federal and State grants and entitlements are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements may include time and/or purpose requirements.

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 District reports are based on all applicable GASB pronouncements, as well as applicable Financial Accounting Standards Board (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.

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 Position - Primary Government
    - Statement of Revenues, Expenses, and Changes in Net Position - Primary Government
    - Statement of Cash Flows - Primary Government
    - Financial Statements for the Fiduciary Funds including:
        - Statement of Fiduciary Net Position
        - Statement of Changes in Fiduciary Net Position
- 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

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments held at June 30, 2014 and 2013, are stated at fair value. Fair value is estimated based on quoted market prices at year-end. Short-term investments have an original maturity date greater than three months, but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

Restricted Assets

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets represent investments required by debt covenants to be set aside by the District for the purpose of satisfying certain requirements.

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 provides for an allowance for uncollectible accounts as an estimation of amounts that may not be received. This allowance is based upon management's estimates and analysis. The allowance was estimated at $214,214 for the year ended June 30, 2014.

Prepaid Expenses

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

Inventories

Inventories consist primarily of bookstore 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 sold.

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 and an estimated useful life greater than one year. 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 routine maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are charged as an operating expense in the year in which the expense was incurred. 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.

Debt Issuance Costs, Premiums, and Discounts

Debt premiums and discounts, as well as issuance costs related to prepaid insurance costs, are amortized over the life of the bonds using the straight-line method.

Deferred Charge on Refunding

Deferred charge on refunding is amortized using the straight-line method over the remaining life of the debt.

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, retirement 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. Retirement 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.

Unearned Revenue

Unearned 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 unearned revenue is removed from the combined balance sheet and revenue is recognized. Unearned revenue includes (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 unearned revenue.

Current Loans

Current loans consist of amounts outstanding at June 30, 2014, for Tax and Revenue Anticipation Notes. The notes were issued as short-term obligations to provide cash flow needs. This liability is offset with cash deposits in the County Treasurer, which have been set aside to repay the notes.

Noncurrent Liabilities

Noncurrent liabilities include lease revenue bonds, compensated absences, load banking, capital lease obligations, golden handshake, and OPEB obligations with maturities greater than one year.

Net Position

GASB Statements No. 34 and No. 35 report equity as "Net Position" and represent the difference between assets and liabilities. The net position is classified according to imposed restrictions or availability of assets for satisfaction of District obligations according to the following net asset categories:

Net Investment in Capital Assets consists of capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. To the extent debt has been incurred, but not yet expended for capital assets, such accounts are not included as a component invested in capital assets – net of related debt.

Restricted: Net position is reported as restricted when there are limitations imposed on their use, either through enabling legislation adopted by the District, or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

None of the District's restricted net position has resulted from enabling legislation adopted by the District.

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

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.

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.

Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. The Riverside 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.

Board of Governors Grants (BOGG) and Fee Waivers

Student tuition and fee revenue is reported net of allowances and fee waivers approved by the Board of Governors through BOGG fee waivers in the Statement of Revenues, Expenses, and Changes in Net Position. 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 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, SEOG Grants, and Federal Work-Study 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. Scholarship allowances represent the portion of aid provided to students in the form of reduced tuition. 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*.

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. The California Department of Education has issued a fiscal advisory instructing districts not to record the revenue and expenditures for the on behalf payments within the funds and accounts of a district. The amount of the on behalf payments made for the District for the year ended June 30, 2014, was $1,132,683 for CalSTRS and $0 for CalPERS. These amounts are reflected in the District's audited financial statements.

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.

Interfund Activity

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

Change in Accounting Principles

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement No. 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. Prior to the issuance of this Statement, only two such pronouncements have been issued. Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, requires the reporting of a deferred outflow of resources or a deferred inflow of resources for the changes in fair value of hedging derivative instruments, and Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, requires a deferred inflow of resources to be reported by a transferor government in a qualifying service concession arrangement. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement No. 4. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

The District has implemented the provisions of this Statement for the year ended June 30, 2014.

As the result of implementing GASB Statement No. 65, the District has restated the beginning net position in the government-wide Statement of Net Position, effectively decreasing net position as of July 1, 2012, by $480,008. The decrease results from no longer deferring and amortizing bond issuance costs.

New Accounting Pronouncements

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable.

- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.

- Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement:

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans—pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement).

- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans—pension plans in which plan assets are pooled for investment purposes, but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.

- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans—pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a non-employer entity has a legal requirement to make contributions directly to a pension plan.

This Statement is effective for fiscal years beginning after June 15, 2014. Early implementation is encouraged.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a State or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement No. 68 requires a State or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a State or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement No. 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, Statement No. 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a State or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement No. 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of *all* deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement No. 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68.

Comparative Financial Information

Comparative financial information for the prior year has been presented for additional analysis; certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

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 (ECS) 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

Summary of Deposits and Investments

Deposits and investments of the Primary Government as of June 30, 2014, consist of the following:

	Primary Government
Cash on hand and in banks	$ 630,748
Cash in revolving	32,353
Cash collections awaiting deposit	1,119,038
Investments	10,094,094
Total Deposits and Investments	$ 11,876,233

Deposits and investments of the Fiduciary Funds as of June 30, 2014, consist of the following:

	Fiduciary Funds
Cash on hand and in banks	$ 156,278

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 does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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:

Investment Type	Fair Market Value	Weighted Average of Maturity in Days
Riverside County Treasury Pooled Investment	$ 8,984,887	500
First American Treasury Obligation	1,104,443	16
Total	$ 10,089,330	

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 Riverside County Treasury pool are rated Aaa/AAA by Moody's Investors Service and Fitch ratings as of June 30, 2014. Treasury obligations have been rated by Standard & Poor's rating agency.

Investment Type	Minimum Legal Rating	Rating June 30, 2014	Fair Market Value
Riverside County Treasury Pooled Investment	Not Required	Aaa/AA+	$ 8,984,887
First American Treasury Obligation	Not Applicable	AAAm/AAAmf	1,104,443
Total			$ 10,089,330

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, 2014, the District's bank balance was fully collateralized with eligible collateral in accordance with California *Government Code* Section 53651.

