MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2011 AND 2010

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

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JUNE 30, 2011 AND 2010

FINANCIAL SECTION

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

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying basic financial statements of Mt. San Jacinto Community College District (the District) as of and for the years ended June 30, 2011 and 2010, and its discretely presented component unit, Mt. San Jacinto Community College Foundation (the Foundation), as listed in the Table of Contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our 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 of material misstatement. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Mt. San Jacinto Community College District and its discretely presented component unit as of June 30, 2011 and 2010, and the respective changes in financial position and cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 15 to the financial statements, the State of California continues to suffer the effects of a recessionary economy, which directly impacts the funding formula of Mt. San Jacinto Community College District.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2011, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and is important for assessing the results of our audits.

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Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 11 and the Schedule of Other Postemployment Benefits (OPEB) Funding Progress on page 53 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.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the Table of Contents, including the Schedule of Expenditures of Federal Awards, which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
December 2, 2011

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

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, 2011. The report consists of three basic financial statements: the Statement of Net Assets; Statement of Revenues, Expenses, and Changes in Net Assets; and Statement of Cash Flows and provides information about the District as a whole. This section of the annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2011. Please read it in conjunction with the District's financial statements, which immediately follow this section. Responsibility for the completeness and accuracy of this information rests with District management.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

FINANCIAL HIGHLIGHTS

- The District's primary funding source is from apportionment received from the State of California. The primary basis of this apportionment is the calculation of Full Time Equivalent Students (FTES). During the 2010-2011 fiscal year, total reported resident FTES were 11,509 as compared to 13,023 in the 2009-2010 fiscal year. The District's funded credit FTES was 10,199, with unfunded credit FTES of 1,310 for fiscal year 2010-2011 compared to funded credit FTES of 10,598 and unfunded credit FTES of 2,425 for fiscal year 2009-2010.

- Costs for employee salaries and benefits remained approximately the same as prior year due to careful planning by the District.
- During the 2010-2011 fiscal year, the District provided $17,928,354 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)	$ 17,329,603
Federal Supplement Education Opportunity Grant (FSEOG)	271,415
Federal Work Study Program (FWS)	239,009
Federal Academic Competitiveness Grant (ACG)	88,327
State of California Cal Grant B and C (CALG-B and C)	774,117
California Community College Board of Governor's Fee Wavier	5,095,095
Total Financial Aid Provided to Students	$ 23,797,566

THE DISTRICT AS A WHOLE

Net Assets

Table 1

(Amounts in thousands)

	2011	2010	Change
ASSETS			
Current Assets			
Cash and investments	$ 10,227	$ 11,979	$ (1,752)
Accounts receivable (net)	12,465	10,920	1,545
Due from fiduciaries	8	16	(8)
Other current assets	655	888	(233)
Total Current Assets	23,355	23,803	(448)
Other noncurrent assets	2,246	1,957	289
Capital assets (net)	70,333	67,637	2,696
Total Assets	95,934	93,397	2,537
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	7,334	6,761	573
Current portion of long-term obligations	620	603	17
Total Current Liabilities	7,954	7,364	590
Long-Term Obligations	18,017	17,155	862
Total Liabilities	25,971	24,519	1,452
NET ASSETS			
Invested in capital assets	56,473	55,167	1,306
Restricted	4,254	6,751	(2,497)
Unrestricted	9,236	6,960	2,276
Total Net Assets	$ 69,963	$ 68,878	$ 1,085

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

Operating Results for the Year

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

Table 2

(Amounts in thousands)

	2011	2010	Change
Operating Revenues			
Tuition and fees (net)	$ 4,587	$ 5,625	$ (1,038)
Other operating revenues	3,673	4,892	(1,219)
Total Operating Revenues	8,260	10,517	(2,257)
Operating Expenses			
Salaries and benefits	54,196	51,068	3,128
Supplies and maintenance	14,082	14,701	(619)
Student financial aid	19,150	16,767	2,383
Depreciation	2,575	2,469	106
Total Operating Expenses	90,003	85,005	4,998
Loss on Operations	(81,743)	(74,488)	(7,255)
Nonoperating Revenues (Expenses)			
State apportionments	31,641	27,873	3,768
Property taxes	18,126	20,903	(2,777)
State taxes and other revenues	2,099	2,222	(123)
Federal and State grants and contracts	26,844	24,765	2,079
Net investment income	89	242	(153)
Net interest expense	(539)	(684)	145
Other nonoperating revenues	2,712	1,530	1,182
Total Nonoperating Revenue	80,972	76,851	4,121
Other Revenues			
State and local capital income	1,856	979	877
Net Increase in Net Assets	$ 1,085	$ 3,342	$ (2,257)

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

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

Interest income of $89 thousand was offset by interest expense of $539 thousand. The interest income is primarily the result of cash held in the Riverside County Treasury. Interest income has decreased approximately $153 thousand over the 2010-2011 fiscal year. Interest income has decreased over fiscal year 2010-2011 due to significantly lower interest rates and a lower balance of the Lease Revenue Bonds in the Riverside County Treasury during fiscal year 2010-2011. The interest expense decreased, due in part to the interest expense on the 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, 2011:

	Salaries and Employee Benefits	Supplies, Material, and Other Expenses and Services	Equipment, Maintenance, and Repairs	Financial Aid	Depreciation	Total
Instructional activities	$ 27,377,477	$ 896,913	$ 467,657	$ -	$ -	$ 28,742,047
Academic support	5,938,584	482,367	334,262	-	-	6,755,213
Student services	7,075,520	626,972	82,417	277,959	-	8,062,868
Plant operations and maintenance	2,012,021	2,029,705	-	-	-	4,041,726
Instructional support services	6,953,406	3,787,744	-	-	-	10,741,150
Community services and economic development	603,954	681,910	-	-	-	1,285,864
Ancillary services and auxiliary operations	4,185,151	1,437,552	-	150,000	-	5,772,703
Physical property and related acquisitions	50,173	3,203,331	-	-	-	3,253,504
Transfers, student aid, and other outgoing	-	51,342	-	18,721,615	-	18,772,957
Unallocated depreciation	-	-	-	-	2,574,751	2,574,751
Total	$ 54,196,286	$ 13,197,836	$ 884,336	$ 19,149,574	$ 2,574,751	$ 90,002,783

Changes in Cash Position

Table 4

(Amounts in thousands)

	2011	2010	Change
Cash Provided by (Used in)			
Operating activities	$ (76,814)	$ (74,800)	$ (2,014)
Noncapital financing activities	79,479	74,161	5,318
Capital financing activities	(4,536)	(2,084)	(2,452)
Investing activities	119	(748)	867
Net Increase (Decrease) in Cash	(1,752)	(3,471)	1,719
Cash, Beginning of Year	11,979	15,450	(3,471)
Cash, End of Year	$ 10,227	$ 11,979	$ (1,752)

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

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had $92 million in a broad range of capital assets, including land, buildings, and furniture and equipment. At June 30, 2011, the District's net capital assets were $70 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	$ 21,588	$ 636	$ -	$ 22,224
Buildings and land improvements	53,299	3,467	(87)	56,679
Equipment and vehicles	12,307	1,235	-	13,542
Subtotal	87,194	5,338	(87)	92,445
Accumulated depreciation	19,557	2,575	(20)	22,112
	$ 67,637	$ 2,763	$ (67)	$ 70,333

Obligations

At the end of the 2010-2011 fiscal year, the District had $12 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 to employees of the District for vacation and load banking benefits and lease purchase agreements for equipment.

Table 6

(Amounts in thousands)

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Lease revenue bonds	$ 12,470	$ -	$ (255)	$ 12,215
Other liabilities	5,289	2,163	(1,030)	6,422
Total Long-Term Obligations	$ 17,759	$ 2,163	$ (1,285)	$ 18,637
Amount due within one year				$ 620

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 2010-2011 fiscal year on June 23, 2011.

The District's unrestricted General Fund anticipated that expenditures would exceed revenue by $3.5 million. However, the actual results for the year showed revenues exceeded expenditures by $3.8 million. This is due in large part to deferral of expenditures planned for in 2011 to 2012.

