MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2013 AND 2012

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

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JUNE 30, 2013 AND 2012

FINANCIAL SECTION

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

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Mt. San Jacinto Community College District (the District) as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the District as of June 30, 2013 and 2012, and the changes in net position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis on pages 4 through 12 and the Schedule of Other Postemployment Benefits (OPEB) Funding Progress on page 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the Table of Contents, including the Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2013, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co. LLP

Riverside, California
December 3, 2013

USING THIS ANNUAL REPORT

The purpose of this annual report is to provide readers with information about the activities, programs, and financial condition of the Mt. San Jacinto Community College District (the District) as of June 30, 2013. The report consists of three basic financial statements: the Statements of Net Position; Statements of Revenues, Expenses, and Changes in Net Position; and Statements of Cash Flows and provides information about the District as a whole. This section of the annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2013. Please read it in conjunction with the District's financial statements, which immediately follow this section. Responsibility for the completeness and accuracy of this information rests with District management.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

FINANCIAL HIGHLIGHTS

- The District's primary funding source is from apportionment received from the State of California. The primary basis of this apportionment is the calculation of Full-Time Equivalent Students (FTES). During the 2012-2013 fiscal year, total reported resident FTES were 10,052 as compared to 10,684 and 11,509 in the 2011-2012 and 2010-2011 fiscal years, respectively. The District's funded credit FTES was 9,870, with unfunded credit FTES of 102 for fiscal year 2012-2013 compared to funded credit FTES of 9,688 and 10,490 and unfunded credit FTES of 995 and 1,019 for fiscal years 2011-2012 and 2010-2011, respectively.

- Costs for employee salaries and benefits decreased slightly from the prior years due to filling only crucial vacancies and careful planning by the District due to funding cuts.
- During the 2012-2013 fiscal year, the District provided $27,800,712 in financial aid to students attending classes at the two campuses. This aid was provided in the form of grants, scholarships, and tuition reductions funded through the Federal government, State Chancellor's Office, and local funding as shown below.

Federal Pell Grants (PELL)	$ 17,407,959
Federal Supplement Education Opportunity Grant (FSEOG)	273,975
Federal Work Study Program (FWS)	268,986
Administrative Allowance	27,200
State of California Cal Grant B and C (CALG-B and C)	784,137
California Community College Board of Governor's Fee Wavier	9,038,455
Total Financial Aid Provided to Students	$ 27,800,712

THE DISTRICT AS A WHOLE

Net Position

Table 1

(Amounts in thousands)	2013	2012	Change 2013-2012	2011	Change 2012-2011
ASSETS					
Current Assets					
Cash and investments	$ 14,559	$ 6,998	$ 7,561	$ 10,227	$ (3,229)
Accounts receivable (net)	10,283	10,812	(529)	12,465	(1,653)
Due from fiduciaries	13	9	4	8	1
Other current assets	712	990	(278)	655	335
Total Current Assets	25,567	18,809	6,758	23,355	(4,546)
Other noncurrent assets	1,927	1,979	(52)	2,246	(267)
Capital assets (net)	83,548	81,652	1,896	70,333	11,319
Total Assets	111,042	102,440	8,602	95,934	6,506
LIABILITIES					
Current Liabilities					
Accounts payable and accrued liabilities	13,298	6,504	6,794	7,334	(830)
Current portion of long-term obligations	285	898	(613)	620	278
Total Current Liabilities	13,583	7,402	6,181	7,954	(552)
Long-Term Obligations	15,976	15,625	351	18,017	(2,392)
Total Liabilities	29,559	23,027	6,532	25,971	(2,944)
NET ASSETS					
Net invested in capital assets	71,477	69,526	1,951	56,473	13,053
Restricted	4,358	5,137	(779)	4,254	883
Unrestricted	5,648	4,750	898	9,236	(4,486)
Total Net Position	$ 81,483	$ 79,413	$ 2,070	$ 69,963	$ 9,450
Total Liabilities and Net Position	$ 111,042	$ 102,440	$ 8,602	$ 95,934	$ 6,506

Cash and investments consist primarily of funds held in the Riverside County Treasury. The changes in our cash position are explained in the Statement of Cash Flows on pages 16 and 17.

Operating Results for the Year

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

Table 2

(Amounts in thousands)	2013	2012	Change 2013-2012	2011	Change 2012-2011
Operating Revenues					
Tuition and fees (net)	$ 4,778	$ 4,451	$ 327	$ 4,587	$ (136)
Other operating revenues	2,671	3,017	(346)	3,673	(656)
Total Operating Revenues	7,449	7,468	(19)	8,260	(792)
Operating Expenses					
Salaries and benefits	49,564	51,556	(1,992)	54,196	(2,640)
Supplies and maintenance	13,870	10,833	3,037	14,082	(3,249)
Student financial aid	18,666	19,236	(570)	19,150	86
Depreciation	2,607	2,858	(251)	2,575	283
Total Operating Expenses	84,707	84,483	224	90,003	(5,520)
Loss on Operations	(77,258)	(77,015)	(243)	(81,743)	4,728
Nonoperating Revenues (Expenses)					
State apportionments	24,611	27,390	(2,779)	31,641	(4,251)
Property taxes	17,164	17,547	(383)	18,126	(579)
State taxes and other revenues	2,417	1,965	452	2,099	(134)
Federal and State grants and contracts	25,960	26,690	(730)	26,844	(154)
Net investment income	36	96	(60)	89	7
Net interest expense	(520)	(530)	10	(539)	9
Other nonoperating revenues (expenses) - net	7,163	2,726	4,437	2,712	14
Total Nonoperating Revenue	76,831	75,884	947	80,972	(5,088)
Other Revenues					
State and local capital income	2,497	10,581	(8,084)	1,856	8,725
Net Increase in Net Position	$ 2,070	$ 9,450	$ (7,380)	$ 1,085	$ 8,365

The District's primary revenue is from the State apportionment calculation which is comprised of three sources: local property taxes, student enrollment fees, and State apportionment. Property taxes levied and received from property within the County decreased slightly. State apportionments decreased due to system-wide reductions in workload allocations and funding.

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

Interest income of $36 thousand was offset by interest expense of $520 thousand. The interest income is primarily the result of cash held in the Riverside County Treasury. Interest income has decreased approximately $60 thousand over the 2012-2013 fiscal year. Interest income has decreased due to lower overall balance held in the Riverside County Treasury during fiscal year 2012-2013. The interest expense decreased, due in part to the interest expense on the lease revenue bonds.