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, 2014, $8,989,651 is invested in the Riverside County Treasurer's Pooled Investment Fund.

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:

	Primary Government	
	2014	2013
Federal Government		
Categorical aid	$ 1,232,843	$ 705,860
State Government		
Apportionment	6,172,249	7,353,036
Categorical aid	56,028	34,834
Lottery	320,355	820,634
Other State sources	23,625	-
Local Sources		
Interest	9,235	9,332
Property taxes	908,045	210,260
Other local sources	411,766	837,400
Total	$ 9,134,146	$ 9,971,356
Student receivables and loans	$ 629,050	$ 478,374
Less reserve	(214,214)	(166,802)
Total	$ 414,836	$ 311,572

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance Beginning of Year	Additions	Deductions and Adjustments	Balance End of Year
Capital Assets Not Being Depreciated				
Land	$ 6,809,952	$ -	$ -	$ 6,809,952
Construction in progress	24,620,080	-	10,548,808	14,071,272
Total Capital Assets Not Being Depreciated	31,430,032	-	10,548,808	20,881,224
Capital Assets Being Depreciated				
Land improvements	10,184,304	271,055	-	10,455,359
Buildings and improvements	52,316,949	12,113,403	-	64,430,352
Furniture and equipment	17,191,726	787,878	421,975	17,557,629
Total Capital Assets Being Depreciated	79,692,979	13,172,336	421,975	92,443,340
Total Capital Assets	111,123,011	13,172,336	10,970,783	113,324,564
Less Accumulated Depreciation				
Land improvements	3,164,577	506,115	-	3,670,692
Buildings and improvements	14,061,066	1,431,222	-	15,492,288
Furniture and equipment	10,349,358	1,064,175	418,672	10,994,861
Total Accumulated Depreciation	27,575,001	3,001,512	418,672	30,157,841
Net Capital Assets	$ 83,548,010	$ 10,170,824	$ 10,552,111	$ 83,166,723

Depreciation expense for the year was $3,001,512. At June 30, 2014, the District had capital assets acquired from capital leases with a net book value of $223,831.

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Balance Beginning of Year	Additions	Deductions and Adjustments	Balance End of Year
Capital Assets Not Being Depreciated				
Land	$ 6,809,952	$ -	$ -	$ 6,809,952
Construction in progress	23,724,686	900,624	5,230	24,620,080
Total Capital Assets Not Being Depreciated	30,534,638	900,624	5,230	31,430,032
Capital Assets Being Depreciated				
Land improvements	9,391,697	792,607	-	10,184,304
Buildings and improvements	51,082,690	1,234,259	-	52,316,949
Furniture and equipment	15,611,225	1,580,501	-	17,191,726
Total Capital Assets Being Depreciated	76,085,612	3,607,367	-	79,692,979
Total Capital Assets	106,620,250	4,507,991	5,230	111,123,011
Less Accumulated Depreciation				
Land improvements	2,697,408	467,169	-	3,164,577
Buildings and improvements	12,875,503	1,185,563	-	14,061,066
Furniture and equipment	9,395,425	953,933	-	10,349,358
Total Accumulated Depreciation	24,968,336	2,606,665	-	27,575,001
Net Capital Assets	$ 81,651,914	$ 1,901,326	$ 5,230	$ 83,548,010

Depreciation expense for the year was $2,606,665. At June 30, 2013, the District had capital assets acquired from capital leases with a net book value of $399,176.

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable consisted of the following:

	Primary Government	
	2014	2013
Accrued payroll and benefits	$ 500,578	$ 672,656
Apportionment	1,898,451	2,980,743
Vendor payables	1,070,109	714,372
Construction	680,803	206,191
Other	686,483	720,415
Total	$ 4,836,424	$ 5,294,377
	Fiduciary Funds	
Other local	$ 1,562	$ 1,479

NOTE 7 - UNEARNED REVENUE

Unearned revenue consisted of the following:

	Primary Government	
	2014	2013
State categorical aid	$ 799,785	$ 746,138
Scheduled maintenance	441,053	6,776
Enrollment fees	1,456,858	1,025,000
Other local	111,749	96,879
Total	$ 2,809,445	$ 1,874,793

NOTE 8 - TAX AND REVENUE ANTICIPATION NOTE

On February 28, 2013, the District issued $6,000,000 Tax and Revenue Anticipation Notes bearing interest at two percent. The notes were issued to supplement cash flows. At year end, there was no balance.

Issue Date	Rate	Maturity Date	Outstanding Beginning of Year	Additions	Deletions	Outstanding End of Year
2/28/2013	2.00%	12/13/2013	$ 6,000,000	$ -	$ (6,000,000)	$ -

NOTE 9 - INTERFUND TRANSACTIONS

Interfund Receivables and Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund activity within the governmental funds and fiduciary funds has been eliminated respectively in the consolidation process of the basic financial statements. Balances owing between the primary government and the fiduciary funds are not eliminated in the consolidation process. As of June 30, 2014 and 2013, the amounts owed between the primary government and the fiduciary funds were $15,989 and $12,629, respectively.

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 within the funds of the District have been eliminated in the consolidation process. Transfers between the primary government and the fiduciary funds are not eliminated in the consolidation process. As of June 30, 2014 and 2013, there were no transfers made between the primary government and the fiduciary funds.