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

The economic position of the District is closely tied to the State of California as State apportionments and property taxes represent approximately 92 percent of the total revenue received within the unrestricted General Fund. The District's total reported FTES decreased during fiscal year 2010-2011. Due to significant declines in apportionment funding from the State in fiscal years 2008-2009, 2009-2010, and 2010-2011, the District plans to stay at a prudent level of over cap funded FTES at approximately 10 percent. The District's fiscal year 2010-2011 adopted budget also contained other targeted expenditures reductions totaling approximately $1.037 million and a similar reduction in fiscal year 2011-2012 in order to fund contractual increases and align spending with available funds. The District continues to monitor enrollment and operating costs of the District to ensure ongoing financial stability and retain the reserve levels required by Board Policy and the State Chancellor's Office.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

STATEMENTS OF NET ASSETS - PRIMARY GOVERNMENT
JUNE 30, 2011 AND 2010

	2011	2010
ASSETS		
Current Assets		
Cash and cash equivalents - unrestricted	$ 1,796,457	$ 1,469,708
Restricted cash and cash equivalents	24,476	18,897
Investments - unrestricted	7,755,018	9,890,580
Investments - restricted	651,055	599,388
Accounts receivable	12,347,814	10,795,985
Student loans receivable	117,556	123,973
Due from fiduciary funds	8,063	15,790
Prepaid expenses - current portion	120,868	211,604
Inventories	533,806	676,702
Total Current Assets	23,355,113	23,802,627
Noncurrent Assets		
Other postemployment benefits (OPEB) other than pensions asset	940,065	661,312
Prepaid expenses - noncurrent portion	350,000	300,000
Debt issuance costs and deferred charges, net	955,092	995,588
Nondepreciable capital assets	22,224,147	21,588,330
Depreciable capital assets, net of depreciation	48,109,313	46,048,782
Total Noncurrent Assets	72,578,617	69,594,012
TOTAL ASSETS	95,933,730	93,396,639
LIABILITIES		
Current Liabilities		
Accounts payable	4,717,940	4,773,990
Accrued interest payable	133,153	135,228
Due to fiduciary funds	3,342	84
Deferred revenue	2,479,833	1,851,091
Long-term liabilities - current portion	619,993	603,276
Total Current Liabilities	7,954,261	7,363,669
Noncurrent Liabilities		
Lease revenue bond payable - noncurrent portion	11,950,000	12,215,000
Capital lease payable - noncurrent portion	1,290,019	1,596,681
Golden Handshake payable - noncurrent portion	3,035,310	1,480,393
Compensated absences - noncurrent portion	1,311,254	1,254,799
Load banking liabilities - noncurrent portion	430,241	608,557
Total Noncurrent Liabilities	18,016,824	17,155,430
TOTAL LIABILITIES	25,971,085	24,519,099
NET ASSETS		
Invested in capital assets, net of related debt	56,473,448	55,167,112
Restricted for:		
Capital projects	3,864,820	6,311,801
Educational programs	369,712	439,100
Other activities	19,129	-
Unrestricted	9,235,536	6,959,527
TOTAL NET ASSETS	$ 69,962,645	$ 68,877,540

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 ASSETS - PRIMARY GOVERNMENT
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
OPERATING REVENUES		
Student Tuition and Fees	$ 9,681,900	$ 10,678,639
Less: Scholarship discount and allowance	(5,095,095)	(5,053,449)
Net tuition and fees	4,586,805	5,625,190
Auxiliary Enterprise Sales and Charges		
Bookstore	3,011,464	4,237,995
Other Operating Revenues	661,971	654,155
TOTAL OPERATING REVENUES	8,260,240	10,517,340
OPERATING EXPENSES		
Salaries	41,308,592	41,848,915
Employee benefits	12,887,694	9,219,335
Supplies, materials, and other operating expenses and services	13,197,836	13,072,696
Student financial aid	19,149,574	16,767,048
Equipment, maintenance, and repairs	884,336	1,629,114
Depreciation	2,574,751	2,468,642
TOTAL OPERATING EXPENSES	90,002,783	85,005,750
OPERATING LOSS	(81,742,543)	(74,488,410)
NONOPERATING REVENUES (EXPENSES)		
State apportionments, noncapital	31,641,223	27,873,426
Local property taxes, levied for general purposes	18,125,973	20,903,395
Federal grants	21,582,200	19,434,791
State grants	5,261,517	5,330,494
State taxes and other revenues	2,099,391	2,221,856
Investment income	88,605	241,511
Interest expense on capital related debt	(538,837)	(683,819)
Loss on sale of capital assets	(66,935)	-
Other nonoperating revenue	2,778,894	1,529,781
TOTAL NONOPERATING REVENUES (EXPENSES)	80,972,031	76,851,435
INCOME (LOSS) BEFORE OTHER REVENUES	(770,512)	2,363,025
State revenues, capital	196,372	310,421
Local revenues, capital	1,659,245	668,563
TOTAL OTHER REVENUES	1,855,617	978,984
CHANGE IN NET ASSETS	1,085,105	3,342,009
NET ASSETS, BEGINNING OF YEAR	68,877,540	65,535,531
NET ASSETS, END OF YEAR	$ 69,962,645	$ 68,877,540

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, 2011 AND 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$ 6,151,969	$ 5,899,900
(Disbursement) Returns of student loans	6,417	(123,973)
Payments to vendors for supplies and services	(14,291,739)	(19,817,439)
Payments to or on behalf of employees	(52,763,230)	(51,828,120)
Payments to students for scholarships and grants	(19,149,574)	(16,767,048)
Other operating receipts	3,232,119	7,836,475
Net Cash Flows From Operating Activities	(76,814,038)	(74,800,205)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State apportionments	29,210,800	24,479,860
Grant and contracts	27,209,086	24,310,946
Property taxes - nondebt related	18,357,509	19,733,653
State taxes and other apportionments	1,922,706	4,106,702
Other nonoperating	2,778,894	1,529,781
Net Cash Flows From Noncapital Financing Activities	79,478,995	74,160,942
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchase of capital assets	(5,338,034)	(2,811,575)
Proceeds - capital leases	37,574	1,291,495
State revenue, capital projects	1,855,617	310,421
Local revenue, capital projects	-	668,563
Principal paid on capital debt	(592,519)	(899,890)
Interest paid on capital debt	(538,837)	(683,819)
Deferred cost on issuance	40,496	40,495
Net Cash Flows From Capital Financing Activities	(4,535,703)	(2,084,310)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment made to irrevocable trust	(278,753)	(661,312)
Investment gain (loss)	397,932	(86,390)
Net Cash Flows From Investing Activities	119,179	(747,702)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,751,567)	(3,471,275)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	11,978,573	15,449,848
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 10,227,006	$ 11,978,573

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, 2011 AND 2010

	2011	2010
RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Loss	$ (81,742,543)	$ (74,488,410)
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities:		
Depreciation and amortization expense	2,574,751	2,468,642
Changes in Assets and Liabilities:		
Receivables	(441,316)	2,944,325
Student receivables	6,417	(123,973)
Inventories	142,896	(10,156)
Prepaid expenses	40,736	387,866
Notes receivables, net		
Accounts payable and accrued liabilities	545,298	(5,312,389)
Deferred revenue	628,742	(41,468)
Accrued interest payable	(2,075)	135,228
Other postemployment benefits	1,433,056	(759,870)
Total Adjustments	4,928,505	(311,795)
Net Cash Flows From Operating Activities	$ (76,814,038)	$ (74,800,205)
CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:		
Cash in banks	$ 1,820,933	$ 1,488,605
Cash in county treasury	8,406,073	10,489,968
Total Cash and Cash Equivalents	$ 10,227,006	$ 11,978,573
NON CASH TRANSACTIONS		
On behalf payments for benefits	$ 908,844	$ 912,193

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

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

STATEMENTS OF FIDUCIARY NET ASSETS
JUNE 30, 2011 AND 2010

	2011 Trust	2010 Trust
ASSETS		
Cash and cash equivalents	$ 151,623	$ 155,135
Accounts receivable, net	771	649
Due from governmental funds	3,342	84
Prepaid expenses	167	-
Total Assets	155,903	155,868
LIABILITIES		
Accounts payable	1,393	4,609
Due to governmental funds	8,063	15,790
Total Liabilities	9,456	20,399
NET ASSETS		
Unreserved	146,447	135,469
Total Net Assets	$ 146,447	$ 135,469

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

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011 Trust	2010 Trust
ADDITIONS		
Local revenues	$ 167,694	$ 149,218
Total Additions	167,694	149,218
DEDUCTIONS		
Academic salaries	-	2,021
Classified salaries	-	2,640
Employee benefits	-	402
Books and supplies	71,560	70,889
Services and operating expenditures	80,224	54,978
Capital outlay	3,832	7,949
Total Deductions	155,616	138,879
OTHER FINANCING SOURCES (USES)		
Other sources	1,200	-
Other uses	(2,300)	-
Total Other Financing Sources (Uses)	(1,100)	-
Change in Net Assets	10,978	10,339
Net Assets - Beginning	135,469	125,130
Net Assets - Ending	$ 146,447	$ 135,469