In accordance with requirements set forth by the California Community Colleges Chancellor's Office, the District reports operating expenses by object code. Operating expenses by functional classification are as follows:

Table 3

Year ended June 30, 2013:

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

Year ended June 30, 2012:

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

Changes in Cash Position

Table 4

(Amounts in thousands)	2013	2012	Change 2013-2012	2011	Change 2012-2011
Cash Provided by (Used in)					
Operating activities	$ (71,260)	$ (73,652)	$ 2,392	$ (76,814)	$ 3,162
Noncapital financing activities	81,316	75,354	5,962	79,479	(4,125)
Capital financing activities	(2,541)	(5,262)	2,721	(4,536)	(726)
Investing activities	46	331	(285)	119	212
Net Change in Cash	7,561	(3,229)	10,790	(1,752)	(1,477)
Cash, Beginning of Year	6,998	10,227	(3,229)	11,979	(1,752)
Cash, End of Year	$ 14,559	$ 6,998	$ 7,561	$ 10,227	$ (3,229)

The Statement of Cash Flows on pages 16 and 17 provides information about our cash receipts and payments during the year. This statement also assists users in assessing the District's ability to meet its obligations as they come due and its need for external financing. The District's primary operating receipts are student tuition and fees and Federal, State, and local grants and contracts. The primary operating expense of the District is the payment of salaries and benefits to faculty, administrators, and classified staff.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had $111 million in a broad range of capital assets, including land, buildings, and furniture and equipment. At June 30, 2013, the District's net capital assets were $84 million. Major capital improvement projects are ongoing throughout the college campuses. These projects are primarily funded through State Construction Revenues and District Lease Revenue Bonds. Projects are accounted for within our Construction in Progress account until the project is completed at which time the cost of the buildings and/or improvements will be recorded to the depreciable Buildings and Improvement category.

Table 5

(Amounts in thousands)

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Land and construction in progress	$ 30,535	$ 900	$ (5)	$ 31,430
Buildings and land improvements	60,474	2,027	-	62,501
Equipment and vehicles	15,611	1,581	-	17,192
Subtotal	106,620	4,508	(5)	111,123
Accumulated depreciation	24,968	2,607	-	27,575
	$ 81,652	$ 1,901	$ (5)	$ 83,548

Obligations

At the end of the 2012-2013 fiscal year, the District had $12 million in Lease Revenue Bonds outstanding. These bonds are repaid annually, utilizing District funds, in accordance with the obligation schedule of payments.

In addition to the above obligations, the District is obligated for lease purchase agreements for equipment and obligations to employees of the District for vacation, load banking, and Golden Handshake benefits.

Table 6

(Amounts in thousands)

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Lease revenue bonds	$ 11,950	$ -	$ (275)	$ 11,675
Other liabilities	4,574	714	(702)	4,586
Total Long-Term Obligations	$ 16,524	$ 714	$ (977)	$ 16,261
Amount due within one year				$ 285

UNRESTRICTED GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the District revises its budget to provide for unanticipated changes in revenues and expenditures. The Board of Trustees adopted the final amendment to the budget for the 2012-2013 fiscal year on May 9, 2013.

The District's unrestricted General Fund anticipated that expenditures would exceed revenue by $2,130,173. However, the actual results for the year showed revenues exceeded expenditures by $347,347. This is due in large part to deferral of expenditures planned for in 2013 to 2014 and carryover reserve funds for technology and resource allocation.

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

Over the past several years, the District's enrollment management team has worked diligently and strategically to continue to serve students while maintaining an acceptable level of unfunded FTES. With restoration funding in the State budget, the District will increase enrollment by an estimated 333 FTES, which provides for a targeted five percent over funded cap.

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

The District will receive an estimated $8,111,449 funding from the Educational Protection Account (EPA) per the 2012-2013 First Principal Apportionment calculations (as revised), which will be used entirely to fund instructional salaries and benefits. The EPA funds are components of the "computational revenue" calculation which supplants the State's General Fund.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

STATEMENTS OF NET POSITION – PRIMARY GOVERNMENT
JUNE 30, 2013 AND 2012

	2013	2012
ASSETS		
Current Assets		
Cash and cash equivalents - unrestricted	$ 2,092,910	$ 2,087,600
Restricted cash and cash equivalents	-	35,379
Investments - unrestricted	11,938,445	4,408,337
Investments - restricted	527,802	466,568
Accounts receivable	9,971,356	10,526,076
Student loans and receivable (net)	311,572	286,567
Due from fiduciary funds	12,629	9,306
Prepaid expenses - current portion	244,032	391,618
Inventories	467,859	597,966
Total Current Assets	25,566,605	18,809,417
Noncurrent Assets		
Other postemployment benefits (OPEB) asset	702,968	714,135
Prepaid expenses - noncurrent portion	350,000	350,000
Debt issuance costs and deferred charges, net	874,104	914,597
Nondepreciable capital assets	31,430,032	30,534,638
Depreciable capital assets, net of depreciation	52,117,978	51,117,276
Total Noncurrent Assets	85,475,082	83,630,646
TOTAL ASSETS	111,041,687	102,440,063
LIABILITIES		
Current Liabilities		
Accounts payable	5,294,377	3,974,830
Accrued interest payable	128,142	130,755
Due to fiduciary funds	-	21
Deferred revenue	1,874,793	2,397,957
Current loans	6,000,000	-
Long-term liabilities - current portion	285,000	898,240
Total Current Liabilities	13,582,312	7,401,803
Noncurrent Liabilities		
Lease revenue bond payable - noncurrent portion	11,390,000	11,675,000
Capital lease payable - noncurrent portion	395,701	122,830
Golden Handshake payable - noncurrent portion	2,590,474	2,075,384
Compensated absences - noncurrent portion	1,271,536	1,336,436
Load banking liabilities - noncurrent portion	328,462	415,687
Total Noncurrent Liabilities	15,976,173	15,625,337
TOTAL LIABILITIES	29,558,485	23,027,140
NET POSITION		
Net investment in capital assets	71,477,309	69,526,124
Restricted for:		
Capital projects	3,929,599	4,804,074
Educational programs	391,868	311,848
Other activities	36,855	21,323
Unrestricted	5,647,571	4,749,554
TOTAL NET POSITION	$ 81,483,202	$ 79,412,923

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

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PRIMARY GOVERNMENT
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
OPERATING REVENUES		
Student Tuition and Fees	$ 14,170,956	$ 11,733,903
Less: Scholarship discount and allowance	(9,392,632)	(7,283,228)
Net tuition and fees	4,778,324	4,450,675
Auxiliary Enterprise Sales and Charges		
Bookstore	2,076,456	2,410,133
Other Operating Revenues	594,304	607,219
TOTAL OPERATING REVENUES	7,449,084	7,468,027
OPERATING EXPENSES		
Salaries	38,399,879	40,008,685
Employee benefits	11,164,253	11,547,628
Supplies, materials, and other operating expenses and services	13,233,897	10,692,728
Student financial aid	18,665,571	19,236,244
Equipment, maintenance, and repairs	636,308	139,963
Depreciation	2,606,665	2,858,024
TOTAL OPERATING EXPENSES	84,706,573	84,483,272
OPERATING LOSS	(77,257,489)	(77,015,245)
NONOPERATING REVENUES (EXPENSES)		
State apportionments, noncapital	24,610,884	27,390,275
Local property taxes, levied for general purposes	17,163,818	17,547,017
Federal grants	21,283,529	21,935,278
State grants	4,677,540	4,754,880
State taxes and other revenues	2,416,886	1,965,441
Investment income	35,647	95,987
Interest expense on capital related debt	(520,405)	(530,214)
Disposal of capital assets	-	(7,506)
Other nonoperating revenue	7,162,646	2,733,095
TOTAL NONOPERATING REVENUES (EXPENSES)	76,830,545	75,884,253
LOSS BEFORE OTHER REVENUES	(426,944)	(1,130,992)
State revenues, capital	1,789,068	8,398,469
Local revenues, capital	708,155	2,182,801
TOTAL OTHER REVENUES	2,497,223	10,581,270
CHANGE IN NET POSITION	2,070,279	9,450,278
NET POSITION, BEGINNING OF YEAR	79,412,923	69,962,645
NET POSITION, END OF YEAR	$ 81,483,202	$ 79,412,923

