

**MT. SAN JACINTO  
COMMUNITY COLLEGE DISTRICT**

**SAN JACINTO, CALIFORNIA**

**AUDIT REPORT**

**FOR THE FISCAL YEARS ENDED  
JUNE 30, 2016 AND 2015**



**COSSOLIAS | WILSON  
DOMINGUEZ | LEAVITT**  
CERTIFIED PUBLIC ACCOUNTANTS

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
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JUNE 30, 2016 AND 2015**

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## INDEPENDENT AUDITORS' REPORT

The 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 Mt. San Jacinto Community College District, as of and for the fiscal years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Mt. San Jacinto Community College 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 misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 entity'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 entity'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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Mt. San Jacinto Community College District, as of June 30, 2016 and 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America. We revised the amounts reported for deferred outflows and inflows related to updated information provided to the District from the audit of the PERS pension system. Additionally, we added the Combining Balance Sheet – Fund Equity to the Supplementary Information section of the report. The audit work was completed on November 18, 2016 which resulted in the dual-dating of our audit report.

### **Emphasis of Matter**

As discussed in Note 15 to the financial statements, beginning net position was restated due to the District's implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* during the year ended June 30, 2016, which established accounting and financial reporting standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures for defined benefit pensions.

Restatement of the comparative financial data for the prior period presented is not practical due to the unavailability of information from the pension plan, therefore the provisions of GASB Statements No. 68 and 71 were not applied to prior period. The cumulative effects of applying the provisions of GASB Statements No. 68 and 71 have been reported as a restatement of beginning net position for the year ended June 30, 2016 in accordance with the Statements.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis on pages 4 through 11, and the schedule of funding progress, schedule of proportionate share of the net pension liability, and the schedule of contributions on pages 58-60 be presented to supplement the basic financial statements. Such information, although not 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 appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mt. San Jacinto Community College District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of Federal awards, which is required by the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information listed in the table of contents 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 audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2015 on our consideration of the Mt. San Jacinto Community College District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Mt. San Jacinto Community College District's internal control over financial reporting and compliance.

*CWDL, Certified Public Accountants*

San Diego, California  
November 18, 2016

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**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

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

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

Board of Trustees  
Tom Ashley  
Sherrie Guerrero, Ed.D.  
Dorothy McGargill  
Ann Motte  
Bill Zimmerman

## 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, 2016. 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, 2016. 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 focus on the costs of the District's operational activities with revenues and expenses categorized as operating and nonoperating, and expenses are reported by natural classification. The Statements of Cash Flows provides an analysis of the sources and uses of cash within the operations of the District.

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

San Jacinto Campus  
1499 N. State Street  
San Jacinto, CA 92583  
951.487.6752

Menifee Valley Campus  
28237 La Piedra Road  
Menifee, CA 92584  
951.672.6752

4

San Geronio Pass Campus  
3144 W. Westward Avenue  
Banning, CA 92220  
951-922-1327

Temecula Education Complex  
27447 Enterprise Circle West  
Temecula, CA 92590  
951.308.1059

