

MT. SAN JACINTO
COMMUNITY COLLEGE DISTRICT

SAN JACINTO, CALIFORNIA

COUNTY OF RIVERSIDE

INDEPENDENT AUDITORS' REPORT,
FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION

JUNE 30, 2009 AND 2008

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

AUDIT REPORT

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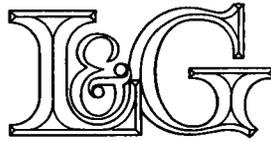
MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

AUDIT REPORT

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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, 2009 and 2008 listed in the foregoing Table of Contents. These 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. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2009 and 2008 and the 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2009, 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 should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 3 through 15 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the District. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



December 2, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

Introduction

The following discussion and analysis provide an overview of the District's financial position as of June 30, 2009 and the results of its operations for the year then ended. In addition, comparative analyses for the two years ended June 30, 2008 and June 30, 2009 have been provided, where applicable. This MD&A relates to the District only and does not cover the enclosed financial statements of the Foundation and fiduciary activities. This MD&A was prepared by management and should be read in conjunction with the financial statements and notes thereto which follow this section.

The annual report consists of three basic financial statements that provide information on the District as a whole:

- Statement of Net Assets
- Statement of Revenues, Expenses and Changes in Net Assets
- Statement of Cash Flows.

Each one of these statements will be discussed in detail following the discussion of financial and enrollment highlights.

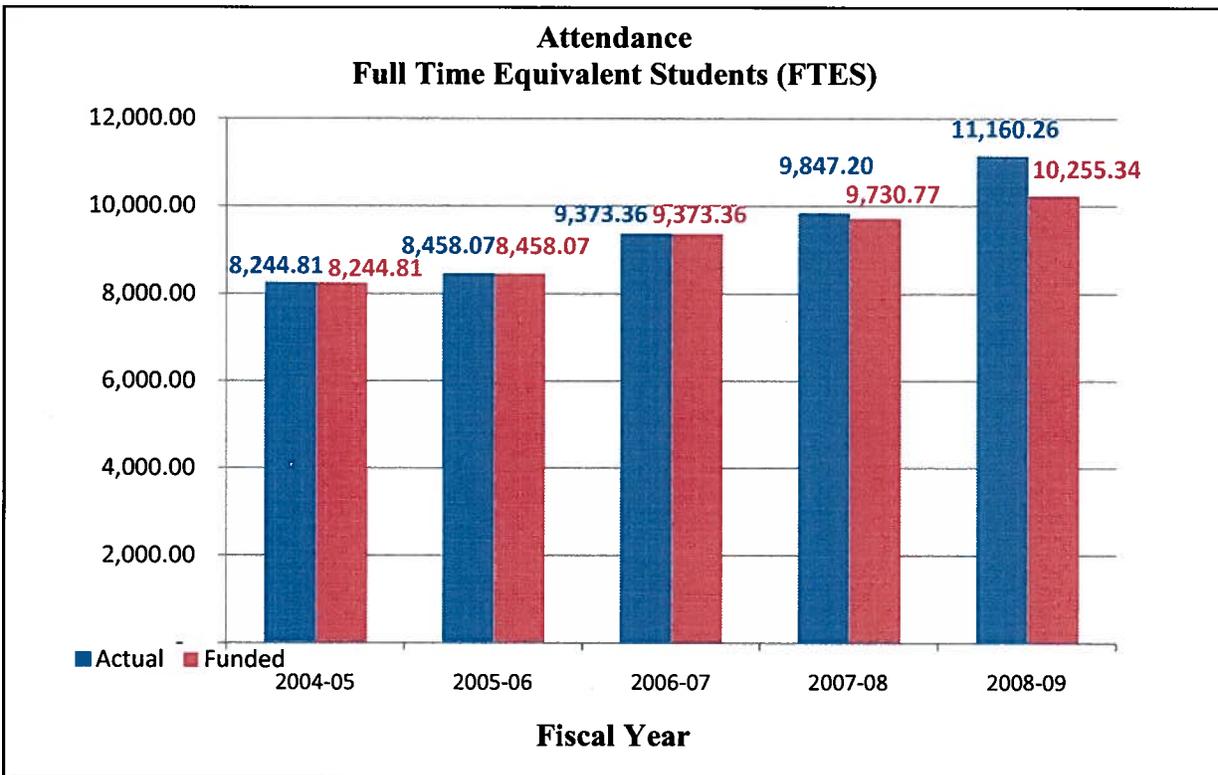
Financial and Enrollment Highlights

- The projected unrestricted General Fund ending balance for the Adopted Budget that was approved by the Board in September, 2008 was \$7.1 million, representing 13.2% of operational expenses. The unrestricted ending balance as of June 30, 2009 is \$7.7 million, representing 11.9% of operational expenses.
- The ending balance of \$7,707,777 includes \$6,169,000 Board Special Reserve designated mainly for a 5% contingency required by the Chancellor's office, enrollment growth funds shortfall, and catastrophic construction and facility infrastructure.
- During the year ended June 30, 2003 the District issued lease revenue bonds of \$8 million in order to finance capital projects and instructional equipment commitments whose funding sources were downsized as a result of the State's mid-year reductions. The bond proceeds are also intended to finance land acquisitions that the Board approved as a hedge against increases in land values and financing costs. The District drew down \$3,575,161 bond funds in 2003-2004, \$2,971,116 in 2007-2008, and \$102,481 in 2008-2009.
- In June 2008 the District secured additional long-term financing by issuing lease revenue bonds of \$5,860,000. The funds will be used to finance acquisition of real

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

property, improvements to fire alarm and electrical systems, and renovation of District facilities.

Financial and Enrollment Highlights – continued



MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

Statement of Net Assets

Net assets, the difference between assets and liabilities, are a way to measure the financial health of the District. The change in net assets is an indicator of whether the overall financial condition of the District has improved or worsened from one reporting period to another. Assets and liabilities are generally measured using current values. One notable exception is the valuation for capital assets, which are reported at historical cost minus an allocation for depreciation expense. For the year ended June 30, 2009, net assets in the General Fund increased by \$3,350,031 as a result of the net increase in cash balances for the year.

The Net Assets are divided into three major categories.

- Invested in capital assets – The District's equity amount in property, plant and equipment.
- Restricted, net of related debt - Though expendable, are to be spent only for the purposes and within the parameters that are determined and defined by external entities, agreements, and/or donors.
- Unrestricted - available for any lawful expenditure that fulfills the mission of the District. Although unrestricted, the District's governing board may place internal designations on these net assets, and it retains the power to change, remove or modify these designations.

The Statement of Net Assets as of June 30, 2009 and 2008 is summarized in the following page.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

Statement of Net Assets

ASSETS	2007-2008	2008-2009
	(in thousands)	(in thousands)
Current Assets:		
Cash and cash equivalents	\$ 6,203	\$ 10,655
Receivables	9,361	7,738
Inventories and other assets	1,768	1,593
Total Current Assets	<u>17,332</u>	<u>19,986</u>
Non-Current Assets:		
Restricted cash and cash equivalents	7,001	4,796
Debt issuance costs	1,059	1,036
Capital assets, net of accumulated depreciation	67,498	67,294
Total Non-Current Assets	<u>75,558</u>	<u>73,126</u>
TOTAL ASSETS	<u>\$ 92,890</u>	<u>93,112</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 7,756	7,556
Deferred revenue	1,903	1,893
Long-term liabilities - current portion	643	705
Compensated absences and other liabilities	1,304	1,800
Total Current Liabilities	<u>11,606</u>	<u>11,954</u>
Non-Current Liabilities:		
Long-term liabilities - noncurrent portion	14,976	14,917
Golden Handshake agreements	945	705
Total Non-Current Liabilities	<u>15,921</u>	<u>15,622</u>
TOTAL LIABILITIES	<u>27,527</u>	<u>27,576</u>
NET ASSETS		
Invested in capital assets, net of related debt	65,152	64,989
Restricted	199	398
Unrestricted	12	149
TOTAL NET ASSETS	<u>65,363</u>	<u>65,536</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 92,890</u>	<u>\$ 93,112</u>

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

Statement of Net Assets – continued

- Approximately 90% of the unrestricted cash and cash equivalents current assets is cash deposited with the Riverside County Treasurer's Office. The Statement of Cash Flows contained within the financial statements provides greater detail regarding the sources and uses of cash and the net increase in cash during the year ended June 30, 2009.
- Restricted cash equivalents represents cash in trust of \$4,795,456 deposited with U.S. Bank Trust in accordance with the lease revenue bonds agreements entered into by the District.
- Debt issuance costs and deferred charges of \$1,036,083 relate to the 30-year lease revenue bonds that were issued in June, 2003, and in June, 2008. These costs will be amortized up to June, 2033 and June, 2038 respectively.
- Majority of the receivables balance is from federal and state sources for grant and entitlement programs. The balance also includes estimated 3rd and 4th quarter lottery proceeds of \$593,359 as follows:

▪ Unrestricted (Non-Prop 20)	\$ 461,867
▪ Restricted (Prop 20)	\$ 131,492
- Capital assets, net of depreciation, is the net historical value of land, buildings, and equipment less accumulated depreciation. As of June 30, 2009 the District owned capital assets of \$84 million. Accumulated depreciation amounted to \$17 million leaving a net value of \$67 million. The breakdown of this total net value can be found in note 5 of the financial statements.
- Accounts payable and accrued liabilities are amounts due for goods and services received but not paid as of the end of the fiscal year. Total accounts payable are \$7,556,531; \$1,288,300 of this sum is recorded in the non-operational funds of the District like Bookstore, Student Financial Aid Fund and Capital Projects Fund.
- Deferred revenue refers to federal, state, and local program funds received but not yet earned as of the end of the fiscal year. Most grant funds are earned when expenses are charged up to the grant amount. This classification also includes enrollment fees received for the Summer and Fall semesters.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

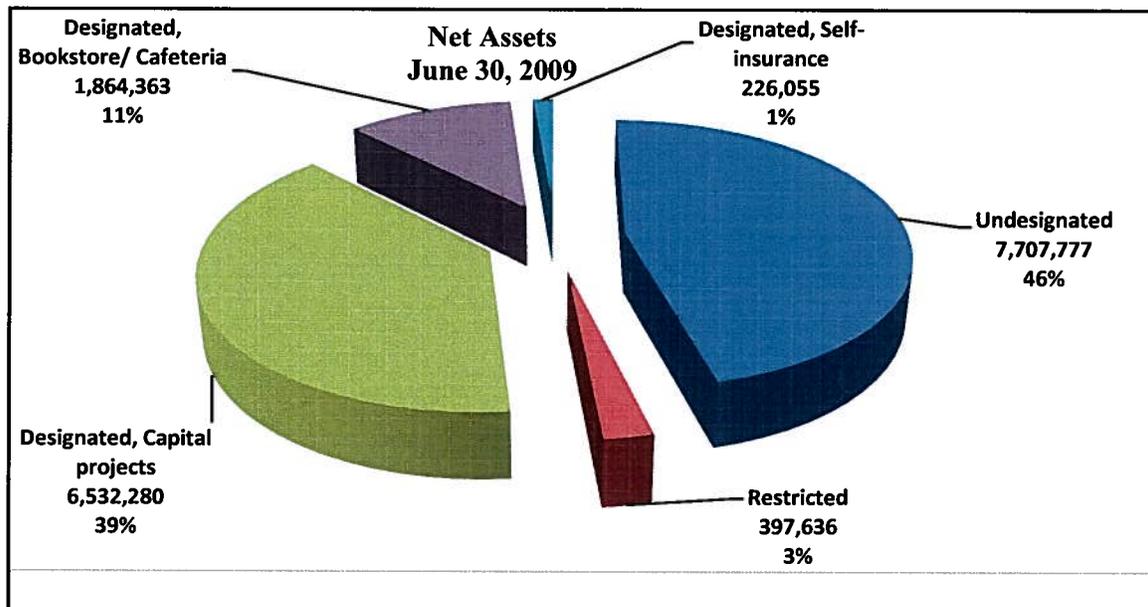
Statement of Net Assets – continued

- Long-term liabilities, noncurrent portion are equivalent to all long-term debt that is due to be paid after one year or later. Included in this classification are lease revenue bonds of \$12,470,000, capital leases payable of \$797,009 and post-employment and Golden Handshake benefits payable of \$2,354,830.
- Total District net assets of \$65,535,531 and \$65,362,837 at June 30, 2009 and June 30, 2008, respectively, include increases of \$48,807,420 and \$49,031,650 respectively, relating to GASB 35.

GASB 35 requires that capital assets (increase to net assets), long-term liabilities (decrease to net assets) and elimination of due to and due from activity (net decrease to net assets) be recorded in the financial statements. These GASB 35 adjustments resulted in net increases of \$48,807,420 and \$49,031,650 in total net assets at June 30, 2009 and June 30, 2008 respectively.

The net assets prior to the above mentioned increases for GASB 35 amounted to \$16,728,111 and \$16,331,187 at June 30, 2009 and June 30, 2008, respectively and consist of the following:

	<u>2009</u>	<u>2008</u>
Undesignated	\$ 7,707,777	\$ 4,547,796
Restricted	397,636	198,800
Designated, Capital projects	6,532,280	9,692,883
Designated, Bookstore/ Cafeteria	1,864,363	1,660,842
Designated, Self-insurance	226,055	230,866
	<u>\$ 16,728,111</u>	<u>\$ 16,331,187</u>



MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

Statement of Revenues, Expenses and Changes in Net Assets

Generally operating revenues are earned for providing goods and services to customers and constituencies of the District. Operating expenses are incurred to acquire or produce those goods and services. Non-operating revenues are those received or pledged for which goods and services are not directly provided by the District. State general apportionment, while budgeted for operations, is considered non-operating revenues because the funds are provided by the State Legislature to the District without the Legislature directly receiving commensurate goods and services for those funds.