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

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

STATEMENTS OF CASH FLOWS - PRIMARY GOVERNMENT
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$ 5,161,471	$ 3,252,654
(Disbursement) Repayments of student loans	(25,005)	(169,011)
Payments to vendors for supplies and services	(10,032,531)	(9,563,162)
Payments to or on behalf of employees	(49,771,447)	(51,935,331)
Payments to students for scholarships and grants	(18,665,571)	(19,236,244)
Other operating receipts	2,071,903	3,998,968
Net Cash Flows From Operating Activities	(71,261,180)	(73,652,126)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State apportionments	27,788,208	25,664,647
Grant and contracts	25,947,671	26,885,706
Property taxes - nondebt related	17,762,770	17,676,011
State taxes and other apportionments	2,655,114	2,394,213
Other nonoperating	7,162,646	2,733,095
Net Cash Flows From Noncapital Financing Activities	81,316,409	75,353,672
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchase of capital assets	(4,103,646)	(13,906,159)
State revenue, capital projects	2,497,223	10,581,270
Principal paid on capital debt	(454,204)	(2,012,047)
Interest paid on capital debt	(520,405)	(530,214)
Deferred cost on issuance	40,493	605,092
Net Cash Flows From Capital Financing Activities	(2,540,539)	(5,262,058)
CASH FLOWS FROM INVESTING ACTIVITIES		
Changes to irrevocable trust	11,167	225,930
Investment gain	35,416	105,460
Net Cash Flows From Investing Activities	46,583	331,390
NET CHANGE IN CASH AND CASH EQUIVALENTS	7,561,273	(3,229,122)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	6,997,884	10,227,006
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 14,559,157	$ 6,997,884

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

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

STATEMENTS OF CASH FLOWS - PRIMARY GOVERNMENT, Continued
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Loss	$ (77,257,489)	$ (77,015,245)
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities:		
Depreciation and amortization expense	2,606,665	2,858,024
Changes in Assets and Liabilities:		
Receivables	(598,857)	981,616
Student receivables	(25,005)	(169,011)
Inventories	130,107	(64,160)
Prepaid expenses	147,586	(835,347)
Accounts payable and accrued liabilities	4,468,905	1,055,289
Deferred revenue	(523,164)	(81,876)
Accrued interest payable	(2,613)	(2,398)
Other postemployment benefits	(207,315)	(379,018)
Total Adjustments	5,996,309	3,363,119
Net Cash Flows From Operating Activities	$ (71,261,180)	$ (73,652,126)
CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:		
Cash in banks	$ 2,092,910	$ 2,122,979
Cash in county treasury	12,466,247	4,874,905
Total Cash and Cash Equivalents	$ 14,559,157	$ 6,997,884
NON CASH TRANSACTIONS		
Interest paid	$ 520,405	$ 530,214
On behalf payments for benefits	$ 1,102,351	$ 1,037,894

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

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

STATEMENTS OF FIDUCIARY NET POSITION
JUNE 30, 2013 AND 2012

	2013 Trust	2012 Trust
ASSETS		
Cash and cash equivalents	$ 143,571	$ 161,287
Accounts receivable, net	1,323	269
Prepaid expenses	84	-
Total Assets	144,978	161,577
LIABILITIES		
Accounts payable	1,479	3,788
Due to governmental funds	12,629	9,306
Total Liabilities	14,108	13,094
NET POSITION		
Unreserved	130,870	148,483
Total Net Position	$ 130,870	$ 148,483

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

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013 Trust	2012 Trust
ADDITIONS		
Local revenues	$ 142,476	$ 153,453
Total Additions	142,476	153,453
DEDUCTIONS		
Books and supplies	70,271	68,635
Services and operating expenditures	84,831	78,664
Capital outlay	4,987	3,502
Total Deductions	160,089	150,801
Change in Net Position	(17,613)	2,036
Net Position - Beginning	148,483	146,447
Net Position - Ending	$ 130,870	$ 148,483

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION

The Mt. San Jacinto Community College District (the District) was established in 1962 as a political subdivision of the State of California and is a comprehensive, public, two-year institution offering educational services to residents of the surrounding area. The District operates under a locally elected five-member Board of Trustees form of government, which establishes the policies and procedures by which the District operates. The Board must approve the annual budgets for the General Fund, special revenue funds, capital project funds, and proprietary funds, but these budgets are managed at the department level. Currently, the District is a single college with one center and two other offsite locations located within Riverside County. While the District is a political subdivision of the State of California, it is legally separate and is independent of other State and local governments, and it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 39. While the District is a political subdivision of the State of California, it is legally separate and is independent of other State and local governments, and it is not a component unit of the State in accordance with the provisions of GASB Statement No. 61. The District has considered all potential component units in determining how to define the reporting entity using criteria set forth in accounting principles generally accepted in the United States of America. The basic criteria for including a component unit are (1) the economic resources held or received by the other entity are entirely or almost entirely for the direct benefit of the District, (2) the District is entitled to, or has the ability to otherwise access, a majority of the economic resources held or received by the other entity, and (3) the other entity's resources to which the District is entitled, or has the ability to otherwise access, are significant to the District. If any of these criteria are not met, the final criterion for including a component unit is whether the other entity is closely related to, or financially integrated with, the District. The District identified no component units.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The District has adopted GASB Statement No. 61, *Determining Whether Certain Organizations are Component Units.* This statement amends GASB Statement No. 14, *The Financial Reporting Entity,* to provide additional guidance to determine whether certain organizations, for which the District is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the District. The three components used to determine the presentation are: providing a "direct benefit", the "environment and ability to access/influence reporting", and the "significance" criterion. As defined by accounting principles generally accepted in the United States of America and established by the Governmental Accounting Standards Board, the financial reporting entity consists of the primary government, the District. Management has reviewed the following potential component units and has determined the established criteria has not been met, and the financial activity has been excluded from the District's reporting entity:

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB Statements No. 34 and No. 35 as amended by GASB Statements No. 37 and No. 38. This presentation provides a comprehensive entity-wide perspective of the District's assets, liabilities, activities, and cash flows and replaces the fund group perspective previously required. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. The significant accounting policies followed by the District in preparing these financial statements are in accordance with accounting principles generally accepted in the United States of America as prescribed by GASB. Additionally, the District's policies comply with the California Community Colleges Chancellor's Office *Budget and Accounting Manual*. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All material intra-agency and intra-fund transactions have been eliminated.