NOTE 10 - LONG-TERM OBLIGATIONS

Long-Term Obligations Summary

The changes in long-term obligations during the 2014 fiscal year consisted of the following:

	Balance Beginning of Year	Additions	Deductions/ Adjustments	Balance End of Year	Due in One Year
Lease Revenue Bonds					
Series 2003	$ 6,185,000	$ -	$ 205,000	$ 5,980,000	$ 215,000
Series 2008A	5,490,000	-	80,000	5,410,000	85,000
Total Bonds Payable	11,675,000	-	285,000	11,390,000	300,000
Other Liabilities					
Compensated absences	1,271,536	-	103,603	1,167,933	-
Capital leases	395,701	-	171,870	223,831	171,869
Golden handshake	2,590,474	-	1,084,068	1,506,406	498,692
Supplemental Early Retirement Plan	-	1,278,395	255,679	1,022,716	255,679
Load banking	328,462	-	60,829	267,633	-
Total Other Liabilities	4,586,173	1,278,395	1,676,049	4,188,519	926,240
Total Long-Term Obligations	$ 16,261,173	$ 1,278,395	$ 1,961,049	$ 15,578,519	$ 1,226,240

The changes in long-term obligations during the 2013 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	$ 6,385,000	$ -	$ 200,000	$ 6,185,000	$ 205,000
Series 2008A	5,565,000	-	75,000	5,490,000	80,000
Total Bonds Payable	11,950,000	-	275,000	11,675,000	285,000
Other Liabilities					
Compensated absences	1,336,436	-	64,900	1,271,536	-
Capital leases	175,790	399,115	179,204	395,701	171,870
Golden handshake	2,645,664	315,128	370,318	2,590,474	324,151
Load banking	415,687	-	87,225	328,462	-
Total Other Liabilities	4,573,577	714,243	701,647	4,586,173	496,021
Total Long-Term Obligations	$ 16,523,577	$ 714,243	$ 976,647	$ 16,261,173	$ 781,021

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, supplemental early retirement plan, and load banking obligations from the General Fund.

Lease Revenue Bonds

On June 12, 2003, the District issued Series 2003 Bonds through the California Community College Financial Authority consisting of Current Interest Bonds in the amount of $8,000,000. The bonds bear variable interest rates from 3.0 percent to 4.25 percent. Deferred charges of $440,788 have been capitalized and will be amortized through June 1, 2033 (term of Lease Revenue Bonds). Outstanding unamortized amounts at June 30, 2014, amounted to $279,167.

On May 22, 2008, the District issued Series 2008A Bonds through the California Community College Financial Authority consisting of Current Interest Bonds in the amount of $5,860,000. The bonds bear variable interest rates from 3.5 percent to 5.0 percent. Deferred charges of $120,426 have been capitalized and will be amortized through May 1, 2038 (term of Lease Revenue Bonds). Outstanding unamortized amounts at June 30, 2014, amounted to $96,224. 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 Outstanding July 1, 2013	Issued	Redeemed	Bonds Outstanding June 30, 2014
6/12/2003	6/1/2033	3.00-4.25	$ 8,000,000	$ 6,185,000	$ -	$ 205,000	$ 5,980,000
5/22/2008	5/1/2038	3.50-5.00	5,860,000	5,490,000	-	80,000	5,410,000
				$ 11,675,000	$ -	$ 285,000	$ 11,390,000

Debt service requirements to maturity - Series 2003 Lease Revenue Bond matures through 2033 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2015	$ 215,000	$ 254,605	$ 469,605
2016	220,000	246,811	466,811
2017	230,000	238,561	468,561
2018	240,000	229,706	469,706
2019	250,000	220,106	470,106
2020-2024	1,405,000	936,019	2,341,019
2025-2029	1,735,000	602,875	2,337,875
2030-2033	1,685,000	188,345	1,873,345
Total	$ 5,980,000	$ 2,917,028	$ 8,897,028

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

Fiscal Year	Principal	Interest to Maturity	Total
2015	$ 85,000	$ 247,589	$ 332,589
2016	85,000	243,339	328,339
2017	90,000	239,089	329,089
2018	95,000	234,789	329,789
2019	100,000	230,039	330,039
2020-2024	555,000	1,087,073	1,642,073
2025-2029	695,000	954,950	1,649,950
2030-2034	855,000	781,163	1,636,163
2035-2038	2,850,000	336,929	3,186,929
Total	$ 5,410,000	$ 4,354,960	$ 9,764,960

Capital Leases

The District has entered into various capital lease arrangements for equipment. The lease agreements do not carry a stated interest rate, and no interest has been input.

	Capital Lease
Balance, July 1, 2013	$ 395,701
Payments	(171,870)
Balance, June 30, 2014	$ 223,831

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

Year Ending June 30,	Lease Payment
2015	$ 171,869
2016	41,831
2017	10,131
Total	$ 223,831

Amortization of the leased equipment under capital leases is included with depreciation expenses.

CalSTRS/CalPERS Golden Handshake Agreement

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). The approximate accumulated future liabilities for all the golden handshakes combined at June 30, 2014, are $1,506,406.

Supplemental Early Retirement Plan (SERP)

The Board of Trustees of the District established a retirement plan for certain eligible employees of the District effective July 1, 2013. The eligibility requirements for employees to participate in such a plan are:

a. Faculty, Classified, Management, and Confidential employees of the District.
b. Employee must be at least 55 years of age by June 30, 2013 (Group 1) or December 31, 2013 (Group II).
c. Employee must have five years service with the District by date of retirement.
d. Employee must declare intention to retire during the window period of February 14, 2013 through April 9, 2013.

The plan provided one option as follows:

The benefit under this plan was based on a formula of 66 percent of salary funded over a five-year period.

On June 30, 2014, there were 25 participants that elected early retirement under this plan. Future minimum annual payments are as follows:

Year Ending June 30,	
2015	$ 255,679
2016	255,679
2017	255,679
2018	255,679
Total	$ 1,022,716

Other Obligations

The compensated absences balance at June 30, 2014, was $1,167,933.

The amount owed to employees for load banking balances at June 30, 2014, was $267,633.

NOTE 11 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) ASSET

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, 2014, the value of the Plan assets was $2,657,386.

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 69 retirees and 11 retiree beneficiaries currently receiving benefits and 425 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. Currently, plan members do not make contributions. The District provides 100 percent of the contribution. 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 2013-2014, the District contributed $218,438 of which $5,000 was contributed to the Irrevocable Trust and $213,438 was used for current year premiums.