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

DISCRETELY PRESENTED COMPONENT UNIT
MT. SAN JACINTO COMMUNITY COLLEGE FOUNDATION

DISCRETELY PRESENTED COMPONENT UNIT
MT. SAN JACINTO COMMUNITY COLLEGE FOUNDATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2011 AND 2010

	2011	2010
ASSETS		
Current Assets		
Cash and cash equivalents		
Unrestricted	$ 254,543	$ 116,141
Restricted	803,521	1,270,681
Student loan receivables - net	6,114	9,821
Accounts receivable	3,354	930
Prepaid expenses	450	1,380
Total Current Assets	1,067,982	1,398,953
Noncurrent Assets		
Investments - unrestricted	165,292	202,270
Investments - restricted	2,122,980	1,840,183
Capital assets (net of accumulated depreciation)	2,306	3,561
Total Assets	$ 3,358,560	$ 3,444,967
LIABILITIES		
Current Liabilities		
Accounts payable and other current liabilities	$ 24	$ 17,813
Due to Mt. San Jacinto Community College District	60,187	12,678
Deferred revenue	-	7,500
Total Current Liabilities	60,211	37,991
NET ASSETS		
Unrestricted	411,343	296,112
Temporarily restricted	1,670,666	1,894,524
Permanently restricted	1,216,340	1,216,340
Total Net Assets	3,298,349	3,406,976
Total Liabilities and Net Assets	$ 3,358,560	$ 3,444,967

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

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

DISCRETELY PRESENTED COMPONENT UNIT
MT. SAN JACINTO COMMUNITY COLLEGE FOUNDATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT AND REVENUES				
Contributions	$ 167,848	$ 286,031	$ -	$ 453,879
Other income	75,776	448	-	76,224
Assets released from restrictions	533,090	(533,090)	-	-
Total Public Support and Revenues	776,714	(246,611)	-	530,103
EXPENSES				
Program expenses	388,801	-	-	388,801
Operating expenses	26,999	-	-	26,999
Fundraising expenses	240,598	-	-	240,598
Total Expenses	656,398	-	-	656,398
OTHER INCOME				
Interest and dividends	1,832	68,084	-	69,916
Unrealized gain (loss) on investments	-	(52,248)	-	(52,248)
Total Other Income	1,832	15,836	-	17,668
TRANSFERS	(6,917)	6,917	-	-
CHANGE IN NET ASSETS	115,231	(223,858)	-	(108,627)
NET ASSETS, BEGINNING OF YEAR	296,112	1,894,524	1,216,340	3,406,976
NET ASSETS, END OF YEAR	$ 411,343	$ 1,670,666	$ 1,216,340	$ 3,298,349

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

2010			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$ 137,095	$ 427,980	$ -	$ 565,075
88,806	-	-	88,806
468,977	(468,977)	-	-
694,878	(40,997)	-	653,881
489,922	-	-	489,922
26,037	-	-	26,037
64,128	-	-	64,128
580,087	-	-	580,087
11,518	114,179	-	125,697
-	52,291	-	52,291
11,518	166,470	-	177,988
-	-	-	-
126,309	125,473	-	251,782
169,803	1,769,051	1,216,340	3,155,194
$ 296,112	$ 1,894,524	$ 1,216,340	$ 3,406,976

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

DISCRETELY PRESENTED COMPONENT UNIT
MT. SAN JACINTO COMMUNITY COLLEGE FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ (108,627)	$ 251,782
Adjustments to Reconcile Change in Net Assets to Net Cash Flows From Operating Activities		
Depreciation	1,256	1,448
Unrealized (gain) loss on investments	52,248	(52,291)
Contributions restricted for long-term purposes	(286,479)	(427,980)
Changes in Assets and Liabilities		
Increase in accounts receivable	(2,424)	(930)
Decrease in student loans	3,707	1,573
Decrease (increase) in prepaid expenses	930	(30)
Increase (decrease) in accounts payable	(17,789)	1,149
Increase (decrease) in due to Mt. San Jacinto Community College District	47,509	(2,494)
Increase (decrease) in deferred income	(7,500)	7,500
Net Cash Flows From Operating Activities	(317,169)	(220,273)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(1,960,813)	(583,886)
Sale of investments	2,129,905	308,434
Net Cash Flows From Investing Activities	169,092	(275,452)
CASH FLOWS FROM FINANCING ACTIVITIES		
Collections of contributions restricted for long-term purposes	286,479	427,980
Net Cash Flows From Financing Activities	286,479	427,980
NET CHANGE IN UNRESTRICTED CASH AND CASH EQUIVALENTS	138,402	(67,745)
UNRESTRICTED CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	116,141	183,886
UNRESTRICTED CASH AND CASH EQUIVALENTS, END OF YEAR	$ 254,543	$ 116,141

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 provides educational services to residents of the surrounding area. The District operates under a locally elected five-member Board of Trustees form of government, which establishes the policies and procedures by which the District operates. The Board must approve the annual budgets for the General Fund, special revenue funds, capital project funds, and proprietary funds, but these budgets are managed at the department level. Currently, the District is a single college with 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

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

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

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

  The Foundation is a not-for-profit organization under Internal Revenue Code (IRC) Section 501(c)(3) that reports its financial results in accordance with Financial Accounting Standards Codifications. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the District's financial reporting entity for these differences; however, significant note disclosures to the Foundation's financial statements have been incorporated into the District's notes to the financial statements.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB Statements No. 34 and No. 35 as amended by GASB Statements No. 37, No. 38, and No. 39. This presentation provides a comprehensive entity-wide perspective of the District's assets, liabilities, activities, and cash flows and replaces the fund group perspective previously required. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All material intra-agency and intra-fund transactions have been eliminated.

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, certain 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 student (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 accounting policies of the District conform to accounting principles generally accepted in the United States of America (US GAAP) as applicable to colleges and universities, as well as those prescribed by the California Community Colleges Chancellor's Office. The District reports are based on all applicable GASB pronouncements, as well as applicable FASB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements. The District has not elected to apply FASB pronouncements after that date. When applicable, certain prior year amounts have been reclassified to conform to current year presentation. The budgetary and financial accounts of the District are maintained in accordance with the State Chancellor's Office *Budget and Accounting Manual*.

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

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

Cash and Cash Equivalents

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

Investments

Investments held at June 30, 2011 and 2010, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

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 regularly monitors these student receivables and has determined all are fully collectable.

Prepaid Expenses

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

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. 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.

Deferred Issuance Costs, Premiums, and Discounts

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

Compensated Absences

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

Sick leave is accumulated without limit for each employee based upon negotiated contracts. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, 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.

Deferred Revenue

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

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 Assets

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

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

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

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

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

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed. The entity-wide financial statements report $4,253,661 of restricted net assets.

State Apportionments

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

Property Taxes

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

Scholarship Discounts and Allowances

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

Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, FSEOG Grants, Federal Work-Study, Academic Competitiveness Grants, and Federal Family Education Loan programs, as well as other programs funded by the Federal government. Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash and/or loans. These programs are audited in accordance with the Single Audit Act Amendments of 1996, and the U.S. Office of Management and Budget's revised Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations,* and the related *Compliance Supplement.* During the years ended June 30, 2011 and 2010, the District distributed $0 and $6,720,561, respectively, in direct lending through the U.S. Department of Education. During the year ended June 30, 2010, the amounts were not included as revenues and expenses as the amounts were passed directly to qualifying students; however, the amounts were included on the Schedule of Expenditures of Federal Awards. During the year ended June 30, 2011, the District did not offer any Federal loans.

On Behalf Payments

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

Estimates

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

Interfund Activity

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

Foundation Presentation

The Mt. San Jacinto Community College District Foundation presents its financial statements in accordance with Statement of Financial Accounting Codifications. Under these reporting requirements, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As permitted by the codification, the Foundation does not use fund accounting.

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

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

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

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

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

New Accounting Pronouncements

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of GASB Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments,* were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements.

This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, this Statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination.

This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. For component units that currently are blended based on the "substantively the same governing body" criterion, it additionally requires that (1) the primary government and the component unit have a financial benefit or burden relationship or (2) management (below the level of the elected officials) of the primary government have operational responsibility (as defined in paragraph 8a) for the activities of the component unit. New criteria also are added to require blending of component units whose total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government. The blending provisions are amended to clarify that funds of a blended component unit have the same financial reporting requirements as a fund of the primary government. Lastly, additional reporting guidance is provided for blending a component unit if the primary government is a business-type activity that uses a single column presentation for financial reporting.

This Statement also clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. Early implementation is encouraged.