The Statement of Revenues, Expenses and Changes in Net Assets for the fiscal years ended June 30, 2009 and 2008 is summarized in the following page.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

Statement of Revenues, Expenses and Changes in Net Assets

	2007-2008	2008-2009
	(in thousands)	(in thousands)
OPERATING REVENUES		
Net tuition and fees	\$ 4,804	\$ 5,057
Grants and contracts, non-capital	16,278	19,672
Auxiliary enterprise sales and charges, net	5,100	5,271
	<hr/>	<hr/>
TOTAL OPERATING REVENUES	26,182	30,000
TOTAL OPERATING EXPENSES	76,643	80,999
	<hr/>	<hr/>
OPERATING LOSS	(50,461)	(50,999)
	<hr/>	<hr/>
NON-OPERATING REVENUE (EXPENSES)		
State apportionments, non-capital	23,688	24,094
Local property taxes	23,733	24,213
State taxes and other revenues	2,145	2,096
Other non-operating revenues, net	13,262	365
	<hr/>	<hr/>
TOTAL NON-OPERATING REVENUES (EXPENSES)	62,828	50,768
	<hr/>	<hr/>
OTHER REVENUES, EXPENSES, GAINS OR (LOSSES)		
State apportionments, capital	3,765	263
Interfund transfers, net	434	141
TOTAL OTHER REVENUES, EXPENSES, GAINS OR (LOSSES)	4,199	404
	<hr/>	<hr/>
INCREASE IN NET ASSETS	16,566	173
NET ASSETS, BEGINNING OF YEAR	48,797	65,363
	<hr/>	<hr/>
NET ASSETS, END OF YEAR	\$ 65,363	\$ 65,536
	<hr/>	<hr/>

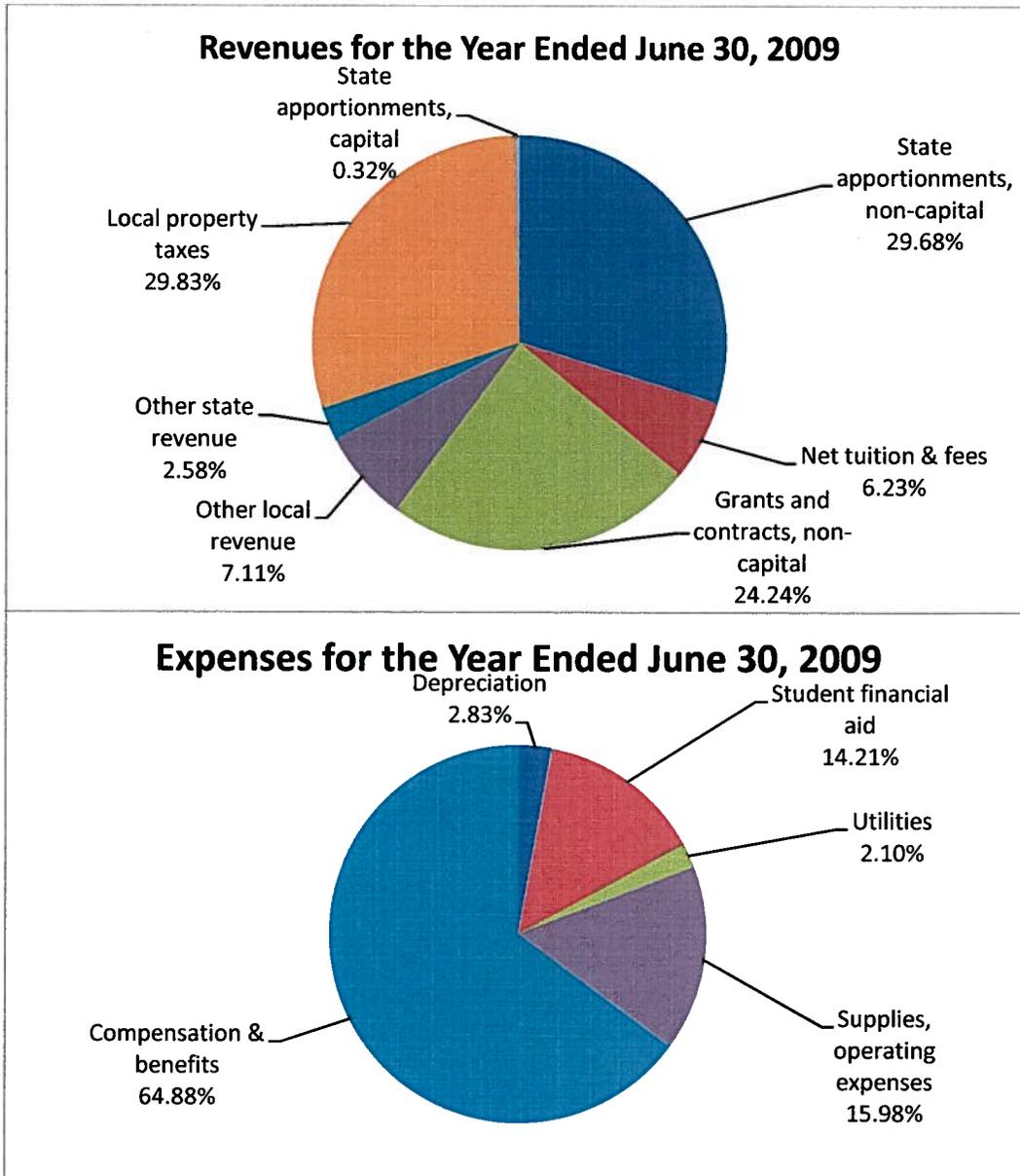
MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

Statement of Revenues, Expenses and Changes in Net Assets – continued

- Net tuition and fees consists of enrollment fees of \$8.4 million, less scholarships discounts and allowances of \$3.4 million.
- Grants and contracts, non-capital, are primarily those received from federal and state sources and used in instruction.
- Auxiliary enterprise, net, is primarily bookstore and cafeteria sales less allowances.
- For all District funds, operating expenses consist of 65% personnel costs, 16% materials and supplies, services and other expenses, capital outlay below the capitalization threshold of \$2,000, 14% student financial aid, 2% utilities, and 3% depreciation expense.
- State apportionments, non-capital, represents general apportionment of \$24 million. State apportionment represents total general apportionment earned less enrollment fees and property taxes received.
- Local property taxes are received through the Auditor-Controller's Office for Riverside County. The amount received for property taxes is deducted from the total state general apportionment that is calculated by the State for the District. In 2008-2009 redevelopment agencies pass-through revenues of \$112,044 was transferred from Fund 41 Capital Projects Fund to the General Fund in accordance with AB1290 as notified to the District by the Riverside County Office of Education.
- State taxes and other revenues consist primarily of State lottery revenue of \$1,276,380.
- State apportionment, capital consists of State funding through the Community College Construction Act and for scheduled maintenance.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

Statement of Revenues, Expenses and Changes in Net Assets – continued



MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

Statement of Revenues, Expenses and Changes in Net Assets – continued

Operating Expenses (by natural classification)	Year Ended June 30, 2008 (in thousands)	Year Ended June 30, 2009 (in thousands)
Compensation and Benefits	49,404	52,553
Supplies, materials, other operating expenses and services, books and supplies	15,588	12,942
Student financial aid	8,205	11,511
Utilities	1,570	1,703
Depreciation	<u>1,876</u>	<u>2,290</u>
Total operating expenses	<u><u>76,643</u></u>	<u><u>80,999</u></u>

- Operating Expenses by functional classification are included in Note 20 of the financial statements.
- Compensation consists of salaries, fixed charges (District contributions to retirement systems, workers' compensation and unemployment insurance, Social Security and Medicare), and health and welfare benefits borne by the District.
- Supplies, materials, other operating expenses and services include expenditures for software, reference books, software licensing, consultants, repairs and maintenance of buildings and equipment, and student financial aid.
- Student financial aid relates to federal and state assistance paid to students.
- Utilities consist of electricity, telephone, water, heating, and waste disposal.
- Depreciation expense relates to the annual charge of capital assets to operations.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

Statement of Cash Flows

The Statement of Cash Flows provides information about cash receipts and cash payments during the fiscal year. This statement also helps users assess the District's ability to generate net cash flows, its ability to meet its obligations as they become due, and its need for external financing.

Statement of Cash Flows	Year Ended June 30, 2008 (in thousands)	Year Ended June 30, 2009 (in thousands)
Cash provided by (used in):		
Operating activities	\$ (49,043)	\$ (46,393)
Non-capital financing activities	62,312	50,655
Capital and related financing activities	(11,903)	(2,270)
Investing activities	<u>590</u>	<u>254</u>
Net increase (decrease) in cash and cash equivalents	1,956	2,246
Cash and cash equivalents – beginning of year	<u>11,248</u>	<u>13,204</u>
Cash and cash equivalents – end of year	<u>\$ 13,204</u>	<u>\$ 15,450</u>

- The primary cash receipts from operating activities consist of tuition, grants and contracts. The primary cash outlays are payments to employees, vendors and students related to the instructional program.
- General apportionment is the primary source of non-capital financing. The three main components of general apportionment are state apportionment, enrollment fees, and property taxes.
- The primary use included in capital and related financing activities is the purchase of capital assets in the form of land, building improvements and equipment.
- Cash earned from investing activities is interest earned on cash in bank and cash invested through the Riverside County pool for all District funds. Approximately \$208,809 was received from the Riverside County pool that paid an average rate of 1.92%.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

Economic Factors That May Affect the Future

The District's overall financial position continues to be strong, ending fiscal year 2008-2009 with a reserve of 11.9% of operational costs. In view of the fiscal uncertainties in the State budget for the current and future fiscal years, the District has taken measures to reduce base budget expenditures by 5% in the current year (2009-10) in order to maintain fiscal stability while providing the necessary support services and infrastructure that are required to sustain the enrollment growth.

The Governor's Office, Department of Finance, and Legislative Analyst's Office have alerted all State agencies and school districts of impending mid-year cuts. Some significant issues affecting the community are highlighted below with current projections.

- California faces a projected current-year deficit of \$6.3 billion.
- California faces a \$14.4 billion operating shortfall for 2010-11.
- California faces a projected \$20.7 billion budget shortfall over a two-year period, fiscal years 2009-10 and 2010-11.
- This shortfall results primarily from increases in projected expenditures compared to the enacted State Budget.
- It is estimated that the Proposition 98 funding guarantee will remain relatively flat into 2010-11.

In addition, cash flow problems affecting the State could shift the load to state agencies and school districts. To minimize the impact on the District's cash flow, a Board Special Reserve was established and TRANs short-term and Lease Revenue Bonds were secured to assist with any potential cash flow issues.

Management is maintaining a close watch over the State budget situation and other funding sources to plan, and if necessary, react to any adverse financial impacts on the District.

BASIC FINANCIAL STATEMENTS

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2009

ASSETS	District	Foundation
Current Assets:		
Cash and cash equivalents	\$ 10,654,392	\$ 827,833
Accounts receivable, net	7,738,290	11,394
Due from other funds	27,176	-
Inventories	666,546	-
Prepaid expenses and deposits	899,470	1,350
Total Current Assets	19,985,874	840,577
Non-Current Assets:		
Restricted cash and cash equivalents	4,795,456	-
Debt issuance costs and deferred charges, net	1,036,083	-
Investments	-	2,341,444
Capital assets, net of accumulated depreciation	67,294,179	5,009
Total Non-Current Assets	73,125,718	2,346,453
TOTAL ASSETS	\$ 93,111,592	\$ 3,187,030
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 7,556,531	\$ 16,664
Due to other funds	-	15,172
Deferred revenue	1,892,559	-
Lease revenue bonds - current portion	250,000	-
Compensated absences	1,306,071	-
Capital leases - current portion	455,071	-
Golden Handshake agreements - current portion	493,990	-
Total Current Liabilities	11,954,222	31,836
Non-Current Liabilities:		
Lease revenue bonds	12,470,000	-
Capital leases	797,009	-
Post-employment benefits	1,650,108	-
Golden Handshake agreements	704,722	-
Total Non-Current Liabilities	15,621,839	-
TOTAL LIABILITIES	\$ 27,576,061	\$ 31,836

(continued)

(The accompanying notes are an integral part of these financial statements)

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2009

(continued)

NET ASSETS	<u>District</u>	<u>Foundation</u>
Invested in capital assets, net of related debt	\$ 64,988,784	\$ 5,009
Restricted for:		
Grants and contracts	397,636	-
Scholarships	-	2,720,130
Performing arts center	-	265,261
Unrestricted	<u>149,111</u>	<u>164,794</u>
TOTAL NET ASSETS	<u>65,535,531</u>	<u>3,155,194</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 93,111,592</u>	<u>\$ 3,187,030</u>

(The accompanying notes are an integral part of these financial statements)

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2008

ASSETS	District	Foundation
Current Assets:		
Cash and cash equivalents	\$ 6,203,204	\$ 794,221
Accounts receivable, net	9,361,063	10,811
Due from other funds	302,529	-
Inventories	697,230	-
Prepaid expenses and deposits	768,316	784
Total Current Assets	17,332,342	805,816
Non-Current Assets:		
Restricted cash and cash equivalents	7,000,687	-
Debt issuance costs and deferred charges, net	1,058,948	-
Investments	-	2,542,066
Capital assets, net of accumulated depreciation	67,498,304	84,269
Total Non-Current Assets	75,557,939	2,626,335
TOTAL ASSETS	\$ 92,890,281	\$ 3,432,151
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 7,756,079	\$ 16,967
Due to other funds	-	292,328
Deferred revenue	1,903,383	-
Lease revenue bonds - current portion	275,000	-
Compensated absences	1,136,606	-
Capital leases - current portion	368,355	-
Golden Handshake agreements - current portion	167,162	-
Total Current Liabilities	11,606,585	309,295
Non-Current Liabilities:		
Lease revenue bonds	12,720,000	-
Capital leases	1,055,862	-
Post-employment benefits	1,200,139	-
Golden Handshake agreements	944,858	-
Total Non-Current Liabilities	15,920,859	-
TOTAL LIABILITIES	\$ 27,527,444	\$ 309,295

(continued)

(The accompanying notes are an integral part of these financial statements)

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2008

(continued)