Annual OPEB Cost and Net OPEB Asset

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 asset to the Plan:

Annual required contribution	$ 607,503
District Contributions made	(213,438)
Contributions made to Irrevocable Trust	(5,000)
Changes in value of Irrevocable Trust	(416,307)
Increase in net OPEB asset	(27,242)
Net OPEB asset, beginning of year	(702,968)
Net OPEB asset, end of year	$ (730,210)

Trend Information

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

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Asset
2012	$ 496,244	$ 270,314	54%	$ (714,135)
2013	496,244	252,077	51%	(702,968)
2014	607,503	218,438	36%	(730,210)

Funding Status and Funding Progress

The funded status of the OPEB Plan as of June 30, 2014, is as follows:

Actuarial Accrued Liability (AAL)	$ 5,812,306
Actuarial Value of Plan Assets	2,657,386
Unfunded Actuarial Accrued Liability (UAAL)	$ 3,154,920
Funded Ratio (Actuarial Value of Plan Assets/AAL)	45.7%
Covered Payroll	$ 35,385,588
UAAL as Percentage of Covered Payroll	8.92%

The above noted actuarial accrued liability was based on the July 1, 2013, 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 Other Postemployment Benefits 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 July 1, 2013, actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 7.25 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, 2014, was 24 years. The actuarial value of assets was not determined in this actuarial valuation. At June 30, 2014, the Trust held assets in the amount of $2,657,386, which consisted of deposits with CalPERS.

NOTE 12 - 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 ended June 30, 2014, 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.

Workers' Compensation

For fiscal year 2013-2014, 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.

Insurance Program / JPA Name	Type of Coverage	Limits
Protected Insurance Program for Schools (PIPS)	Workers' Compensation	$155,000,000
Schools Association For Excess Risk (SAFER)	Excess Liability	24,000,000
Statewide Association of Community Colleges (SWACC)	Property (per occurrence)	250,000,000
Statewide Association of Community Colleges (SWACC)	Liability (per occurrence)	25,000,000

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.

NOTE 13 - 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. As a result of the Public Employee Pension Reform Act of 2013 (PEPRA), changes have been made to the defined benefit pension plan effective January 1, 2013. 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, 100 Waterfront Place, West Sacramento, CA 95605.

Funding Policy

Due to the implementation of the PEPRA, new members must pay at least 50 percent of the normal costs of the plan, which can fluctuate from year to year. For 2013-2014, the required contribution rate for new members is 8.0 percent. "Classic" plan members are also required to contribute 8.0 percent of their salary. 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 2013-2014 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ended June 30, 2014, 2013, and 2012, were $1,697,475, $1,628,561, and $1,687,777, 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. As a result of the PEPRA, changes have been made to the defined benefit pension plan effective January 1, 2013. 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.

Funding Policy

As a result of the implementation of the PEPRA, new members must pay at least 50 percent of the normal costs of the plan, which can fluctuate from year to year. For 2013-2014, the normal cost is 11.85 percent, which rounds to a 6.0 percent contribution rate. "Classic" plan members continue to contribute 7.0 percent. The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2013-2014 was 11.442 percent of covered payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ended June 30, 2014, 2013, and 2012, were $1,690,969, $1,595,506, and $1,578,047, respectively, and equal 100 percent of the required contributions for each year.

On Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal years ended June 30, 2014, 2013, and 2012, which amounted to $1,132,683, $1,102,351, and $1,037,894, respectively, (5.541 percent) of salaries subject to CalSTRS. Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. No contributions were made for CalPERS for the years ended June 30, 2014, 2013, and 2012. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. These amounts have 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 14 - 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 15 - 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.

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, 2014, the District made payments of $379,518 and $4,112,870 to SWACC and REEP, respectively.

NOTE 16 - 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, 2014.

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, 2014.

Early Retirement - Golden Handshake

The District has adopted an early retirement incentive program. The outstanding contract amount for this purpose is $1,506,406. This amount is contingent upon the employee performing the required service days per year.

Supplemental Early Retirement Plan - (SERP)

The District has adopted an early retirement incentive program. The outstanding contract amount for this purpose is $1,022,716. This amount is contingent upon the employee performing the required service days per year.

Construction Commitments

As of June 30, 2014, the District had the following budgetary commitments with respect to the unfinished capital projects:

CAPITAL PROJECT	Remaining Construction Commitment	Expected Fiscal Year Completion
Classroom Building I Group II Equipment	$ 176,755	2015

NOTE 17 - RESTATEMENT OF PRIOR YEAR NET POSITION

Effective in fiscal year 2013-2014, the District was required to implement GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The implementation of this standard required a change in accounting principle and restatement of the beginning net position of the District by $(480,008).

Primary Government	
Net Position - June 30, 2012	$ 79,412,923
Restatement of costs of issuance for implementation of GASB Statement No. 65	(480,008)
Net Position - Beginning, as Restated	$ 78,932,915

NOTE 18 - SUBSEQUENT EVENTS

Mt. San Jacinto Community College Bond Issue, Measure AA was approved on November 4, 2014, election. A 55 percent supermajority vote was required for approval. The Measure AA approved issuance of $295 million in bonds to benefit Mt. San Jacinto College. The bonds will be issued to ensure the safety of the school buildings' accessibility for the disabled; upgrade classrooms, labs, electrical systems, and technology infrastructure and acquire, construct, and repair classrooms and facilities.