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, certain Federal and State grants, entitlements, and donations. Property tax revenue is recognized in the fiscal year received. State apportionment revenue is earned based upon criteria set forth from the Community Colleges Chancellor's Office and includes reporting of full-time equivalent students (FTES) attendance. The corresponding apportionment revenue is recognized in the period the FTES are generated. Revenue from Federal and State grants and entitlements are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements may include time and/or purpose requirements.

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

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

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

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

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

Cash and Cash Equivalents

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

Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments held at June 30, 2013 and 2012, are stated at fair value. Fair value is estimated based on quoted market prices at year-end. Short-term investments have an original maturity date greater than three months, but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

Restricted Assets

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

Accounts Receivable

Accounts receivable include amounts due from the Federal, State and/or local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of California. The District provides for an allowance for uncollectible accounts as an estimation of amounts that may not be received. This allowance is based upon management's estimates and analysis. The allowance was estimated at $166,802 for the year ended June 30, 2013.

Prepaid Expenses

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

Inventories

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

Capital Assets and Depreciation

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

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

Accrued Liabilities and Long-term Obligations

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

Deferred Issuance Costs, Premiums, and Discounts

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

Compensated Absences

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

Sick leave is accumulated without limit for each employee based upon negotiated contracts. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, retirement credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Retirement credit for unused sick leave is available to all full-time employees based on the California Public Employees' Retirement System (CalPERS) and the California State Teachers' Retirement System (CalSTRS) criteria.

Deferred Revenue

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

Noncurrent Liabilities

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

Net Position

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

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

Restricted: Net position is reported as restricted when there are limitations imposed on their use, either through enabling legislation adopted by the District, or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available. None of the District's restricted net position has resulted from enabling legislation adopted by the District.

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

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed. The entity-wide financial statements report $4,358,322 of restricted net position.

State Apportionments

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

Property Taxes

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

Board of Governors Grants (BOGG) and Fee Waivers

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

Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, SEOG Grants, and Federal Work-Study programs, as well as other programs funded by the Federal government. Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to students in the form of reduced tuition. These programs are audited in accordance with the Single Audit Act Amendments of 1996, and the U.S. Office of Management and Budget's revised Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the related *Compliance Supplement*.

On Behalf Payments

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

Estimates

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

Interfund Activity

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

Changes in Accounting Principles

In March 2012, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre November 30, 1989 FASB and AICPA Pronouncements*. GASB Statement No. 62 establishes standards of financial accounting and reporting for capitalizing interest cost as a part of the historical cost of acquiring certain assets. For the purposes of applying this Statement, interest cost includes interest recognized on obligations having explicit interest rates and interest imputed on certain types of payables, as well as interest related to capital leases. There were no significant affects on the District.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

Concepts Statement No. 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

The District has implemented the provisions of this Statement for the year ended June 30, 2013.

New Accounting Pronouncements

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

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

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Early implementation is encouraged.

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

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

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

- Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

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

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

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

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

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

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

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

Comparative Financial Information

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

NOTE 3 - DEPOSITS AND INVESTMENTS

Policies and Practices

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

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

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Summary of Deposits and Investments

Deposits and investments of the Primary Government as of June 30, 2013, consist of the following:

	Primary Government
Cash on hand and in banks	$ 963,081
Cash in revolving	32,420
Cash collections awaiting deposit	1,097,409
Investments	12,466,247
Total Deposits and Investments	$ 14,559,157

Deposits and investments of the Fiduciary Funds as of June 30, 2013, consist of the following:

	Fiduciary Funds
Cash on hand and in banks	$ 143,571

Interest Rate Risk

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

Specific Identification

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

Investment Type	Fair Market Value	Weighted Average of Maturity in Days
Riverside County Treasury Pooled Investment	$ 11,328,708	515
First American Treasury Obligation	1,104,443	52
Total	$ 12,433,151	

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in the County pool are rated AAA/V1 by Fitch Ratings Ltd. as of June 30, 2013. Treasury obligations have been rated by Standard & Poor's rating agency.

Investment Type	Minimum Legal Rating	Rating June 30, 2013	Fair Market Value
Riverside County Treasury Pooled Investment	Not required	Aaa/AA+	$ 11,328,708
First American Treasury Obligation	Not applicable	AAAm/AAAmf	1,104,443
Total			$ 12,433,151

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2013, the District's bank balance was fully collateralized with eligible collateral in accordance with California *Government Code* Section 53651.

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The cash held in the County Treasury is uncategorized and the fair value approximates carrying value are shown above in the credit risk schedule. Deposits with the County Treasury are not categories because they do not represent securities which exist in physical or book entry form. The deposits with the County Treasury are valued using the amortized cost method (which approximates fair value). The fair values are provided by the County Treasurer. As of June 30, 2013, $11,361,804 is invested in the Riverside County Treasurer's Pooled Investment Fund.

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable for the District consisted primarily of intergovernmental grants, entitlements, interest, and other local sources.

The accounts receivable are as follows:

	Primary Government 2013	Primary Government 2012
Federal Government		
Categorical aid	$ 705,860	$ 935,865
State Government		
Apportionment	7,353,036	7,679,739
Categorical aid	34,834	12,840
Lottery	820,634	647,465
Local Sources		
Interest	9,332	9,101
Property taxes	210,260	809,212
Other local sources	837,400	431,854
Total	$ 9,971,356	$ 10,526,076
Student receivables and loans	$ 478,374	$ 433,154
Less reserve	(166,802)	(146,587)
Total	$ 311,572	$ 286,567

NOTE 5 - CAPITAL ASSETS

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

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

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

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Balance Beginning of Year	Additions	Deductions and Adjustments	Balance End of Year
Capital Assets Not Being Depreciated				
Land	$ 6,809,952	$ -	$ -	$ 6,809,952
Construction in progress	15,414,195	8,310,491	-	23,724,686
Total Capital Assets Not Being Depreciated	22,224,147	8,310,491	-	30,534,638
Capital Assets Being Depreciated				
Land improvements	6,542,043	2,849,654	-	9,391,697
Buildings and improvements	50,136,524	946,166	-	51,082,690
Furniture and equipment	13,541,695	2,077,673	8,143	15,611,225
Total Capital Assets Being Depreciated	70,220,262	5,873,493	8,143	76,085,612
Total Capital Assets	92,444,409	14,183,984	8,143	106,620,250
Less Accumulated Depreciation				
Land improvements	2,242,877	454,531	-	2,697,408
Buildings and improvements	11,775,901	1,099,602	-	12,875,503
Furniture and equipment	8,092,171	1,303,891	637	9,395,425
Total Accumulated Depreciation	22,110,949	2,858,024	637	24,968,336
Net Capital Assets	$ 70,333,460	$ 11,325,960	$ 7,506	$ 81,651,914

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

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable consisted of the following:

	Primary Government	
	2013	2012
Accrued payroll and benefits	$ 672,656	$ 349,285
Apportionment	2,980,743	130,122
Vendor payables	714,372	2,943,965
Construction	206,191	-
Other	720,415	551,458
Total	$ 5,294,377	$ 3,974,830

	Fiduciary Funds	
Other local	$ 1,479	$ 3,788

NOTE 7 - DEFERRED REVENUE

Deferred revenue consisted of the following:

	Primary Government	
	2013	2012
State categorical aid	$ 746,138	$ 791,941
Other State	6,776	73,584
Enrollment fees	1,025,000	964,163
Other local	96,879	568,269
Total	$ 1,874,793	$ 2,397,957

NOTE 8 - TAX AND REVENUE ANTICIPATION NOTE

On August 8, 2012, the District issued $6,580,000 Tax and Revenue Anticipation Notes bearing interest at .37 percent. The notes were issued to supplement cash flows. By June 30, 2013, the District had satisfied the required payments.