NET ASSETS	<u>District</u>	<u>Foundation</u>
Invested in capital assets, net of related debt	\$ 65,152,061	\$ 84,269
Restricted for:		
Grants and contracts	198,799	-
Scholarships	-	2,629,147
Performing arts center	-	265,261
Unrestricted	<u>11,977</u>	<u>144,179</u>
TOTAL NET ASSETS	<u>65,362,837</u>	<u>3,122,856</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 92,890,281</u>	<u>\$ 3,432,151</u>

(The accompanying notes are an integral part of these financial statements)

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009**

OPERATING REVENUES	<u>District</u>	<u>Foundation</u>
Enrollment, tuition and other fees (gross)	\$ 8,469,474	\$ -
Less: Scholarship discounts and allowances	<u>(3,412,265)</u>	<u>-</u>
Net enrollment, tuition and other fees	5,057,209	-
Grants and contracts, non-capital		
Federal	12,161,903	-
State	6,056,008	-
Local	1,453,492	684,021
Auxiliary enterprise sales and charges, net	<u>5,270,828</u>	<u>-</u>
TOTAL OPERATING REVENUES	<u>29,999,440</u>	<u>684,021</u>
OPERATING EXPENSES		
Salaries	42,106,039	74,488
Employee benefits	10,446,865	24,927
Supplies, materials and other operating expenses and services	12,941,929	170,700
Financial aid	11,511,469	380,178
Utilities	1,702,869	-
Depreciation	<u>2,289,829</u>	<u>1,390</u>
TOTAL OPERATING EXPENSES	<u>80,999,000</u>	<u>651,683</u>
OPERATING INCOME (LOSS)	<u>(50,999,560)</u>	<u>32,338</u>
NON-OPERATING REVENUE (EXPENSES)		
State apportionments, non-capital	24,094,477	-
Local property taxes	24,212,765	-
State taxes and other revenues	2,096,215	-
Other non-operating revenues	240,864	-
Investment income, net	254,049	-
Interest expense	<u>(130,054)</u>	<u>-</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>50,768,316</u>	<u>-</u>
OTHER REVENUES, EXPENSES, GAINS OR (LOSSES)		
Interfund transfers and other, net	141,058	-
State apportionments, capital	<u>262,880</u>	<u>-</u>
TOTAL OTHER REVENUES, EXPENSES, GAINS OR (LOSSES)	<u>403,938</u>	<u>-</u>
INCREASE (DECREASE) IN NET ASSETS	172,694	32,338
NET ASSETS, BEGINNING OF YEAR	<u>65,362,837</u>	<u>3,122,856</u>
NET ASSETS, END OF YEAR	<u>\$ 65,535,531</u>	<u>\$ 3,155,194</u>

(The accompanying notes are an integral part of these financial statements)

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008**

OPERATING REVENUES	<u>District</u>	<u>Foundation</u>
Enrollment, tuition and other fees (gross)	\$ 7,347,850	\$ -
Less: Scholarship discounts and allowances	<u>(2,543,427)</u>	<u>-</u>
Net enrollment, tuition and other fees	4,804,423	-
Grants and contracts, non-capital		
Federal	8,976,425	-
State	5,735,481	-
Local	1,566,533	638,017
Auxiliary enterprise sales and charges, net	<u>5,099,928</u>	<u>-</u>
TOTAL OPERATING REVENUES	<u>26,182,790</u>	<u>638,017</u>
OPERATING EXPENSES		
Salaries	39,085,359	70,665
Employee benefits	10,318,996	28,405
Supplies, materials and other operating expenses and services	15,587,986	440,198
Financial aid	8,204,633	271,450
Utilities	1,570,695	-
Depreciation	<u>1,875,893</u>	<u>1,597</u>
TOTAL OPERATING EXPENSES	<u>76,643,562</u>	<u>812,315</u>
OPERATING (LOSS)	<u>(50,460,772)</u>	<u>(174,298)</u>
NON-OPERATING REVENUE (EXPENSES)		
State apportionments, non-capital	23,687,461	-
Local property taxes	23,733,120	-
State taxes and other revenues	2,144,946	-
Other non-operating revenues	12,787,894	-
Investment income	590,518	-
Interest expense	<u>(116,067)</u>	<u>-</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>62,827,872</u>	<u>-</u>
OTHER REVENUES, EXPENSES, GAINS OR (LOSSES)		
Interfund transfers and other, net	434,106	-
State apportionments, capital	<u>3,764,642</u>	<u>-</u>
TOTAL OTHER REVENUES, EXPENSES, GAINS OR (LOSSES)	<u>4,198,748</u>	<u>-</u>
INCREASE (DECREASE) IN NET ASSETS	16,565,848	(174,298)
NET ASSETS, BEGINNING OF YEAR	<u>48,796,989</u>	<u>3,297,154</u>
NET ASSETS, END OF YEAR	<u>\$ 65,362,837</u>	<u>\$ 3,122,856</u>

(The accompanying notes are an integral part of these financial statements)

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2009

CASH FLOWS FROM OPERATING ACTIVITIES	District	Foundation
Tuition and fees	\$ 4,489,511	\$ -
Federal grants and contracts	11,884,789	-
State grants and contracts	7,638,197	-
Local grants, contracts and gifts	2,603,417	428,812
Auxiliary operation sales	5,301,512	108,796
Payments to suppliers	(14,952,635)	(366,609)
Payments to/on behalf of employees	(51,846,778)	(99,415)
Payments to/on behalf of students	(11,511,469)	(380,553)
Net cash used by operating activities	<u>(46,393,456)</u>	<u>(308,969)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
State apportionments and receipts	26,190,692	-
Property taxes	24,212,765	-
Interest paid on noncapital debt	(130,054)	-
Grants and gifts for other than capital purposes	381,922	-
Net cash provided by non-capital financing activities	<u>50,655,325</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
State apportionment for capital purposes	262,880	-
Purchase of capital assets	(2,085,704)	(3,871)
Principal paid on capital debt	(447,137)	-
Net cash provided (used) by capital and related financing activities	<u>(2,269,961)</u>	<u>(3,871)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	254,049	1,435
Decrease in investments, net	-	345,017
Net cash provided (used) by investing activities	<u>254,049</u>	<u>346,452</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,245,957	33,612
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>13,203,891</u>	<u>794,221</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 15,449,848</u>	<u>\$ 827,833</u>

(continued)

(The accompanying notes are an integral part of these financial statements)

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS - (continued)

FOR THE YEAR ENDED JUNE 30, 2009

**Reconciliation of Operating Income (Loss) to
Net Cash Provided (Used) by Operating Activities**

CASH USED BY OPERATING ACTIVITIES	<u>District</u>	<u>Foundation</u>
Operating income (loss)	\$ (50,999,560)	\$ 32,338
Adjustments to reconcile operating income (loss) to net cash (used) by operating activities:		
Depreciation expense	2,289,829	1,390
Amortization expense	22,865	-
Net unrealized gain on investments	-	(12,277)
Investment income	-	(133,553)
Changes in assets and liabilities:		
Receivables, net and due from other funds	1,898,126	(583)
Inventory	30,684	-
Prepaid expenses and deposits	(131,154)	(566)
Accounts payable and due to other funds	506,578	(195,718)
Deferred revenue	<u>(10,824)</u>	<u>-</u>
Net cash (used) by operating activities	<u>\$ (46,393,456)</u>	<u>\$ (308,969)</u>

NONCASH FINANCING AND INVESTING ACTIVITIES

The District financed \$220,656 of equipment during the year with new capital obligations.

OTHER

Cash and cash equivalents on the Statement of Net Assets consists of the following:

	<u>District</u>	<u>Foundation</u>
Cash and cash equivalents	\$ 10,654,392	\$ 827,833
Restricted cash and cash equivalents	<u>4,795,456</u>	<u>-</u>
	<u>\$ 15,449,848</u>	<u>\$ 827,833</u>

(The accompanying notes are an integral part of these financial statements)

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2008

CASH FLOWS FROM OPERATING ACTIVITIES	District	Foundation
Tuition and fees	\$ 4,873,105	\$ -
Federal grants and contracts	8,748,914	-
State grants and contracts	7,236,642	-
Local grants, contracts and gifts	(1,952,428)	308,774
Auxiliary operation sales	1,244,317	147,719
Payments to suppliers	(12,297,876)	(160,903)
Payments to/on behalf of employees	(48,691,361)	(99,070)
Payments to/on behalf of students	<u>(8,204,633)</u>	<u>(271,625)</u>
Net cash used by operating activities	<u>(49,043,320)</u>	<u>(75,105)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
State apportionments and receipts	25,832,407	-
Property taxes	23,733,120	-
Interest paid on noncapital debt	(116,067)	-
Principal paid on noncapital debt	(293,595)	-
Debt issuance costs and deferred charges	(359,845)	-
Grants and gifts for other than capital purposes	<u>13,515,630</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>62,311,650</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from capital debt	5,860,000	(76,865)
State apportionment for capital purposes	3,764,642	-
Purchase of capital assets	(20,693,818)	(81,741)
Proceeds from sale of capital assets	-	-
Interest paid on capital debt	(293,630)	-
Principal paid on capital debt	<u>(540,202)</u>	<u>-</u>
Net cash provided (used) by capital and related financing activities	<u>(11,903,008)</u>	<u>(158,606)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	590,518	(2,770)
Increase in investments, net	<u>-</u>	<u>117,049</u>
Net cash provided (used) by investing activities	<u>590,518</u>	<u>114,279</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,955,840	(119,432)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>11,248,051</u>	<u>913,653</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 13,203,891</u></u>	<u><u>\$ 794,221</u></u>

(continued)

(The accompanying notes are an integral part of these financial statements)

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS - (continued)

FOR THE YEAR ENDED JUNE 30, 2008

**Reconciliation of Operating Income (Loss) to
Net Cash Provided (Used) by Operating Activities**

CASH USED BY OPERATING ACTIVITIES	<u>District</u>	<u>Foundation</u>
Operating (loss)	\$ (50,460,772)	\$ (174,298)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:		
Depreciation expense	1,875,893	1,597
Amortization expense	18,000	-
Gain on sale of assets	-	-
Net unrealized gain on investments	-	(15,930)
Investment income	-	(156,878)
Changes in assets and liabilities:		
Receivables, net and due from other funds	(2,355,054)	489
Inventory	(76,627)	-
Prepaid expenses and deposits	(157,070)	834
Accounts payable and due to other funds	1,933,885	269,081
Deferred revenue	<u>178,425</u>	<u>-</u>
 Net cash (used) by operating activities	 <u>\$ (49,043,320)</u>	 <u>\$ (75,105)</u>

NONCASH FINANCING AND INVESTING ACTIVITIES

The District financed \$735,028 of equipment during the year with new capital obligations.

OTHER

Cash and cash equivalents on the Statement of Net Assets consists of the following:

	<u>District</u>	<u>Foundation</u>
Cash and cash equivalents	\$ 6,203,204	\$ 794,221
Restricted cash and cash equivalents	<u>7,000,687</u>	<u>-</u>
	<u>\$ 13,203,891</u>	<u>\$ 794,221</u>

(The accompanying notes are an integral part of these financial statements)

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2009

ASSETS

Cash and cash equivalents	\$ 141,192
Accounts receivable	<u>200</u>

TOTAL ASSETS **\$ 141,392**

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 4,258
Due to other funds	<u>12,004</u>

TOTAL LIABILITIES **16,262**

NET ASSETS

Undesignated	<u>125,130</u>
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TOTAL NET ASSETS **125,130**

TOTAL LIABILITIES AND NET ASSETS **\$ 141,392**

(The accompanying notes are an integral part of these financial statements)

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2008

ASSETS

Cash and cash equivalents \$ 145,269

TOTAL ASSETS \$ 145,269

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable \$ 2,001

Due to other funds 10,201

TOTAL LIABILITIES 12,202

NET ASSETS

Undesignated 133,067

TOTAL NET ASSETS 133,067

TOTAL LIABILITIES AND NET ASSETS \$ 145,269

(The accompanying notes are an integral part of these financial statements)

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009

ADDITIONS	
Other local revenues	<u>\$ 168,224</u>
DEDUCTIONS	
Salaries	2,848
Employee benefits	257
Supplies and materials	86,486
Services and other operating expenses	75,790
Transfers to other funds, net	<u>10,780</u>
TOTAL DEDUCTIONS	<u>176,161</u>
CHANGE IN NET ASSETS	(7,937)
NET ASSETS, BEGINNING OF YEAR	<u>133,067</u>
NET ASSETS, END OF YEAR	<u>\$ 125,130</u>

(The accompanying notes are an integral part of these financial statements)

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2008

ADDITIONS

Other local revenues \$ 224,254

DEDUCTIONS

Salaries 850

Employee benefits 87

Supplies and materials 97,566

Services and other operating expenses 88,554

Transfers to other funds, net 1,850

TOTAL DEDUCTIONS 188,907

CHANGE IN NET ASSETS 35,347

NET ASSETS, BEGINNING OF YEAR 97,720

NET ASSETS, END OF YEAR \$ 133,067

(The accompanying notes are an integral part of these financial statements)

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

1) ORGANIZATION AND NATURE OF ACTIVITIES

Reporting Entity

The Mt. San Jacinto Community College District was formed in 1961 to provide access to higher education in Riverside County. The District consists of two campuses located in San Jacinto and Menifee.

The District includes all funds, account groups, and other entities that are controlled by or dependent on the District's governing board for financial reporting purposes. The District has considered all potential component units in determining how to define the reporting entity using criteria set forth in generally accepted accounting principles. For financial reporting purposes the Mt. San Jacinto College Foundation (the Foundation) is reported in the District's financial statements because of the significance of its relationship with the District. The Foundation, although a legally separate entity, is reported in the financial statements as if it were part of the District's operations because the governing board of the component unit is essentially the same as the governing board of the District and because its purpose is to provide support to the students and faculty of the District. Separate financial statements for the Foundation may be obtained through the District.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), and other authoritative sources identified in the Statements on Auditing Standards No. 69 of the American Institute of Certified Public Accountants and the requirements of contracts and grants of agencies from which it receives funds.