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 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, 2011, consist of the following:

	Primary Government
Cash on hand and in banks	$ 918,517
Cash in revolving	31,310
Cash collections awaiting deposit	871,106
Investments	8,406,073
Total Deposits and Investments	$ 10,227,006

Deposits and investments of the Fiduciary Funds as of June 30, 2011, consist of the following:

	Fiduciary Funds
Cash on hand and in banks	$ 151,623

Interest Rate Risk

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

Specific Identification

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

Investment Type	Fair Market Value	Weighted Average of Maturity in Days
County Pooled Investment	$ 5,702,952	478
First American Treasury Obligation	2,709,244	52
Total	$ 8,412,196	

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in the County pool are rated AAA/V1 by Fitch Ratings Ltd. as of June 30, 2011. Treasury obligations have been rated by Standard & Poor's rating agency.

Investment Type	Minimum Legal Rating	Rating June 30, 2011	Fair Market Value
County Pooled Investment	Not Required	AAA/V1	$ 5,702,952
First American Treasury Obligation	Not Applicable	AAAm	2,709,244
Total			$ 8,412,196

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, 2011, the District's bank balance of $1,665,562 was exposed to custodial credit risk because it was uninsured and collateralized at 110 percent of balance over $250,000 with securities held by the pledging financial institution's trust department or agent, but not in the name of the District. At year end, all balances were fully insured.

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The cash held in the County Treasury is uncategorized and the fair value approximates carrying value are shown above in the credit risk schedule. Deposits with the County Treasury are not categories because they do not represent securities which exist in physical or book entry form. The deposits with the County Treasury are valued using the amortized cost method (which approximates fair value). The fair values are provided by the County Treasurer. As of June 30, 2011, $5,696,829 is invested in the Riverside County Treasurer's Pooled Investment Fund.

Discretely Presented Component Unit

The Foundation's deposits and investments consist primarily of cash in banks and investments within equity funds and corporate and government bonds. As of June 30, 2011, the balances held in financial institutions of $1,058,064 were fully insured.

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	
	2011	2010
Federal Government		
Categorical aid	$ 961,744	$ 1,351,300
State Government		
Apportionment	7,755,831	5,923,498
Categorical aid	182,509	158,322
Lottery	879,865	877,476
Other State sources	196,372	22,076
Local Sources		
Interest	18,574	327,901
Property taxes	938,206	1,088,112
Riverside County Redevelopment Agency	-	81,630
Other local sources	1,414,713	965,670
Total	$ 12,347,814	$ 10,795,985
Student receivables	$ 117,556	$ 123,973

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2011, 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	14,778,378	635,817	-	15,414,195
Total Capital Assets Not Being Depreciated	21,588,330	635,817	-	22,224,147
Capital Assets Being Depreciated				
Land improvements	5,901,664	640,379	-	6,542,043
Buildings and improvements	47,397,059	2,826,825	87,360	50,136,524
Furniture and equipment	12,306,682	1,235,013	-	13,541,695
Total Capital Assets Being Depreciated	65,605,405	4,702,217	87,360	70,220,262
Total Capital Assets	87,193,735	5,338,034	87,360	92,444,409
Less Accumulated Depreciation				
Land improvements	1,918,825	324,052	-	2,242,877
Buildings and improvements	10,793,312	1,003,014	20,425	11,775,901
Furniture and equipment	6,844,486	1,247,685	-	8,092,171
Total Accumulated Depreciation	19,556,623	2,574,751	20,425	22,110,949
Net Capital Assets	$ 67,637,112	$ 2,763,283	$ 66,935	$ 70,333,460

Depreciation expense for the year was $2,574,751.

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

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

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

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable for the District consisted of the following:

	Primary Government	
	2011	2010
Accrued payroll and benefits	$ 325,241	$ 311,459
Apportionment	1,931,842	2,529,932
Vendor payables	1,701,501	1,052,084
Other	759,356	880,515
Total	$ 4,717,940	$ 4,773,990

Discretely Presented Component Unit

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

NOTE 7 - DEFERRED REVENUE

Deferred revenue consisted of the following:

	Primary Government	
	2011	2010
Federal financial assistance	$ 334,476	$ 126,764
State categorical aid	1,130,725	1,045,380
Enrollment fees	639,959	274,710
Other local	374,673	404,237
Total	$ 2,479,833	$ 1,851,091

NOTE 8 - 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, 2011, the amounts owed between the government and the fiduciary funds were $8,063 and $3,342, 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.

NOTE 9 - LONG-TERM OBLIGATIONS

Long-Term Obligations Summary

The changes in the District's long-term obligations during the 2011 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	$ 6,770,000	$ -	$ 190,000	$ 6,580,000	$ 195,000
Series 2008A	5,700,000	-	65,000	5,635,000	70,000
Total Bonds Payable	12,470,000	-	255,000	12,215,000	265,000
Other Liabilities					
Compensated absences	1,254,799	56,455	-	1,311,254	-
Capital leases	1,944,957	37,574	337,519	1,645,012	354,993
Golden Handshake	1,480,393	2,068,845	513,928	3,035,310	-
Load banking	608,557	-	178,316	430,241	-
Total Other Liabilities	5,288,706	2,162,874	1,029,763	6,421,817	354,993
Total Long-Term Obligations	$ 17,758,706	$ 2,162,874	$ 1,284,763	$ 18,636,817	$ 619,993

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

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

Description of Debt

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

Lease Revenue Bonds

On June 30, 2003, the District issued Series 2003 Bonds through the California Community College Financial Authority consisting of Current Interest Bonds and Capital Appreciation Bonds in the amount of $8,000,000. The bonds bear variable interest rates from 3.0 percent to 4.25 percent. Debt issuance costs of $386,639 and deferred charges of $440,788, totaling $827,427, have been capitalized and will be amortized through June 1, 2033 (term of Lease Revenue Bonds). Outstanding unamortized amounts at June 30, 2011, amounted to $606,779.

On June 12, 2008, the District issued Series 2008A Bonds through the California Community College Financial Authority consisting of Current Interest Bonds and Capital Appreciation Bonds in the amount of $5,860,000. The bonds bear variable interest rates from 3.5 percent to 5.0 percent. Debt issuance costs of $267,000 and deferred charges of $120,426 totaling $387,426 have been capitalized and will be amortized through May 1, 2038 (term of Lease Revenue Bonds). Outstanding unamortized amounts at June 30, 2011, amounted to $348,313. 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, 2010	Issued	Redeemed	Bonds Outstanding June 30, 2011
6/12/03	6/1/2033	3.00-4.25	$ 8,000,000	$ 6,770,000	$ -	$ 190,000	$ 6,580,000
5/22/08	5/1/2038	3.50-5.00	5,860,000	5,700,000	-	65,000	5,635,000
				$ 12,470,000	$ -	$ 255,000	$ 12,215,000

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

Fiscal Year	Principal	Interest to Maturity	Total
2012	$ 195,000	$ 274,624	$ 469,624
2013	200,000	268,530	468,530
2014	205,000	261,780	466,780
2015	215,000	254,605	469,605
2016	220,000	246,811	466,811
2017-2021	1,250,000	1,097,861	2,347,861
2022-2026	1,525,000	811,781	2,336,781
2027-2031	1,890,000	447,781	2,337,781
2032-2033	880,000	58,188	938,188
Total	$ 6,580,000	$ 3,721,961	$ 10,301,961

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

Fiscal Year	Principal	Interest to Maturity	Total
2012	$ 70,000	$ 257,989	$ 327,989
2013	75,000	254,489	329,489
2014	80,000	250,789	330,789
2015	85,000	247,589	332,589
2016	85,000	243,339	328,339
2017-2021	490,000	1,151,994	1,641,994
2022-2026	605,000	1,039,020	1,644,020
2027-2031	760,000	890,469	1,650,469
2032-2036	1,895,000	678,488	2,573,488
2037-2038	1,490,000	104,060	1,594,060
Total	$ 5,635,000	$ 5,118,226	$ 10,753,226

Capital Leases

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

	Capital Lease
Balance, July 1, 2010	$ 1,944,957
Additions	37,574
Payments	(337,519)
Balance, June 30, 2011	$ 1,645,012

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

Year Ending June 30,	Lease Payment
2012	$ 354,993
2013	331,193
2014	323,514
2015	317,656
2016	317,656
Total	$ 1,645,012

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, 2011, are $3,035,310.

