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Vavrinek, Trine, Day & Co., LLP

Certified Public Accountants

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT

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

Accounting principles generally accepted in the United States of America require that the Management's

Discussion and Analysis on pages 44 through 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards

Funding Progress on page 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards

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(Amounts in thousands)

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

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

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

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At June 30, 2010, the District had \$87 million

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(Amounts in thousands)

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

N M I I N N F A I A N A A N

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 re a ²Q Ò"5² 0 m [i / t Ò ²

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Cash and cash equivalents - unrestricted

\$ 1,469,708

Restricted cash and cash equivalents

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

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Operating Loss					<u>\$ (74,488,410)</u>
Adjustments to Reconcile Operating Loss to Net Cash Flows from Operating Activities:					
Depreciation and amortization expense					2,468,642
Changes in Assets and Liabilities:					
Receivables					2,944,325
Student receivables					(123,973)
Inventories					(10,156)
Prepaid expenses					387,866
Notes receivables, net					
Accounts payable and accrued liabilities					(5,312,389)
Deferred revenue					(41,468)
Accrued interest payable					135,228
Other postemployment benefits					(759,870)
Total Adjustments					<u>(311,795)</u>
!" \$ # / & . 9 # (. : ' ! (\$ ") * .					<u>\$ (74,800,205)</u>
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Cash in banks					\$ 1,488,605
Cash in county treasury					10,489,968
. " \$ & \$ # / \$ * < \$ # /					<u>\$ 11,978,573</u>
	7				
On behalf payments for benefits					<u>\$ 912,193</u>

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

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Cash and cash equivalents	\$ 155,135
Accounts receivable, net	649
Due from governmental funds	84
. " \$ & # # ! " #	155,868
Accounts payable	4,609
Due to governmental funds	15,790
. " \$ &) \$ %) &) ") ! #	20,399
Unreserved	135,469
. " \$ & ! " # # ! " #	\$ 135,469

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

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ASSETS

Current Assets

Cash and cash equivalents

 Unrestricted \$ 116,141

 Restricted 1,270,681

Student loan receivables - net 9,821

Accounts receivable 930

Prepaid expenses 1,380

 Total Current Assets 1,398,953

Noncurrent Assets

Investments - unrestricted 202,270

Investments - restricted 1,840,183

Capital assets (net of accumulated depreciation) 3,561

 Total Assets \$ 3,444,967

LIABILITIES

Current Lia

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

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CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	\$ 251,782
Adjustments to Reconcile Change in Net Assets to Net Cash Flows from Operating Activities	
Depreciation	1,448
Unrealized gain on investments	(52,291)
Contributions restricted for long-term purposes	(427,980)
Changes in Assets and Liabilities	
Increase in accounts receivable	(930)
Decrease in student loans	1,573
Increase in prepaid expenses	(30)
Increase in accounts payable	1,149
Decrease in due to Mt. San Jacinto Community College District	(2,494)
Increase in deferred income	7,500
Net Cash Flows from Operating Activities	<u>(220,273)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(583,886)
Sale of investments	308,434
Net Cash Flows from Investing Activities	<u>(275,452)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Collections of contributions restricted for long-term purposes	427,980
Net Cash Flows from Financing Activities	<u>427,980</u>
NET DECREASE IN UNRESTRICTED CASH AND CASH EQUIVALENTS	(67,745)
UNRESTRICTED CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>183,886</u>
UNRESTRICTED CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 116,141</u>

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

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

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

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

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

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

The financial statements are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, and GASB Statement No. 35, 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

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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.

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

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

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

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Inventories

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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.

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GASB Statements No. 34 and No. 35 report equity as "Net Assets." Net assets atem "

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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.

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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.