Basis of Accounting

The accounting policies and procedures used by the District are those recommended in the "Budget and Accounting Manual for California Community Colleges".

To ensure compliance with the California Education Code, the financial resources of the District are divided into separate funds for which separate accounts are maintained for recording cash, other resources and all related liabilities, obligations and equities.

For financial reporting purposes, the District is considered a special-purpose government engaged in business-type activities. Accordingly, the District's basic 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 significant intra-agency transactions have been eliminated.

Exceptions to the accrual basis of accounting are as follows:

Summer and Fall tuition and fees received before year-end are recorded as deferred revenue as of June 30 with the revenue being reported in the fiscal year in which the program is predominantly conducted. Summer session expenditures through June 30 are recorded as prepaid expenses.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

The Board of Trustees adopts an operating budget no later than July 1 in accordance with State law. This budget is revised by the Board of Trustees during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

In accordance with GASB Statement No. 20, the District follows all GASB statements issued prior to November 30, 1989 until subsequently amended, superceded or rescinded. The District has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989 unless FASB conflicts with GASB. The District has elected to not apply FASB pronouncements issued after the applicable date.

Cash and cash equivalents

Cash in the County Treasury is recorded at cost, which approximates fair value, in accordance with the requirements of GASB Statement No. 31. 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.

Accounts receivable

Accounts receivable consist primarily of accounts due from the Federal government, State and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

Inventory

Inventory is valued at average cost and consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are withdrawn from the stores inventory for consumption.

Memorandum Totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the prior year, from which the summarized information was derived.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents are those amounts externally restricted as to use pursuant to the requirements of the District's grants and contracts.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Capital assets

Capital assets are recorded at cost at the date of acquisition. Donated capital assets are recorded at their estimated fair value at the date of donation. For equipment, the District's capitalization policy includes all items with a unit cost of \$2,000 or more and an estimated useful life of greater than one year. Buildings as well as renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized.

The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend the asset's life is recorded in operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method with a half-year convention over the estimated useful lives of the assets, generally 50 years for buildings and land improvements, 10 years for equipment and vehicles and 3 years for technology.

Compensated Absences

Compensated absence costs are accrued when earned by employees. In accordance with GASB No. 16, accumulated unpaid employee vacation benefits are recognized as liabilities of the District.

Accumulated employee sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits for eligible employees when they retire.

Net assets

Invested in capital assets, net of related debt: This represents the District's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted net assets – expendable: Restricted expendable net assets include resources in which the District is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties. Expendable restricted net assets at June 30, 2009 consisted of \$1,503,790 for scholarships (Foundation), \$265,261 for the performing arts center (Foundation), and \$397,636 for grants and contracts (District).

Restricted net assets – nonexpendable: Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. Nonexpendable restricted net assets at June 30, 2009 consisted of \$1,216,340 for scholarships (Foundation).

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

2) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** – continued

Net assets- continued

Unrestricted net assets: Unrestricted net assets represent resources available to be used for transactions relating to the general operations of the District, and may be used at the discretion of the governing board, as designated, to meet current expenses for specific purposes.

State Apportionments

Certain current year apportionments from the State are based upon various financial and statistical information of the previous year.

Any prior year corrections due to the recalculation in February 2010 will be recorded in the year computed by the State.

Property Taxes

The property tax levy and due date is November 1. The tax lien date is March 1 and the tax collection dates are April 10 and December 10 of each year.

On-Behalf Payments

GASB Statement No. 24 requires that direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits to the State Teachers Retirement System on behalf of all Community College and school districts in California. However, a fiscal advisory was issued by the California Department of Education instructing districts not to record revenue and expenditures for these on-behalf payments.

Unapportioned Taxes and Deferred Revenue

Unapportioned Taxes not distributed to the District within 60 days after year end are recognized as income in the fiscal year in which they are received. However, a corresponding reduction in State revenue and the related deferred revenue is also recorded in order to properly reflect the District's annual base revenue.

Classification of Revenues

The District has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as student fees, net of scholarship discounts and allowances, and Federal and most State and local grants and contracts.

Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as State apportionments, taxes, and other revenue sources that are defined as nonoperating revenues by GASB No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting, and GASB No. 33, such as investment income.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statement of revenues, expenses, and changes in net assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the District, and the amount that is paid by students and/or third parties making payments on the students' behalf.

Certain governmental grants, such as Pell grants, and other Federal, State or nongovernmental programs, are recorded as operating revenues in the District's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the District has recorded a scholarship discount and allowance.

Use of Estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications

Certain reclassifications have been made to the 2008 amounts in order to conform to the 2009 presentation.

3) CASH AND INVESTMENTS

As provided for by the Education Code, Section 41001, a significant portion of the District's cash balances of most funds is deposited with the Riverside County Treasurer for the purpose of increasing interest earnings through County investment activities. The California Government Code requires California banks and savings and loan associations to secure the District's deposits by pledging government securities as collateral. The market value of pledged securities must equal 110 percent of an agency's deposits. California law also allows financial institutions to secure an agency's deposits by pledging first trust deed mortgage notes having a value of 150 percent of an agency's total deposits and collateral is considered to be held in the name of the District. Substantially all cash held by financial institutions is entirely insured or collateralized.

Cash and cash equivalents consisted of the following at June 30, 2009 and 2008:

Unrestricted:

2009

	<u>District</u>	<u>Foundation</u>	<u>Fiduciary</u>
Cash in County Treasury	\$ 9,640,056	\$ -	\$ -
Cash on hand and in bank	982,227	827,833	140,942
Cash in revolving fund	32,109	-	250
Total cash and cash equivalents	<u>\$ 10,654,392</u>	<u>\$ 827,833</u>	<u>\$ 141,192</u>

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

3) CASH AND INVESTMENTS – continued

<u>Restricted:</u>	<u>2009</u>		
	<u>District</u>	<u>Foundation</u>	<u>Fiduciary</u>
Cash in trust (see note 8)	<u>\$4,795,456</u>	<u>\$ -</u>	<u>\$ -</u>
Total cash and cash equivalents	<u>\$4,795,456</u>	<u>\$ -</u>	<u>\$ -</u>

<u>Unrestricted:</u>	<u>2008</u>		
	<u>District</u>	<u>Foundation</u>	<u>Fiduciary</u>
Cash in County Treasury	<u>\$5,146,321</u>	<u>\$ -</u>	<u>\$ -</u>
Cash on hand and in bank	<u>1,024,096</u>	<u>794,221</u>	<u>145,269</u>
Cash in revolving fund	<u>32,787</u>	<u>-</u>	<u>-</u>
Total cash and cash equivalents	<u>\$6,203,204</u>	<u>\$ 794,221</u>	<u>\$ 145,269</u>

<u>Restricted:</u>	<u>2008</u>		
	<u>District</u>	<u>Foundation</u>	<u>Fiduciary</u>
Cash in trust (see note 8)	<u>\$7,000,687</u>	<u>\$ -</u>	<u>\$ -</u>
Total cash and cash equivalents	<u>\$7,000,687</u>	<u>\$ -</u>	<u>\$ -</u>

Under provision of the District's investment policy, and in accordance with Section 53601 and 53602 of the California Government Code, the District may invest in the following types of investments:

- Securities of the U.S. Government, or its agencies
- Small Business Administration Loans
- Negotiable Certificates of Deposit
- Bankers' Acceptances
- Commercial Paper
- Local Agency Investment Fund (State Pool) Deposits
- Passbook Savings Account Demand Deposits
- Repurchase Agreements

Specifically identifiable investments are classified as to credit risk by three categories and summarized below as follows:

- Category 1 - includes investments that are insured or registered or for which securities are held in the District's name and deposits insured or collateralized with securities held by the District;

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

3) CASH AND INVESTMENTS – continued

Category 2 - includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the District's name and deposits collateralized with securities held by the pledging financial institution's trust department or agent in the District's name;

Category 3 - includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the district's name.

All certificates of deposit are collateralized as required by the California State law for any amount exceeding FDIC or FSLIC coverage. Collateral is held in trust by the institutions and monitored by the Sate Superintendent of Banking.

Investments held by the Foundation (a component unit of the District) are recorded at cost which approximates fair value, and consisted of the following at June 30, 2009 and 2008:

	<u>Category</u>			<u>Carrying Amount</u>	<u>Market Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
U.S. Treasury notes	\$ 316,747	\$ -	\$ -	\$ 316,747	\$ 316,747
GNMA notes	62,610	-	-	62,610	62,610
FNMA notes	1,769,625	-	-	1,769,625	1,769,625
State Bonds	97,520	-	-	97,520	97,520
Certificates of Deposit	94,942	-	-	94,942	94,942
	<u>\$2,341,444</u>	<u>\$ -</u>	<u>\$ -</u>	<u>2,341,444</u>	<u>2,341,444</u>

	<u>Category</u>			<u>Carrying Amount</u>	<u>Market Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
U.S. Treasury notes	\$ 318,441	\$ -	\$ -	\$ 318,441	\$ 318,441
GNMA notes	73,103	-	-	73,103	73,103
FNMA notes	1,956,935	-	-	1,956,935	1,956,935
State Bonds	97,411	-	-	97,411	97,411
Certificates of Deposit	96,176	-	-	96,176	96,176
	<u>\$2,542,066</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$2,542,066</u>	<u>\$2,542,066</u>

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

4) ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2009 and 2008:

<u>2009</u>	<u>District</u>	<u>Foundation</u>	<u>Fiduciary</u>
Federal	\$1,055,283	\$ -	\$ -
State	2,784,398	-	-
Other	3,898,609	11,394	200
Total accounts receivable	<u>\$7,738,290</u>	<u>\$ 11,394</u>	<u>\$ 200</u>

<u>2008</u>	<u>District</u>	<u>Foundation</u>	<u>Fiduciary</u>
Federal	\$ 912,149	\$ -	\$ -
State	3,332,059	-	-
Other	5,116,855	10,811	-
Total accounts receivable	<u>\$9,361,063</u>	<u>\$ 10,811</u>	<u>\$ -</u>

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

5) CAPITAL ASSETS

The following provides a summary of changes in capital assets, for the District only, for the years ended June 30, 2009 and 2008:

	<u>Balance</u>	<u>Net Change in</u>	<u>Balance</u>	<u>Net Change in</u>	<u>Balance</u>
	<u>June 30, 2007</u>	<u>Capital Assets</u>	<u>June 30, 2008</u>	<u>Capital Assets</u>	<u>June 30, 2009</u>
<u>Capital Assets</u>					
Land	\$ 2,859,121	\$ 3,478,145	\$ 6,337,266	\$ 89,683	\$ 6,426,949
Buildings	45,880,397	9,644,259	55,524,656	612,745	56,137,401
Site and site improvements	4,785,229	658,433	5,443,662	383,300	5,826,962
Equipment	7,861,020	6,717,130	14,578,150	1,175,838	15,753,988
Vehicles	627,442	195,851	823,293	(175,861)	647,432
Total cost	<u>\$62,013,209</u>	<u>\$ 20,693,818</u>	<u>\$ 82,707,027</u>	<u>\$ 2,085,705</u>	<u>\$ 84,792,732</u>

	<u>Balance</u>	<u>Net change in</u>	<u>Balance</u>	<u>Net Change in</u>	<u>Balance</u>
	<u>June 30, 2007</u>	<u>Accumulated</u>	<u>June 30, 2008</u>	<u>Accumulated</u>	<u>June 30, 2009</u>
		<u>Depreciation</u>		<u>Depreciation</u>	
<u>Accumulated Depreciation</u>					
Buildings	\$ 8,266,102	\$ 904,907	\$ 9,171,009	\$ 838,833	\$ 10,009,842
Site and site improvements	1,317,868	266,580	1,584,448	370,646	1,955,094
Equipment	3,291,202	769,122	4,060,324	1,013,506	5,073,830
Vehicles	457,658	(64,716)	392,942	66,845	459,787
Total accumulated depreciation	<u>13,332,830</u>	<u>1,875,893</u>	<u>15,208,723</u>	<u>2,289,830</u>	<u>17,498,553</u>
Net capital assets	<u>\$48,680,379</u>	<u>\$ 18,817,925</u>	<u>\$ 67,498,304</u>	<u>\$ (204,125)</u>	<u>\$ 67,294,179</u>

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

6) LINE OF CREDIT

The District had a revolving line of credit agreement with Zions First National Bank which provides for total borrowings not to exceed \$600,000. The line of credit was obtained for the District Bookstore and District Cafeteria in order to supplement cash flows and bears an adjustable rate of interest between 5.00 – 7.25% per annum. Principal and interest payments on the current balance are paid semi-annually on July 15 and January 15 of each year through the maturity date of January 15, 2008, whereby all remaining principal and interest are due and payable. This line of credit was paid in full during the year ended June 30, 2008.

7) LOAN PAYABLE

The District entered into a loan agreement with Zions First National Bank in the amount of \$1,150,000. The loan was obtained to assist in the property acquisition of land adjacent to the Menifee Valley Campus and bears an adjustable rate of interest, currently estimated at 6.0% per annum. This loan payable was paid in full during the year ended June 30, 2008.

The Foundation had a line of credit with the Bank of Hemet in the amount of \$215,000 with a fixed interest rate of 4.45%. The line of credit is secured by a certificate of deposit of \$225,000, also with the Bank of Hemet. The line of credit was paid in full during the year ended June 30, 2008.

8) 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% to 4.25%. 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, 2009 and 2008 amounted to \$661,941 and \$689,522 respectively.