On February 28, 2013, the District issued $6,000,000 Tax and Revenue Anticipation Notes bearing interest at 2 percent. The notes were issued to supplement cash flows. At year end, there was a balance due of $6,000,000.

Issue Date	Rate	Maturity Date	Outstanding Beginning of Year	Additions	Deletions	Outstanding End of Year
8/8/2012	0.37%	6/30/2013	$ -	$ 6,580,000	$ 6,580,000	$ -
2/28/2013	2.00%	12/13/2013	-	6,000,000	-	6,000,000
			$ -	$ 12,580,000	$ 6,580,000	$ 6,000,000

NOTE 9 - INTERFUND TRANSACTIONS

Interfund Receivables and Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund activity within the governmental funds and fiduciary funds has been eliminated respectively in the consolidation process of the basic financial statements. Balances owing between the primary government and the fiduciary funds are not eliminated in the consolidation process. As of June 30, 2013 and 2012, the amounts owed between the government and the fiduciary funds were $12,629 and $9,306, respectively.

Interfund Operating Transfers

Operating transfers between funds of the District are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Operating transfers within the funds of the District have been eliminated in the consolidation process. Transfers between the primary government and the fiduciary funds are not eliminated in the consolidation process.

NOTE 10 - LONG-TERM OBLIGATIONS

Long-Term Obligations Summary

The changes in long-term obligations during the 2013 fiscal year consisted of the following:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year	Due in One Year
Lease Revenue Bonds					
Series 2003	$ 6,385,000	$ -	$ 200,000	$ 6,185,000	$ 205,000
Series 2008A	5,565,000	-	75,000	5,490,000	80,000
Total Bonds Payable	11,950,000	-	275,000	11,675,000	285,000
Other Liabilities					
Compensated absences	1,336,436	-	64,900	1,271,536	-
Capital leases	175,790	399,115	179,204	395,701	-
Golden handshake	2,645,664	315,128	370,318	2,590,474	-
Load banking	415,687	-	87,225	328,462	-
Total Other Liabilities	4,573,577	714,243	701,647	4,586,173	-
Total Long-Term Obligations	$ 16,523,577	$ 714,243	$ 976,647	$ 16,261,173	$ 285,000

The changes in long-term obligations during the 2012 fiscal year consisted of the following:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year	Due in One Year
Lease Revenue Bonds					
Series 2003	$ 6,580,000	$ -	$ 195,000	$ 6,385,000	$ 200,000
Series 2008A	5,635,000	-	70,000	5,565,000	75,000
Total Bonds Payable	12,215,000	-	265,000	11,950,000	275,000
Other Liabilities					
Compensated absences	1,311,254	25,182	-	1,336,436	-
Capital leases	1,645,012	277,825	1,747,047	175,790	52,960
Golden handshake	3,035,310	-	389,646	2,645,664	570,280
Load banking	430,241	-	14,554	415,687	-
Total Other Liabilities	6,421,817	303,007	2,151,247	4,573,577	623,240
Total Long-Term Obligations	$ 18,636,817	$ 303,007	$ 2,416,247	$ 16,523,577	$ 898,240

Description of Debt

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

Lease Revenue Bonds

On June 30, 2003, the District issued Series 2003 Bonds through the California Community College Financial Authority consisting of Current Interest Bonds and Capital Appreciation Bonds in the amount of $8,000,000. The bonds bear variable interest rates from 3.0 percent to 4.25 percent. Debt issuance costs of $386,639 and deferred charges of $440,788, totaling $827,427, have been capitalized and will be amortized through June 1, 2033 (term of Lease Revenue Bonds). Outstanding unamortized amounts at June 30, 2013, amounted to $551,617.

On June 12, 2008, the District issued Series 2008A Bonds through the California Community College Financial Authority consisting of Current Interest Bonds and Capital Appreciation Bonds in the amount of $5,860,000. The bonds bear variable interest rates from 3.5 percent to 5.0 percent. Debt issuance costs of $267,000 and deferred charges of $120,426 totaling $387,426 have been capitalized and will be amortized through May 1, 2038 (term of Lease Revenue Bonds). Outstanding unamortized amounts at June 30, 2013, amounted to $322,487. Interest on both Lease Revenue Bonds will be payable semiannually on June 1 and December 1 of each year, commencing December 1, 2003, and continuing through the maturity date of May 1, 2038.

The outstanding Lease Revenue Bond is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2012	Issued	Redeemed	Bonds Outstanding June 30, 2013
6/12/03	6/1/2033	3.00-4.25	$ 8,000,000	$ 6,385,000	$ -	$ 200,000	$ 6,185,000
5/22/08	5/1/2038	3.50-5.00	5,860,000	5,565,000	-	75,000	5,490,000
				$ 11,950,000	$ -	$ 275,000	$ 11,675,000

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

Fiscal Year	Principal	Interest to Maturity	Total
2014	$ 205,000	$ 261,780	$ 466,780
2015	215,000	254,605	469,605
2016	220,000	246,811	466,811
2017	230,000	238,561	468,561
2018	240,000	229,706	469,706
2019-2023	1,350,000	993,156	2,343,156
2024-2028	1,660,000	675,500	2,335,500
2029-2033	2,065,000	278,689	2,343,689
Total	$ 6,185,000	$ 3,178,808	$ 9,363,808

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

Fiscal Year	Principal	Interest to Maturity	Total
2014	$ 80,000	$ 250,789	$ 330,789
2015	85,000	247,589	332,589
2016	85,000	243,339	328,339
2017	90,000	239,089	329,089
2018	95,000	234,789	329,789
2019-2023	530,000	1,108,911	1,638,911
2024-2028	665,000	984,625	1,649,625
2029-2033	825,000	819,319	1,644,319
2034-2038	3,035,000	477,299	3,512,299
Total	$ 5,490,000	$ 4,605,749	$ 10,095,749

Capital Leases

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

	Capital Lease
Balance, July 1, 2012	$ 175,790
Additions	399,115
Payments	(179,204)
Balance, June 30, 2013	$ 395,701

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

Year Ending June 30,	Lease Payment
2014	$ 171,869
2015	171,869
2016	41,831
2017	10,132
Total	$ 395,701

CalSTRS/CalPERS Golden Handshake Agreement

The District has adopted an early retirement incentive program pursuant to *Education Code* Sections 22714 and 87488, whereby the service credit to eligible employees is increased by two years (and age is increased by two years). Eligible employees must have five or more years of service under the California State Teachers' Retirement System and retire during a period of not more than 120 days or less than 60 days from the date of the formal action taken by the District (retire during the window period in the formal action taken by the District's governing board). The approximate accumulated future liabilities for all the Golden Handshakes combined at June 30, 2013, are $2,590,474.