REQUIRED SUPPLEMENTARY INFORMATION

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2014

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)
March 1, 2010	$ 1,156,287	$ 4,856,592	$ 3,700,305	24%	$ 36,147,539	10.24%
July 1, 2011	2,241,079	3,948,140	1,707,061	57%	34,887,743	4.89%
July 1, 2013	2,657,386	5,812,306	3,154,920	46%	35,385,588	8.92%

* Asset Valuation as of June 30, 2014

SUPPLEMENTARY INFORMATION

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION
JUNE 30, 2014

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

MEMBER	OFFICE	TERM EXPIRES
Ann Motte	President	2014
Dorothy McGargill	Clerk	2016
Tom K. Ashley	Trustee	2016
Eugene V. Kadow	Trustee	2016
Gwendolyn Schlange	Trustee	2014

ADMINISTRATION

Dr. Roger Schultz	Superintendent/President
Ms. Becky Elam	Vice President, Business Services
Dr. William Vincent	Vice President, Student Services
Dr. Patrick Schwerdtfeger	Interim Vice President, Instructional Services
Ms. Melissa Kane	Interim 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, 2014

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed through the California Department of Education			
Child and Adult Care Food Program	10.558	3094-1A	$ 78,832
Total U.S. Department of Agriculture			78,832
U.S. DEPARTMENT OF VETERANS AFFAIRS			
Passed through the California Community Colleges Chancellor's Office			
Veterans Education	64.000	[1]	9,279
Chapter 33 - Veterans Post 9/11 GI Bill	64.028	[1]	151,089
Total U.S. Department of Veterans Affairs			160,368
U.S. DEPARTMENT OF EDUCATION			
HIGHER EDUCATION ACT			
TRIO - Upward Bound	84.047A		234,206
TRIO - Talent Search Program	84.044A		236,725
College Cost Reduction and Access Act - STEM	84.031C		823,615
Strengthening Institutional Success (Title V)	84.031S		472,961
Childcare Access Means Parents in School (CCAMPIS)	84.335A		2,165
Total Higher Education Act			1,769,672
Passed through the California Department of Education			
Workforce Investment Act, Title II: Adult Education and Family Literacy Act			
English Literacy and Civics Education Program	84.002	[1]	239,097
STUDENT FINANCIAL ASSISTANCE CLUSTER			
Federal Supplement Education Opportunity Grant (FSEOG)	84.007		363,600
FSEOG Administrative	84.007		18,150
Federal Work Study Program (FWS)	84.033		250,084
Federal Work Study Administrative	84.033		10,172
Federal Pell Grants (PELL)	84.063		20,700,488
Federal Pell Administrative	84.063		36,010
Total Student Financial Assistance Cluster			21,378,504

[1] Pass-Through Entity Identifying Number is unavailable.

See accompanying note to supplementary information.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2014

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION, Continued			
CAREER AND TECHNICAL EDUCATION ACT			
Passed through from California Community Colleges Chancellor's Office			
Career and Technical Education Act (CTE), Title IC	84.048	13-C01-035	$ 513,435
Perkins, Title II, Technical Preparation, CTE Transitions	84.048A	13-112-940	44,025
Total U.S. Department of Education			23,944,733
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through from California Community Colleges Chancellor's Office			
Temporary Assistance to Needy Families (TANF)	93.558	[1]	88,716
Healthy Community Forum	93.252	10-110-009	132,615
Passed through from Yosemite Community College District			
Child Development Training Consortium	93.575	13-14-4474	12,500
Total U.S. Department of Health and Human Services			233,831
Total Federal Expenditures			$ 24,417,764

[1] Pass-Through Entity 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, 2014

	Program Entitlements		
Program	Current Year	Prior Year	Total Entitlement
Board Financial Assistance Program (BFAP)	$ 487,143	$ -	$ 487,143
Extended Opportunity Program and Services (EOPS)	519,714	-	519,714
Cooperative Agencies Resources for Education (CARE)	98,856	-	98,856
Disabled Students Program (DSP)	832,067	382	832,449
CalWORKS	401,368	-	401,368
Credit Matriculation	643,671	18,093	661,764
Non-Credit Matriculation	61,442	-	61,442
Staff Diversity	5,788	15,050	20,838
Enrollment Growth and Retention	164,000	82,918	246,918
CTE Pathways Community Collaborative	-	622,136	622,136
SB1070 CTE Pathways Constorium Program	200,000	-	200,000
Basic Skills	131,555	188,716	320,271
Prekindergarten and Family Literacy	4,669	-	4,669
Song-Brown Capitation	40,000	-	40,000
Song-Brown Special Programs	40,637	-	40,637
Health Workforce Inistiative	10,000	-	10,000
AB86 Adult Education Planning Grant	411,630	-	411,630
Restricted State Lottery Prop 20	294,516	49,543	344,059
@ONE Grant	400,000	22,191	422,191
Instructional Improvement Block Grant	126,060	-	126,060
Categorical Flexibility Funds	363	-	363
Cal Grant B	933,649	-	933,649
Cal Grant C	53,749	-	53,749
	$ 5,860,877	$ 999,029	$ 6,859,906

See accompanying note to supplementary information.

Program Revenues					
Cash Received	Accounts Receivable	Accounts Payable	Unearned Revenue	Total Revenue	Program Expenditures
$ 487,143	$ -	$ -	$ -	$ 487,143	$ 487,143
519,714	-	-	-	519,714	519,714
98,856	-	-	-	98,856	98,856
832,449	-	-	-	832,449	832,449
401,368	-	-	-	401,368	401,368
661,764	-	-	-	661,764	661,764
61,442	-	-	30,558	30,884	30,884
20,838	-	-	10,674	10,164	10,164
220,678	26,240	-	-	246,918	246,918
535,136	-	-	66,348	468,788	468,788
80,000	-	-	69,556	10,444	10,444
320,271	-	-	187,471	132,800	132,800
4,203	466	-	-	4,669	4,669
19,992	4,750	-	-	24,742	24,742
11,057	21,457	-	-	32,514	32,514
-	3,115	-	-	3,115	3,115
205,815	-	-	195,094	10,721	10,721
178,797	165,263	-	-	344,059	344,059
422,191	-	-	191,380	230,811	230,811
118,577	-	-	48,704	69,873	69,873
363	-	-	-	363	363
952,540	-	18,891	-	933,649	933,649
53,749	-	-	-	53,749	53,749
$ 6,206,942	$ 221,291	$ 18,891	$ 799,785	$ 5,609,557	$ 5,609,557

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT ANNUAL (ACTUAL) ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2014

CATEGORIES	Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2013 only)			
1. Noncredit*	9	-	9
2. Credit	3	-	3
B. Summer Intersession (Summer 2014 - Prior to July 1, 2014)			
1. Credit	546	-	546
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	8,154	-	8,154
(b) Daily Census Contact Hours	1,242	-	1,242
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit*	557	-	557
(b) Credit	98	-	98
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	6	-	6
(b) Daily Census Contact Hours	7	-	7
D. Total FTES	10,622	-	10,622
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)	-	-	-
H. Basic Skills Courses and Immigrant Education			
1. Noncredit	588	-	588
2. Credit	327	-	327
CCFS-320 Addendum			
CDCP Noncredit FTES	190	-	190
Centers FTES			
1. Noncredit*	202	-	202
2. Credit	4,799	-	4,799

* Including Career Development and College Preparation (CDCP) FTES.