The current year's newly adopted Golden Handshake is as follows:

Position Vacated	Date Retired	Age	Service Credit	Retired Employee Salary and Benefits	Replacement Employee Salary and Benefits
Instructor	6/30/2011	59	26.78	$ 793,619	$ 559,174
Classified	6/30/2011	63	25.24	443,198	326,321
Classified	6/30/2011	63	14.31	594,811	401,312
Counselor	6/30/2011	63	30.70	980,174	616,212
Counselor	6/30/2011	62	15.93	916,897	612,212
Counselor	6/30/2011	58	28.74	702,831	616,212
Instructor	6/30/2011	62	39.94	978,099	559,174
Instructor	6/30/2011	63	37.89	757,387	559,174
Instructor	6/30/2011	58	15.00	661,437	559,174
Teacher	6/30/2011	61	8.25	39,610	33,624
Administrative Associate	6/30/2011	65	9.60	46,683	33,251
Administrative Associate	6/30/2011	56	5.45	60,172	52,218
Lead Facilities Assistant	6/30/2011	64	37.22	59,452	47,721
Dean, Informational Services	6/30/2011	54	16.71	159,496	136,832
CDED Site Supervisor	6/30/2011	60	8.06	76,137	62,394
Clerical Assistant	6/30/2011	50	5.62	37,283	30,023
Physical Education Equipment	6/30/2011	52	28.00	54,069	42,416
Faculties Journeyman	6/30/2011	65	20.11	76,083	60,850
Coordinator - Student Outreach	6/30/2011	63	13.54	95,531	75,788

Additional Costs to Employer:

As a result of this newly adopted Golden Handshake, the District has incurred (or expects to incur) $2,673,173 in additional costs. The breakdown in additional costs related to the new agreement is presented below:

Retirement Costs (including interest, if applicable)	$ 611,316
Postretirement Health and Benefit Costs - current year's addition	2,058,617
Administrative Costs	3,240
Total Additional Costs	$ 2,673,173

Other Obligations

The compensated absences balance at June 30, 2011, was $1,311,254.

The amount owed to employees for load banking balances at June 30, 2011, was $430,241.

NOTE 10 - 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, 2011, the value of the Plan assets was $1,448,877.

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 48 retirees and beneficiaries currently receiving benefits and 451 active plan members.

Funding Policy

The contribution requirements of plan members and the District are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to prefund benefits as determined annually through agreements between the District and the bargaining units. For fiscal year 2010-2011, the District contributed $774,997 of which $554,868 was contributed to the Irrevocable Trust and $220,129 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	$ 496,244
Contributions made by District	(774,997)
Change in net OPEB asset	(278,753)
Net OPEB asset, beginning of year	(661,312)
Net OPEB asset, end of year	$ (940,065)

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 two years is as follows:

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Asset
2009	$ 371,772	$ 1,376,076	370%	$ (1,004,304)
2010	$ 544,868	$ 201,876	37%	$ (661,312)
2011	$ 496,244	$ 774,997	156%	$ (940,065)

Funding Status and Funding Progress

The funded status of the OPEB Plan as of June 30, 2011, is as follows:

Actuarial Accrued Liability (AAL)	$ 3,948,140
Actuarial Value of Plan Assets *	1,448,877
Unfunded Actuarial Accrued Liability (UAAL)	$ 2,499,263
Funded Ratio (Actuarial Value of Plan Assets/AAL)	37%
Covered Payroll	$ 36,082,302
UAAL as Percentage of Covered Payroll	6.93%

* Asset Valuation as of June 30, 2011

The above noted actuarial accrued liability was based on the July 1, 2011, actuarial valuation. Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information, follows the notes to the financial statements and presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

In the July 1, 2011 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 7.61 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, 2011, was 27 years. The actuarial value of assets was not determined in this actuarial valuation. At June 30, 2011, the Trust held net assets in the amount of $1,448,877, which consisted of deposits with CalPERS.

NOTE 11 - RISK MANAGEMENT

Insurance Coverages

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

Joint Powers Authority Risk Pools

During fiscal year ending June 30, 2011, 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 2010-2011, 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	$150,000,000
Schools Association For Excess Risk (SAFER)	Excess Liability	$ 24,000,000
Statewide Association of Community Colleges (SWACC)	Property and Liability	$244,750,000

Employee Medical Benefits

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

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

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

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

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

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

CalSTRS

Plan Description

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

Funding Policy

Active members of the DB Plan are required to contribute 8.0 percent of their salary while the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2010-2011 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's total contributions to CalSTRS for the fiscal years ended June 30, 2011, 2010, and 2009, were $1,757,199,$1,763,673, and $1,708,685, respectively, and equals 100 percent of the required contributions for each year.

CalPERS

Plan Description

The District contributes to the School Employer Pool under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

Funding Policy

Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The District's contribution rate to CalPERS for fiscal year 2010-2011 was 10.707 percent of covered payroll. The District's contributions to CalPERS for fiscal years ending June 30, 2011, 2010, and 2009, were $1,582,810, $1,433,990, and $1,204,468, respectively, and equaled 100 percent of the required contributions for each year.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS which amounted to $908,844, $912,193, and $883,752, respectively, (4.267 percent) of salaries subject to CalSTRS for the years ending June 30, 2011, 2010, and 2009. This amount has been reflected in the basic financial statements as a component of nonoperating revenue and employee benefit expense.

Deferred Compensation

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

NOTE 13 - CalSTRS EARLY RETIREMENT INCENTIVE PROGRAM

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

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

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

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, 2011, the District made payments of $346,079 to SWACC.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2011.

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, 2011.

Early Retirement - Golden Handshake

The District has adopted an early retirement incentive program. The outstanding contract amount for this purpose is $3,035,310. This amount is contingent upon the employee performing the required service days per year.

Construction Commitments

As of June 30, 2011, 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 Construction	$ 11,744,628	2012
Classroom Building I Group II Equipment	1,235,000	2012
	$ 12,979,628	

Deferral of State Apportionments

The State legislature had not enacted a budget as of June 30, 2011. As a result, certain apportionments owed to the Community College District System in general, and the Mt. San Jacinto Community College District specifically, for funding of FTES, categorical programs, and construction reimbursements which are attributable to the 2010-2011 fiscal year have been deferred to the 2011-2012 fiscal year. The total amount of funding deferred into the 2011-2012 fiscal year was $7,755,831. As of July 2011, this amount has been received. These deferrals of apportionment are considered permanent with future funding also being subject to deferral into future years.

Due to reductions in funding specific to FTES, the District is 'over cap' by approximately 1,000 FTES which equated to approximately $4.2 million for the year ended June 30, 2011.

NOTE 16 - TAX AND REVENUE ANTICIPATION NOTE

On April 26, 2010, the District issued $3,530,000 Tax and Revenue Anticipation Notes bearing interest at two percent. The notes were issued to supplement cash flows. By June 30, 2011, the District had satisfied the notes. At June 30, 2011, the District had outstanding Tax and Revenue Anticipation Notes in the amount of $0.

Issue Date	Rate	Maturity Date	Outstanding Beginning of Year	Additions	Deletions	Outstanding End of Year
July 26, 2010	2%	6/30/2011	$ -	$ 3,530,000	$ 3,530,000	$ -

NOTE 17 - SUBSEQUENT EVENT

The District issued $4,330,767 of tax and revenue anticipation notes dated July 2011. The notes mature on June 30, 2012, with an interest rate of two percent, and yield of .40 percent. The notes were sold to supplement cash flow shortages as a result of State deferrals of apportionment.

Repayment requirements are that a percentage of principal and interest be deposited with the fiscal agent. Two payments are made: the first 50 percent is due January 2012, and then the balance of principal and interest due is paid on account in April 2012.

REQUIRED SUPPLEMENTARY INFORMATION

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2011

Actuarial Valuation Date	Actuarial Value of Assets (a)*	Actuarial Accrued Liability (AAL) - Entry Age Normal Method Used (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
October 20, 2008	$ 999,816	$ 3,758,708	$ 2,758,892	27%	$ 35,212,196	7.84%
March 1, 2010	$ 1,156,287	$ 4,856,592	$ 3,700,305	24%	$ 36,147,539	10.24%
July 1, 2011	$ 1,448,877	$ 3,948,140	$ 2,499,263	37%	$ 36,082,302	6.93%

* Asset Valuation as of June 30, 2011.