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% to 5.0%. Debt issuance costs of \$267,000 and deferred charges of \$120,426 with additional costs of \$19,128 at June 30, 2009 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, 2009 and 2008 amounted to \$374,142 and \$369,426 respectively. 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, 2009 AND 2008

8) LEASE REVENUE BONDS -- continued

The lease payments will be made as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 250,000	\$ 548,600	\$ 798,600
2011	255,000	540,913	795,913
2012	265,000	532,613	797,613
2013	275,000	523,019	798,019
2014	285,000	512,569	797,569
2015-2019	1,610,000	2,384,634	3,994,634
2020-2024	1,960,000	2,023,092	3,983,092
2025-2029	2,430,000	1,557,826	3,987,826
2030-2034	2,540,000	969,508	3,509,508
2035-2038	<u>2,850,000</u>	<u>336,932</u>	<u>3,186,932</u>
Totals	<u>\$12,720,000</u>	<u>\$ 9,929,706</u>	<u>\$22,649,706</u>

9) CAPITAL LEASES

The District leases various equipment under capital lease agreements which provide for bargain purchase options or for title to pass upon expiration of the lease periods. Future minimum lease payments are as follows:

<u>Year ending June 30,</u>	<u>Lease Payments</u>
2010	\$ 552,373
2011	507,114
2012	244,674
2013	<u>125,885</u>
Total	1,430,046
Less: amount representing interest	<u>(177,966)</u>
Present value of net minimum lease payments	1,252,080
Current portion of lease payments	<u>(455,071)</u>
Long term portion of lease payments	<u>\$ 797,009</u>

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

10) GOLDEN HANDSHAKE AGREEMENTS

The District has adopted an early retirement incentive program (Golden Handshake) pursuant to Education Code Sections 22174 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, 2009 and 2008 is \$1,198,712 and \$1,112,020, respectively.

Retiree Information

Seventeen employees have retired in 2009 in exchange for additional two years of service credit.

<u>Positions Vacated</u>	<u>Age</u>	<u>Years of service</u>	<u>Retired Employee Salary and Benefits</u>	<u>Replacement Annual Salary and Benefits</u>
VP Business Svcs	68	1	\$ 173,472	\$ 174,563
Instructor	61	27	156,551	-
Clerical Assist III	62	10	52,885	41,562
Safety Officer II	65	12	49,678	45,322
Facilities Assist II	67	5	41,705	35,739
Secretary to Dean	60	9	62,281	58,781
Accounting Super	53	18	79,445	-
Accounting Assist	55	32	63,461	55,108
Dean Business Svcs	62	7	155,797	130,299
Secretary to Dean	55	10	60,705	62,281
Admin Assoc III	54	28	62,281	47,124
Clerical Assistant I	61	7	37,093	32,395
Admin Assoc II	57	9	56,871	-
Student Svcs Assist	57	13	54,303	-
HR Analyst	62	8	81,638	69,747
AP Supervisor	55	15	73,025	-
Clerical Assist III	55	4	26,685	26,708
Total			<u>\$ 1,287,876</u>	<u>\$ 779,629</u>

Additional Costs

As a result of this early retirement incentive program, the District expects to incur \$511,168 in additional costs. The breakdown in additional costs is presented below:

Retirement costs	\$ 446,494
Postretirement Health Benefits Costs	64,074
Administrative costs	600
Total additional costs	<u>\$ 511,168</u>

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

11) POST EMPLOYMENT BENEFITS

The District provides post-employment health care benefits, in accordance with District employment contracts to all employees who retire from the District on or after attaining age 55 with at least ten years of service. Currently, 45 employees meet those eligibility requirements. The District contributes up to the amount of benefit premium cost in the year of retirement incurred by retirees and their dependents; for trustees, the District contributes the full benefit cost. Expenditures for post-employment benefits are recognized on a pay-as-you-go basis, as premiums are paid. During the years ended June 30, 2009 and 2008 expenditures of \$226,607 and \$171,233, respectively, were recognized for retirees' health care benefits. The approximate accumulated future liability for the District at June 30, 2009 and 2008 amounted to approximately \$1,650,108 and \$1,200,139, respectively. This amount was calculated based upon the number of retirees receiving benefits multiplied by the yearly District payment per employee in effect at June 30, 2009 and 2008, multiplied by the number of years of payments remaining.

The District implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, during the year ended June 30, 2009. The District's annual required contribution for the year ended June 30, 2009, was \$371,772 and contributions made by the District during the year were \$376,076, which resulted in a net OPEB overpayment of \$4,304. See below for additional information regarding the OPEB obligation and the postemployment benefit plan.

The District provides postemployment health care benefits to eligible retirees in accordance with negotiated contracts with various bargaining units of the District. The District implemented the new reporting requirements of GASB Statement No. 45, *Accounting and Financial Report by Employers for Postemployment Benefits Other Than Pensions (OPEB)* prospectively for the fiscal ended June 30, 2009.

Plan Description

The plan is a single-employer OPEB defined benefit healthcare plan administrated by the Desert Community College District. The plan provides post employment medical benefits to eligible retirees and their dependents. Membership of the Plan consists of 433 active participants and 45 retirees.

Funding Policy

The contribution requirements are established and may be amended by the District and the District's bargaining units. The plan is currently funded on a projected pay-as-you-go basis. For fiscal year 2008-09, the District contributed \$376,076.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

11) POST EMPLOYMENT BENEFITS – continued

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$ 371,772
Contributions made	<u>(376,076)</u>
Decrease in net OPEB obligation	(4,304)
Net OPEB obligation, beginning of year*	-
Net OPEB obligation, end of year	<u>\$ (4,304)</u>

* Due to first year of GASB Statement No. 45 implementation.

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2009 was as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Annual Required</u> <u>Contribution</u>	<u>Percentage</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2009	\$ 371,772	100%	\$ (4,304)

Funding Status and Funding Progress

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. Since this is the first year of implementation, only the current year information is presented.

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 the District paying the contribution cost 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, 2009 AND 2008

11) POST EMPLOYMENT BENEFITS – continued

In the April 4, 2008, actuarial valuation, the Entry Age Normal cost method was used. The actuarial assumptions included a 5 percent investment rate of return, based on the assumed long-term return on plan assets. The inflation rate was assumed to be 3% per year. The cost trend rate used for the medical plan was 4% percent. The UAAL is being amortized at a level dollar method. The remaining amortization period is 30 years. There is no actuarial value of assets because those funds have not been placed in an irrevocable trust. The District has earmarked funds held in the County Treasury for funding of the OPEB obligation but has not elected to place those assets in an irrevocable trust; therefore, there is no actuarial value of plan assets.

12) LONG-TERM LIABILITIES

Long-term liabilities for the years ended June 30, 2009 and 2008 are summarized as follows:

	2009			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Lease revenue bonds	\$ 12,995,000	\$ -	\$ (275,000)	\$ 12,720,000
Capital leases	1,424,217	196,218	(368,355)	1,252,080
Golden Handshake Agreements	1,112,020	540,328	(453,636)	1,198,712
Post-employment benefits	1,200,139	676,576	(226,607)	1,650,108
	<u>\$ 16,731,376</u>	<u>\$ 1,413,122</u>	<u>\$ (1,323,598)</u>	<u>\$ 16,820,900</u>

	2008			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Line of credit	\$ 107,732	\$ -	\$ (107,732)	\$ -
Loan payable	185,863	-	(185,863)	-
Loan payable – Foundation	76,865	-	(76,865)	-
Lease revenue bonds	7,310,000	5,860,000	(175,000)	12,995,000
Capital leases	1,789,419	13,517	(378,719)	1,424,217
Golden Handshake Agreements	1,048,294	132,647	(68,921)	1,112,020
Post-employment benefits	771,808	599,564	(171,233)	1,200,139
	<u>\$11,289,981</u>	<u>\$ 6,605,728</u>	<u>\$ (1,164,333)</u>	<u>\$ 16,731,376</u>

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

13) EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System, and classified employees are members of the Public Employees' Retirement System.

Plan Description

State Teachers' Retirement System (STRS)

All full-time certificated employees participate in STRS, a cost-sharing multiple-employer contributory public employee retirement system. At June 30, 2009, the District employed 573 certificated employees with a total payroll of approximately \$21,668,261. At June 30, 2008, the District employed 479 certificated employees with a total payroll of approximately \$20,696,929.

The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from the STRS, 7667 Folsom Boulevard, Sacramento, California 95826.

California Public Employees Retirement System (PERS)

All full-time classified employees participate in PERS, an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. At June 30, 2009, the District employed 302 classified employees with a total payroll of approximately \$14,515,267. At June 30, 2008, the District employed 298 classified employees with a total payroll of approximately \$12,942,932. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan member and beneficiaries. Benefit provisions are established by state statute, as legislatively amended, within the Public Employees' Retirement Law. PERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the PERS annual financial report may be obtained from the PERS Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy

State Teachers' Retirement System (STRS)

Active plan members are required to contribute 8.0% 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 STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year ended June 30, 2009 and 2008 was 8.25% for both years. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal year ending June 30, 2009, 2008 and 2007 were \$1,787,588, \$1,708,685 and \$1,542,440 respectively, and equal to 100% of the required contributions for each year.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

13) EMPLOYEE RETIREMENT SYSTEMS - continued

California Public Employees Retirement System (PERS)

Active plan members are required to contribute 7.0% of their salary (7% of monthly salary over \$133.33 if the member participates in Social Security), and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used are those adopted by the PERS Board of Administration. The required employer contribution rate for fiscal year 2008/09 was 9.43% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contribution to CalPERS for fiscal year ending June 30, 2009, 2008 and 2007 were \$1,368,498, \$1,204,468 and \$1,132,820 respectively, and equal to 100% of the required contribution for each year.

14) COMMITMENTS AND CONTINGENCIES

Sick Leave

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. 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, therefore, are never paid for any sick leave balance at termination of employment or any other time. It is, therefore, not appropriate to accrue the value of accumulated sick leave.

State and Federal Allowances, Awards and Grants

The District has received State and Federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

Construction Commitments

The District had the following construction commitments as of June 30, 2009:

Remaining Construction Commitment

Capital Project:

Technology Building Construction/Equipment Phase	\$ 141,194
*Learning Resource Center Equipment Phase	127,431
*Classroom Building I Prelim Plans/Work Draw Phase	43,901
Classroom Building I Construction	<u>12,435,000</u>
Totals	<u>\$ 12,747,526</u>

* These projects are funded 100% by the State Chancellor's Office.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

15) PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

The District is a member of the Statewide Association of Community Colleges (SWACC), Community Colleges of Riverside County Self-Insurance Program for Employees (CCRCSIPE), Schools Excess Liability Fund (SELF) public entity risk pools, Protected Insurance Program for Schools (PIPS) and the Riverside County Employer/Employee Partnership for Benefits (REEP) joint powers authorities (JPA's). PIPS replaced the now dissolved CCCRMA. The District pays an annual premium to each entity for its health, workers' compensation, and property liability coverage. The relationships between the District, the pools and JPA's are such that they are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are available from the respective entities. The most recent available condensed audited financial information for public entity risk pools and joint powers authorities are as follows:

	<u>SWACC</u>	<u>CCRCSIPE</u>	<u>SELF</u>	<u>PIPS</u>	<u>REEP</u>
	<u>June 30, 2008</u>				
Assets	\$ 39,034,338	\$ 2,867,811	\$238,680,000	\$ 65,758,281	\$ 30,661,661
Liabilities	<u>19,175,367</u>	<u>793,291</u>	<u>189,962,000</u>	<u>41,930,893</u>	<u>10,589,081</u>
Fund Equity	<u>\$ 19,858,971</u>	<u>\$ 2,074,520</u>	<u>\$ 48,718,000</u>	<u>\$ 23,827,388</u>	<u>\$ 20,072,580</u>
Revenue	\$ 8,395,789	\$ 437,293	\$ 26,543,000	\$ 4,451,791	\$115,026,053
Expenses	8,769,388	431,909	17,833,000	4,430,778	108,491,810
Net non-operating Income / (expense)	<u>2,344,330</u>	<u>90,650</u>	<u>9,898,000</u>	<u>2,561,631</u>	<u>935,721</u>
Net Increase (Decrease) In Fund Equity	<u>\$ 1,970,731</u>	<u>\$ 96,034</u>	<u>\$ 18,608,000</u>	<u>\$ 2,582,644</u>	<u>\$ 7,469,964</u>

16) REAL PROPERTY PURCHASE OPTION

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

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

17) ADDITION OF LAND

The District was involved in litigation over the initiation of eminent domain action concerning the purchase of thirty acres of land adjacent to the Menifee Valley campus. The property was being acquired as additional land for the expansion of the District's facilities. The District deposited the sum of \$1,789,000 with the State Treasurer's Condemnation Fund towards the probably compensation for the land. A settlement was reached in which the District acquired the property. Effective July 2007, the District was required to pay a total amount of \$3,200,000 (inclusive of the \$1,789,000) including interest of \$591,655.

18) CONTINGENCIES

The District is involved from time to time in claims arising in the ordinary course of its business. While the ultimate liability, if any, arising from these claims cannot be predicted with certainty, the District believes that the resolution of these matters will not likely have a material effect on the District's statement of net assets, statement of revenues, expenses and changes in net assets.