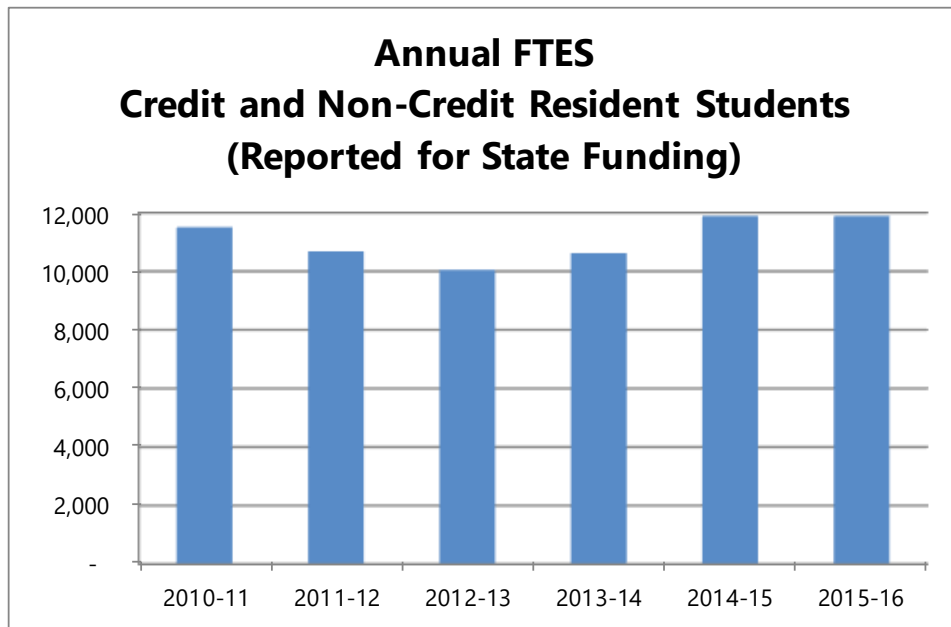


**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

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**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). See the below chart for a historical perspective on the changes in FTES over the past 5 fiscal years.



- During the 2015-2016 fiscal year, the District provided \$33,315,180 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)	\$ 20,271,621
Federal Supplemental Education Opportunity Grant (FSEOG)	390,079
Federal Work Study Program (FWS)	389,875
State of California Cal Grant B and C (CALG-B and C)	1,309,372
California Community College Board of Governor's Fee Waiver	10,954,233
<b>Total Financial Aid Provided to Students</b>	<b><u>\$ 33,315,180</u></b>

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

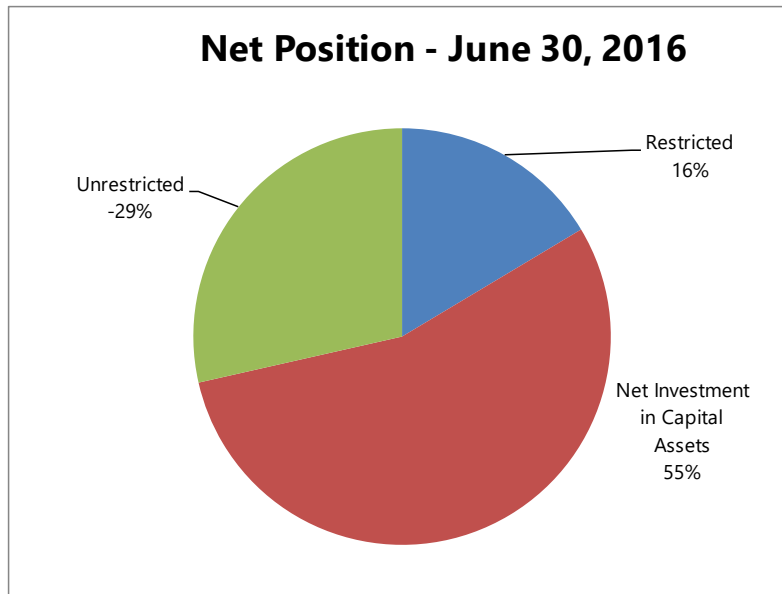
**THE DISTRICT AS A WHOLE**

**Net Position**

The District's Net Position increased by \$13.5 million due primarily to increases in state grants and contracts, local property tax revenues, and a new improvement related to pension activity. Under pension accounting standards, the District continues to recognize its proportional share of the underfunded pension systems for both California Public Employee's Retirement System (PERS) and California State Teachers' Retirement System (STRS).

