

**MT. SAN JACINTO
COMMUNITY COLLEGE DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2012 AND 2011

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying basic financial statements of Mt. San Jacinto Community College District (the District) as of and for the years ended June 30, 2012 and 2011, 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. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*. 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 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, 2012 and 2011, 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 November 30, 2012, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and is important for assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 13 and the Schedule of Other Postemployment Benefits (OPEB) Funding Progress on page 56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The 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*, and other supplementary information listed in the Table of Contents, are presented for purposes of additional analysis, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Warrick Irine, Day & Co. LLP

Riverside, California
November 30, 2012



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

Roger W. Schultz, Ph.D.
Superintendent/President

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

USING THIS ANNUAL REPORT

The purpose of this annual report is to provide readers with information about the activities, programs, and financial condition of the Mt. San Jacinto Community College District (the District) as of June 30, 2012. The report consists of three basic financial statements: the Statements of Net Assets; Statements of Revenues, Expenses, and Changes in Net Assets; and Statements of Cash Flows and provides information about the District as a whole. This section of the annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2012. Please read it in conjunction with the District's financial statements, which immediately follow this section. Responsibility for the completeness and accuracy of this information rests with District management.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

FINANCIAL HIGHLIGHTS

- The District's primary funding source is from apportionment received from the State of California. The primary basis of this apportionment is the calculation of Full-Time Equivalent Students (FTES). During the 2011-2012 fiscal year, total reported resident FTES were 10,684 as compared to 11,509 in the 2010-2011 fiscal year. The District's funded credit FTES was 9,688, with unfunded credit FTES of 995 for fiscal year 2011-2012 compared to funded credit FTES of 10,490 and unfunded credit FTES of 1,019 for fiscal year 2010-2011.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION) JUNE 30, 2012 AND 2011

- Costs for employee salaries and benefits decreased slightly from the prior year due to filling only crucial vacancies and careful planning by the District due to funding cuts.
- During the 2011-2012 fiscal year, the District provided \$26,511,883 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)	\$ 17,949,345
Federal Supplement Education Opportunity Grant (FSEOG)	297,101
Federal Work Study Program (FWS)	278,168
State of California Cal Grant B and C (CALG-B and C)	704,041
California Community College Board of Governor's Fee Wavier	7,283,228
Total Financial Aid Provided to Students	<u>\$ 26,511,883</u>

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)
JUNE 30, 2012 AND 2011**

THE DISTRICT AS A WHOLE

Net Assets

Table 1

(Amounts in thousands)	2012	2011	Change 2012-2011	2010	Change 2011-2010
ASSETS					
Current Assets					
Cash and investments	\$ 6,998	\$ 10,227	\$ (3,229)	\$ 11,979	\$ (1,752)
Accounts receivable (net)	10,812	12,465	(1,653)	10,920	1,545
Due from fiduciaries	9	8	1	16	(8)
Other current assets	990	655	335	888	(233)
Total Current Assets	18,809	23,355	(4,546)	23,803	(448)
Other noncurrent assets	1,979	2,246	(267)	1,957	289
Capital assets (net)	81,652	70,333	11,319	67,637	2,696
Total Assets	102,440	95,934	6,506	93,397	2,537
LIABILITIES					
Current Liabilities					
Accounts payable and accrued liabilities	6,504	7,334	(830)	6,761	573
Current portion of long-term obligations	898	620	278	603	17
Total Current Liabilities	7,402	7,954	(552)	7,364	590
Long-Term Obligations	15,625	18,017	(2,392)	17,155	862
Total Liabilities	23,027	25,971	(2,944)	24,519	1,452
NET ASSETS					
Invested in capital assets	69,526	56,473	13,053	55,167	1,306
Restricted	5,137	4,254	883	6,751	(2,497)
Unrestricted	4,750	9,236	(4,486)	6,960	2,276
Total Net Assets	\$ 79,413	\$ 69,963	\$ 9,450	\$ 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 17 and 18.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION) JUNE 30, 2012 AND 2011

Operating Results for the Year

The results of this year's operations for the District as a whole are reported in the Statements of Revenues, Expenses, and Changes in Net Assets on page 16.

Table 2

(Amounts in thousands)	2012	2011	Change 2012-2011	2010	Change 2011-2010
Operating Revenues					
Tuition and fees (net)	\$ 4,451	\$ 4,587	\$ (136)	\$ 5,625	\$ (1,038)
Other operating revenues	3,017	3,673	(656)	4,892	(1,219)
Total Operating Revenues	7,468	8,260	(792)	10,517	(2,257)
Operating Expenses					
Salaries and benefits	51,556	54,196	(2,640)	51,068	3,128
Supplies and maintenance	10,833	14,082	(3,249)	14,701	(619)
Student financial aid	19,236	19,150	86	16,767	2,383
Depreciation	2,858	2,575	283	2,469	106
Total Operating Expenses	84,483	90,003	(5,520)	85,005	4,998
Loss on Operations	(77,015)	(81,743)	4,728	(74,488)	(7,255)
Nonoperating Revenues (Expenses)					
State apportionments	27,390	31,641	(4,251)	27,873	3,768
Property taxes	17,547	18,126	(579)	20,903	(2,777)
State taxes and other revenues	1,965	2,099	(134)	2,222	(123)
Federal and State grants and contracts	26,690	26,844	(154)	24,765	2,079
Net investment income	96	89	7	242	(153)
Net interest expense	(530)	(539)	9	(684)	145
Other nonoperating revenues (expenses) - net	2,726	2,712	14	1,530	1,182
Total Nonoperating Revenue	75,884	80,972	(5,088)	76,851	4,121
Other Revenues					
State and local capital income	10,581	1,856	8,725	979	877
Net Increase in Net Assets	\$ 9,450	\$ 1,085	\$ 8,365	\$ 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. State apportionments decreased due to system-wide reductions in workload allocations and funding.

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

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION) JUNE 30, 2012 AND 2011

Interest income of \$96 thousand was offset by interest expense of \$530 thousand. The interest income is primarily the result of cash held in the Riverside County Treasury. Interest income has increased approximately \$7 thousand over the 2011-2012 fiscal year. Interest income has increased due to higher overall balance held in the Riverside County Treasury during fiscal year 2011-2012. 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, 2012:

	Salaries and Employee Benefits	Supplies, Material, and Other Expenses and Services	Equipment, Maintenance, and Repairs	Financial Aid	Depreciation	Total
Instructional activities	\$ 24,606,350	\$ 696,697	\$ 5,255	\$ -	\$ -	\$25,308,302
Academic support	6,352,106	410,947	3,410	-	-	6,766,463
Student services	6,869,798	672,249	426	-	-	7,542,473
Plant operations and maintenance	2,042,343	1,905,025	261	-	-	3,947,629
Instructional support services	7,296,498	3,930,601	1,491	-	-	11,228,590
Community services and economic development	653,714	664,391	34	-	-	1,318,139
Ancillary services and auxiliary operations	3,693,879	1,076,463	1,130	-	-	4,771,472
Physical property and related acquisitions	41,625	1,296,528	127,956	-	-	1,466,109
Transfers, student aid, and other outgoing	-	39,827	-	19,236,244	-	19,276,071
Unallocated depreciation	-	-	-	-	2,858,024	2,858,024
Total	\$ 51,556,313	\$ 10,692,728	\$ 139,963	\$19,236,244	\$ 2,858,024	\$84,483,272