Other Obligations

The compensated absences balance at June 30, 2013, was $1,271,536.

The amount owed to employees for load banking balances at June 30, 2013, was $328,462.

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

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

Plan Description

The Mt. San Jacinto Community College District has established a GASB Statement No. 43 trust with California Employers' Retirement Benefit Trust to fund future OPEB obligations. As of June 30, 2013, the value of the Plan assets was $2,241,079.

The Mt. San Jacinto Community College District Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the District. The Plan provides medical benefits to eligible retirees and their spouses. Membership of the Plan consists of 60 retirees and 9 retiree beneficiaries currently receiving benefits and 427 active plan members.

Funding Policy

The contribution requirements of plan members and the District are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to prefund benefits as determined annually through agreements between the District and the bargaining units. For fiscal year 2012-2013, the District contributed $252,077 of which $0 was contributed to the Irrevocable Trust and $252,077 was used for current year premiums.

Annual OPEB Cost and Net OPEB Asset

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

Annual required contribution	$ 496,244
Adjustment to annual required contribution	(233,000)
Annual OPEB cost	263,244
Contributions made by District	252,077
Decrease in net OPEB asset	(11,167)
Net OPEB asset, beginning of year	714,135
Net OPEB asset, end of year	$ 702,968

Trend Information

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

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Asset
2011	$ 496,244	$ 774,997	156%	$ 940,065
2012	496,244	270,314	54%	714,135
2013	496,244	252,077	51%	702,968

Funding Status and Funding Progress

The funded status of the OPEB Plan as of June 30, 2013, is as follows:

Actuarial Accrued Liability (AAL)	$ 3,948,140
Actuarial Value of Plan Assets *	2,241,079
Unfunded Actuarial Accrued Liability (UAAL)	$ 1,707,061
Funded Ratio (Actuarial Value of Plan Assets/AAL)	56.8%
Covered Payroll	$ 34,887,743
UAAL as Percentage of Covered Payroll	4.89%

* Asset Valuation as of June 30, 2013

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

Actuarial Methods and Assumptions

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

In the July 1, 2011, actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 7.61 percent investment rate of return (net of administrative expenses), based on the Plan being funded in an irrevocable employee benefit trust fund invested in a long-term fixed income portfolio. The UAAL is being amortized at a level dollar method. The remaining amortization period at June 30, 2013, was 25 years. The actuarial value of assets was not determined in this actuarial valuation. At June 30, 2013, the Trust held assets in the amount of $2,241,079, which consisted of deposits with CalPERS.

NOTE 12 - RISK MANAGEMENT

Insurance Coverages

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

Joint Powers Authority Risk Pools

During fiscal year ended June 30, 2013, the District contracted with SWACC Joint Powers Authority (JPA) for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2012-2013, the District participated in the Protected Insurance Programs for Schools (PIPS) JPA, an insurance purchasing pool. The intent of the JPA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the JPA. The workers' compensation experience of the participating districts is calculated as one experience, and a common premium rate is applied to all districts in the JPA. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall saving. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the JPA. Participation in the JPA is limited to K-12 and community college districts that can meet the JPA's selection criteria.

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

Employee Medical Benefits

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

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

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

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

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

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

CalSTRS

Plan Description

The District contributes to CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 100 Waterfront Place, West Sacramento, CA 95605.

Funding Policy

Active members of the DB Plan are required to contribute 8.0 percent of their salary, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2012-2013 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ended June 30, 2013, 2012, and 2011, were $1,628,561, $1,687,777, and $1,757,199, respectively, and equals 100 percent of the required contributions for each year.

CalPERS

Plan Description

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

Funding Policy

Active plan members are required to contribute 7.0 percent of their salary, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2012-2013 was 11.417 percent of covered payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ended June 30, 2013, 2012, and 2011, were $1,595,506, $1,578,047, and $1,582,810, respectively, and equal 100 percent of the required contributions for each year.

On Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal years ended June 30, 2013, 2012, and 2011, which amounted to $1,102,351, $1,037,894, and $908,844, respectively, (5.176 percent) of salaries subject to CalSTRS. Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. No contributions were made for CalPERS for the years ended June 30, 2013, 2012, and 2011. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. These amounts have been reflected in the basic financial statements as a component of nonoperating revenue and employee benefit expense.

Deferred Compensation

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

NOTE 14 - CalSTRS EARLY RETIREMENT INCENTIVE PROGRAM

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

NOTE 15 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

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

The JPAs have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, transactions between the JPAs and the District are included in these statements. Audited financial statements are available from the respective entities.

The District's share of year-end assets, liabilities, or fund equity has not been calculated.

During the year ended June 30, 2013, the District made payments of $399,352 to SWACC.

NOTE 16 - COMMITMENTS AND CONTINGENCIES

Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2013.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2013.

Early Retirement - Golden Handshake

The District has adopted an early retirement incentive program. The outstanding contract amount for this purpose is $2,590,474. This amount is contingent upon the employee performing the required service days per year.

Construction Commitments

As of June 30, 2013, the District had the following budgetary commitments with respect to the unfinished capital projects:

CAPITAL PROJECT	Remaining Construction Commitment	Expected Fiscal Year Completion
Classroom Building I Group II Equipment	$ 197,354	2014

NOTE 17 - SUBSEQUENT EVENTS

The Board of Trustees approved a Supplemental Employee Retirement Plan (SERP) for faculty, classified, management, and confidential employees for the next fiscal year which is projected to save the District approximately $647,841 over the next five (5) years.

REQUIRED SUPPLEMENTARY INFORMATION

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2013

Actuarial Valuation Date	Actuarial Value of Assets (a)*	Actuarial Accrued Liability (AAL) - Entry Age Normal Method Used (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
October 20, 2008	$ 999,816	$ 3,758,708	$ 2,758,892	27%	$ 35,212,196	7.84%
March 1, 2010	1,156,287	4,856,592	3,700,305	24%	36,147,539	10.24%
July 1, 2011	2,241,079	3,948,140	1,707,061	57%	34,887,743	4.89%

* Asset Valuation as of June 30, 2013

SUPPLEMENTARY INFORMATION

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION
JUNE 30, 2013

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

BOARD OF TRUSTEES

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

ADMINISTRATION

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

See accompanying note to supplementary information.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed through the California Department of Education			
Child and Adult Care Food Program	10.558	3094-1A	$ 70,893
Total U.S. Department of Agriculture			70,893
U.S. DEPARTMENT OF VETERANS AFFAIRS			
Passed through the California Community Colleges Chancellor's Office			
Veterans Education	64.000	[1]	4,090
Chapter 33 - Veterans Post 9/11 GI Bill	64.028	[1]	199,500
Total U.S. Department of Veterans Affairs			203,590
U.S. DEPARTMENT OF EDUCATION			
HIGHER EDUCATION ACT			
TRIO - Upward Bound	84.047A		264,386
TRIO - Talent Search Program	84.044A		246,765
College Cost Reduction and Access Act - STEM	84.031C		855,352
Strengthening Institutional Success (Title V)	84.031S		536,242
Childcare Access Means Parents in School (CCAMPIS)	84.335A		70,410
Total Higher Education Act			1,973,155
Passed through the California Department of Education			
Workforce Investment Act, Title II: Adult Education and Family Literacy Act			
English Literacy and Civics Education Program	84.002	[1]	211,754
STUDENT FINANCIAL ASSISTANCE CLUSTER			
Federal Supplement Education Opportunity Grant (FSEOG)	84.007		273,975
FSEOG Administrative	84.007		13,751
Federal Work Study Program (FWS)	84.033		268,986
Federal Work Study Administrative	84.033		13,449
Federal Pell Grants (PELL)	84.063		17,407,959
Federal Pell Administrative	84.063		32,646
Total Student Financial Assistance Cluster			18,010,766