	2016	2015	Net Change
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
Total assets	\$ 194,544,935	\$ 181,354,876	\$ 13,190,059
Deferred outflows of resources	7,823,102	3,695,282	4,127,820
<b>Total Assets and Deferred Outflows of Resources</b>	<b>202,368,037</b>	<b>185,050,158</b>	<b>17,317,879</b>
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>			
Current liabilities	21,581,492	10,516,331	11,065,161
Noncurrent liabilities	123,050,418	123,342,651	(292,233)
Deferred inflows of resources	4,990,196	11,846,934	(6,856,738)
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>149,622,106</b>	<b>145,705,916</b>	<b>3,916,190</b>
<b>NET POSITION</b>			
Net investment in capital assets	62,455,300	71,728,224	(9,272,924)
Restricted	18,616,505	10,731,812	7,884,693
Unrestricted	(28,325,874)	(43,115,794)	14,789,920
<b>Total Net Position</b>	<b>\$ 52,745,931</b>	<b>\$ 39,344,242</b>	<b>\$ 13,401,689</b>

The composition of Net Position at June 30, 2016 is reflected below:



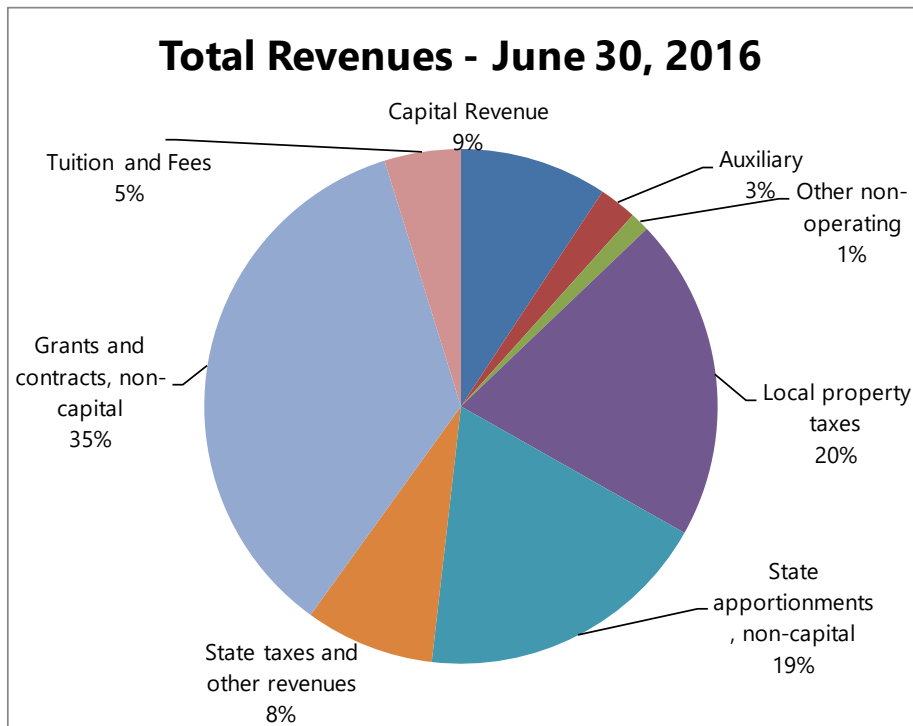
**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

**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 13.

	2016	2015	Net Change
<b>Revenues</b>			
Net tuition and fees	\$ 6,247,256	\$ 5,582,743	\$ 664,513
Other operating revenue	3,078,762	3,098,618	(19,856)
General revenues - property taxes	26,306,704	20,284,808	6,021,896
General revenues - federal and state grants	45,655,931	36,622,600	9,033,331
General revenues - other	51,172,235	38,418,044	12,754,191
<b>Total Revenue</b>	<b>132,460,888</b>	<b>104,006,813</b>	<b>28,454,075</b>
<b>Expenses</b>			
Operating expenses	117,414,148	93,833,543	23,580,605
Interest	1,645,051	1,214,719	430,332
<b>Total Expenses</b>	<b>119,059,199</b>	<b>95,048,262</b>	<b>24,010,937</b>
<b>Change in net position</b>	<b>\$ 13,401,689</b>	<b>\$ 8,958,551</b>	<b>\$ 4,443,138</b>