SUPPLEMENTARY INFORMATION

DISTRICT ORGANIZATION
JUNE 30, 2011

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
Eugene V. Kadow	President	2012
Dorothy McGargill	Clerk	2012
Ann Motte	Trustee	2014
Gwendolyn Schlange	Trustee	2014
Joan F. Sparkman	Trustee	2012

ADMINISTRATION

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

See accompanying note to supplementary information.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Hispanic Serving Institutions Education (USDA)	10.223		$ 1,204
Pass through from the California Department of Education			
Child and Adult Care Food Program	10.558	3094-1A	80,235
Total U.S. Department of Agriculture			81,439
U.S. DEPARTMENT OF JUSTICE			
Bullet Proof Vest Partnership	16.607		306
Total U.S. Department of Justice			306
U.S. DEPARTMENT OF LABOR			
WORKFORCE INVESTMENT ACT			
Pass through from the Workforce Development Center/Riverside County			
WIA Cluster			
ARRA: Workforce Investment Act	17.258	197-102/105	458,637
Total U.S. Department of Labor			458,637
U.S. DEPARTMENT OF VETERANS AFFAIRS			
Pass through from the California Community Colleges Chancellor's Office			
Veterans Education	64.116	[1]	6,063
Chapter 33 - Veterans Post 911 GI Bill	64.027	[1]	272,711
Total U.S. Department of Veterans Affairs			278,774
U.S. DEPARTMENT OF EDUCATION			
HIGHER EDUCATION ACT			
TRIO - Upward Bound	84.047A		319,247
Talent Search Program	84.044A		202,604
College Cost Reduction and Access Act - STEM	84.031C		596,430
Strengthening Institutional Success (Title V)	84.031S		325,985
California Adult Literacy Professional Development Project (CalPro)	84.235S		1,500
Childcare Access Means Parents in School (CCAMPIS)	84.335A		63,552
Total Higher Education Act			1,509,318
Pass through from the California Department of Education			
Workforce Investment Act, Title II: Adult Education and Family Literacy Act			
English as a Second Language	84.002	[1]	208,725
STUDENT FINANCIAL ASSISTANCE CLUSTER			
Federal Supplement Education Opportunity Grant (FSEOG)	84.007		258,513
FSEOG Administrative	84.007		12,902
Federal Work Study Program (FWS)	84.033		228,088
Federal Work Study Administrative	84.033		10,921
Federal Pell Grants (PELL)	84.063		17,299,863
Federal Pell Administrative	84.063		29,740
Academic Competitiveness Grant (ACG)	84.375		88,327
Total Student Financial Assistance Cluster			17,928,354

[1] Pass-Through Identifying Number is unavailable.

(Continued)

See accompanying note to supplementary information.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Identifying Number	Federal Expenditures
AMERICAN RECOVERY AND REINVESTMENT ACT			
Pass through from the California Community Colleges Chancellor's Office			
ARRA State Stabilization Funds	84.394	[1]	$ 24,534
CAREER AND TECHNICAL EDUCATION ACT			
Pass through from the California Community Colleges Chancellor's Office			
Perkins, Title I, Part C	84.048	10-C01-035	675,349
Perkins, Title II, Technical Preparation	84.243	109-139-940	69,708
Total U.S. Department of Education			20,415,988
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Pass through from the California Community Colleges Chancellor's Office			
Temporary Assistance to Needy Families (TANF)	93.558	[1]	76,460
Healthy Community Forum	93.252	05-110-009	260,371
CHILD CARE AND DEVELOPMENT GRANT CLUSTER			
Pass through from Yosemite Community College District			
Child Development Training Consortium	93.575	10-11-4474	9,963
ARRA - Child Care and Development Block Grant	93.713		262
Total Child Care and Development Grant Cluster			10,225
Total U.S. Department of Health and Human Services			347,056
Total Federal Expenditures			$21,582,200

[1] Pass-Through Identifying Number is unavailable.

See accompanying note to supplementary information.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

	Program Entitlements		
Program	Current Year	Prior Year	Total Entitlement
@ONE - New Funds	$ 120,000	$ 158,188	$ 278,188
Articulation	-	1,423	1,423
Basic Skills	181,096	265,823	446,919
BFAP	481,131	6,648	487,779
Cal Grant B and C	810,750	-	810,750
CalWorks	252,912	-	252,912
CARE	98,856	1,077	99,933
Child Development Careers Grant	34,122	-	34,122
Credit Matriculation	342,540	76,469	419,009
CTE Community Collaborative New Pathways	400,000	310,000	710,000
CTE Community Collaborative Pathways	-	216,097	216,097
Disabled Students Program	429,364	-	429,364
Enrollment Growth and Retention	89,686	1,613	91,299
Extended Opportunity Programs and Services	421,261	32,248	453,509
First 5 Facilities Assistance Grant	13,593	14,496	28,089
First 5 Riverside Parent Education and Family Literacy	235,258	-	235,258
Instructional Improvement Block Grant	7,287	-	7,287
LVN to RN Specialty Nursing	-	244,766	244,766
Non-Credit Matriculation	27,303	-	27,303
Nursing Recruitment & Retention	-	29,986	29,986
PreKindergarten and Family Literacy	5,000	-	5,000
Restrict Lottery Prop 20	248,969	1,547	250,516
Staff Development	-	2,559	2,559
Staff Diversity	6,050	14,327	20,377
Statewide Discipline/Industry Collaborative Mini-Grant	8,739	-	8,739
TTIP	-	779	779
Total State Programs			

See accompanying note to supplementary information.

Program Revenues					
Cash Received	Accounts Receivable	Accounts Payable	Deferred Revenue	Total Revenue	Program Expenditures
$ 278,188	$ -	$ -	$ 132,363	$ 145,825	$ 145,825
1,423	-	-	-	1,423	1,423
446,919	-	-	315,677	131,242	131,242
487,779	-	-	72,303	415,476	415,476
810,750	-	36,633	-	774,117	774,117
252,912	-	21,866	-	231,046	231,046
99,933	-	-	-	99,933	99,933
27,743	6,379	-	-	34,122	34,122
419,009	-	-	10,463	408,546	408,546
710,000	-	-	581,960	128,040	128,040
216,097	-	-	-	216,097	216,097
429,364	-	-	-	429,364	429,364
75,336	15,963	-	-	91,299	91,299
453,509	-	-	-	453,509	453,509
28,089	-	-	-	28,089	28,089
235,258	-	-	-	235,258	235,258
7,287	-	-	-	7,287	7,287
84,736	160,030	-	-	244,766	244,766
27,303	-	-	-	27,303	27,303
29,986	-	14,386	-	15,600	15,600
4,863	137	-	-	5,000	5,000
26,299	224,217	28,564	-	221,952	221,952
2,559	-	-	-	2,559	2,559
20,377	-	-	14,793	5,584	5,584
8,739	-	-	-	8,739	8,739
779	-	-	-	779	779
$ 5,185,237	$ 406,726	$ 101,449	$ 1,127,559	$ 4,362,955	$ 4,362,955

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT AS OF JUNE 30, 2011

	Revised* Reported Data	Audit Adjustments	Audited Data
CATEGORIES			
Credit Full-Time Equivalent Student (FTES)			
A. Summer Intersession (Summer 2010 only)			
1. Noncredit	19	-	19
2. Credit	388	-	388
B. Summer Intersession (Summer 2011 - Prior to July 1, 2011)			
1. Credit	-	-	-
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure			
(a) - Weekly Census Contact Hours	9,147	-	9,147
(b) - Daily Census Contact Hours	1,360	-	1,360
2. Actual Hours of Attendance			
(a) - Noncredit	557	-	557
(b) - Credit	25	-	25
3. Alternative Attendance Accounting Procedure			
(a) - Weekly Census Procedure Courses	9	-	9
(b) - Daily Census Procedure Courses	4	-	4
Subtotal	11,509	-	11,509
Supplemental Information (subset of above information)			
In-Service Training Courses (FTES)			-
Basic Skills Courses			
1. Noncredit			578
2. Credit			767
Total Basic Skills FTES			1,345

* Revised Annual CCFS-320 Report dated November 10, 2011, includes effect of management letter comment on Data Input Error.

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, 2011

There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2011.

See accompanying note to supplementary information.

RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011

Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:		
Total Fund Balance and Retained Earnings:		
General Funds	$10,841,464	
Cafeteria	41,004	
Child Development Fund	19,129	
Capital Outlay Projects Funds	3,864,820	
Bookstore	1,828,955	
Internal Service Funds	306,234	
Fiduciary Funds	304,533	
Total Fund Balance - All District Funds		$ 17,206,139
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	92,444,409	
Accumulated depreciation is	(22,110,949)	
Less fixed assets already recorded in the enterprise funds	(209,159)	70,124,301
Recognize the OPEB asset resulting from the difference between annual OPEB cost on the accrual basis and OPEB contributions in the governmental funds.		940,065
Amounts held in trust on behalf of others (Trust and Agency Funds)		(146,447)
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.		(133,153)
Long-term liabilities at year end consist of:		
Bonds payable	12,215,000	
Golden Handshake	3,035,310	
Load banking	430,241	
Capital leases payable	1,645,012	
Compensated absences	1,311,254	
Less load banking already recorded in funds	(608,557)	(18,028,260)
Total Net Assets		**$ 69,962,645**

See accompanying note to supplementary information.

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2011

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.