19) SUBSEQUENT EVENTS

Statement of Financial Accounting Standards #165 requires that Mr. San Jacinto Community College District assess and disclose the date and the basis for that date through which potential subsequent events have been evaluated. The date represents the date the financial statements were issued or were available to be issued. The District evaluates all potential subsequent events as of December 2, 2009, when the financial statements were authorized and available to be issued. The following subsequent transaction was identified as of December 2, 2009 that requires disclosure to the financial statements:

On July 1, 2009 the District entered into a tax and revenue anticipation note in the amount of \$6,420,000 with an interest rate of 4% maturing July 1, 2010. These funds were provided by the County of Riverside to supplement cash flows during the year July 1, 2009 through June 30, 2010.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

20) FUNCTIONAL EXPENSE:

Functional expenses, for the District only, for the year ended June 30, 2009 and 2008, consisted of the following:

<u>2009</u>	Salaries	Employee Benefits	Supplies, Material & Other Expenses & Services	Financial Aid	Depreciation	Total
Instructional Activities	\$ 22,671,009	\$ 3,864,718	\$ 1,572,772	\$ -	-	\$ 28,108,499
Academic Support	4,063,181	1,319,071	891,694	-	-	6,273,946
Student Services	5,723,762	1,377,007	4,305,122	-	-	11,405,891
Operation & Maintenance of Plant	1,452,867	506,296	2,086,059	-	-	4,045,222
Institutional Support Services	4,697,128	1,738,628	3,917,536	-	-	10,353,292
Community Services & Economic Development	630,705	146,876	1,028,759	-	-	1,806,340
Ancillary Services & Auxiliary Operations	2,863,573	787,413	674,265	-	-	4,325,251
Physical Property & Related Acquisitions	3,814	730	2,775,167	-	-	2,779,711
Transfers, Student Aid & Other Outgo	-	-	34,903	11,511,469	-	11,546,372
Depreciation Expense	-	-	-	-	124,177	124,177
GASB 35 adjustment	-	706,126	(2,641,479)	-	2,165,652	230,299
Total	\$ 42,106,039	\$ 10,446,865	\$ 14,644,798	\$ 11,511,469	\$ 2,289,829	\$ 80,999,000
<u>2008</u>						
Instructional Activities	\$ 21,227,979	\$ 3,984,853	\$ 1,418,874	\$ -	-	\$ 26,631,706
Academic Support	3,749,126	1,018,472	1,037,810	-	-	5,805,408
Student Services	5,419,961	1,512,462	4,697,357	-	-	11,629,780
Operation & Maintenance of Plant	1,262,224	544,659	1,916,994	-	-	3,723,877
Institutional Support Services	4,287,195	1,611,774	4,145,648	-	-	10,044,617
Community Services & Economic Development	510,089	170,146	653,808	-	-	1,334,043
Ancillary Services & Auxiliary Operations	2,590,546	756,552	676,109	-	-	4,023,207
Physical Property & Related Acquisitions	38,239	7,084	24,071,453	-	-	24,116,776
Transfers, Student Aid & Other Outgo	-	-	-	8,204,633	-	8,204,633
Depreciation Expense	-	-	-	-	135,299	135,299
GASB 35 adjustment	-	712,994	(21,459,372)	-	1,740,594	(19,005,784)
Total	\$ 39,085,359	\$ 10,318,996	\$ 17,158,681	\$ 8,204,633	\$ 1,875,893	\$ 76,643,562



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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

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 for the years ended June 30, 2009 and 2008, and have issued our report thereon dated December 2, 2009. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic 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 and the standards identified by the California Community Colleges Contracted District Audit Manual, issued by the California State Chancellor's office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the financial statements of the business-type activities and discretely presented component unit of Mt. San Jacinto Community College District, which collectively comprise the District's basic financial statements. The accompanying supplementary information, listed in the Table of Contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the District.

The information in the supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented, in all material respects in relation to the basic financial statements taken as a whole.

December 2, 2009

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

COMBINING STATEMENT OF NET ASSETS - DISTRICT

JUNE 30 2009

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Bookstore</u>	<u>Cafeteria</u>
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 9,092,703	\$ 516,946	\$ 698,943	\$ 27,599
Accounts receivable, net	6,085,968	380,695	535,608	3,973
Due from other funds	711,499	714	173,964	2,153
Inventories	1,461	-	661,376	3,709
Prepaid expenses and deposits	<u>647,776</u>	<u>250,000</u>	<u>1,694</u>	<u>-</u>
Total Current Assets	<u>16,539,407</u>	<u>1,148,355</u>	<u>2,071,585</u>	<u>37,434</u>
Non-Current Assets:				
Restricted cash and cash equivalents	-	4,795,456	-	-
Debt issuance costs and deferred charges, net	-	1,036,083	-	-
Capital Assets, net of accumulated depreciation	<u>-</u>	<u>-</u>	<u>314,749</u>	<u>37,619</u>
Total Non-Current Assets	<u>-</u>	<u>5,831,539</u>	<u>314,749</u>	<u>37,619</u>
TOTAL ASSETS	<u>\$ 16,539,407</u>	<u>\$ 6,979,894</u>	<u>\$ 2,386,334</u>	<u>\$ 75,053</u>

(continued)

Child Development Fund	Self - Insurance Fund	Student Financial Aid Fund	GASB 35 Adjustments	Total
\$ 68,584	\$ 214,317	\$ 35,300	\$ -	\$ 10,654,392
136,098	82,045	513,903	-	7,738,290
216,642	-	18,667	(1,096,463)	27,176
-	-	-	-	666,546
-	-	-	-	899,470
<u>421,324</u>	<u>296,362</u>	<u>567,870</u>	<u>(1,096,463)</u>	<u>19,985,874</u>
-	-	-	-	4,795,456
-	-	-	-	1,036,083
-	-	-	<u>66,941,811</u>	<u>67,294,179</u>
-	-	-	<u>66,941,811</u>	<u>73,125,718</u>
<u>\$ 421,324</u>	<u>\$ 296,362</u>	<u>\$ 567,870</u>	<u>\$ 65,845,348</u>	<u>\$ 93,111,592</u>

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

COMBINING STATEMENT OF NET ASSETS - DISTRICT - (continued)

JUNE 30 2009

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Bookstore</u>
LIABILITIES AND NET ASSETS			
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 6,415,037	\$ 333,125	\$ 383,712
Due to other funds	233,786	114,489	138,259
Deferred revenue	1,878,868	-	-
Lease revenue bonds - current portion	-	-	-
Compensated absences	-	-	-
Capital leases - current portion	-	-	-
Golden Handshake agreement	-	-	-
Total Current liabilities	<u>8,527,691</u>	<u>447,614</u>	<u>521,971</u>
Non-current liabilities:			
Lease revenue bonds	-	-	-
Capital leases	-	-	-
Post-employment benefits	-	-	-
Golden Handshake agreements	-	-	-
Total Non-Current Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>8,527,691</u>	<u>447,614</u>	<u>521,971</u>
NET ASSETS			
Invested in capital assets, net of related debt	-	-	-
Restricted for:			
Grants and contracts	303,939	-	-
Unrestricted	<u>7,707,777</u>	<u>6,532,280</u>	<u>1,864,363</u>
TOTAL NET ASSETS	<u>8,011,716</u>	<u>6,532,280</u>	<u>1,864,363</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 16,539,407</u>	<u>\$ 6,979,894</u>	<u>\$ 2,386,334</u>

(continued)

<u>Cafeteria</u>	<u>Child Development Fund</u>	<u>Self - Insurance Fund</u>	<u>Student Financial Aid Fund</u>	<u>GASB 35 Adjustments</u>	<u>Total</u>
\$ 15,208	\$ 45,973	\$ 56,577	\$ 453,705	\$ (146,806)	\$ 7,556,531
59,845	375,351	39	20,468	(942,237)	-
-	-	13,691	-	-	1,892,559
-	-	-	-	250,000	250,000
-	-	-	-	1,306,071	1,306,071
-	-	-	-	455,071	455,071
-	-	-	-	493,990	493,990
<u>75,053</u>	<u>421,324</u>	<u>70,307</u>	<u>474,173</u>	<u>1,416,089</u>	<u>11,954,222</u>
-	-	-	-	12,470,000	12,470,000
-	-	-	-	797,009	797,009
-	-	-	-	1,650,108	1,650,108
-	-	-	-	704,722	704,722
-	-	-	-	15,621,839	15,621,839
<u>75,053</u>	<u>421,324</u>	<u>70,307</u>	<u>474,173</u>	<u>17,037,928</u>	<u>27,576,061</u>
-	-	-	-	64,988,784.00	64,988,784.00
-	-	-	93,697	-	397,636
-	-	226,055	-	(16,181,364)	149,111
-	-	226,055	93,697	48,807,420	65,535,531
<u>\$ 75,053</u>	<u>\$ 421,324</u>	<u>\$ 296,362</u>	<u>\$ 567,870</u>	<u>\$ 65,845,348</u>	<u>\$ 93,111,592</u>

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

COMBINING STATEMENT OF NET ASSETS - DISTRICT

JUNE 30 2008

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Bookstore</u>	<u>Cafeteria</u>
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 4,659,282	\$ 592,061	\$ 505,066	\$ 28,796
Accounts receivable, net	6,952,170	1,454,003	306,748	9,458
Due from other funds	1,045,929	189,851	343,149	1,847
Inventories	1,690	-	678,825	16,715
Prepaid expenses and deposits	<u>518,316</u>	<u>250,000</u>	<u>-</u>	<u>-</u>
Total Current Assets	<u>13,177,387</u>	<u>2,485,915</u>	<u>1,833,788</u>	<u>56,816</u>
Non-Current Assets:				
Restricted cash and cash equivalents	-	7,000,687	-	-
Debt issuance costs and deferred charges, net	-	1,058,948	-	-
Capital Assets, net of accumulated depreciation	<u>-</u>	<u>-</u>	<u>401,849</u>	<u>53,280</u>
Total Non-Current Assets	<u>-</u>	<u>8,059,635</u>	<u>401,849</u>	<u>53,280</u>
TOTAL ASSETS	<u>\$ 13,177,387</u>	<u>\$ 10,545,550</u>	<u>\$ 2,235,637</u>	<u>\$ 110,096</u>

(continued)

Child Development Fund	Self - Insurance Fund	Student Financial Aid Fund	GASB 35 Adjustments	Total
\$ 62,777	\$ 278,956	\$ 76,266	\$ -	\$ 6,203,204
262,548	6,920	369,216	-	9,361,063
157,973	-	17,862	(1,454,082)	302,529
-	-	-	-	697,230
-	-	-	-	768,316
<u>483,298</u>	<u>285,876</u>	<u>463,344</u>	<u>(1,454,082)</u>	<u>17,332,342</u>
-	-	-	-	7,000,687
-	-	-	-	1,058,948
-	-	-	67,043,175	67,498,304
-	-	-	67,043,175	75,557,939
<u>\$ 483,298</u>	<u>\$ 285,876</u>	<u>\$ 463,344</u>	<u>\$ 65,589,093</u>	<u>\$ 92,890,281</u>

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

COMBINING STATEMENT OF NET ASSETS - DISTRICT - (continued)

JUNE 30 2008

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Bookstore</u>	<u>Cafeteria</u>
LIABILITIES AND NET ASSETS				
LIABILITIES				
Current Liabilities:				
Accounts payable	\$ 6,253,896	\$ 747,836	\$ 460,670	\$ 15,644
Due to other funds	373,489	104,830	114,125	94,452
Deferred revenue	1,888,318	-	-	-
Lease revenue bonds - current portion	-	-	-	-
Compensated absences	-	-	-	-
Capital leases - current portion	-	-	-	-
Golden Handshake agreement	-	-	-	-
Total Current liabilities	<u>8,515,703</u>	<u>852,666</u>	<u>574,795</u>	<u>110,096</u>
Non-current liabilities:				
Lease revenue bonds	-	-	-	-
Capital leases	-	-	-	-
Post-employment benefits	-	-	-	-
Golden Handshake agreements	-	-	-	-
Total Non-Current Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>8,515,703</u>	<u>852,666</u>	<u>574,795</u>	<u>110,096</u>
NET ASSETS				
Invested in capital assets, net of related debt	-	-	-	-
Restricted for:				
Grants and contracts	113,888	-	-	-
Unrestricted	<u>4,547,796</u>	<u>9,692,884</u>	<u>1,660,842</u>	<u>-</u>
TOTAL NET ASSETS	<u>4,661,684</u>	<u>9,692,884</u>	<u>1,660,842</u>	<u>-</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 13,177,387</u>	<u>\$ 10,545,550</u>	<u>\$ 2,235,637</u>	<u>\$ 110,096</u>

(continued)

Child Development Fund	Self - Insurance Fund	Student Financial Aid Fund	GASB 35 Adjustments	Total
\$ 18,988	\$ 39,945	\$ 365,906	\$ (146,806)	\$ 7,756,079
464,310	-	12,527	(1,163,733)	-
-	15,065	-	-	1,903,383
-	-	-	275,000	275,000
-	-	-	1,136,606	1,136,606
-	-	-	368,355	368,355
-	-	-	167,162	167,162
<u>483,298</u>	<u>55,010</u>	<u>378,433</u>	<u>636,584</u>	<u>11,606,585</u>
-	-	-	12,720,000	12,720,000
-	-	-	1,055,862	1,055,862
-	-	-	1,200,139	1,200,139
-	-	-	944,858	944,858
-	-	-	15,920,859	15,920,859
<u>483,298</u>	<u>55,010</u>	<u>378,433</u>	<u>16,557,443</u>	<u>27,527,444</u>
-	-	-	65,152,061	65,152,061
-	-	84,911	-	198,799
-	230,866	-	(16,120,411)	11,977
-	230,866	84,911	49,031,650	65,362,837
<u>\$ 483,298</u>	<u>\$ 285,876</u>	<u>\$ 463,344</u>	<u>\$ 65,589,093</u>	<u>\$ 92,890,281</u>

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

**COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - DISTRICT
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Bookstore</u>	<u>Cafeteria</u>
OPERATING REVENUES				
Enrollment, tuition and other fees (gross)	\$ 8,242,530	\$ -	\$ -	\$ -
Less: Scholarship discounts and allowances	<u>(3,412,265)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net enrollment, tuition and other fees	4,830,265	-	-	-
Grants and contracts, non-capital				
Federal	2,210,785	-	-	-
State	4,186,114	-	-	-
Local	412,761	740,727	-	-
Auxiliary enterprise sales and charges, net	<u>-</u>	<u>-</u>	<u>4,802,558</u>	<u>468,270</u>
TOTAL OPERATING REVENUES	<u>11,639,925</u>	<u>740,727</u>	<u>4,802,558</u>	<u>468,270</u>
OPERATING EXPENSES				
Salaries	39,921,272	3,814	580,474	145,570
Employee benefits	9,141,546	730	136,508	32,610
Supplies, materials and other operating expenses and services	8,545,605	2,811,663	3,627,541	420,427
Financial aid	386,608	-	-	-
Utilities	1,701,640	924	-	-
Depreciation	<u>-</u>	<u>-</u>	<u>105,551</u>	<u>18,626</u>
TOTAL OPERATING EXPENSES	<u>59,696,671</u>	<u>2,817,131</u>	<u>4,450,074</u>	<u>617,233</u>
TOTAL OPERATING INCOME (LOSS)	<u>\$ (48,056,746)</u>	<u>\$ (2,076,404)</u>	<u>\$ 352,484</u>	<u>\$ (148,963)</u>