See accompanying note to supplementary information.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION
FOR THE YEAR ENDED JUNE 30, 2014

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Audited Data	Reported Data	Audit Adjustments	Audited Data
<u>Academic Salaries</u>							
Instructional Salaries							
Contract or Regular	1100	$ 9,799,677	$ -	$ 9,799,677	$ 9,799,677	$ -	$ 9,799,677
Other	1300	7,149,045	-	7,149,045	7,149,045	-	7,149,045
Total Instructional Salaries		16,948,722	-	16,948,722	16,948,722	-	16,948,722
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	2,917,098	-	2,917,098
Other	1400	-	-	-	1,169,424	-	1,169,424
Total Noninstructional Salaries		-	-	-	4,086,522	-	4,086,522
Total Academic Salaries		16,948,722	-	16,948,722	21,035,244	-	21,035,244
<u>Classified Salaries</u>							
Noninstructional Salaries							
Regular Status	2100	-	-	-	8,486,827	-	8,486,827
Other	2300	-	-	-	1,082,198	-	1,082,198
Total Noninstructional Salaries		-	-	-	9,569,025	-	9,569,025
Instructional Aides							
Regular Status	2200	1,591,124	-	1,591,124	1,591,124	-	1,591,124
Other	2400	285,455	-	285,455	285,455	-	285,455
Total Instructional Aides		1,876,579	-	1,876,579	1,876,579	-	1,876,579
Total Classified Salaries		1,876,579	-	1,876,579	11,445,604	-	11,445,604
Employee Benefits	3000	4,305,683	-	4,305,683	8,655,619	-	8,655,619
Supplies and Material	4000	-	-	-	786,650	-	786,650
Other Operating Expenses	5000	-		-	5,382,017	-	5,382,017
Equipment Replacement	6420	-	-	-	65,746	-	65,746
Total Expenditures Prior to Exclusions		23,130,984	-	23,130,984	47,370,880	-	47,370,880

See accompanying note to supplementary information.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION, Continued
FOR THE YEAR ENDED JUNE 30, 2014

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Audited Data	Reported Data	Audit Adjustments	Audited Data
Exclusions							
Activities to Exclude							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	$ 527,057	$ -	$ 527,057	$ 527,057	$ -	$ 527,057
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	405,256	-	405,256
Objects to Exclude							
Rents and Leases	5060	-	-	-	102,791	-	102,791
Lottery Expenditures					1,237,977		1,237,977
Total Supplies and Materials		-	-	-	-	-	-
Other Operating Expenses and Services	5000	$ -	$ -	$ -	$ -	$ -	$ -
Total Exclusions		527,057	-	527,057	2,273,081	-	2,273,081
Total for ECS 84362, 50 Percent Law		$ 22,603,927	$ -	$ 22,603,927	$ 45,097,799	$ -	$ 45,097,799
Percent of CEE (Instructional Salary Cost/Total CEE)		50.12%		50.12%	100.00%		100.00%
50% of Current Expense of Education					$ 22,548,900		$ 22,548,900

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, 2014

There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2014.

See accompanying note to supplementary information.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

PROPOSITION 30 EDUCATION PROTECTION ACT (EPA) EXPENDITURE REPORT
FOR THE YEAR ENDED JUNE 30, 2014

Activity Classification	**Object Code**				**Unrestricted**
EPA Proceeds:	8630				$ 7,823,509
Activity Classification	**Activity Code**	**Salaries and Benefits (Obj 1000-3000)**	**Operating Expenses (Obj 4000-5000)**	**Capital Outlay (Obj 6000)**	**Total**
Instructional Activities	1000-5900	$ 7,823,509			$ 7,823,509
					-
Other Support Activities	6XXX				-
					-
Total Expenditures for EPA		$ 7,823,509	-	-	$ 7,823,509
Revenues Less Expenditures					$ -

See accompanying note to supplementary information.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Total Fund Balance and Retained Earnings:		
General Funds	$ 8,684,284	
Cafeteria Fund	6,486	
Capital Outlay Projects Funds	4,933,232	
Bookstore	1,310,302	
Internal Service Funds	153,865	
Fiduciary Funds	429,911	
Total Fund Balance - All District Funds		$ 15,518,080
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	113,324,564	
Accumulated depreciation is	(30,157,841)	
Less fixed assets already recorded in the enterprise funds	(143,663)	83,023,060
Recognition of the OPEB asset resulting from the difference between annual OPEB cost on the accrual basis and OPEB contributions in the governmental funds.		730,210
Amounts held in trust on behalf of others (Trust and Agency Funds)		(139,360)
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.		(125,548)
Expenditures relating to the issuance of debt were not recognized on the modified accrual funds.		375,391
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term liabilities at year end consist of:		
Bonds payable	11,390,000	
Golden handshake	1,506,406	
Supplemental Early Retirement Plan	1,022,716	
Load banking	267,633	
Capital leases payable	223,831	
Compensated absences	1,167,933	
Subtotal of Long-Term Liabilities		(15,578,519)
Total Net Position		**$ 83,803,314**

See accompanying note to supplementary information.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2014

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 Statements of Revenues, Expenses, and Changes in Net Position - Primary Government and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist primarily of Federal Pell administrative cost funds that in the previous period were recorded as revenues, but were unspent. These unspent balances have been expended in the current period.

Description	CFDA Number	Amount
Total Federal Revenues From the Statements of Revenues,		
Expenses, and Changes in Net Position:		$ 24,403,639
Federal Pell Grants (PELL)	84.063	12,894
Chapter 33 - Veterans Post 9/11 GI Bill	64.028	631
Federal Supplemental Education Opportunity Grant (FSEOG)	84.007	600
Total Expenditures of Federal Awards		$ 24,417,764

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

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.