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

See accompanying note to supplementary information.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION, Continued			
CAREER AND TECHNICAL EDUCATION ACT			
Passed through from California Community Colleges Chancellor's Office			
Career and Technical Education Act (CTE), Title IC	84.048	11-C01-035	$ 606,450
Perkins, Title II, Technical Preparation, CTE Transitions	84.048A	11-112-940	49,389
Total U.S. Department of Education			20,851,514
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through from California Community Colleges Chancellor's Office			
Temporary Assistance to Needy Families (TANF)	93.558	[1]	87,647
Healthy Community Forum	93.252	10-110-009	57,385
Passed through from Yosemite Community College District			
Child Development Training Consortium	93.575	11-12-4474	12,500
Total U.S. Department of Health and Human Services			157,532
Total Federal Expenditures			$ 21,283,529

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

See accompanying note to supplementary information.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

	Program Entitlements		
Program	Current Year	Prior Year	Total Entitlement
Board Financial Assistance Program (BFAP-2101)	$ 527,736	$ -	$ 527,736
Extended Opportunity Program and Services (EOPS-2111)	422,654	-	422,654
Cooperative Agencies Resources for Educ. (CARE-2112)	101,184	-	101,184
Disabled Students Program (DSPS-2121)	496,146	684	496,830
CalWORKS (2131)	290,872	-	290,872
Credit Matriculation (2141)	347,183	3,250	350,433
Non-Credit Matriculation (2142)	27,275	-	27,275
Staff Diversity (2151)	6,050	15,215	21,265
Enrollment Growth and Retention (2186)	89,687	93,711	183,398
CTE Pathways Community Collaborative (2190)	348,000	239,336	587,336
Basic Skills (2314)	169,062	228,442	397,504
TTIP South Project Grant (2832)	73,000	131,221	204,221
Restricted State Lottery Prop 20 (2401)	203,136	123,743	326,879
Prekindergarten and Family Literacy (2318)	5,000	-	5,000
Instructional Improvement Block Grant (2161)	28,500	-	28,500
(Categorical Flexibility Funds) - 8653	7,625	-	7,625
Cal Grant B	739,191	10,858	750,049
Cal Grant C	34,016	72	34,088
Total State Programs			

See accompanying note to supplementary information.

Program Revenues					
Cash Received	Accounts Receivable	Accounts Payable	Deferred Revenue	Total Revenue	Program Expenditures
$ 527,736	$ -	$ 1,419	$ -	$ 526,317	$ 526,317
422,654	-	427	-	422,227	422,227
101,184	-	350	-	100,834	100,834
496,830	-	7,792	-	489,038	489,038
290,562	310	1,407	-	289,465	289,465
350,433	-	287	18,093	332,053	332,053
27,275	-	-	-	27,275	27,275
21,265	-	525	15,050	5,690	5,690
150,354	33,044	-	-	183,398	183,398
587,336	-	9,725	500,336	77,275	77,275
396,504	1,000	19,612	190,468	187,424	187,424
204,221	-	148	22,191	181,882	181,882
73,656	253,223	-	-	326,879	326,879
4,520	480	-	-	5,000	5,000
28,500	-	-	-	28,500	28,500
7,625	-	-	-	7,625	7,625
750,049	-	-	-	750,049	750,049
34,088	-	-	-	34,088	34,088
$ 4,474,792	$ 288,057	$ 41,692	$ 746,138	$ 3,975,019	$ 3,975,019

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT ANNUAL (ACTUAL) ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2013

CATEGORIES	Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2012 only)			
1. Noncredit*	17	-	17
2. Credit	242	-	242
B. Summer Intersession (Summer 2013 - Prior to July 1, 2013)			
1. Noncredit*	-	-	-
2. Credit	43	-	43
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	8,000	-	8,000
(b) Daily Census Contact Hours	1,131	-	1,131
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit*	536	-	536
(b) Credit	71	-	71
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	9	-	9
(b) Daily Census Contact Hours	3	-	3
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	10,052	-	10,052
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)	-	-	-
H. Basic Skills Courses and Immigrant Education			
1. Noncredit	555	-	555
2. Credit	390	-	390
<u>CCFS-320 Addendum</u>			
CDCP Noncredit FTES	173	-	173
Centers FTES			
1. Noncredit*	199	-	199
2. Credit	5,255	-	5,255

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

See accompanying note to supplementary information.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION
FOR THE YEAR ENDED JUNE 30, 2013

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Audited Data	Reported Data	Audit Adjustments	Audited Data
Academic Salaries							
Instructional Salaries							
Contract or Regular	1100	$ 9,594,788	$ -	$ 9,594,788	$ 9,594,788	$ -	$ 9,594,788
Other	1300	6,263,714	-	6,263,714	6,263,714	-	6,263,714
Total Instructional Salaries		15,858,502	-	15,858,502	15,858,502	-	15,858,502
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	2,950,892	-	2,950,892
Other	1400	-	-	-	954,938	-	954,938
Total Noninstructional Salaries		-	-	-	3,905,830	-	3,905,830
Total Academic Salaries		15,858,502	-	15,858,502	19,764,332	-	19,764,332
Classified Salaries							
Noninstructional Salaries							
Regular Status	2100	-	-	-	8,820,348	-	8,820,348
Other	2300	-	-	-	739,737	-	739,737
Total Noninstructional Salaries		-	-	-	9,560,085	-	9,560,085
Instructional Aides							
Regular Status	2200	1,472,850	-	1,472,850	1,472,850	-	1,472,850
Other	2400	274,462	-	274,462	274,462	-	274,462
Total Instructional Aides		1,747,312	-	1,747,312	1,747,312	-	1,747,312
Total Classified Salaries		1,747,312	-	1,747,312	11,307,397	-	11,307,397
Employee Benefits	3000	4,171,470	-	4,171,470	8,459,743	-	8,459,743
Supplies and Material	4000	-	-	-	742,697	-	742,697
Other Operating Expenses	5000	56,197	-	56,197	4,918,777	-	4,918,777
Equipment Replacement	6420	-	-	-	131,247	-	131,247
Total Expenditures Prior to Exclusions		21,833,481	-	21,833,481	45,324,193	-	45,324,193

See accompanying note to supplementary information.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION, Continued
FOR THE YEAR ENDED JUNE 30, 2013

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Audited Data	Reported Data	Audit Adjustments	Audited Data
Exclusions							
Activities to Exclude							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	$ 333,701	$ -	$ 333,701	$ 333,701	$ -	$ 333,701
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	299,790	-	299,790
Objects to Exclude							
Rents and Leases	5060	-	-	-	283,461	-	283,461
Lottery Expenditures							
Total Supplies and Materials		-	-	-	-	-	-
Other Operating Expenses and Services	5000	$ -	$ -	$ -	$ 1,435,949	$ -	$ 1,435,949
Total Exclusions		333,701	-	333,701	2,352,901	-	2,352,901
Total for ECS 84362, 50 Percent Law		$ 21,499,780	$ -	$ 21,499,780	$ 42,971,292	$ -	$ 42,971,292
Percent of CEE (Instructional Salary Cost/Total CEE)		50.03%		50.03%	100.00%		100.00%
50% of Current Expense of Education					$ 21,485,646		$ 21,485,646

See accompanying note to supplementary information.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH FUND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2013.