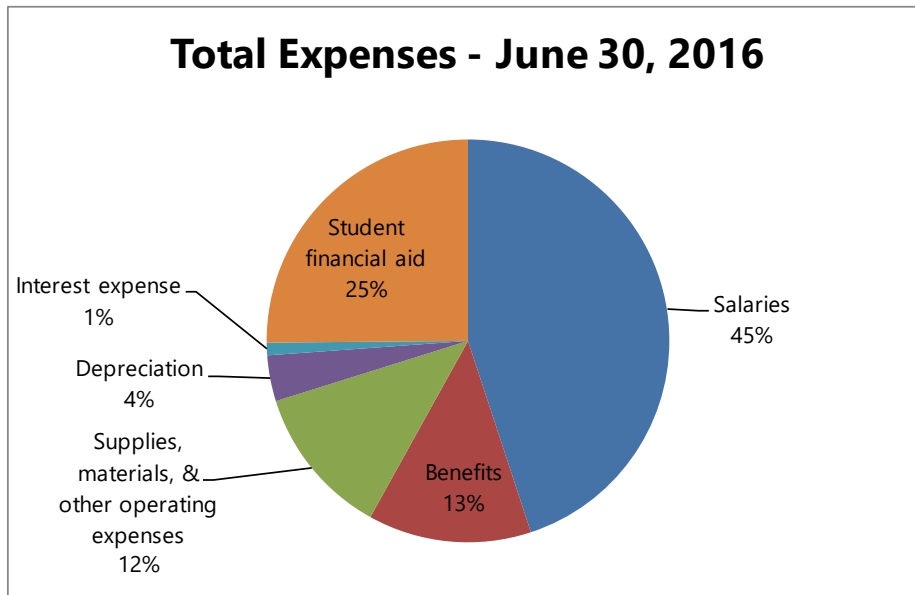
The District's primary revenue is from the State apportionment, local property taxes, student enrollment fees, and grants. Property taxes levied and received from property within the County increased in 2015-2016. State apportionments increased due to system-wide increases in revenue and allocations. The composition of operating and nonoperating revenues for the year ended June 30, 2016 are reflected below:



**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

**Operating Results for the Year, continued**

The District's expenses consisted primarily of employee salaries, benefits, supplies and operating items, and payments to students for financial aid. Total salaries increased \$5.0 million over the prior year, due primarily to cost of living adjustment (COLA), new faculty positions and replacements for retirees. Benefits increased \$2.3 million due to State contributions on behalf of District employees, and new pension accounting standards adopted during the fiscal year. Operating and nonoperating expenses are comparatively reflected below:



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:

	Salaries and Employee Benefits	Supplies material, and other expenses and services	Equipment maintenance and repairs	Financial aid	Depreciation	Total
Instructional activities	\$ 30,144,430	\$ 1,384,724	\$ 1,069,777	\$ -	\$ -	\$ 32,598,931
Academic support	7,676,205	1,892,341	699,925	-	-	10,268,471
Student services	8,586,648	1,129,446	350,116	457,882	-	10,524,092
Operations and maintenance	2,423,130	2,217,305	24,022	-	-	4,664,457
Institutional support services	8,747,037	7,452,243	457,867	-	-	16,657,147
Community services & economic development	745,780	518,950	102,004	-	-	1,366,734
Ancillary services & auxiliary operations	3,651,631	3,821,536	1,646,865	156	-	9,120,188
Physical property & related acquisitions	104,114	1,145,979	2,054,947	-	-	3,305,040
Transfers, student aid, other outgo	-	51	-	22,536,535	-	22,536,586
Depreciation - unallocated	-	-	-	-	6,372,502	6,372,502
<b>Total</b>	<b>\$ 62,078,975</b>	<b>\$ 19,562,575</b>	<b>\$ 6,405,523</b>	<b>\$ 22,994,573</b>	<b>\$ 6,372,502</b>	<b>\$ 117,414,148</b>

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

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**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2016, the District had \$119.3 million in a broad range of capital assets, including land, buildings, and furniture and equipment. At June 30, 2016, the District's net capital assets were \$82.6 million. Major capital improvement projects are ongoing throughout the college campuses. These projects are primarily funded through the General Obligation Bonds issued by the District in April 2015. Projects will be accounted for within our Construction in Progress account until the project is completed at which time the cost will be recorded to the depreciable capital asset categories.