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2014

Reconciliation of *Education Code* Section 84362 (50 Percent Law) Calculation

ECS 84362 requires the District to expend a minimum of 50 percent of the unrestricted General Fund monies on salaries of classroom instructors. This is reported annually to the State Chancellor's Office. This schedule provides a reconciliation of the amount reported to the State Chancellor's Office and the impact of any audit adjustments and/or corrections noted during the audit.

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.

Proposition 30 Education Protection Act (EPA) Expenditure Report

This schedule provides the District's summary of receipts and uses of the monies received through the EPA.

Reconciliation of Governmental Funds to the Statement of Net Position

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 AUDITOR'S REPORTS

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the business-type activities of Mt. San Jacinto Community College District (the District) as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 3, 2014.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 17 to the financial statements, the District has elected to change its method of accounting for cost of debt issuance as prescribed by GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audits, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompany Schedule of Findings and Questioned Costs, that we consider to be a significant deficiency as item 2014-001.

Mailing Address: P. O. Box 20439 Riverside, CA 92516
6370 Magnolia Avenue, Suite 330 Riverside, CA 92506 Tel: 951.367.3000 Fax: 951.367.3010 www.vtdcpa.com

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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*.

We noted certain matters that we reported to management of the District in a separate letter dated December 3, 2014.

Mt. San Jacinto Community College District's Responses to the Findings

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of This Report

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

Vavrinek, Trine, Day & Co. LLP

Riverside, California
December 3, 2014

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

VALUE THE DIFFERENCE

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

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

Report on Compliance for Each Major Federal Program

We have audited Mt. San Jacinto Community College District's (the District) compliance with the types of compliance requirements described in OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the year ended June 30, 2014. The District's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2014.

Mailing Address: P. O. Box 20439 Riverside, CA 92516
6370 Magnolia Avenue, Suite 330 Riverside, CA 92506 Tel: 951.367.3000 Fax: 951.367.3010 www.vtdcpa.com
FRESNO • LAGUNA HILLS • PALO ALTO • PLEASANTON • RANCHO CUCAMONGA • RIVERSIDE • SACRAMENTO

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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* 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.

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

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

Vavrinek, Trine, Day & Co. LLP

Riverside, California
December 3, 2014

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

VALUE THE DIFFERENCE

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

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

Report on State Compliance

We have audited Mt. San Jacinto Community College District's (the District) compliance with the types of compliance requirements as identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in December 2013 that could have a direct and material effect on each of the District's programs as noted below for the year ended June 30, 2014.

Management's Responsibility

Management is responsible for compliance with the requirements identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in December 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the standards and procedures identified in the California Community Colleges Chancellor's Office *District Audit Manual*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the applicable programs noted below. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such procedures as we consider 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 the District's compliance with those requirements.

Basis for Qualified Opinion

As described in the accompanying Schedule of Findings and Questioned Costs, the District did not comply with requirements regarding 2014-002: Section 475 - Disabled Student Programs and Services (DSPS) and 2014-003: Section 491 - Proposition 30 Education Protection Account Funds. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to those programs.

Qualified Opinion

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2014.

Mailing Address: P. O. Box 20439 Riverside, CA 92516
6370 Magnolia Avenue, Suite 330 Riverside, CA 92506 Tel: 951.367.3000 Fax: 951.367.3010 www.vtdcpa.com
FRESNO • LAGUNA HILLS • PALO ALTO • PLEASANTON • RANCHO CUCAMONGA • RIVERSIDE • SACRAMENTO

Unmodified Opinion for Each of the Other Programs

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the programs noted below that were audited for the year ended June 30, 2014, except as described in the State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs.

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

Section 421	Salaries of Classroom Instructors (50 Percent Law)
Section 423	Apportionment for Instructional Service Agreements/Contracts
Section 424	State General Apportionment Funding System
Section 425	Residency Determination for Credit Courses
Section 426	Students Actively Enrolled
Section 427	Concurrent Enrollment of K-12 Students in Community College Credit Courses
Section 430	Schedule Maintenance Program
Section 431	Gann Limit Calculation
Section 435	Open Enrollment
Section 438	Student Fees – Health Fees and Use of Health Fee Funds
Section 439	Proposition 39 Clean Energy
Section 474	Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE)
Section 475	Disabled Student Programs and Services (DSPS)
Section 479	To Be Arranged (TBA) Hours
Section 490	Proposition 1D State Bond Funded Projects
Section 491	Proposition 30 Education Protection Account Funds

The District reports no Instructional Service Agreements/Contracts for Apportionment Funding; therefore, the compliance tests within this section were not applicable.

The District reports no attendance within classes subject to the TBA Hours; therefore, the compliance tests within this section were not applicable.

The 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 the District's responses and, accordingly, we express no opinion on the responses.

Vavrinek, Trine, Day & Co. LLP

Riverside, California
December 3, 2014

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2014

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified?	Yes
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Type of auditor's report issued on compliance for major Federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	No

Identification of major Federal programs:

CFDA Numbers	Name of Federal Program or Cluster
84.007; 84.033; 84.063	Student Financial Assistance Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$ 732,533
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

Type of auditor's report issued on compliance for State programs:	Qualified

Unmodified for all State programs except for the following State programs which were qualified:

Name of State Program
Section 475 - Disabled Student Programs and Services (DSPS)
Section 491 - Proposition 30 Education Protection Account Funds

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2014

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

2014-001 CAPITAL ASSETS

Criteria or Specific Requirement

Industry standards and best business practices require a system of internal control over capital asset accounting that will allow District personnel to properly record the purchases and depreciation of capital assets, as well as safeguarding equipment purchased for use throughout the District.

Condition

Internal control procedures were found to be inadequate to identify and prevent misstatement within the capital asset accounts.