See accompanying note to supplementary information.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

PROPOSITION 30 EDUCATION PROTECTION ACT (EPA) EXPENDITURE REPORT FOR THE YEAR ENDED JUNE 30, 2013

Activity Classification	**Object Code**			**Unrestricted**	
EPA Proceeds:	8630				$ 7,990,407
Activity Classification	**Activity Code**	**Salaries and Benefits (Obj 1000-3000)**	**Operating Expenses (Obj 4000-5000)**	**Capital Outlay (Obj 6000)**	**Total**
Instructional Activities	1000-5900	$ 7,990,407			$ 7,990,407
					-
Other Support Activities (list below)	6XXX				-
					-
Total Expenditures for EPA		$ 7,990,407	-	-	$ 7,990,407
Revenues Less Expenditures					$ -

See accompanying note to supplementary information.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2013

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Total Fund Balance and Retained Earnings:		
General Funds	$ 6,819,115	
Child Development Fund	36,855	
Capital Outlay Projects Funds	3,929,599	
Bookstore	1,520,202	
Internal Service Funds	368,620	
Fiduciary Funds	378,519	
Total Fund Balance - All District Funds		$ 13,052,910
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	111,123,011	
Accumulated depreciation is	(27,575,001)	
Less fixed assets already recorded in the enterprise funds	(174,605)	83,373,405
Recognition of the OPEB asset resulting from the difference between annual OPEB cost on the accrual basis and OPEB contributions in the governmental funds.		702,968
Amounts held in trust on behalf of others (Trust and Agency Funds)		(130,870)
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term obligations is recognized when it is incurred.		(128,142)
To recognize the beginning balances of the amortization of the lease revenue bonds in the government-wide statements as in prior years, the amounts were recorded in the governmental funds.		874,104
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term liabilities at year end consist of:		
Bonds payable	11,675,000	
Golden handshake	2,590,474	
Load banking	328,462	
Capital leases payable	395,701	
Compensated absences	1,271,536	
Less load banking already recorded in funds		(16,261,173)
Total Net Position		**$ 81,483,202**

See accompanying note to supplementary information.

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2013

NOTE 1 - PURPOSE OF SCHEDULES

District Organization

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

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Schedule of Expenditures of State Awards

The accompanying Schedule of Expenditures of State Awards includes the State grant activity of the District and is presented on the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The information in this schedule is presented to comply with reporting requirements of the California State Chancellor's Office.

Schedule of Workload Measures for State General Apportionment Annual (Actual) Attendance

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

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

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

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

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

Proposition 30 Education Protection Act (EPA) Expenditure Report

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

Reconciliation of Governmental Funds to the Statement of Net Position

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

INDEPENDENT AUDITORS' REPORTS

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

VALUE THE DIFFERENCE

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

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

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

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2013-1.

We noted certain matters that we reported to management of the District in a separate letter dated December 3, 2013.

Mt. San Jacinto Community District's Response to the Finding

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

Purpose of This Report

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

Vavrinek, Trine, Day & Co. LLP

Riverside, California
December 3, 2013

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

VALUE THE DIFFERENCE

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

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

Report on Compliance for Each Major Federal Program

We have audited Mt. San Jacinto Community College District's (the District) compliance with the types of compliance requirements described in OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the year ended June 30, 2013. The District's major Federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2013.

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Report on Internal Control Over Compliance

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

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

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

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

Vavrinek, Trine, Day & Co. LLP

Riverside, California
December 3, 2013

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

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

Report on State Compliance

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the District's programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 noncompliance with the compliance requirements referred to above could have a material effect on the applicable programs noted below. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

Unmodified Opinion for Each of the Programs

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the programs noted below that were audited for the year ended June 30, 2013, except as described in the State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs.

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

Section 421	Salaries of Classroom Instructors (50 Percent Law)
Section 423	Apportionment for Instructional Service Agreements/Contracts
Section 424	State General Apportionment Funding System
Section 425	Residency Determination for Credit Courses
Section 426	Students Actively Enrolled
Section 427	Concurrent Enrollment of K-12 Students in Community College Credit Courses
Section 431	Gann Limit Calculation
Section 433	CalWORKS
Section 435	Open Enrollment
Section 437	Student Fees – Instructional and Other Materials
Section 438	Student Fees – Health Fees and Use of Health Fee Funds
Section 474	Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE)
Section 475	Disabled Student Programs and Services (DSPS)
Section 479	To Be Arranged (TBA) Hours
Section 490	Proposition 1D State Bond Funded Projects
Section 491	Proposition 30 Education Protection Account Funds

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

Vavrinek, Trine, Day & Co. LLP

Riverside, California
December 3, 2013

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2013

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

CFDA Numbers	Name of Federal Program or Cluster
84.063; 84.007; 84.033; 84.032	Student Financial Assistance Program Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$ 638,506
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	Yes
Type of auditors' report issued on compliance for State programs:	Unmodified

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2013

None reported.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

None reported.

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

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

2013-1 475 - DISABLED STUDENT PROGRAMS AND SERVICES (DSPS)

Criteria or Specific Requirement

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

Condition

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

Questioned Costs

FTES funding is not affected by this compliance finding.

Effect

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

Recommendation

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

Management's Response and Corrective Action Plan

Looking at this issue has served to strengthen and confirm that the strategies DSPS began developing and implementing beginning February 2013 have been moving in the right direction. These efforts to ensure that all DSPS forms, processes, practices, and procedures are in compliance with Title 5, the ADA and Section 504 have resulted in greater efficiency while maintaining effectiveness. New strategies developed and implemented include: 1) student communication via the DSPS website and email blasts to remind students to schedule appointments to update their SECs and Ed Plans prior to priority registration, 2) each time a student visits the DSPS office, the hard file is pulled and checked for inclusion of mandated documents, and 3) new written standard operating procedures for student intake have been created including the new processes in generating student DSPS files. Additionally, the DSPS was awarded a District RAP (Resource Allocation Proposal) for an electronic data and accommodation management tracking system. The department is currently in the process of reviewing specifically designed for DSPS programs across the nation to determine which would be most appropriate for our District.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013

None reported.