	2016	2015	Net Change
Capital assets not being depreciated	\$ 23,385,129	\$ 20,885,579	\$ 2,499,550
Capital assets being depreciated	95,884,685	96,774,812	(890,127)
Accumulated depreciation	(36,671,366)	(33,585,381)	(3,085,985)
<b>Total Capital Assets</b>	<b>\$ 82,598,448</b>	<b>\$ 84,075,010</b>	<b>\$ (1,476,562)</b>

We present more detailed information about our capital assets in Note 5 to the financial statements.

**Long-term Liabilities**

At the end of the 2015-2016 fiscal year, the District had \$75.5 million in General Obligation Bonds outstanding, including premium on bonds. These bonds are repaid semi-annually, utilizing District Funds, in accordance with the debt service schedules.

In addition to the General Obligation Bonds, the District is obligated for lease purchase agreements for equipment and obligations to employees of the District for vacation, load banking, and retirement benefits.

	2016	2015	Net Change
General obligation bonds	\$ 75,519,756	\$ 75,751,234	\$ (231,478)
Capital leases	606,219	798,629	(192,410)
Compensated absences	1,375,114	1,220,209	154,905
Other long-term liabilities	1,171,073	1,677,852	(506,779)
<b>Total Long-term Liabilities</b>	<b>\$ 78,672,162</b>	<b>\$ 79,447,924</b>	<b>\$ (775,762)</b>

We present more detailed information about our long-term liabilities in Note 7 to the financial statements.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

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**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 for the budget for the 2015-2016 fiscal year on September 8, 2016.

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

The State of California approved its budget on June 27, 2016. The budget reflects an ongoing commitment to provide educational access to all Californians largely due to the passage of proposition 55, extending funding through 2030. California Community Colleges will receive \$114.7 for increased access, general operating and categorical programs, deferred maintenance funding, \$105 million to pay down mandates, plus direct funding to increase the number of full-time faculty.

Mt. San Jacinto Community College has leveraged the positive state position to fully restore previous budget reductions, add budget capacity for 13 new teaching faculty (net increases), and 3 replacement faculty due to retirement/resignation. The District plans on funding an additional 26 faculty positions for the academic year 2017-2018 (13 replacement and 13 new). In addition, the District has designated reserves for the increases scheduled in the California Public Employee's Retirement System (PERS) and California State Teachers' Retirement System (STRS) contributions. Additionally, the District has set aside funds for the Post-Employment Benefits Other Than Pensions (OPEB) irrevocable trust payment and an additional designated reserve for future OPEB funding. Finally, the District has budgeted a 7% Board Reserve, an increase of 1% over FY1516.

The new Growth Formula Model Factors that direct resources based on local demographic need, while considering the system's actual demand for access, align closely with the District's population. Mt. San Jacinto College has the highest constrained targeted growth rate in the state at 6.75%. The District has taken a conservative approach and did not build in the entire growth funding into the budget year base for 2016-17. The Adopted Budget includes a constrained growth funding of 4 percent. As enrollments grow and FTES are earned, revenue will be adjusted accordingly.

Mt. San Jacinto Community College General Obligation Bond, Measure AA was approved during the November 4, 2014 election. A 55 percent plus one supermajority vote was required for approval. Measure AA authorizes the issuance of \$295 million in bonds to fund capital improvement projects District-wide. The funds were designated to ensure school buildings are accessible for the disabled; upgrade classrooms, labs, electrical systems, and technology infrastructure and acquire, construct, and repair classrooms and facilities. Fiscal accountability will be monitored by the nine member Citizen's Oversight Committee. The first issuance of \$70 million occurred in April of 2015.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

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**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.