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)
JUNE 30, 2012 AND 2011**

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

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)
JUNE 30, 2012 AND 2011**

Changes in Cash Position

Table 4

(Amounts in thousands)			Change		
	2012	2011	2012-2011	2010	Change 2011-2010
Cash Provided by (Used in)					
Operating activities	\$ (73,652)	\$ (76,814)	\$ 3,162	\$ (74,800)	\$ (2,014)
Noncapital financing activities	75,354	79,479	(4,125)	74,161	5,318
Capital financing activities	(5,262)	(4,536)	(726)	(2,084)	(2,452)
Investing activities	331	119	212	(748)	867
Net Change in Cash	(3,229)	(1,752)	(1,477)	(3,471)	1,719
Cash, Beginning of Year	10,227	11,979	(1,752)	15,450	(3,471)
Cash, End of Year	\$ 6,998	\$ 10,227	\$ (3,229)	\$ 11,979	\$ (1,752)

The Statement of Cash Flows on pages 17 and 18 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.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION) JUNE 30, 2012 AND 2011

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had \$107 million in a broad range of capital assets, including land, buildings, and furniture and equipment. At June 30, 2012, the District's net capital assets were \$82 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	\$ 22,224	\$ 8,311	\$ -	\$ 30,535
Buildings and land improvements	56,679	3,795	-	60,474
Equipment and vehicles	13,542	2,077	(8)	15,611
Subtotal	92,445	14,183	(8)	106,620
Accumulated depreciation	22,111	2,858	(1)	24,968
	<u>\$ 70,334</u>	<u>\$ 11,325</u>	<u>\$ (7)</u>	<u>\$ 81,652</u>

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION) JUNE 30, 2012 AND 2011

Obligations

At the end of the 2011-2012 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 for lease purchase agreements for equipment and obligations to employees of the District for vacation, load banking, and Golden Handshake benefits.

Table 6

(Amounts in thousands)

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Lease revenue bonds	\$ 12,215	\$ -	\$ (265)	\$ 11,950
Other liabilities	6,422	303	(2,151)	4,574
Total Long-Term Obligations	<u>\$ 18,637</u>	<u>\$ 303</u>	<u>\$ (2,416)</u>	<u>\$ 16,524</u>
Amount due within one year				<u>\$ 898</u>

UNRESTRICTED GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the District revises its budget to provide for unanticipated changes in revenues and expenditures. The Board of Trustees adopted the final amendment to the budget for the 2011-2012 fiscal year on March 15, 2012.

The District's unrestricted General Fund anticipated that expenditures would exceed revenue by \$2,320,302. However, the actual results for the year showed revenues exceeded expenditures by \$526,760. This is due in large part to deferral of expenditures planned for in 2012 to 2013 and carryover reserve funds for technology and resource allocation.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION) JUNE 30, 2012 AND 2011

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 2011-2012. 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 five percent.

The District reduced discretionary budgets as outlined below:

2012-2013	\$	865,570
2011-2012	\$	980,742
2010-2011	\$	1,037,000

These reductions were necessary in order to fund contractual increases and align spending with available funds. The successful passage of Proposition 30 in November 2012, has spared the District from draconian cuts; however, even with the additional funding the proposition yields, there continues to be a structural budget deficit that the District will still have to address. 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.

The District has taken steps this past fiscal year to reduce the reliance the Childcare Fund places on District assistance. The staff have managed their expenditures and maximized their grant funding opportunities to reduce their deficit spending pattern. The Bookstore Fund continues to experience declining revenues and the fund balance has been eroded due in large part to transfers in the past two fiscal years to the Unrestricted General Fund Operating Budget. The District will continue to monitor the long-term fiscal stability of the Bookstore Fund. The Food Services Fund has increased their revenue and continues to receive an Interfund transfer from the Bookstore. A concerted effort to reduce expenditures in both the Bookstore and Food services has taken place in order to yield as much net revenue in these funds as possible.

The Capital Outlay Fund which funds the maintenance repair and upgrade of the District's infrastructure will see a decrease in revenue as a result of the dissolution of the redevelopment agencies. The District will continue to set aside funds to keep the facilities safe and maintained for students and staff.

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, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
ASSETS		
Current Assets		
Cash and cash equivalents - unrestricted	\$ 2,087,600	\$ 1,796,457
Restricted cash and cash equivalents	35,379	24,476
Investments - unrestricted	4,408,337	7,755,018
Investments - restricted	466,568	651,055
Accounts receivable	10,526,076	12,347,814
Student loans and receivable	286,567	117,556
Due from fiduciary funds	9,306	8,063
Prepaid expenses - current portion	391,618	120,868
Inventories	597,966	533,806
Total Current Assets	<u>18,809,417</u>	<u>23,355,113</u>
Noncurrent Assets		
Other postemployment benefits (OPEB) asset	714,135	940,065
Prepaid expenses - noncurrent portion	914,597	350,000
Debt issuance costs and deferred charges, net	350,000	955,092
Nondepreciable capital assets	30,534,638	22,224,147
Depreciable capital assets, net of depreciation	51,117,276	48,109,313
Total Noncurrent Assets	<u>83,630,646</u>	<u>72,578,617</u>
TOTAL ASSETS	<u>102,440,063</u>	<u>95,933,730</u>
LIABILITIES		
Current Liabilities		
Accounts payable	3,974,830	4,717,940
Accrued interest payable	130,755	133,153
Due to fiduciary funds	21	3,342
Deferred revenue	2,397,957	2,479,833
Long-term liabilities - current portion	898,240	619,993
Total Current Liabilities	<u>7,401,803</u>	<u>7,954,261</u>
Noncurrent Liabilities		
Lease revenue bond payable - noncurrent portion	11,675,000	11,950,000
Capital lease payable - noncurrent portion	122,830	1,290,019
Golden Handshake payable - noncurrent portion	2,075,384	3,035,310
Compensated absences - noncurrent portion	1,336,436	1,311,254
Load banking liabilities - noncurrent portion	415,687	430,241
Total Noncurrent Liabilities	<u>15,625,337</u>	<u>18,016,824</u>
TOTAL LIABILITIES	<u>23,027,140</u>	<u>25,971,085</u>
NET ASSETS		
Invested in capital assets, net of related debt	69,526,124	56,473,448
Restricted for:		
Capital projects	4,804,074	3,864,820
Educational programs	311,848	369,712
Other activities	21,323	19,129
Unrestricted	4,749,554	9,235,536
TOTAL NET ASSETS	<u>\$ 79,412,923</u>	<u>\$ 69,962,645</u>