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

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

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

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

Reconciliation of Governmental Funds to the Statement of Net Assets

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

INDEPENDENT AUDITORS' REPORTS

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

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

We have audited the basic financial statements of Mt. San Jacinto Community College District (the District) and its discretely presented component unit for the years ended June 30, 2011 and 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 2, 2011. 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.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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Compliance and Other Matters

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

We noted certain matters that we reported to management of Mt. San Jacinto Community College District in a separate letter dated December 2, 2011.

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

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
December 2, 2011

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

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

Compliance

We have audited Mt. San Jacinto Community College District's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Mt. San Jacinto Community College District's major Federal programs for the year ended June 30, 2011. Mt. San Jacinto Community College District's major Federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of Mt. San Jacinto Community College District's management. Our responsibility is to express an opinion on Mt. San Jacinto Community College District's compliance based on our audit.

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

In our opinion, Mt. San Jacinto Community College District complied, in all material respects, with the compliance requirements referred to above could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2011-1 through 2011-4.

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Internal Control Over Compliance

The management of Mt. San Jacinto Community College District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered Mt. San Jacinto Community College District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Mt. San Jacinto Community College District's internal control over compliance.

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 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.

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 that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying Schedule of Findings and Questioned Costs as item 2011-1 through 2011-4. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Mt. San Jacinto Community College District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Mt. San Jacinto Community College District's responses and, accordingly, we express no opinion on the responses.

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

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
December 2, 2011

REPORT ON STATE COMPLIANCE

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

We have audited the basic financial statements of Mt. San Jacinto Community College District (the District), as of and for the year ended June 30, 2011, and have issued our report thereon dated December 2, 2011.

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

Compliance with the requirements of laws, regulations, contracts, and grants listed below is the responsibility of Mt. San Jacinto Community College District's management. In connection with the audit referred to above, we selected and tested transactions and records to determine the Mt. San Jacinto Community College District's compliance with the State laws and regulations applicable to the following items:

Section 421	Salaries of Classroom Instructors: 50 Percent Law
Section 423	Apportionment for Instructional Service Agreements/Contracts
Section 424	State General Apportionment Required Data Elements
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 431	Gann Limit Calculation
Section 432	Enrollment Fee
Section 433	CalWORKS – Use of State and Federal TANF Funding
Section 435	Open Enrollment
Section 437	Student Fee – Instructional Materials and Health Fees
Section 473	Economic and Workforce Development (EWD)
Section 474	Extended Opportunity Programs and Services (EOPS)
Section 475	Disabled Student Programs and Services (DSPS)
Section 477	Cooperative Agencies Resources for Education (CARE)
Section 478	Preference for Veterans and Qualified Spouses for Federally Funded Qualified Training Programs
Section 479	To Be Arranged (TBA) Hours

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

Based on our audit, we found that for the items tested, the Mt. San Jacinto Community College District complied with the State laws and regulations referred to above, except as described in the Schedule of State Award Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs as items 2011-5 and 2011-6. Our audit does not provide a legal determination on Mt. San Jacinto Community College District's compliance with the State laws and regulations referred to above.

Mt. San Jacinto Community College District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Mt. San Jacinto Community College District's responses and, accordingly, we express no opinion on the responses.

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

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
December 2, 2011

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2011

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	Yes
Type of auditors' report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	Yes

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
17.258 (ARRA)	WIA (includes ARRA)
84.394 (ARRA)	ARRA State Stabilization Fund
84.048	Perkins, Title I, Part C
84.007;84.033; 84.063; 84.375	Student Financial Assistance Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$ 647,466
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	Yes

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2011

None reported.

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

2011-1 Finding

Program Affected: U.S. Department of Education Student Financial Assistance Cluster - Pell
CFDA #: 84.063
Fiscal Year: 2010-2011
Compliance Requirement: Special Tests
Questioned Costs: None

Criteria or Specific Requirement

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

Condition

Significant Deficiency: Procedures are not currently in place to ensure the District's compliance with the timing of the Return to Title IV requirements. Instances were noted where the District's portion of the Return to Title IV funds were not returned to the Department of Education within the 45 day requirement.

Context

From our sample of 40 transactions subject to Return to Title IV requirements, 32 transactions related to a return to the Department of Education. Of these 32, eight were noted as being returned after the 45 day requirement.

Effect

The District has not complied with the requirements of the 34 CFR as noted above. There are no questioned costs as the District did report the funds and did return them to the agency as required.

Recommendation

The District Student Financial Aid Office should review the requirements related to the Return to Title IV as noted in 34 CFR 668.22(j) and (34 CFR Section 668.173(b)) and implement procedures to ensure all funds are identified and returned within 45 days and returned to the agency as required.

District Response

The District has engaged a financial aid consultant to review the Return to Title IV policy and procedures and make recommendations for restructuring our existing procedures to be in compliance with the Federal regulations. The DATATEL system is now being utilized to calculate Return to Title IV Funds and post-withdrawals which allows a more expedited time frame for processing. Once the Financial Aid Department calculates the amount of the Return to Title IV funds, the Business Services Department is immediately notified to ensure disbursement within the 45 day timeframe.

As a follow up to ensure compliance in all financial aid programs, the District has engaged National Association of Financial Aid Administrators (NSFAA) to conduct a Standards of Excellence Review which will include an evaluation of all student aid programs to ensure compliance.

2011-2 Finding

Program Affected: U.S. Department of Education Student Financial Assistance Cluster - Pell
CFDA #: 84.063
Fiscal Year: 2010-2011
Compliance Requirement: Special Tests
Questioned Costs: None

Criteria or Specific Requirement

Post-Withdrawal Disbursements: 34 CFR Section 668.22(a)(5)(ii)(B)(1) states that "*A school must disburse any amount of a Post-withdrawal disbursement of grant funds that is not credited to the student's account. Moreover, the school must make the disbursement as soon as possible, but no later than 45 days after the date of the school's determination that the student withdrew*."

Condition

Significant Deficiency: Procedures are currently not in place to identify students who have withdrawn from the District, but are still owed funds through the Pell Grant program in a timely manner. Instances were noted where the post-withdrawal funds were not disbursed within the 45 day requirement.

Context

From our sample of 40 transactions subject to Return to Title IV requirements, there were four transactions related to post-withdrawal disbursements to students. Of these, three were noted as being paid to students after the 45 day requirement.

Effect

The District has not complied with the requirements of the 34 CFR as noted above. There are no questioned costs as the District did provide the post-withdrawal payments to the applicable students.

Recommendation

The District Student Financial Aid Office should review the requirements related to the Return to Title IV as noted in 34 CFR 668.22(j) and (34 CFR Section 668.173(b)) and implement procedures to ensure all funds owed to students who have withdrawn from the District are paid within the required 45 days.

District Response

The District has engaged a financial aid consultant to review the Return to Title IV policy and procedures and make recommendations for restructuring the existing procedures to be in compliance with the Federal regulations. The DATATEL system is now being utilized to calculate Return to Title IV Funds and post-withdrawals which allows a more expedited time frame for processing. A policy and procedure manual is being finalized in which the Financial Aid Department calculates the amount of the post-withdrawal funds, the Business Services Department is immediately notified to ensure disbursement within the 45 day timeframe.

The District has implemented an automated process to identify the population of students who withdraw prior to initial financial aid disbursement; ensuring that students who are eligible for a post-withdrawal are offered post-withdrawal disbursement in a timely manner as required by the Department of Education. This query is processed on a weekly basis, and students who are eligible are sent communication via email to inform them of their disbursement eligibility while meeting the 45 day deadline for disbursement if the post-withdrawal is accepted.

As a follow up to ensure compliance in all financial aid programs, the District has engaged National Association of Financial Aid Administrators (NSFAA) to conduct a Standards of Excellence Review which will include an evaluation of all student aid programs to ensure compliance. In the Fall 2012 term, those students being identified as being outside the 45 day timeframe were corrected and funds have been returned.

2011-3 Finding

Program Affected: U.S. Department of Education Student Financial Assistance Cluster: Federal Supplemental Education Opportunity Grant (FSEOG), Federal Pell Grant Program, Federal Work Study and Academic Competitiveness Grant
CFDA #: 84.007, 84.063, 84.033, and 84.375
Fiscal Year: 2010-2011
Compliance Requirement: Eligibility
Questioned Costs: None

Criteria or Specific Requirement

34 CFR Section 668.32(a): A student is eligible to receive Title IV assistance if the student is a regular student enrolled, or accepted for enrollment, in an eligible program.

Condition

Significant Deficiency: Students must be enrolled in an eligible program or matriculation towards a transfer to a higher education in order to receive financial aid awards. During the current year, the District's Student Financial Aid Office changed the system for determining student programs. Because of that, the system was recording students as not being in an eligible program when in fact their goal was to transfer.