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

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Student tuition and fee revenue is reported net of scholarship discounts and allowancepoA6 p4 revees of/ 1 ; 2

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

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

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

	Balance Beginning of Year	Additions	Deductions and Adjustments	Balance End of Year
Capital Assets Not Being Depreciated				
Land	\$ 6,426,949	\$ 433,003	\$ 50,000	\$ 6,809,952
Construction in progress	14,442,051	336,327	-	14,778,378
Total Capital Assets Not Being Depreciated	20,869,000	769,330	50,000	21,588,330
Capital Assets Being Depreciated				
Land improvements	5,721,086	180,578	-	5,901,664
		7	1	
Total Capital Assets Being Depreciated		1	1	
Total Capital Assets		2	1	
Less Accuf				
Land improvements	1	2	3	1
		7		
		1		i
Total Accuf		2	4	
Net Capital Assets		\$ 1	\$ (\$
Depreciation expV	2,468,642			

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

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

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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.

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

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

The outstanding Lease Revenue Bond is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds Outstanding June 30, 2010
				Outstanding July 1, 2009	Issued	Redeemed	
6/12/03	6/1/2033	3.00-4.25					

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

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

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

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

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

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

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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 2 M 5 ' † i , m

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

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

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

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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.

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

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

Insurance Program / JPA Name	Type of Coverage	Limits
Protected Insurance Program for Schools (PIPS)	Workers' Compensation	\$150,000,000
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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.

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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.

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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 Law.

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Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The District's contribution rate to CalPERS for fiscal year 2009-2010 was 9.709 percent of covered payroll. The District's contributions to CalPERS for fiscal years ending June 30, 2010, 2009, and 2008, were \$1,433,990, \$1,204,468, and \$1,132,820, respectively,

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The State legislature had not enacted a budget as of June 30, 2010. As a result, certain apportionments owed to the Community College District System in general, and the Mt. San Jacinto Community College District specifically, for funding of FTES, categorical programs, and construction reimbursements which are attributable to the 2009-2010 fiscal year have been deferred to the

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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.

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Eugene V. Kadow	President	2011
Gwendolyn Schlange	Clerk	2013
Dorothy McGargill	Trustee	2011
Ann Motte	Trustee	2013
Joan F. Sparkman	Trustee	2011
Dr. Roger Schultz	Superintendent/President	
Ms. Becky Elam	Vice President, Business Services	
Dr. William Vincent	Vice President, Student Services	
Dr. Dennis Anderson	Vice President, Instructional Services	
Ms. Irma Ramos	Vice	

See accompanying note to supplementary information.

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass Through Identifying Number	Federal Expenditures
Hispanic Serving Institutions Education (USDA)	10.223		\$ 83,131
Child and Adult Care Food Program	10.558	3094-1A	80,735
			<u>163,866</u>
WIA Cluster			
ARRA: Workforce Investment Act	17.258	197-102/105	169,382
			<u>169,382</u>
Veterans Education	64.116	[1]	4,761
Chapter 33 - Veterans Post 911 GI Bill	64.027	[1]	243,282
			<u>248,043</u>
TRIO - Upward Bound	84.047A		220,089
Talent Search Program	84.044A		212,050
College Cost Reduction and Access Act-STEM	84.031C		929,621
Childcare Access Means Parents in School (CCAMPIS)	84.335A		47,698
			<u>1,409,458</u>
Workforce Investment Act, Title II: Adult Education and Family Literacy Act			
English as a Second Language	84.002	[1]	148,137
Federal Supplement Education Opportunity Grant (FSEOG)	84.007		256,050
FSEOG Administrative	84.007		12,833
Federal Family Education Loans (FFEL)	84.032		6,720,561
Federal Work Study Program (FWS)	84.033		347,123
Federal Work Study Administrative	84.033		16,949
Federal Pell Grants (PELL)	84.063		15,418,630
Federal Pell Administrative	84.063		27,455
Academic Competitiveness Grant (ACG)	84.375		66,666
			<u>22,866,267</u>
ARRA State Stabilization Funds	84.394	S394A090005	216,021

[1] Pass-Through Identifying Number is unavailable.