(continued)

Child Development Fund	Self - Insurance Fund	Student Financial Aid Fund	GASB 35 Adjustments	Total
\$ 226,944	\$ -	\$ -	\$ -	\$ 8,469,474
-	-	-	-	(3,412,265)
226,944	-	-	-	5,057,209
92,377	-	9,858,741	-	12,161,903
1,168,771	-	701,123	-	6,056,008
216,218	83,212	574	-	1,453,492
-	-	-	-	5,270,828
1,704,310	83,212	10,560,438	-	29,999,440
1,408,952	45,957	-	-	42,106,039
420,888	8,457	-	706,126	10,446,865
74,485	98,808	4,879	(2,641,479)	12,941,929
4,292	-	11,120,569	-	11,511,469
305	-	-	-	1,702,869
-	-	-	2,165,652	2,289,829
1,908,922	153,222	11,125,448	230,299	80,999,000
\$ (204,612)	\$ (70,010)	\$ (565,010)	\$ (230,299)	\$ (50,999,560)

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

**COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - DISTRICT - (continued)
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Bookstore</u>	<u>Cafeteria</u>
NON-OPERATING				
REVENUE (EXPENSES)				
State apportionments, non-capital	\$ 24,094,477	\$ -	\$ -	\$ -
Local property taxes	24,212,765	-	-	-
State taxes and other revenues	2,011,182	85,033	-	-
Other non-operating revenues	138,383	102,481	-	-
Investment income, net	215,963	32,887	-	-
Interest expense	-	-	-	-
TOTAL NON-OPERATING REVENUES				
(EXPENSES)	<u>50,672,770</u>	<u>220,401</u>	<u>-</u>	<u>-</u>
OTHER REVENUES, (EXPENSES),				
GAINS OR (LOSSES)				
Interfund transfers and other, net	734,007	(1,567,480)	(148,963)	148,963
State apportionments, capital	-	262,880	-	-
TOTAL OTHER REVENUES,				
(EXPENSES), GAINS OR (LOSSES)	<u>734,007</u>	<u>(1,304,600)</u>	<u>(148,963)</u>	<u>148,963</u>
INCREASE (DECREASE)				
IN NET ASSETS	3,350,031	(3,160,603)	203,521	-
NET ASSETS, BEGINNING OF YEAR	<u>4,661,685</u>	<u>9,692,883</u>	<u>1,660,842</u>	<u>-</u>
NET ASSETS, END OF YEAR	<u>\$ 8,011,716</u>	<u>\$ 6,532,280</u>	<u>\$ 1,864,363</u>	<u>\$ -</u>

<u>Child Development Fund</u>	<u>Self - Insurance Fund</u>	<u>Student Financial Aid Fund</u>	<u>GASB 35 Adjustments</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ 24,094,477
-	-	-	-	24,212,765
-	-	-	-	2,096,215
-	-	-	-	240,864
-	5,199	-	-	254,049
-	-	-	(130,054)	(130,054)
-	5,199	-	(130,054)	50,768,316
204,612	60,000	573,796	136,123	141,058
-	-	-	-	262,880
<u>204,612</u>	<u>60,000</u>	<u>573,796</u>	<u>136,123</u>	<u>403,938</u>
-	(4,811)	8,786	(224,230)	172,694
-	230,866	84,911	49,031,650	65,362,837
<u>\$ -</u>	<u>\$ 226,055</u>	<u>\$ 93,697</u>	<u>\$ 48,807,420</u>	<u>\$ 65,535,531</u>

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

**COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - DISTRICT
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Bookstore</u>	<u>Cafeteria</u>
OPERATING REVENUES				
Enrollment, tuition and other fees (gross)	\$ 7,205,673	\$ -	\$ -	\$ -
Less: Scholarship discounts and allowances	<u>(2,543,427)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net enrollment, tuition and other fees	4,662,246	-	-	-
Grants and contracts, non-capital				
Federal	2,222,926	-	-	-
State	3,961,497	-	-	-
Local	372,768	852,819	-	-
Auxiliary enterprise sales and charges, net	<u>-</u>	<u>-</u>	<u>4,721,947</u>	<u>377,981</u>
TOTAL OPERATING REVENUES	<u>11,219,437</u>	<u>852,819</u>	<u>4,721,947</u>	<u>377,981</u>
OPERATING EXPENSES				
Salaries	37,136,099	16,347	491,189	153,582
Employee benefits	8,988,430	4,108	148,749	48,133
Supplies, materials and other operating expenses and services	11,451,680	21,430,738	3,746,282	301,543
Financial aid	430,492	-	-	-
Utilities	1,552,364	18,331	-	-
Depreciation	<u>-</u>	<u>-</u>	<u>117,823</u>	<u>17,476</u>
TOTAL OPERATING EXPENSES	<u>59,559,065</u>	<u>21,469,524</u>	<u>4,504,043</u>	<u>520,734</u>
TOTAL OPERATING INCOME (LOSS)	<u>\$ (48,339,628)</u>	<u>\$ (20,616,705)</u>	<u>\$ 217,904</u>	<u>\$ (142,753)</u>

(continued)

<u>Child Development Fund</u>	<u>Self - Insurance Fund</u>	<u>Student Financial Aid Fund</u>	<u>GASB 35 Adjustments</u>	<u>Total</u>
\$ 142,177	\$ -	\$ -	\$ -	\$ 7,347,850
-	-	-	-	(2,543,427)
142,177	-	-	-	4,804,423
86,061	-	6,667,438	-	8,976,425
1,151,834	-	622,150	-	5,735,481
204,744	135,840	362	-	1,566,533
-	-	-	-	5,099,928
<u>1,584,816</u>	<u>135,840</u>	<u>7,289,950</u>	-	<u>26,182,790</u>
1,249,857	38,285	-	-	39,085,359
406,728	9,854	-	712,994	10,318,996
44,655	69,087	3,373	(21,459,372)	15,587,986
3,527	-	7,770,614	-	8,204,633
-	-	-	-	1,570,695
-	-	-	1,740,594	1,875,893
<u>1,704,767</u>	<u>117,226</u>	<u>7,773,987</u>	<u>(19,005,784)</u>	<u>76,643,562</u>
\$ (119,951)	\$ 18,614	\$ (484,037)	\$ 19,005,784	\$ (50,460,772)

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

**COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - DISTRICT - (continued)
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Bookstore</u>	<u>Cafeteria</u>
NON-OPERATING				
REVENUE (EXPENSES)				
State apportionments, non-capital	\$ 23,687,461	\$ -	\$ -	\$ -
Local property taxes	23,733,120	-	-	-
State taxes and other revenues	2,144,946	-	-	-
Other non-operating revenues	3,083,979	15,563,915	-	-
Investment income, net	375,868	204,768	-	-
Interest expense	-	-	-	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>53,025,374</u>	<u>15,768,683</u>	<u>-</u>	<u>-</u>
OTHER REVENUES, (EXPENSES), GAINS OR (LOSSES)				
Interfund transfers and other, net	(3,297,980)	3,118,029	(142,753)	142,753
State apportionments, capital	-	3,764,642	-	-
TOTAL OTHER REVENUES, (EXPENSES), GAINS OR (LOSSES)	<u>(3,297,980)</u>	<u>6,882,671</u>	<u>(142,753)</u>	<u>142,753</u>
INCREASE (DECREASE) IN NET ASSETS	1,387,766	2,034,649	75,151	-
NET ASSETS, BEGINNING OF YEAR	<u>3,273,919</u>	<u>7,658,234</u>	<u>1,585,691</u>	<u>-</u>
NET ASSETS, END OF YEAR	<u>\$ 4,661,685</u>	<u>\$ 9,692,883</u>	<u>\$ 1,660,842</u>	<u>\$ -</u>

<u>Child Development Fund</u>	<u>Self - Insurance Fund</u>	<u>Student Financial Aid Fund</u>	<u>GASB 35 Adjustments</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ 23,687,461
-	-	-	-	23,733,120
-	-	-	-	2,144,946
-	-	-	(5,860,000)	12,787,894
-	9,882	-	-	590,518
-	-	-	(116,067)	(116,067)
<u>-</u>	<u>9,882</u>	<u>-</u>	<u>(5,976,067)</u>	<u>62,827,872</u>
119,951	60,000	501,294	(67,188)	434,106
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,764,642</u>
<u>119,951</u>	<u>60,000</u>	<u>501,294</u>	<u>(67,188)</u>	<u>4,198,748</u>
-	88,496	17,257	12,962,529	16,565,848
-	142,370	67,654	36,069,121	48,796,989
<u>\$ -</u>	<u>\$ 230,866</u>	<u>\$ 84,911</u>	<u>\$ 49,031,650</u>	<u>\$ 65,362,837</u>

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

COMBINING STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2009

	Associated Students Trust Fund	Student Representation Fee Trust Fund	Other Trust Funds	GASB 35 Adjustments	Total
ASSETS					
Cash and cash equivalents	\$ 135,815	\$ 5,127	\$ 250	\$ -	\$ 141,192
Accounts receivable	-	-	200	-	200
Due from other funds	-	25	95,538	(95,563)	-
TOTAL ASSETS	\$ 135,815	\$ 5,152	\$ 95,988	\$ (95,563)	\$ 141,392

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 2,259	\$ 1,535	\$ 464	\$ -	\$ 4,258
Due to other funds	97,274	-	10,293	(95,563)	12,004
TOTAL LIABILITIES	99,533	1,535	10,757	(95,563)	16,262
NET ASSETS					
Undesignated	36,282	3,617	85,231	-	125,130
TOTAL NET ASSETS	36,282	3,617	85,231	-	125,130
TOTAL LIABILITIES AND NET ASSETS	\$ 135,815	\$ 5,152	\$ 95,988	\$ (95,563)	\$ 141,392

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

COMBINING STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2008

	Associated Students Trust Fund	Student Representation Fee Trust Fund	Other Trust Funds	GASB 35 Adjustments	Total
ASSETS					
Cash and cash equivalents	\$ 140,667	\$ 4,302	\$ 300	\$ -	\$ 145,269
Due from other funds	-	-	91,695	(91,695)	-
TOTAL ASSETS	\$ 140,667	\$ 4,302	\$ 91,995	\$ (91,695)	\$ 145,269

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 1,835	-	\$ 166	-	\$ 2,001
Due to other funds	97,876	-	4,020	(91,695)	10,201
TOTAL LIABILITIES	99,711	-	4,186	(91,695)	12,202

NET ASSETS

Undesignated	40,956	4,302	87,809	-	133,067
TOTAL NET ASSETS	40,956	4,302	87,809	-	133,067
TOTAL LIABILITIES AND NET ASSETS	\$ 140,667	\$ 4,302	\$ 91,995	\$ (91,695)	\$ 145,269

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED JUNE 20, 2009**

	Associated Students Trust Fund	Student Representation Fee Trust Fund	Other Trust Funds	GASB 35 Adjustments	Total
ADDITIONS					
Other local revenues	\$ 52,808	\$ 1,021	\$ 114,395	\$ -	\$ 168,224
DEDUCTIONS					
Salaries	-	-	2,848	-	2,848
Employee benefits	-	-	257	-	257
Supplies and materials	14,840	162	71,484	-	86,486
Services and other operating expenses	34,042	1,544	40,204	-	75,790
Transfers to other funds, net	8,600	-	2,180	-	10,780
TOTAL DEDUCTIONS	<u>57,482</u>	<u>1,706</u>	<u>116,973</u>	<u>-</u>	<u>176,161</u>
CHANGE IN NET ASSETS	(4,674)	(685)	(2,578)	-	(7,937)
NET ASSETS, BEGINNING OF YEAR	<u>40,956</u>	<u>4,302</u>	<u>87,809</u>	<u>-</u>	<u>133,067</u>
NET ASSETS, END OF YEAR	<u>\$ 36,282</u>	<u>\$ 3,617</u>	<u>\$ 85,231</u>	<u>\$ -</u>	<u>\$ 125,130</u>

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED JUNE 20, 2008**

	Associated Students Trust Fund	Student Representation Fee Trust Fund	Other Trust Funds	GASB 35 Adjustments	Total
ADDITIONS					
Other local revenues	\$ 56,409	\$ 969	\$ 166,876	\$ -	\$ 224,254
DEDUCTIONS					
Salaries	-	-	850	-	850
Employee benefits	-	-	87	-	87
Supplies and materials	8,923	-	88,643	-	97,566
Services and other operating expenses	25,319	-	63,235	-	88,554
Transfers to other funds, net	8,700	-	(6,850)	-	1,850
TOTAL DEDUCTIONS	<u>42,942</u>	<u>-</u>	<u>145,965</u>	<u>-</u>	<u>188,907</u>
CHANGE IN NET ASSETS	13,467	969	20,911	-	35,347
NET ASSETS, BEGINNING OF YEAR	<u>27,489</u>	<u>3,333</u>	<u>66,898</u>	<u>-</u>	<u>97,720</u>
NET ASSETS, END OF YEAR	<u>\$ 40,956</u>	<u>\$ 4,302</u>	<u>\$ 87,809</u>	<u>\$ -</u>	<u>\$ 133,067</u>

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

BOARD OF TRUSTEES AND ORGANIZATION

JUNE 30, 2009

The Mt. San Jacinto Community College District was formed in 1961. Currently, two campuses are in operation, the San Jacinto Campus and the Menifee Valley Campus. The College District serves the communities of San Jacinto, Hemet, Perris, Banning, Beaumont, Temecula, Murrieta, Menifee, Sun City, Idyllwild, and Lake Elsinore.