- Our reconciliation identified a variance between the detailed report of current year additions and the net amounts being reported as capital asset additions on the summary schedule.
- Our reconciliation identified a variance between the detailed report of current year deletions and the net amounts being reported as capital asset deletions on the summary schedule.
- Values reported as current year additions to the building asset class do not agree to the corresponding values on the schedule of construction in progress reported as projects completed during the year.
- The reported accumulated depreciation beginning balances do not match the amounts reported on the prior year's financial report.

Context

The District provided a capital asset summary schedule accompanied by several detailed reports which show how the totals on the summary were derived. The reports prepared include the capital asset additions detail, year-to-date depreciation summary, and the capital assets summary schedules for the bookstore and cafeteria. The capital assets for the bookstore and cafeteria are reported on a different system from the District's capital assets. During reconciliation of the detail reports to the summary schedule, it was noted that the bookstore and cafeteria's additions and deletions were omitted from the summary schedule which is supposed to reflect all of the District's capital assets.

In addition, values reported as current year additions to the building asset do not agree to the corresponding values on the schedule of construction in progress reported as projects completed during the year. It was noted that the Menifee Valley Campus Classroom Building, which was completed in the Fall of 2012, was just included as an addition to the capital assets schedule in the 2013-2014 fiscal year. This implies that depreciation was not calculated for this completed building for the entire 2012-2013 fiscal year.

Finally, the beginning balance of accumulated depreciation reported on the capital asset summary report does not agree to the ending balance on the prior year's financial report.

Effect

The District's capital assets are not adequately reported.

Recommendation

Coordination of the duties of the personnel should be shared jointly by the Purchasing Department, as well as the Accounting Department to ensure all transactions meeting the capitalization threshold have been properly identified, capitalized, and depreciated and included within the accounting records.

Management's Response and Corrective Action Plan

The Business Office will ensure proper recording of capital assets by developing internal control procedures to include periodic review of reports, regular reconciliation, and an internal audit of the records. These reviews will be documented and approved for a clear audit trail. The Business Office will work collaboratively with the Purchasing Department to properly identify capital equipment. Additional capital asset procedures will be implemented in order to account for all District assets.

In addition, the Business Office will explore an updated capital asset software program that will provide proper internal controls and proper asset recording.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

None reported.

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

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

2014-002 475 - DISABLED STUDENT PROGRAMS AND SERVICES (DSPS)

Criteria or Specific Requirement

California Code of Regulations (CCR) Title 5, *Education Code section 56022*, and http://DSPS provide guidance and direction on the reporting and accounting requirements for DSPS.

Condition

Student Educational Contracts (SEC) must be established upon initiation of DSPS services and shall be reviewed and updated annually for every student with a disability participating in DSPS. During the testing of the program files, three students did not have the proper form in the files.

Questioned Costs

FTES funding is not affected by this compliance finding. The questioned cost is unknown at this time.

Effect

By not following program guidelines, the special funding for the DSPS program could be jeopardized.

Cause

Student files are not being reviewed and updated on a regular basis to determine whether all necessary documentation is included within the student file.

Recommendation

The District must ensure that the program director is aware of the DSPS requirements and is following all requirements annually for the students who are benefiting from this program.

Management's Response and Corrective Action Plan

The Disabled Student Program and Services Director is aware of the DSPS requirements and will ensure compliance with all program guidelines in the future. The Mt. San Jacinto DSPS Department is committed to ensuring compliance with Title 5, ADA, and Section 504. Student Educational Contracts (SECs) are a requirement and an important tool in assisting students with disabilities to complete their educational goals. Toward this effort, DSPS will implement the following:

1. Revision of the SEC Form making it a more meaningful tool to keep students on track and ensure the efficacy of accommodation.
2. Develop a procedure to utilize the electronic service request system to provide students with periodic reminders regarding the requirement of the annual completion of the SEC.
3. Establish internal periodic audit of files to verify completeness.

These steps will be revisited and adjusted as necessary to ensure compliance and continuous improvement.

2014-003 491 - EDUCATION PROTECTION ACCOUNT

Criteria or Specific Requirement

According to the Accounting Advisory FS 13-02, districts are required to hold an open session public meeting for the adoption of the budget plan to expend EPA funds annually, and each entity receiving funds must annually publish on its Internet website an accounting of how much money was received from the EPA and how that money was spent.

Condition

The District did not have the accounting of how much money was received from the EPA and how that money was spent published on their website.

Questioned Costs

There are no questioned costs associated with this finding. There were no questioned expenses during testing.

Effect

The Education Protection Account could have unallowed expenditures.

Cause

The District did not have controls in place to ensure that the District was in compliance regarding the Education Protection Account Funds.

Recommendation

The District should implement a control procedure for accounting for future EPA funds to ensure that compliance requirements are met.

Management's Response and Corrective Action Plan

The Mt. San Jacinto College website was updated on September 29, 2014, to show how much money was received from the EPA and how the funds were expensed. Per Proposition 30 requirements, the spending plan was approved by the governing board on May 9, 2013. All funds received are used for instructional salaries and benefits.

To ensure compliance in the future, the District has added this requirement to the published Budget calendar. In addition, the requirement has been added to the Business Office departmental annual systematic calendar to ensure timely posting of required information to the Mt. San Jacinto College website.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014

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 Findings and Questioned Costs.

State Awards Finding

2013-001 475 - DISABLED STUDENT PROGRAMS AND SERVICES (DSPS)

Criteria or Specific Requirement

California Code of Regulations (CCR) Title 5, *Education Code section 56022,* and http://DSPS provide guidance and direction on the reporting and accounting requirements for DSPS.

Condition

Student Educational Contracts (SEC) must be established upon initiation of DSPS services and shall be reviewed and updated annually for every student with a disability participating in DSPS. During the testing of the program files, five students did not have the proper form in the files.

Questioned Costs

FTES funding is not affected by this compliance finding. The questioned cost is unknown at this time.

Effect

By not following program guidelines, the special funding for the DSPS program could be jeopardized.

Recommendation

The District must ensure that the program director is aware of the DSPS requirements and is following all requirements annually for the students who are benefiting from this program.

Current Status

Not implemented. See current year finding 2014-002.