(Continued)

See accompanying note to supplementary information.

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Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass Through Identifying Number	Federal Expenditures
<p>7</p> <p>m# # ! < ¢ / (. , @ / - (. : \$ &) - . (*) \$. : : , *) " ? B ¢ & & ! + IG / \$ * 5 ! & & . (# - -) 5 !</p> <p>Perkins, Title I, Part C</p>	m		

See accompanying note to supplementary information.

See accompanying note to supplementary information.

Cash Received	Accounts Receivable	Program Revenues Accounts Payable	Deferred Revenue	Total Revenue	Program Expen
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Reported
Data

Audit
Adjustments

Audited
Data

See accompanying note to supplementary information.

See accompanying note to supplementary information.

General Funds	\$ 9,527,609	
Cafeteria	21,488	
Capital Outlay Projects Funds	6,311,801	
Bookstore	1,886,497	
Internal Service Funds	224,729	
Fiduciary Funds	270,681	
		\$ 18,242,805

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

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

Recognize the OPEB asset resulting from the difference between annual OPEB cost on the accrual basis and OPEB contributions in the governmental funds. 661,312

Amounts held in trust on behalf of others (Trust and Agency Funds) (135,469)

In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term obligations is recognized when it is incurred. (135,228)

Long-term liabilities at year end consist of:

See accompanying note to supplementary information.

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

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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, . Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

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

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

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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.

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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.

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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.

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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' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS**

Board of Trustees

Mt. San Jacinto Community College District

San Jacinto, California

We have audited the basic financial statements of Mt. San Jacinto Community College District (the District) for
audit in accordance with auditing standards generally accepted in the United States of America and the standards

ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Compliance and Other Matters

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

Mt. San Jacinto Community College District - November 23, 2010

Vaurinek, June Day & Co

November 23, 2010

accompanying schedule of findings and questioned costs. We did not audit Mt. San Jacinto Community College District's response and accordingly, express no opinion.



Vavrinek, Trine, Day & Co., LLP

Certified Public Accountants

VALUE THE DIFFERENCE

REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT

Internal Control Over Compliance

The management of Mt. San Jacinto Community College District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants

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

timely basis. *A material weakness in internal control over compliance* is a deficiency or a combination of

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

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America and the standards for financial and compliance audits contained in *Government Auditing*

General Directive

Section 424: MIS Implementation - State General Apportionment Funding System

Administration

Section 424: Student Fees - Instructional Materials and Health Fees

Apportionments

Fiscal Operations

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

Section 431: Gann Limit Calculation

Student Services

Section 428: Use of Matriculation Funds

Section 433: CalWORKs Use of State and Federal TANF Funding

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

This report is intended solely for the information of the Board of Trustees, District Management, the California

Facilities

In our opinion, Mt. San Jacinto Community College District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2010. However, the results of our auditing procedures

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Unqualified

No
Yes
No

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No
Yes

The following findings represent significant deficiencies a

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

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

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Special Tests.

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

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

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None.

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

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

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

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

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

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Reporting.

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The State Stabilization program is authorized in Title XIV of Division A of the American Recovery and Reinvestment Act of 2009 (ARRA). The funds are to restore support for secondary education and higher education, but must be consistent with the ARRA's reporting and accountability requirements. Per the transparency, accountability, reporting, and other obligation rp

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

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

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

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

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

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

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

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California Code of Regulations, Title 5, Section 58104 requires that all courses be "reasonably well publicized" and if a district chooses to post

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

1:) * <)

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

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Statement of Auditing Standards (SAS) # 112 states that the auditor cannot be a component of the District's internal control system and that the District is responsible