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS -
PRIMARY GOVERNMENT
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
OPERATING REVENUES		
Student Tuition and Fees	\$ 11,733,903	\$ 9,681,900
Less: Scholarship discount and allowance	(7,283,228)	(5,095,095)
Net tuition and fees	<u>4,450,675</u>	<u>4,586,805</u>
Auxiliary Enterprise Sales and Charges		
Bookstore	2,410,133	3,011,464
Other Operating Revenues	607,219	661,971
TOTAL OPERATING REVENUES	<u>7,468,027</u>	<u>8,260,240</u>
OPERATING EXPENSES		
Salaries	40,008,685	41,308,592
Employee benefits	11,547,628	12,887,694
Supplies, materials, and other operating expenses and services	10,692,728	13,197,836
Student financial aid	19,236,244	19,149,574
Equipment, maintenance, and repairs	139,963	884,336
Depreciation	2,858,024	2,574,751
TOTAL OPERATING EXPENSES	<u>84,483,272</u>	<u>90,002,783</u>
OPERATING LOSS	<u>(77,015,245)</u>	<u>(81,742,543)</u>
NONOPERATING REVENUES (EXPENSES)		
State apportionments, noncapital	27,390,275	31,641,223
Local property taxes, levied for general purposes	17,547,017	18,125,973
Federal grants	21,935,278	21,582,200
State grants	4,754,880	5,261,517
State taxes and other revenues	1,965,441	2,099,391
Investment income	95,987	88,605
Interest expense on capital related debt	(530,214)	(538,837)
Disposal of capital assets	(7,506)	(66,935)
Other nonoperating revenue	2,733,095	2,778,894
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>75,884,253</u>	<u>80,972,031</u>
LOSS BEFORE OTHER REVENUES	<u>(1,130,992)</u>	<u>(770,512)</u>
State revenues, capital	8,398,469	196,372
Local revenues, capital	2,182,801	1,659,245
TOTAL OTHER REVENUES	<u>10,581,270</u>	<u>1,855,617</u>
CHANGE IN NET ASSETS	9,450,278	1,085,105
NET ASSETS, BEGINNING OF YEAR	69,962,645	68,877,540
NET ASSETS, END OF YEAR	<u>\$ 79,412,923</u>	<u>\$ 69,962,645</u>

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

**STATEMENTS OF CASH FLOWS - PRIMARY GOVERNMENT
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 3,252,654	\$ 6,151,969
(Disbursement) Repayments of student loans	(169,011)	6,417
Payments to vendors for supplies and services	(9,563,162)	(14,291,739)
Payments to or on behalf of employees	(51,935,331)	(52,763,230)
Payments to students for scholarships and grants	(19,236,244)	(19,149,574)
Other operating receipts	3,998,968	3,232,119
Net Cash Flows From Operating Activities	(73,652,126)	(76,814,038)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State apportionments	25,664,647	29,210,800
Grant and contracts	26,885,706	27,209,086
Property taxes - nondebt related	17,676,011	18,357,509
State taxes and other apportionments	2,394,213	1,922,706
Other nonoperating	2,733,095	2,778,894
Net Cash Flows From Noncapital Financing Activities	75,353,672	79,478,995
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchase of capital assets	(14,183,984)	(5,338,034)
Proceeds - capital leases	277,825	37,574
State revenue, capital projects	10,581,270	1,855,617
Principal paid on capital debt	(2,012,047)	(592,519)
Interest paid on capital debt	(530,214)	(538,837)
Deferred cost on issuance	605,092	40,496
Net Cash Flows From Capital Financing Activities	(5,262,058)	(4,535,703)
CASH FLOWS FROM INVESTING ACTIVITIES		
Changes in Payments made to irrevocable trust	225,930	(278,753)
Investment gain	105,460	397,932
Net Cash Flows From Investing Activities	331,390	119,179
NET CHANGE IN CASH AND CASH EQUIVALENTS	(3,229,122)	(1,751,567)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	10,227,006	11,978,573
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 6,997,884	\$ 10,227,006

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

**STATEMENTS OF CASH FLOWS - PRIMARY GOVERNMENT, Continued
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Loss	\$ (77,015,245)	\$ (81,742,543)
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities:		
Depreciation and amortization expense	2,858,024	2,574,751
Changes in Assets and Liabilities:		
Receivables	981,616	(441,316)
Student receivables	(169,011)	6,417
Inventories	(64,160)	142,896
Prepaid expenses	(835,347)	40,736
Accounts payable and accrued liabilities	1,055,289	545,298
Deferred revenue	(81,876)	628,742
Accrued interest payable	(2,398)	(2,075)
Other postemployment benefits	(379,018)	1,433,056
Total Adjustments	<u>3,363,119</u>	<u>4,928,505</u>
Net Cash Flows From Operating Activities	<u>\$ (73,652,126)</u>	<u>\$ (76,814,038)</u>
 CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:		
Cash in banks	\$ 2,122,979	\$ 1,820,933
Cash in county treasury	4,874,905	8,406,073
Total Cash and Cash Equivalents	<u>\$ 6,997,884</u>	<u>\$ 10,227,006</u>
 NON CASH TRANSACTIONS		
On behalf payments for benefits	<u>\$ 1,037,894</u>	<u>\$ 908,844</u>

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

**STATEMENTS OF FIDUCIARY NET ASSETS
JUNE 30, 2012 AND 2011**

	2012	2011
	Trust	Trust
ASSETS		
Cash and cash equivalents	\$ 161,287	\$ 151,623
Accounts receivable, net	269	771
Due from governmental funds	21	3,342
Prepaid expenses	-	167
Total Assets	<u>161,577</u>	<u>155,903</u>
 LIABILITIES		
Accounts payable	3,788	1,393
Due to governmental funds	9,306	8,063
Total Liabilities	<u>13,094</u>	<u>9,456</u>
 NET ASSETS		
Unreserved	<u>148,483</u>	<u>146,447</u>
Total Net Assets	<u>\$ 148,483</u>	<u>\$ 146,447</u>

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

**STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

	2012	2011
	Trust	Trust
ADDITIONS		
Local revenues	\$ 153,453	\$ 167,694
Total Additions	<u>153,453</u>	<u>167,694</u>
DEDUCTIONS		
Books and supplies	68,635	71,560
Services and operating expenditures	78,664	80,224
Capital outlay	3,502	3,832
Total Deductions	<u>150,801</u>	<u>155,616</u>
OTHER FINANCING SOURCES (USES)		
Other sources	11,213	1,200
Other uses	(11,829)	(2,300)
Total Other Financing Sources (Uses)	<u>(616)</u>	<u>(1,100)</u>
Change in Net Assets	2,036	10,978
Net Assets - Beginning	146,447	135,469
Net Assets - Ending	<u>\$ 148,483</u>	<u>\$ 146,447</u>

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

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

**DISCRETELY PRESENTED COMPONENT UNIT
 MT. SAN JACINTO COMMUNITY COLLEGE FOUNDATION
 STATEMENTS OF FINANCIAL POSITION
 JUNE 30, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
ASSETS		
Current Assets		
Cash and cash equivalents		
Unrestricted	\$ 603,834	\$ 254,543
Restricted	927,146	803,521
Student loan receivables - net	4,962	6,114
Accounts receivable	760	3,354
Prepaid expenses	1,500	450
Total Current Assets	<u>1,538,202</u>	<u>1,067,982</u>
Noncurrent Assets		
Investments - unrestricted	174,226	165,292
Investments - restricted	1,764,575	2,122,980
Capital assets (net of accumulated depreciation)	1,275	2,306
Total Assets	<u>\$ 3,478,278</u>	<u>\$ 3,358,560</u>
 LIABILITIES		
Current Liabilities		
Accounts payable and other current liabilities	\$ 1,193	\$ 24
Due to Mt. San Jacinto Community College District	38,281	60,187
Total Current Liabilities	<u>39,474</u>	<u>60,211</u>
 NET ASSETS		
Unrestricted	369,998	411,343
Temporarily restricted	1,852,436	1,670,666
Permanently restricted	1,216,340	1,216,340
Total Net Assets	<u>3,438,774</u>	<u>3,298,349</u>
Total Liabilities and Net Assets	<u>\$ 3,478,248</u>	<u>\$ 3,358,560</u>