Context

From our sample of 40 students receiving Federal student financial aid, five had not declared a major during the year.

Effect

The District Student Financial Aid Office is at risk of disbursing Federal financial aid funds to ineligible students.

Cause

The District Student Financial Aid Office had changed the system for undeclared majors which thereby made it appear the student was not in an eligible program per a review of the admissions and records screen prints. This then made the student appear to not be eligible to receive financial aid awards.

Recommendation

The Student Financial Aid Office should develop and implement procedures to review the academic program of all financial aid recipients prior to disbursing funds to ensure students are enrolled in an eligible program.

District Response

The District Financial Aid Department has implemented a process to identify students who have not declared an eligible program of study through the DATATEL system which will only allow disbursement to students who are in an eligible program of study. In addition, this process also identifies students who have not declared an eligible program of study, and they will be notified via email correspondence that they must declare an eligible program of study to receive financial aid.

2011-4 Finding

Program Affected: U.S. Department of Education Career and Technical Education Act: Perkins, Title I, Part C and U.S. Department of Labor Workforce Investment Act
CFDA #: 84.048 and 17.258
Fiscal Year: 2010-2011
Compliance Requirement: Suspension and Debarment
Questioned Costs: None

Criteria or Specific Requirement

Title 34 - Education, Part 80 - Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments - Subpart C - Pre-Award Requirements, Section 80.35 Subawards to debarred and suspended parties:

- Grantees and subgrantees must not make any award or permit any award (subgrant or contract) at any tier to any party, which is debarred or suspended or is otherwise excluded from or ineligible for participation in Federal assistance programs under Executive Order 12549, "Debarment and Suspension."

OMB Circular A-110, Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations, Sub-Part C, Pre-Award Requirements, Section .33 Debarment and Suspension:

- Federal agencies shall not award assistance to applicants that are debarred or suspended, or otherwise excluded from or ineligible for participation in Federal assistance programs under Executive Order 12549. Agencies shall establish procedures for the effective use of the List of Parties Excluded from Federal Procurement or Nonprocurement programs to assure that they do not award assistance to listed parties in violation of the Executive Order. Agencies shall also establish procedures to provide for effective use and/or dissemination of the list to assure that their grantees and subgrantees (including contractors) at any tier do not make awards in violation of the nonprocurement debarment and suspension common rule.

Condition

Significant Deficiency: The District's Terms and Conditions reference OMB requirements for vendor department. However, procedures have not been implemented to verify that the District has not contracted with vendors who have been placed on the Excluded Parties List System (EPLS). The EPLS will disclose companies that have been suspended or debarred from providing services to agencies receiving Federal funds.

Context

Contracts were provided to two companies in excess of $25,000 through the CTEA Perkins program and two companies in excess of $25,000 through the WIA program. While none of these four companies were on the EPLS listing, it could not be verified that the District had verified this prior to contracting with the companies.

Effect

By failing to verify if a company has been placed on the EPLS, the District is at risk of being out of compliance with the Federal regulations related to contracting with companies that have been suspended or debarred from federally funded programs.

Cause

A procedure to ensure the compliance with Federal requirements related to Suspension and Debarment and documentation of checking the EPLS has not been prepared.

Recommendation

The District should implement a procedure to verify that all vendors who are providing services to federally funded programs in excess of $25,000 are not suspended, debarred, or otherwise excluded from providing the services. This verification may be accomplished by checking the EPLS listing and requiring certification from the company that they have not been suspended or debarred from governmental contracts.

District Response

The past practice of the District was to reference OMB Circular A-110 compliance as part of the vendor terms and conditions. During this current fiscal year, the Purchasing Department has updated the vendor terms and conditions to specifically reference certification regarding debarment, suspension, or other ineligibility for all federally funded programs. In addition, all new vendors of the District will be required to sign a certification statement and will not be an approved vendor until the Business Services Office has verified their eligibility by checking the EPLS website to verify that the vendor has not been suspended or debarred. All District bid documents will reference compliance with this issue, and the certification statement will be among the required bid documents.

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

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

2011-5 Finding

Compliance Requirement: 425 - Residency Determination for Credit Courses

Criteria or Specific Requirement

California Community College, Student Attendance Accounting Manual (SAAM) and CCR, Title 5, sections 54000-54072: State apportionment for credit course is to be claimed only for student attendance allowed by statute and regulation.

Condition

From our sample of 25 students selected for testing residency determination criteria, two were noted as not being California residents for the required one year and one day timeframe. No additional exceptions were noted.

Questioned Costs

The students enrolled in seven and 15 units respectively and paid in State tuition of $26 per unit rather than $217 per unit for nonresidents. Additionally, the FTES claimed for the attendance was reported to the State as resident and apportionment funding was paid.

Recommendation

The District Admissions and Records Department should implement procedures to verify the enrollment declared on the enrollment form is input into the attendance system accurately. As the attendance system will calculate both the FTES reported for State apportionment purposes and the enrollment fees due from students, this is an essential cross check to ensure proper reporting.

District Response

The current re-classification procedure requires a student to fill out a supplemental residency questionnaire and provide three forms of documentation to verify physical presence and intent before California residency is granted in the system. The Department of Enrollment Services has already validated that residency status is not automatically updated in the student information system (DATATEL) upon application submission for another term. Information and training sessions will be provided to all Enrollment Services staff to ensure that students are being re-classified correctly and with proper documentation. Additional procedures will be put into place that will require staff to view previously submitted applications before establishing California residency in the system in an effort to identify inconsistencies in application information. In addition, a new review process will be introduced for Spring 2012 that will entail a systematic check of any non-resident status that has been updated to California resident within a period of less than 12 months and is being billed accordingly in DATATEL. These additional verifications will help ensure proper residency classification, as well as accurate calculation for State apportionment.

2011-6 Finding

Compliance Requirement: 424 - State General Apportionment Funding System

Criteria or Specific Requirement

CCR, Title V, Sections 58020-24. Each district's governing board is required to adopt procedures to document all course enrollment, attendance, and disenrollment. These procedures shall include rules for retention of supporting documentation that would enable independent determination of the accuracy of data submitted by the district as a basis for State support. Additionally, all classes offered for attendance are to be posted in the Class Schedules.

Condition

Records to support student attendance in positive attendance classes were not maintained. Attendance sheets are maintained by the instructors after entering the information in the attendance system and were not available for audit. A total of 339 hours of attendance could not be verified.

The District's Schedule of Classes did not include references to Independent Study Courses offered during the Summer, Fall, or Spring terms for both 2009-2010 and 2010-2011. Students are able to determine the Independent Study coursework directly with the instructors.

Questioned Costs

None.

Recommendation

Original documentation of student attendance in positive attendance courses should be maintained in accordance with the established record retention criteria. The District should review the published Course Schedule of Classes to ensure all classes offered for enrollment are listed and provided to students.

District Response

All positive attendance (299 sections) and special topics classes will be listed in the Summer 2012 schedule and all future class schedules. All instructors teaching these courses will be required to document student attendance, and these records will be retained by the Office of Instruction.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011

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.

Financial Statement Findings

LOAD BANKING

2010-1 Finding

Criteria or Specific Requirement

Internal Revenue Regulation 1.451-2(a).

Condition

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

Recommendation

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

Current Status

Implemented.

Federal Awards Findings

2010-2 Finding

Federal Program Affected

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

Compliance Requirement

Special Tests.

Criteria or Specific Requirement

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

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

Condition

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

Questioned Costs

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

Context

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

Effect

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

Cause

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

Recommendation

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

Current Status

Not implemented. See current year finding 2011-1.

2010-3 Finding

Federal Program Affected

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

Compliance Requirement

Special Tests.

Criteria or Specific Requirement

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

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

Condition

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

Questioned Costs

None.

Context/Cause

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

Effect

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

Recommendation

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

Current Status

Implemented.

2010-4 Finding

Federal Program Affected

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

Compliance Requirement

Reporting.

Criteria or Specific Requirement

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

Condition

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

Questioned Costs

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

Context/Cause

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

Effect

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

Recommendation

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

Current Status

Implemented.

State Awards Findings

OPEN ENROLLMENT

2010-5 Finding

Criteria or Specific Requirement

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

Condition

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

Questioned Costs

None.

Recommendation

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

Current Status

Implemented.

CONCURRENT ENROLLMENT

2010-6 Finding

Criteria or Specific Requirement

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

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

Condition

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

Questioned Costs

None.

Recommendation

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

Current Status

Implemented.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011

STUDENTS ACTIVELY ENROLLED

2010-7 Finding

Criteria or Specific Requirement

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

Condition

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

Questioned Costs

None.

Recommendation

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

Current Status

Implemented.