	<u>! * ! (\$ & * (! # " () 5 " ! < ! # " () 5 " ! <</u>	<u>! * ! (\$ & " ! < ! # " () 5 " ! <</u>
Cash and cash equivalents	\$ 542,913	\$ 18,897
Investments	4,161,535	599,388
Accounts receivable	7,966,235	1,358,410
Due from other funds	632,763	-
Prepaid expenses	126,699	19,271
. " \$ & # # ! " #	<u>\$13,430,145</u>	<u>\$ 1,995,966</u>
Accounts payable	\$ 3,895,805	\$ 135,319
Due to other funds	24,403	12,603
Deferred revenue	421,428	1,408,944
. " \$ &) \$ %) &) " ! #	<u>4,341,636</u>	<u>1,556,866</u>
Reserved	151,699	19,271
Unreserved		
Designated	6,169,000	419,829
Undesignated	2,767,810	-
. " \$ & , * < \$ & \$ * 5 ! #	<u>9,088,509</u>	<u>439,100</u>
. " \$ &) \$ %) &) " ! # \$ * <		
, * < \$ & \$ * 5 ! #	<u>\$13,430,145</u>	<u>\$ 1,995,966</u>

See accompanying note to additional supplementary information.

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\$ 9,416	\$ (546)	\$ 4,352	\$ 575,032	
16,560	41,189	5,344,397	10,163,069	
946	180,812	387,291	9,893,694	
27	12,575	-	645,365	
22,090	-	1,295,588	Q463,648	
\$ 49,039	\$ 234,030	\$ 7,031,628	\$ 23,410,808	

\$ 19,944	\$ 100,784	\$ 343,142	\$ 4,494,994	
7,607	133,246	376,685	554,544	
-	bQ	bQ	1,830,372	Q
10,551	I ' 104,030 4	395,565 □	! M 555555	

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See accompanying note to additional supplementary information.



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\$ -	\$ 128,677	\$ -	\$ 3,450,163
-	1,052,533	310,421	34,953,777
414,236	330,689	674,965	29,009,283
414,236	1,511,899	985,386	67,413,223
-	937	-	24,353,930
137,381	1,246,871	-	16,938,336
25,686	414,226	-	10,248,224
162,305	36,147	66,587	

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Cash and cash equivalents	\$ 877,931	\$ -
Investments		-

See accompanying note to additional supplementary information.

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	<u>* " ! (' () # ! , * < #</u>	<u>* " ! (* \$ & ! (;) 5 ! , * <</u>
4		
Sales revenues	\$ 4,237,995	\$ -
6		
Classified salaries	549,702	6,947
Employee benefits	138,251	1,678
Books and supplies	3,232,903	15,133
Services and other operating expenditures	174,699	131,570
Capital outlay	-	63,608
. " \$ & ' ! (\$ ") * + @ ' ! * # ! #	<u>4,095,555</u>	<u>218,936</u>
' ! (\$ ") * + * 5 . : ! . # #	<u>142,440</u>	<u>(218,936)</u>
4		
6		
Interest income	1,413	3,938
Miscellaneous revenues	28,281	213,672
Operating transfers out	(150,000)	-
. " \$ & . * . ' ! (\$ ") * + ! ; ! * , ! # @ ' ! * # ! #	<u>(120,306)</u>	<u>217,610</u>
	22,134	(1,326)
	<u>1,864,363</u>	<u>226,055</u>
	<u>\$ 1,886,497</u>	<u>\$ 224,729</u>

See accompanying note to additional supplementary information.

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	",<!*"#	!'(!#!*" \$") . *) * \$ * 5) \$ &		
	(, #"	!!)<	." \$ &
Cash and cash equivalents	\$ 150,751	\$ 4,384	\$ 35,642	\$ 190,777
Accounts receivable	631			

See accompanying note to additional supplementary information.

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	",<!*"# !'(!#!*" \$"). *)*\$*5)\$&			
	(,#" !!)<		."\$&	
4				
Federal revenues	\$ -	\$ -	\$ 15,984,628	\$ 15,984,628
State revenues	-	-	782,420	782,420

See accompanying note to additional supplementary information.

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