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

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

**DISCRETELY PRESENTED COMPONENT UNIT
MT. SAN JACINTO COMMUNITY COLLEGE FOUNDATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

	2012			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
PUBLIC SUPPORT AND REVENUES				
Contributions	\$ 164,146	\$ 340,787	\$ -	\$ 504,933
Fundraising income	18,969	-	-	18,969
Assets released from restrictions	400,827	(400,827)	-	-
Total Public Support and Revenues	583,942	(60,040)	-	523,902
EXPENSES				
Program expenses	468,536	-	-	468,536
Operating expenses	42,844	-	-	42,844
Fundraising expenses	18,969	-	-	18,969
Total Expenses	530,349	-	-	530,349
OTHER INCOME				
Interest and dividends	5,643	71,825	-	77,468
Unrealized gain (loss) on investments	4,050	65,354	-	69,404
Total Other Income	9,693	137,179	-	146,872
TRANSFERS	(104,631)	104,631	-	-
CHANGE IN NET ASSETS	(41,345)	181,770	-	140,425
NET ASSETS, BEGINNING OF YEAR	411,343	1,670,666	1,216,340	3,298,349
NET ASSETS, END OF YEAR	\$ 369,998	\$ 1,852,436	\$ 1,216,340	\$ 3,438,774

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

2011			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 167,848	\$ 286,031	\$ -	\$ 453,879
75,776	448	-	76,224
533,090	(533,090)	-	-
<u>776,714</u>	<u>(246,611)</u>	<u>-</u>	<u>530,103</u>
388,801	-	-	388,801
26,999	-	-	26,999
240,598	-	-	240,598
<u>656,398</u>	<u>-</u>	<u>-</u>	<u>656,398</u>
1,832	68,084	-	69,916
-	(52,248)	-	(52,248)
<u>1,832</u>	<u>15,836</u>	<u>-</u>	<u>17,668</u>
(6,917)	6,917	-	-
115,231	(223,858)	-	(108,627)
296,112	1,894,524	1,216,340	3,406,976
<u>\$ 411,343</u>	<u>\$ 1,670,666</u>	<u>\$ 1,216,340</u>	<u>\$ 3,298,349</u>

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, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 140,425	\$ (108,627)
Adjustments to Reconcile Change in Net Assets to Net Cash Flows From Operating Activities		
Depreciation	1,061	1,256
Unrealized (gain) loss on investments	(69,404)	52,248
Contributions restricted for long-term purposes	(340,787)	(286,479)
Changes in Assets and Liabilities		
(Increase) decrease in accounts receivable	2,593	(2,424)
Decrease in student loans	1,152	3,707
Decrease (increase) in prepaid expenses	(1,050)	930
Increase (decrease) in accounts payable	1,169	(17,789)
Increase (decrease) in due to Mt. San Jacinto Community College District	(21,906)	47,509
Increase (decrease) in deferred income	-	(7,500)
Net Cash Flows From Operating Activities	<u>(286,747)</u>	<u>(317,169)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net sale of investments	295,251	169,092
Net Cash Flows From Investing Activities	<u>295,251</u>	<u>169,092</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Collections of contributions restricted for long-term purposes	340,787	286,479
Net Cash Flows From Financing Activities	<u>340,787</u>	<u>286,479</u>
NET CHANGE IN UNRESTRICTED CASH AND CASH EQUIVALENTS	349,291	138,402
UNRESTRICTED CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>254,543</u>	<u>116,141</u>
UNRESTRICTED CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 603,834</u></u>	<u><u>\$ 254,543</u></u>

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

NOTES TO FINANCIAL STATEMENTS

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 AND 2011

NOTE 1 - ORGANIZATION

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

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 incomes thereon, which 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.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 AND 2011

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.

Complete 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 and No. 38. This presentation provides a comprehensive entity-wide perspective of the District's assets, liabilities, activities, and cash flows and replaces the fund group perspective previously required. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. The significant accounting policies followed by the District in preparing these financial statements are in accordance with accounting principles generally accepted in the United States of America as prescribed by GASB. Additionally, the District's policies comply with the California Community Colleges Chancellor's Office *Budget and Accounting Manual*. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All material intra-agency and intra-fund transactions have been eliminated.

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, certain Federal and State grants, entitlements, and donations. Property tax revenue is recognized in the fiscal year received. State apportionment revenue is earned based upon criteria set forth from the Community Colleges Chancellor's Office and includes reporting of full-time equivalent 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.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 AND 2011

The District reports are based on all applicable GASB pronouncements, as well as applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements. The District has not elected to apply FASB pronouncements after that date.

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

- Management's Discussion and Analysis
- Basic Financial Statements for the District as a whole including:
 - Statement of Net 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

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments held at June 30, 2012 and 2011, are stated at fair value. Fair value is estimated based on quoted market prices at year-end. Short-term investments have an original maturity date greater than three months, but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

Restricted Assets

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

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 AND 2011

Accounts Receivable

Accounts receivable include amounts due from the Federal, State and/or local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of California. The District provides for an allowance for uncollectible accounts as an estimation of amounts that may not be received. This allowance is based upon management's estimates and analysis. The allowance was estimated at \$146,587 and \$0 for the years ended June 30, 2012 and 2011, respectively.

Prepaid Expenses

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

Inventories

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

Capital Assets and Depreciation

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

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

Accrued Liabilities and Long-term Obligations

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

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.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 AND 2011

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. To the extent debt has been incurred, but not yet expended for capital assets, such accounts are not included as a component invested in capital assets – net of related debt.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 AND 2011

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 \$5,137,245 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 Riverside County Assessor is responsible for assessment of all taxable real property. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Riverside bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when the County notifies the District of the availability of the revenues.

Board of Governors Grants (BOGG) and Fee Waivers

Student tuition and fee revenue is reported net of allowances and fee waivers approved by the Board of Governors through BOGG fee waivers in the Statement of Revenues, Expenses, and Changes in Net 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 have been used to satisfy tuition and fee charges, the District has recorded a scholarship discount and allowance.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 AND 2011

Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, FSEOG Grants, Federal Work-Study, 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. These programs are audited in accordance with the Single Audit Act Amendments of 1996, and the U.S. Office of Management and Budget's revised Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the related *Compliance Supplement*.

On Behalf Payments

GASB Statement No. 24 requires direct on behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees for another legally separate entity be recognized as revenues and expenditures by the employer entity. The State of California makes direct on behalf payments to CalSTRS and CalPERS on behalf of all community colleges in California. The California Department of Education has issued a fiscal advisory instructing districts not to record the revenue and expenditures for the on behalf payments within the funds and accounts of a district. The amount of the on behalf payments made for the District for the year ended June 30, 2012, was \$1,037,894 for CalSTRS and \$ 0 for CalPERS. These amounts are reflected in the District's audited financial statements.

Estimates

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

Interfund Activity

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

Foundation Financial Statement Presentation

The Mt. San Jacinto Community College 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.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 AND 2011

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

From time to time, the Governmental Accounting Standards Board will issue additional guidance on the accounting and reporting for financial transactions affecting governmental entities. The following is a summary of the most recent pronouncements which will impact future reporting or accounting requirements for the District. The full text of the following statements, along with implementation guides, may be found on the GASB website: www.gasb.org.

In November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*.