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Joan F. Sparkman	President	2011
Eugene V. Kadow	Clerk	2011
Dorothy McGargill	Trustee	2011
Ann Motte	Trustee	2013
Gwendolyn Schlange	Trustee	2013

ADMINISTRATION

Mr. Roger Schultz
Superintendent/President

Ms. Becky Elam
Vice President, Business Services

Dr. William Vincent
Vice President, Student Services

Dr. Dennis Anderson
Vice President, Instructional Services

Ms. Irma Ramos
Vice President, Human Resources

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION

JUNE 30, 2009 AND 2008

1) PURPOSE OF SCHEDULES

a. **Schedule of Workload Measure for State General Apportionment**

This schedule shows the basis of apportionment of the District's annual source of funding.

b. **Reconciliation of Annual Financial and Budget Report with Audited Financial Statements**

This schedule provides the information necessary to reconcile the fund balances of all funds as reported on the Form CCFS – 311 to the audited financial statements.

c. **Schedule of Expenditures of Federal Awards**

This schedule provides financial information relating to Federal financial assistance programs administered by the District.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT
ANNUALIZED ATTENDANCE OF IN-STATE STUDENTS AS OF JUNE 30, 2009

Categories

A. Credit Full-Time Equivalent Student (FTES)	
1. Weekly census	9,175
2. Daily census	1,486
3. Actual hour of attendance	30
4. Independent Study/Work Experience	27
5. Summer intersession	<u>442</u>
Total	11,160
B. Noncredit FTES	
1. Actual hour of attendance	453
2. Summer intersession	18
C. Credit Student Headcount	
1. Fall Session – 2008	17,273
2. Spring Session – 2009	17,848
D. Gross Square footage	458,596

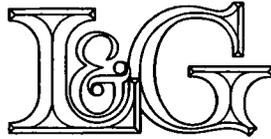
MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311)
WITH AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2009

All fund balances as reported on Form CCFS-311 were in agreement to the audited financial statements.

This schedule provides the information necessary to reconcile the fund balances of all funds as reported on the Form CCFS-311 to the audited financial statements.



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of Mt. San Jacinto Community College District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. The Districts' major federal programs are identified in the summary of auditor's 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 the Districts' management. Our responsibility is to express an opinion on the Districts' 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 the Districts' 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 on the Districts' compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

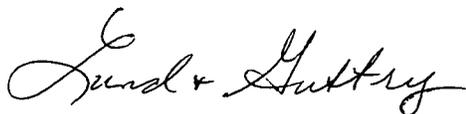
Internal Control Over Compliance

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

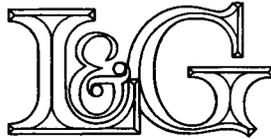
A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 management, Board of Trustees and various county, state and federal regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties; however, this report is a matter of public record.



December 2, 2009



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE ON 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 as of and for the year ended June 30, 2009 and have issued our report thereon dated December 2, 2009. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 audit 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.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is a more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item #09-3 to be a control deficiency in internal controls over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we believe that the control deficiency described above is not a material weakness.

This report is intended solely for the information and use of management, Board of Trustees and various county, state and federal regulating agencies and is not intended to be and should not be used by anyone other than these specified parties; however, this report is a matter of public record.



December 2, 2009



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INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE REQUIREMENTS

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 for the year ended June 30, 2009, and have issued our report thereon dated December 2, 2009. Our audit was made in accordance with governmental auditing standards generally accepted in the United States of America and issued by the Comptroller General of the United States and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In connection with our audit referred to above, we selected and tested transactions and records to determine the District's compliance with the following State laws and regulations in accordance with Section 400 of the Chancellor's Office's California Community Colleges Contracted District Audit Manual (CDAM):

- A) A separate and complete tabulation is maintained for each course section in which the student attendance is reported for state support. Credit student head count data has been collected pursuant to definitions in the California Community Colleges Management Information Systems Data Element Dictionary. Also, gross square footage and FTES is less than 100% leased space.
- B) The District's salaries of classroom instructors is equal to or exceeds 50 percent of the District's current expense of education in accordance with Section 84362 of the Education Code.
- C) The District only claims State apportionment for credit courses for students that are residents of California at the time of registration.
- D) The District only claimed FTES for concurrent enrollment of K-12 pupils who met all of the requirements of the Education Code and the California Code of Regulations.
- E) For District apportionment claim purposes, all courses being submitted are open to enrollment by the general public.
- F) For purposes of determining the District's share of annual apportionments, enrollment fee reports were reviewed to verify that the total amount the students should have paid for enrollment fees are being reported.
- G) State allocations spent for matriculation-related expenditures do not exceed 25 percent of the total funds spent for matriculation efforts in accordance with the Seymour-Campbell Matriculation Act of 1986.

- H) The District computes its annual appropriation limit in accordance with Article XIII-B of the California Constitution and Chapter 1205, Statutes of 1980. The appropriation limit, appropriations subject to limit, State aid apportionments, subventions included within property tax proceeds and amounts excluded from the appropriations subject to limit are reported in accordance with Section 7908(c) of the Government Code.
- I) The District only charges mandatory student fees for which it is under express statutory authority and no fees charged are in conflict or inconsistent with existing law, and are not inconsistent with the purposes for which the District has been established.
- J) Instructional service agreements, if any, were reviewed to be certain that requirements were met in order to claim Full-Time Equivalent Students (FTES).
- K) The District only claims, for apportionment purposes, the attendance of students actively enrolled in a course section as of the census date (if census procedures are used to record attendance in the course section).
- L) The District expended CalWORKs Program State and TANF funds to provide specialized student support services, curriculum development, or instruction to eligible CalWORKs students.
- M) The actual amount expended in fiscal year 1995-96 in the General Fund for Activity Code 6500, Operation and Maintenance of Plant, excluding any State funds and match dollars expended for "Deferred Maintenance and Special Repairs" as defined in Education Code Section 84660, if reported in Activity Code 6500 were \$1,387,916 which will be identified as "base year expenditures".

Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, except for two findings described in the accompanying schedule of findings and questioned costs (#09-1 and #09-2), the Mt. San Jacinto Community College District complied, in all material respects, with the aforementioned requirements.

Our examination of compliance made for the purposes set forth in the preceding paragraph of this report would not necessarily disclose all instances of noncompliance.

This report is intended solely for the information and use of management, Board of Trustees and various county, state and federal regulating agencies and is not intended to be and should not be used by anyone other than these specified parties.



December 2, 2009



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INDEPENDENT AUDITORS' REPORT ON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE

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

We have audited the basic financial statements of the Mt. San Jacinto Community College District for the year ended June 30, 2009 and have issued our report thereon dated December 2, 2009. These financial statements are the responsibility of the Mt. San Jacinto Community College District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Mt. San Jacinto Community College District, taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the financial statements, including the State Financial Assistance schedule. The information in those schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, Board of Trustees and various county, state and federal regulating agencies and is not intended to be and should not be used by anyone other than these specified parties; however, this report is a matter of public record.

December 2, 2009

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2009

<u>Federal Grantor/Pass Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
Federal Programs:			
U.S. Department of Education:			
Pell Grant	84.063		\$9,877,900
Supplemental Educational Opportunity Grant	84.007		10,392
College Work Study	84.033		207,242
Talent Search	84.044		204,667
English as a Second Language	84.002		152,774
Upward Bound- TRIO	84.047		194,957
Hispanic Serving Institutions – Title V	84.031S		118,573
College Cost Reduction and Access Act – STEM	84.031C		330,921
Passed through the California Department of Education			
VATEA - Title I C	84.048	03578	518,020
VATEA - Title II	84.243	03578	81,405
Child and Adult Care Food Program	84.355		<u>92,377</u>
Total U.S. Department of Education			11,789,228
U.S. Department of Health and Human Services			
Passed through the Yosemite Community College District			
Child Development Training Consortium	93.575		10,045
Healthy Communities Forum	93.252		246,116
Temporary assistance for needy families (TANF)	93.558		58,761
U.S. Department of Agriculture			
Hispanic-Serving Institutions Education Grants Program	10.223		53,531
U.S. Department of Veterans Affairs			
Veterans Education	64.116		<u>4,222</u>
Total Expenditures of Federal Awards			<u>\$ 12,161,903</u>

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2009 - continued

Note 1. **Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Mt. San Jacinto Community College District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB 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 general-purpose financial statements.

Note 2. **Subrecipients**

Of the federal expenditures presented in the schedule, Mt. San Jacinto Community College District did not provide any federal awards to subrecipients.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF STATE FINANCIAL ASSISTANCE

FOR THE YEAR ENDED JUNE 30, 2009

<u>State program title</u>	<u>State Expenditures</u>
@ONE	\$ 139,713
Basic Skills & Immigration	223,772
Board Financial Assistance Program BFAP	435,704
California Articulation Number Award	1,960
California Grant B	676,787
California Grant C	24,336
California High School Exit Exam (CAHSEE)	78,456
CalWorks Program	355,426
Capacity Building Initiative	101,652
Child Development Division Award	675,140
Cooperative Agencies & Resources for Education	159,405
CTE Community Collaborative	131,716
Disabled Students Program	679,743
Early Learning & School Readiness (ELSRAP)	43,302
Enrollment Growth and Retention for ADN/RD Award	114,873
Equipment for Nursing and Allied Health	62,743
Extended Opportunities, Programs & Services	687,928
Faculty & Staff Development	4,436
Faculty & Staff Diversity	8,766
Instructional Block Grant Apportionment	107,971
Matriculation Credit	647,706
Matriculation Non-Credit	60,909
Nursing Faculty Recruitment and Retention	15,600
Parent Education and Family Literacy	213,386
Prekindergarten & Family Literacy	165,147
State Bailout Award	24,991
Strengthening Career Technical Education	109,166
Telecommunications & Technology (TTIP)	38,992
Temporary Assistance for Needy Families (CDC)	46,805
Tire Derived Product Grant	19,477
	<u>\$ 6,056,008</u>

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2009

SUMMARY OF AUDIT RESULTS

Financial Statements

1. The auditor's report issued on the financial statements is unqualified.
2. Internal control over financial reporting identified one control deficiency.
3. There were no significant deficiencies that are considered to be a material weakness.
4. There are no instances of noncompliance material to the financial statements.

Federal Awards

1. The auditor's report issued on compliance for the major programs is unqualified.
2. Internal control over the major programs identified no significant deficiencies.
3. There are no significant deficiencies that are considered to be a material weakness.
4. There are no audit findings that should be disclosed in accordance with Section 510(a) of Circular A-133.

Major Programs

CFDA No. 84.063
Pell Grant Program

CFDA No. 84.031C
College Cost Reduction and Access Act

1. The dollar threshold that was used to distinguish between type A and type B programs was \$300,000.
2. Mt. San Jacinto Community College District qualified as a low-risk auditee.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2009 - continued

FEDERAL COMPLIANCE

There were no findings relating to Federal compliance for the year ended June 30, 2009.

STATE COMPLIANCE

Finding #09-1

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.

Recommendation

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

Response

Management agrees with this finding and is implementing procedures necessary to meet the requirements of the State.

Finding #09-2

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

Recommendation

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

Response

Management agrees with this finding and is implementing procedures necessary to meet the requirements of the State.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2009 - continued

INTERNAL CONTROL

Finding #09-3

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

Recommendation

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

Response

Management agrees with this finding and has opted to utilize the auditor to prepare full disclosure financial statements in conformity with GASB #35.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2009

FEDERAL COMPLIANCE

There were no findings relating to Federal compliance for the year ended June 30, 2008.

STATE COMPLIANCE

Finding #08-1

Section 81362 of the Education Code requires that the District's salaries of classroom instructors is equal to or exceed 50 percent of the District's current expense of education. One requirement of this Code is that all instructors whose salaries are included in salaries of classroom instructors met certain minimum qualifications in their area of expertise at the time they were hired. During our audit it was noted that two out of ten instructors tested did not have any documentation in their personnel file demonstrating that they met certain minimum qualifications. Through review of their resume, degree and work history it was obvious they had certain qualifications, however it was not clear if those qualifications were necessary for their area of expertise. The District is still in compliance with the reporting requirements as it pertains to the 50 percent law under Section 81362 of the Education Code.

Management has implemented procedures to ensure that all instructors whose salaries are included in salaries of classroom instructors have met certain minimum qualifications and documented accordingly in their personnel files.

Finding #08-2

The District did not maintain census rosters for several courses selected for our testing of State Compliance Requirements. Out of forty courses chosen for review, only seventeen 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.

This compliance finding was not corrected in the current year. (See Finding #09-1)

Finding #08-3

Instructors did not properly maintain census rosters for several students selected for our testing of State Compliance Requirements. Out of thirty students chosen for review, two students claimed they attended courses during the Fall 2007/Spring 2008 semesters with no accurate attendance records provided by instructors. Census data had to be modified and later re-established that these students in fact attended a course for which no census data was provided. By not providing accurate census data, the District could potentially miss out on FTES allocations by the State. This is also in noncompliance with the Credit Student Headcount data requirements pursuant to the California Community Colleges Management Information Systems Data Element Dictionary.

This compliance finding was not corrected in the current year. (See Finding #09-2)

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2009 - continued

STATE COMPLIANCE – (continued)

Finding #08-4

During our testing of State Compliance Requirements as it relates to the CalWORKs program we noted that a student was given financial aid, however based on our investigation he did not qualify for the program. The student had been terminated from the program as of the 2006-2007 school year, however through oversight, the student was never deleted from the program and was provided aid for the 2007-2008 school year for a total of \$3,233. This is in noncompliance with the State Budget Act and the Chancellor's Office in accordance with the CalWORKs Program Handbook.

Management has implemented a plan of action to monitor the eligibility of CalWORKs students before providing any type of aid as required by the State Budget Act and the Chancellor's Office.

INTERNAL CONTROL

Finding #08-5

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

This compliance finding was not corrected in the current year. (See Finding #09-3)

Finding #08-6

While testing certain State Compliance requirements relating to employee personnel files, it was noted that certain required federal forms were either missing or completed incorrectly. The particular form is the I-9 in which newly hired employees present proof that they are lawfully able to work in the United States of America and the employer verifies this by observing pieces of identification. With recent developments in the area of immigration, the burden is being placed on the employer to verify that the employee is lawfully able to work in this country. There are fines for incomplete files or missing information ranging from \$100 to \$10,000 per violation. We suggest that this form be fully completed and maintained for all employees hired after November 6, 1986.

Management has implemented written procedures to ensure that all District employees have a fully completed I-9 form on file.