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## **FINANCIAL SECTION**

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**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
STATEMENTS OF NET POSITION – PRIMARY GOVERNMENT  
JUNE 30, 2016 AND 2015**

	2016	2015
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 101,396,539	\$ 90,434,553
Accounts receivable - net	5,760,468	4,651,520
Inventories	826,918	658,849
Prepaid expenses	2,687,155	461,700
<b>Total Current Assets</b>	<b>110,671,080</b>	<b>96,206,622</b>
<b>NONCURRENT ASSETS</b>		
Net OPEB asset	1,275,407	1,073,244
Capital assets - net of accumulated depreciation	82,598,448	84,075,010
<b>Total Noncurrent Assets</b>	<b>83,873,855</b>	<b>85,148,254</b>
<b>TOTAL ASSETS</b>	<b>194,544,935</b>	<b>181,354,876</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred charges	7,823,102	3,695,282
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	6,066,394	4,959,298
Deferred revenue	8,777,276	4,838,121
Long-term debt - current portion	6,737,822	718,912
<b>Total Current Liabilities</b>	<b>21,581,492</b>	<b>10,516,331</b>
<b>NONCURRENT LIABILITIES</b>		
Net pension liability	51,116,078	44,613,639
Long-term debt - noncurrent portion	71,934,340	78,729,012
<b>Total Noncurrent Liabilities</b>	<b>123,050,418</b>	<b>123,342,651</b>
<b>TOTAL LIABILITIES</b>	<b>144,631,910</b>	<b>133,858,982</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows on unrealized pension investment gains	4,990,196	11,846,934
<b>NET POSITION</b>		
Net investment in capital assets	62,455,300	71,728,224
Restricted for:		
Debt service	13,688,885	5,510,456
Capital projects	4,927,620	5,221,356
Unrestricted	(28,325,874)	(43,115,794)
<b>TOTAL NET POSITION</b>	<b>\$ 52,745,931</b>	<b>\$ 39,344,242</b>

See accompanying notes to the financial statements.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – PRIMARY  
GOVERNMENT  
FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015**

	2016	2015
<b>OPERATING REVENUES</b>		
Student tuition and fees	\$ 17,201,489	\$ 16,349,296
Less: Scholarship discount & allowance	10,954,233	10,766,553
Net tuition & fees	<u>6,247,256</u>	<u>5,582,743</u>
Auxiliary enterprise sales and charges	3,078,762	3,098,618
Subtotal	<u>3,078,762</u>	<u>3,098,618</u>
TOTAL OPERATING REVENUES	<u>9,326,018</u>	<u>8,681,361</u>
<b>OPERATING EXPENSES</b>		
Salaries	47,691,988	42,714,438
Benefits	14,386,987	11,941,879
Supplies, materials, & other operating expenses	22,533,756	10,899,650
Student financial aid	22,994,573	23,891,926
Other outgo	3,434,342	926,726
Depreciation	<u>6,372,502</u>	<u>3,458,924</u>
TOTAL OPERATING EXPENSES	<u>117,414,148</u>	<u>93,833,543</u>
<b>OPERATING LOSS</b>	<u>(108,088,130)</u>	<u>(85,152,182)</u>
<b>NONOPERATING REVENUES/(EXPENSES)</b>		
State apportionments - non-capital	24,155,859	30,884,324
Local property taxes	26,306,704	20,284,808
State taxes & other revenues	13,347,472	2,759,147
Grants:		
Federal	24,452,069	25,541,263
State	21,203,862	11,081,337
Investment income - non-capital	110,800	48,290
Other nonoperating revenues	1,465,224	1,783,833
Interest income (expense)	<u>(1,645,051)</u>	<u>(1,214,719)</u>
TOTAL NONOPERATING REVENUES	<u>109,396,939</u>	<u>91,168,283</u>
<b>INCOME (LOSS) BEFORE OTHER REVENUES AND GAINS</b>	1,308,809	6,016,101
<b>OTHER REVENUES AND GAINS/(LOSSES)</b>		
State revenues, capital	1,392,318	2,133,752
Local revenues, capital	11,217,425	808,698
Loss on disposal of equipment	<u>(516,863)</u>	<u>-</u>
TOTAL OTHER REVENUES AND GAINS	<u>12,092,880</u>	<u>2,942,450</u>
<b>CHANGE IN NET POSITION</b>	13,401,689	8,958,551
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>39,344,242</u>	<u>83,803,314</u>
<b>ADJUSTMENT FOR RESTATEMENT (see Note 15)</b>	-	(53,417,623)
<b>NET POSITION, BEGINNING OF YEAR, AS RESTATED</b>	<u>39,344,242</u>	<u>30,385,691</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 52,745,931</u>	<u>\$ 39,344,242</u>