This Statement modifies and amends certain requirements for inclusion and reporting of component units in the financial reporting entity. Guidance is provided for both blended and discretely presented component units. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. Earlier implementation is encouraged. Management does not believe the implementation of this Statement will materially impact the reporting of the District or related component units for the June 30, 2013, financial statements.

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included within other pronouncements issued on or before November 30, 1989, which does not conflict or contradict the GASB pronouncements. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. Earlier implementation is encouraged. The provisions of this Statement are required to be applied retroactively for all periods presented. Management is in the process of determining the impact to the District reporting for the June 30, 2013, financial statements.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 AND 2011

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011. Earlier implementation is encouraged. Management does not believe the implementation of this Statement will materially impact the reporting of the District for the June 30, 2013, financial statements.

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier implementation is encouraged. Management does not believe the implementation of this Statement will materially impact the reporting of the District for the June 30, 2014, financial statements.

In March 2012, GASB issued Statement No. 66, *Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62*.

The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, GASB Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier implementation is encouraged. Management does not believe the implementation of this Statement will materially impact the reporting of the District for the June 30, 2014, financial statements.

In June 2012, GASB issued Statements No. 67, *Financial Reporting for Pension Plans*, and No. 68, *Accounting and Financial Reporting for Pensions - an amendment of Statement No. 27*.

The primary objective of these Statements is to improve accounting and financial reporting by State and local governments for pensions. It also improves information provided by State and local governmental employers about financial support for pensions that is provided by other entities. This Statement and Statement No. 67 establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement - determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. This Statement is effective for fiscal years beginning after June 15, 2014. Earlier implementation is encouraged. Management is in the process of determining the impact of both GASB Statements No. 67 and No. 68 on the June 30, 2014 and 2015, financial statements.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 AND 2011

Comparative Financial Information

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

NOTE 3 - DEPOSITS AND INVESTMENTS

Policies and Practices

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

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

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

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, 2012, consist of the following:

	Primary Government
Cash on hand and in banks	\$ 856,392
Cash in revolving	32,310
Cash collections awaiting deposit	1,234,277
Investments	4,874,905
Total Deposits and Investments	<u>\$ 6,997,884</u>

Deposits and investments of the Fiduciary Funds as of June 30, 2012, consist of the following:

	Fiduciary Funds
Cash on hand and in banks	<u>\$ 161,287</u>

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

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
Riverside County Treasury Pooled Investment	\$ 3,472,391	431
First American Treasury Obligation	1,406,664	56
Total	\$ 4,879,055	

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, 2012. Treasury obligations have been rated by Standard & Poor's rating agency.

Investment Type	Minimum Legal Rating	Rating June 30, 2012	Fair Market Value
Riverside County Treasury Pooled Investment	Not required	AAA/V1	\$ 3,472,391
First American Treasury Obligation	Not applicable	AAAm	1,406,664
Total			\$ 4,879,055

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 AND 2011

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, 2012, the District's bank balance was fully collateralized with eligible collateral in accordance with California *Government Code* Section 53651.

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The cash held in the County Treasury is uncategorized and the fair value approximates carrying value are shown above in the credit risk schedule. Deposits with the County Treasury are not categories because they do not represent securities which exist in physical or book entry form. The deposits with the County Treasury are valued using the amortized cost method (which approximates fair value). The fair values are provided by the County Treasurer. As of June 30, 2012, \$3,468,241 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, 2012, uninsured deposits totaled approximately \$849,000.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

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:

	<u>Primary Government</u>	
	<u>2012</u>	<u>2011</u>
Federal Government		
Categorical aid	\$ 935,865	\$ 961,744
State Government		
Apportionment	7,679,739	7,755,831
Categorical aid	12,840	182,509
Lottery	647,465	879,865
Other State sources	-	196,372
Local Sources		
Interest	9,101	18,574
Property taxes	809,212	938,206
Other local sources	431,854	1,414,713
Total	<u>\$ 10,526,076</u>	<u>\$ 12,347,814</u>
Student receivables and loans	\$ 433,154	\$ 117,556
Less reserve	(146,587)	-
Total	<u>\$ 286,567</u>	<u>\$ 117,556</u>

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2012, 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	15,414,195	8,310,491	-	23,724,686
Total Capital Assets Not Being Depreciated	<u>22,224,147</u>	<u>8,310,491</u>	<u>-</u>	<u>30,534,638</u>
Capital Assets Being Depreciated				
Land improvements	6,542,043	2,849,654	-	9,391,697
Buildings and improvements	50,136,524	946,166	-	51,082,690
Furniture and equipment	13,541,695	2,077,673	8,143	15,611,225
Total Capital Assets Being Depreciated	<u>70,220,262</u>	<u>5,873,493</u>	<u>8,143</u>	<u>76,085,612</u>
Total Capital Assets	<u>92,444,409</u>	<u>14,183,984</u>	<u>8,143</u>	<u>106,620,250</u>
Less Accumulated Depreciation				
Land improvements	2,242,877	454,531	-	2,697,408
Buildings and improvements	11,775,901	1,099,602	-	12,875,503
Furniture and equipment	8,092,171	1,303,891	637	9,395,425
Total Accumulated Depreciation	<u>22,110,949</u>	<u>2,858,024</u>	<u>637</u>	<u>24,968,336</u>
Net Capital Assets	<u>\$ 70,333,460</u>	<u>\$ 11,325,960</u>	<u>\$ 7,506</u>	<u>\$ 81,651,914</u>

Depreciation expense for the year was \$2,858,024. At June 30, 2012, the District had capital assets acquired from capital leases with a net book value of \$170,869.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 AND 2011

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.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable for the District consisted of the following:

		<u>Primary Government</u>	
		<u>2012</u>	<u>2011</u>
Accrued payroll and benefits		\$ 349,285	\$ 325,241
Apportionment		130,122	1,931,842
Vendor payables		2,943,965	1,701,501
Other		551,458	759,356
	Total	<u>\$ 3,974,830</u>	<u>\$ 4,717,940</u>

		<u>Fiduciary Funds</u>	
		<u>2012</u>	<u>2011</u>
Other local		\$ 3,788	\$ 1,393

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:

		<u>Primary Government</u>	
		<u>2012</u>	<u>2011</u>
Federal financial assistance		\$ -	\$ 334,476
State categorical aid		791,941	1,130,725
Other State		73,584	-
Enrollment fees		964,163	639,959
Other local		568,269	374,673
	Total	<u>\$ 2,397,957</u>	<u>\$ 2,479,833</u>

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

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, 2012, the amounts owed between the government and the fiduciary funds were \$9,306 and \$21, 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 2012 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	\$ 6,580,000	\$ -	\$ 195,000	\$ 6,385,000	\$ 200,000
Series 2008A	5,635,000	-	70,000	5,565,000	75,000
Total Bonds Payable	<u>12,215,000</u>	<u>-</u>	<u>265,000</u>	<u>11,950,000</u>	<u>275,000</u>
Other Liabilities					
Compensated absences	1,311,254	25,182	-	1,336,436	-
Capital leases	1,645,012	277,825	1,747,047	175,790	52,960
Golden handshake	3,035,310	-	389,646	2,645,664	570,280
Load banking	430,241	-	14,554	415,687	-
Total Other Liabilities	<u>6,421,817</u>	<u>303,007</u>	<u>2,151,247</u>	<u>4,573,577</u>	<u>623,240</u>
Total Long-Term Obligations	<u>\$ 18,636,817</u>	<u>\$ 303,007</u>	<u>\$ 2,416,247</u>	<u>\$ 16,523,577</u>	<u>\$ 898,240</u>

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 AND 2011

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	<u>12,470,000</u>	<u>-</u>	<u>255,000</u>	<u>12,215,000</u>	<u>265,000</u>
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	<u>5,288,706</u>	<u>2,162,874</u>	<u>1,029,763</u>	<u>6,421,817</u>	<u>354,993</u>
Total Long-Term Obligations	<u>\$ 17,758,706</u>	<u>\$ 2,162,874</u>	<u>\$ 1,284,763</u>	<u>\$ 18,636,817</u>	<u>\$ 619,993</u>

Description of Debt

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

Lease Revenue Bonds

On June 30, 2003, the District issued Series 2003 Bonds through the California Community College Financial Authority consisting of Current Interest Bonds and Capital Appreciation Bonds in the amount of \$8,000,000. The bonds bear variable interest rates from 3.0 percent to 4.25 percent. Debt issuance costs of \$386,639 and deferred charges of \$440,788, totaling \$827,427, have been capitalized and will be amortized through June 1, 2033 (term of Lease Revenue Bonds). Outstanding unamortized amounts at June 30, 2012, amounted to \$579,198.

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, 2012, amounted to \$335,399. 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.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

The outstanding Lease Revenue Bond is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds
				Outstanding July 1, 2011	Issued	Redeemed	Outstanding June 30, 2012
6/12/03	6/1/2033	3.00-4.25	\$ 8,000,000	\$ 6,580,000	\$ -	\$ 195,000	\$ 6,385,000
5/22/08	5/1/2038	3.50-5.00	5,860,000	5,635,000	-	70,000	5,565,000
				<u>\$ 12,215,000</u>	<u>\$ -</u>	<u>\$ 265,000</u>	<u>\$ 11,950,000</u>

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

Fiscal Year	Interest to		Total
	Principal	Maturity	
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	230,000	238,561	468,561
2018-2022	1,300,000	1,047,206	2,347,206
2023-2027	1,590,000	745,063	2,335,063
2028-2032	1,975,000	365,094	2,340,094
2033	450,000	19,688	469,688
Total	<u>\$ 6,385,000</u>	<u>\$ 3,447,338</u>	<u>\$ 9,832,338</u>

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

Fiscal Year	Interest to		Total
	Principal	Maturity	
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	90,000	239,089	329,089
2018-2022	510,000	1,130,613	1,640,613
2022-2027	635,000	1,012,663	1,647,663
2028-2032	790,000	855,675	1,645,675
2033-2037	2,455,000	590,844	3,045,844
2038	760,000	35,148	795,148
Total	<u>\$ 5,565,000</u>	<u>\$ 4,860,238</u>	<u>\$ 10,425,238</u>

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 AND 2011

Capital Leases

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

	Capital Lease
Balance, July 1, 2011	\$ 1,645,012
Additions	277,825
Payments	(1,747,047)
Balance, June 30, 2012	<u>\$ 175,790</u>

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

Year Ending June 30,	Lease Payment
2013	\$ 52,960
2014	45,565
2015	45,565
2016	31,700
Total	<u>\$ 175,790</u>

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, 2012, are \$2,645,664.

Other Obligations

The compensated absences balance at June 30, 2012, was \$1,336,436.

The amount owed to employees for load banking balances at June 30, 2012, was \$415,687.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 AND 2011

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, 2012, the value of the Plan assets was \$2,008,079.

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 64 retirees and 10 retiree beneficiaries currently receiving benefits and 428 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 2011-2012, the District contributed \$270,314 of which \$5,000 was contributed to the Irrevocable Trust and \$265,314 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	(265,314)
Contributions made to irrevocable Trust	(5,000)
Change in net OPEB asset	<u>225,930</u>
Net OPEB asset, beginning of year	<u>(940,065)</u>
Net OPEB asset, beginning of year	<u><u>\$ (714,135)</u></u>

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 AND 2011

Trend Information

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

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Asset
2010	\$ 544,868	\$ 201,876	37%	\$ (661,312)
2011	496,244	774,997	156%	(940,065)
2012	496,244	270,314	54%	(714,135)

Funding Status and Funding Progress

The funded status of the OPEB Plan as of June 30, 2012, is as follows:

Actuarial Accrued Liability (AAL)	\$ 3,948,140
Actuarial Value of Plan Assets *	2,008,079
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 1,940,061</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	51%
Covered Payroll	\$ 34,887,743
UAAL as Percentage of Covered Payroll	<u>5.56%</u>

* Asset Valuation as of June 30, 2012

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.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 AND 2011

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, 2012, was 26 years. The actuarial value of assets was not determined in this actuarial valuation. At June 30, 2012, the Trust held net assets in the amount of \$2,008,079, 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, 2012, 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 2011-2012, the District participated in the Protected Insurance Programs for Schools (PIPS) JPA, an insurance purchasing pool. The intent of the JPA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the JPA. The workers' compensation experience of the participating districts is calculated as one experience, and a common premium rate is applied to all districts in the JPA. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall saving. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the JPA. Participation in the JPA is limited to K-12 and community college districts that can meet the JPA's selection criteria.

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

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 AND 2011

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.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 AND 2011

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 2011-2012 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, 2012, 2011, and 2010, were \$1,687,777, \$1,757,199, and \$1,763,673, 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 2011-2012 was 10.923 percent of covered payroll. The District's contributions to CalPERS for fiscal years ending June 30, 2012, 2011, and 2010, were \$1,578,047, \$1,582,810, and \$1,433,990, 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 \$1,037,894 (4.855 percent) of salaries subject to CalSTRS. Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. These amounts have been reflected in the basic financial statements as a component of nonoperating revenue and employee benefit expense.

Deferred Compensation

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

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 AND 2011

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, 2012, the District made payments of \$409,711 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, 2012.

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, 2012.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

Early Retirement - Golden Handshake

The District has adopted an early retirement incentive program. The outstanding contract amount for this purpose is \$2,645,664. This amount is contingent upon the employee performing the required service days per year.

Construction Commitments

As of June 30, 2012, the District had the following budgetary commitments with respect to the unfinished capital projects:

<u>CAPITAL PROJECT</u>	<u>Remaining Construction Commitment</u>	<u>Expected Fiscal Year Completion</u>
Classroom Building I Construction	\$ 1,335,746	2013
Classroom Building I Group II Equipment	1,116,411	2013
	<u>\$ 2,452,157</u>	

Deferral of State Apportionments

The State legislature had not enacted a budget as of June 30, 2012. 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 2011-2012 fiscal year have been deferred to the 2012-2013 fiscal year. The total amount of funding deferred into the 2012-2013 fiscal year was \$7.7 million.

Due in significant part to reductions in funding during the current year which included approximately \$3.6 million in actual workload reductions and a \$1.1 million deficit factor to the total apportionment funding, the District's Unrestricted General Fund noted a decrease in the ending fund balance of \$4.4 million. While the District has met the requirements for a 5 percent reserve in the ending balance, the deferrals noted above reduced the actual cash balance in the Unrestricted General Fund to less than \$1 million. The District is continuing to review expenditures for possible reductions; however, the 2012-2013 budget is projecting a further reduction of \$2.3 million.

NOTE 16 - TAX AND REVENUE ANTICIPATION NOTE

On July 26, 2011, the District issued \$4,330,767 Tax and Revenue Anticipation Notes bearing interest at two percent. The notes were issued to supplement cash flows. By June 30, 2012, the District had satisfied the required payments.

<u>Issue Date</u>	<u>Rate</u>	<u>Maturity Date</u>	<u>Outstanding Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Outstanding End of Year</u>
July 26, 2011	2%	6/30/2012	\$ -	\$ 4,330,767	\$ 4,330,767	\$ -

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 AND 2011

NOTE 17 - SUBSEQUENT EVENTS

The District issued \$6,580,000 of Tax and Revenue Anticipation Notes dated August 8, 2012. The notes mature on June 28, 2013, and yield 0.37 percent interest. The notes were sold to supplement cash flow. 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 2013, and then the balance of principal and interest due is paid on account in April 2013.

REQUIRED SUPPLEMENTARY INFORMATION

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING
PROGRESS
FOR THE YEAR ENDED JUNE 30, 2012**

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	2,008,079	3,948,140	1,940,061	51%	34,887,743	5.56%

* Asset Valuation as of June 30, 2012.

SUPPLEMENTARY INFORMATION

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION JUNE 30, 2012

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

BOARD OF TRUSTEES

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Joan F. Sparkman	President	2012
Dorothy McGargill	Clerk	2012
Ann Motte	Trustee	2014
Eugene V. Kadow	Trustee	2012
Gwendolyn Schlange	Trustee	2014

ADMINISTRATION

Dr. Roger Schultz	Superintendent/President
Ms. Becky Elam	Vice President, Business Services
Dr. William Vincent	Vice President, Student Services
Dr. William Vincent	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, 2012**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed through the California Department of Education			
Child and Adult Care Food Program	10.558	671300	\$ 73,267
Total U.S. Department of Agriculture			<u>73,267</u>
U.S. DEPARTMENT OF LABOR			
WORKFORCE INVESTMENT ACT			
Passed through the Workforce Development			
Center Riverside County			
ARRA: Workforce Investment Act	17.258	197-102/105	129,536
Total U.S. Department of Labor			<u>129,536</u>
U.S. DEPARTMENT OF VETERANS AFFAIRS			
Passed through the California Community Colleges			
Chancellor's Office			
Veterans Education	64.000	[1]	13,322
Chapter 33 - Veterans Post 9/11 GI Bill	64.028	[1]	228,950
Total U.S. Department of Veterans Affairs			<u>242,272</u>
U.S. DEPARTMENT OF EDUCATION			
HIGHER EDUCATION ACT			
TRIO - Upward Bound	84.047A		213,298
TRIO - Talent Search Program	84.044A		233,596
College Cost Reduction and Access Act-STEM	84.031C		493,486
Strengthening Institutional Success (Title V)	84.031S		623,611
Childcare Access Means Parents in School (CCAMPIS)	84.335A		57,432
Total Higher Education Act			<u>1,621,423</u>
Passed through the California Department of Education			
Workforce Investment Act, Title II: Adult Education and Family Literacy Act			
English Literacy and Civics Education Program	84.002	[1]	227,721
STUDENT FINANCIAL ASSISTANCE CLUSTER			
Federal Supplement Education Opportunity Grant (FSEOG)	84.007		297,101
FSEOG Administrative	84.007		14,855
Federal Work Study Program (FWS)	84.033		278,168
Federal Work Study Administrative	84.033		13,909
Federal Pell Grants (PELL)	84.063		17,949,345
Federal Pell Administrative	84.063		33,150
Total Student Financial Assistance Cluster			<u>18,586,528</u>

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

See accompanying note to supplementary information.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION, Continued			
CAREER AND TECHNICAL EDUCATION ACT			
Passed through from California Community Colleges			
Chancellor's Office			
Career and Technical Education Act (CTE), Title IC	84.048	10-C01-035	\$ 665,067
Perkins, Title II, Technical Preparation, CTE Transitions	84.243	11-112-940	46,970
Total U.S. Department of Education			<u>21,147,709</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through from California Community Colleges			
Chancellor's Office			
Temporary Assistance to Needy Families (TANF)	93.558	[1]	84,494
Healthy Community Forum	93.252	10-110-009	248,000
Passed through from Yosemite Community College District			
Child Development Training Consortium	93.575	11-12-4474	10,000
Total U.S. Department of Health and Human Services			<u>342,494</u>
Total Federal Expenditures			<u>\$ 21,935,278</u>

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

See accompanying note to supplementary information.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

Program	Program Entitlements		
	Current Year	Prior Year	Total Entitlement
Board Financial Assistance Program (BFAP)	\$ 504,070	\$ 72,303	\$ 576,373
Extended Opportunity Program and Services (EOPS)	430,111	-	430,111
Cooperative Agencies Resources for Educ. (CARE)	99,739	-	99,739
Disabled Students Program (DSP)	448,815	177	448,992
CalWORKS	279,876	-	279,876
Credit Matriculation	341,974	10,463	352,437
Non-Credit Matriculation	27,275	-	27,275
Staff Diversity	6,050	14,793	20,843
Enrollment Growth and Retention	87,696	-	87,696
CTE Pathways Community Collaborative	208,800	581,960	790,760
Basic Skills	170,814	315,677	486,491
@ONE Grant	-	179,363	179,363
Restricted State Lottery Prop 20	216,879	59,852	276,731
Pre-Kindergarten and Family Literacy	5,000	-	5,000
Instructional Improvement Block Grant (Categorical Flexibility Funds)	7,660	-	7,660
Nursing Faculty Recruitment and Retention	-	14,386	14,386
Cal Grant B	730,174	-	730,174
Cal Grant C	30,672	-	30,672
Total State Programs			

See accompanying note to supplementary information.

Program Revenues					
Cash Received	Accounts Receivable	Accounts Payable	Deferred Revenue	Total Revenue	Program Expenditures
\$ 576,373	\$ -	\$ -	\$ 26,023	\$ 550,350	\$ 550,350
430,111	-	-	-	430,111	430,111
99,739	-	-	-	99,739	99,739
448,992	-	-	-	448,992	448,992
279,876	-	-	-	279,876	279,876
352,437	-	-	3,250	349,187	349,187
27,275	-	-	-	27,275	27,275
20,843	-	-	15,215	5,628	5,628
75,336	12,360	-	-	87,696	87,696
790,760	-	-	489,950	300,810	300,810
486,491	-	-	248,096	238,395	238,395
179,363	-	-	-	179,363	179,363
59,852	216,879	-	-	276,731	276,731
4,520	480	-	-	5,000	5,000
7,660	-	-	-	7,660	7,660
14,386	-	14,386	-	-	-
730,174	-	56,805	-	673,369	673,369
30,672	-	-	-	30,672	30,672
<u>\$ 4,614,860</u>	<u>\$ 229,719</u>	<u>\$ 71,191</u>	<u>\$ 782,534</u>	<u>\$ 3,990,854</u>	<u>\$ 3,990,854</u>

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL
 APPORTIONMENT ANNUAL (ACTUAL) ATTENDANCE
 AS OF JUNE 30, 2012**

CATEGORIES	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Audited Data</u>
A. Summer Intersession (Summer 2011 only)			
1. Noncredit*	1	-	1
2. Credit	68	-	68
B. Summer Intersession (Summer 2012 - Prior to July 1, 2012)			
1. Noncredit*	-	-	-
2. Credit	-	-	-
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	8,868	-	8,868
(b) Daily Census Contact Hours	1,140	-	1,140
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit*	570	-	570
(b) Credit	22	-	22
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	12	-	12
(b) Daily Census Contact Hours	3	-	3
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	<u>10,684</u>	<u>-</u>	<u>10,684</u>
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)			
H. Basic Skills Courses and Immigrant Education			
1. Noncredit	565	-	565
2. Credit	579	-	579

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

See accompanying note to supplementary information.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF EDUCATION CODE SECTION 84362 (50 PERCENT LAW) CALCULATION
FOR THE YEAR ENDED JUNE 30, 2012

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Audited Data	Reported Data	Audit Adjustments	Audited Data
<u>Academic Salaries</u>							
Instructional Salaries							
Contract or Regular	1100	\$ 10,060,993	\$ -	\$ 10,060,993	\$ 10,060,993	\$ -	\$ 10,060,993
Other	1300	7,650,116	-	7,650,116	7,650,116	-	7,650,116
Total Instructional Salaries		17,711,109	-	17,711,109	17,711,109	-	17,711,109
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	2,969,635	-	2,969,635
Other	1400	-	-	-	609,920	-	609,920
Total Noninstructional Salaries		-	-	-	3,579,555	-	3,579,555
Total Academic Salaries		17,711,109	-	17,711,109	21,290,664	-	21,290,664
<u>Classified Salaries</u>							
Noninstructional Salaries							
Regular Status	2100	-	-	-	8,876,965	-	8,876,965
Other	2300	-	-	-	849,596	-	849,596
Total Noninstructional Salaries		-	-	-	9,726,561	-	9,726,561
Instructional Aides							
Regular Status	2200	1,622,899	-	1,622,899	1,622,899	-	1,622,899
Other	2400	296,577	-	296,577	296,577	-	296,577
Total Instructional Aides		1,919,476	-	1,919,476	1,919,476	-	1,919,476
Total Classified Salaries		1,919,476	-	1,919,476	11,646,037	-	11,646,037
Employee Benefits	3000	4,520,517	-	4,520,517	8,749,536	-	8,749,536
Supplies and Material	4000	-	-	-	807,043	-	807,043
Other Operating Expenses	5000	34,621	-	34,621	4,630,276	-	4,630,276
Equipment Replacement	6420	-	-	-	187,716	-	187,716
Total Expenditures Prior to Exclusions		24,185,723	-	24,185,723	47,311,272	-	47,311,272

See accompanying note to supplementary information.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF EDUCATION CODE SECTION 84362 (50 PERCENT LAW) CALCULATION
FOR THE YEAR ENDED JUNE 30, 2012

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Audited Data	Reported Data	Audit Adjustments	Audited Data
Exclusions							
Activities to Exclude							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	\$ 357,167	\$ -	\$ 357,167	\$ 357,167	\$ -	\$ 357,167
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	295,785	-	295,785
Objects to Exclude							
Rents and Leases	5060	-	-	-	272,100	-	272,100
Lottery Expenditures		-	-	-	-	-	-
Total Supplies and Materials		-	-	-	-	-	-
Other Operating Expenses and Services	5000	\$ -	\$ -	\$ -	\$ 1,276,449	\$ -	\$ 1,276,449
Total Exclusions		357,167	-	357,167	2,201,501	-	2,201,501
Total for ECS 84362, 50 Percent Law		\$ 23,828,556	\$ -	\$ 23,828,556	\$ 45,109,771	\$ -	\$ 45,109,771
Percent of CEE (Instructional Salary Cost/Total CEE)		52.82%		52.82%	100.00%		100.00%
50% of Current Expense of Education					\$ 22,554,886		\$ 22,554,886

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, 2012**

There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2012.

See accompanying note to supplementary information.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF
NET ASSETS
JUNE 30, 2012**

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

Total Fund Balance and Retained Earnings:

General Funds	\$ 6,391,748	
Cafeteria	2,925	
Child Development Fund	21,323	
Capital Outlay Projects Funds	4,804,074	
Bookstore	1,692,916	
Internal Service Funds	317,933	
Fiduciary Funds	361,209	
	<hr/>	
Total Fund Balance - All District Funds		\$ 13,592,128

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	106,620,250	
Accumulated depreciation is	(24,968,336)	
Less fixed assets already recorded in the enterprise funds	<u>(158,126)</u>	81,493,788

Recognize the OPEB asset resulting from the difference between annual OPEB cost on the accrual basis and OPEB contributions in the governmental funds. 714,135

Amounts held in trust on behalf of others (Trust and Agency Funds) (148,483)

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. (130,755)

Long-term liabilities at year end consist of:

Bonds payable	11,950,000	
Golden handshake	2,645,664	
Load banking	415,687	
Capital leases payable	175,790	
Compensated absences	1,336,436	
Less load banking already recorded in funds	<u>(415,687)</u>	<u>(16,107,890)</u>
Total Net Assets		<u>\$ 79,412,923</u>

See accompanying note to supplementary information.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2012

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 Annual (Actual) Attendance

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

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

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

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

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

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, 2012 and 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 30, 2012. 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.

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.

Internal Control Over Financial Reporting

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 previously.

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 November 30, 2012.

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.

Vaurick, Irine, Day & Co. LLP

Riverside, California
November 30, 2012



**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, 2012. 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 that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

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.

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.

Warrick Irine Day & Co. LLP

Riverside, California
November 30, 2012



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, 2012, and have issued our report thereon dated November 30, 2012.

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.

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 in accordance with Section 400 of the Chancellor's Office California Community Colleges Contracted District Audit Manual (CDAM) issued in May 2012 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 Funding System
Section 425 Residency Determination for Credit Courses
Section 426 Students Actively Enrolled
Section 427 Concurrent Enrollment of K-12 Students in Community College Credit Courses
Section 431 Gann Limit Calculation
Section 433 California Work Opportunity and Responsibility to Kids (CalWORKS)
Section 435 Open Enrollment
Section 437 Student Fee - Instructional and Other Materials
Section 438 Student Fees - Health Fees and Use of Health Fees
Section 474 Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE)
Section 475 Disabled Student Programs and Services (DSPS)
Section 476 Curriculum and Instruction
Section 479 To Be Arranged (TBA) Hours

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

The District reports no health fees; therefore, the compliance tests with this section were not applicable.

The District does not charge any instructional or other materials fee to students; therefore, the compliance tests within this section were not applicable.

The District reports no attendance within class subject to the TBA Hours; 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. 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.

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.

A handwritten signature in black ink that reads "Vaurvik, Irine, Day & Co. LLP". The signature is written in a cursive style.

Riverside, California
November 30, 2012

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

**SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2012**

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	<u>No</u>
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Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Programs or Clusters</u>
<u>84.031C</u>	<u>College Cost Reduction and Access Act - STEM</u>
<u>84.031S</u>	<u>Stengthening Institutional Success (Title V)</u>
<u>84.063, 84.007, and 84.033</u>	<u>Student Financial Assistance Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 658,058</u>
Auditee qualified as low-risk auditee?	<u>No</u>

STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>None reported</u>

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

**FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2012**

None reported.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

None reported.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

None reported.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2012

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.

Federal Award Findings

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.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2012

Current Status

Implemented.

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.

Current Status

Implemented.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2012

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.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2012

Current Status

Implemented.

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.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2012

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.

Current Status

Implemented.

State Awards Findings

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.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2012

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.

Current Status

Implemented.

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.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2012

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.

Current Status

Implemented.