See accompanying notes to the financial statements.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
STATEMENTS OF CASH FLOWS – PRIMARY GOVERNMENT  
FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015**

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and fees	\$ 5,798,635	\$ 5,732,122
Payments to or on behalf of employees	(60,987,455)	(51,564,797)
Payments to vendors and operating expenses	(23,736,640)	(12,102,534)
Payments to students	(22,957,723)	(23,855,076)
Other receipts	2,940,974	3,098,618
Net Cash Used by Operating Activities	<u>(98,942,209)</u>	<u>(78,691,667)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
State apportionments	23,460,911	30,189,376
Grants and contracts	41,619,104	36,357,216
Property taxes	26,267,416	20,245,520
State taxes and other revenues	13,753,734	3,165,409
Other nonoperating	1,349,105	1,667,714
Net Cash Provided by Non-capital Financing Activities	<u>106,450,270</u>	<u>91,625,235</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(6,097,372)	(4,295,710)
Proceeds from debt issuance	-	69,690,573
State revenue - capital projects	1,392,318	2,133,752
Local revenue - capital	11,217,425	808,698
Principal paid on capital debt	(1,135,210)	(1,546,132)
Interest paid on capital debt	(2,034,036)	(1,214,719)
Net Cash Used by Capital Financing Activities	<u>3,343,125</u>	<u>65,576,462</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment income	110,800	48,290
Net Cash Provided by Investing Activities	<u>110,800</u>	<u>48,290</u>
<b>NET INCREASE/(DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>	10,961,986	78,558,320
<b>CASH &amp; CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>90,434,553</u>	<u>11,876,233</u>
<b>CASH &amp; CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 101,396,539</u>	<u>\$ 90,434,553</u>

See accompanying notes to the financial statements.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
STATEMENTS OF CASH FLOWS – PRIMARY GOVERNMENT  
FOR THE FISCAL YEARS Ended June 30, 2016 and 2015**

	2016	2015
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Operating loss	\$ (108,088,130)	\$ (85,152,182)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation expense	6,372,502	3,458,924
Changes in Assets and Liabilities:		
Receivables - net	(598,863)	412,503
Inventory	(168,069)	170,883
Prepaid items	(2,225,455)	(201,710)
Accounts payable and accrued liabilities	3,042,451	1,594,273
Deferred revenue	2,925,518	2,028,676
Net OPEB asset	(202,163)	(1,003,034)
Total Adjustments	<u>9,145,921</u>	<u>6,460,515</u>
<b>Net Cash Flows From Operating Activities</b>	<u>\$ (98,942,209)</u>	<u>\$ (78,691,667)</u>

See accompanying notes to the financial statements.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
STATEMENTS OF NET POSITION – FIDUCIARY FUNDS  
JUNE 30, 2016 AND 2015**

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	2016	2015
	Trust	Trust
<b>ASSETS</b>		
Cash and cash equivalents	\$ 218,844	\$ 198,912
Accounts receivable, net	1	-
Prepaid expenses	-	-
Due from primary government	344	358
<b>Total Assets</b>	<b>219,189</b>	<b>199,270</b>
<b>LIABILITIES</b>		
Accounts payable	170	4,689
Due to primary government	42,993	22,661
<b>Total Liabilities</b>	<b>43,163</b>	<b>27,350</b>
<b>NET POSITION</b>		
Held in Trust for Student Groups	176,026	171,920
<b>Total Net Position</b>	<b>\$ 176,026</b>	<b>\$ 171,920</b>

See accompanying notes to the financial statements.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
 STATEMENTS OF CHANGES IN NET POSITION – FIDUCIARY FUNDS  
 FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015**

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	2016	2015
	Trust	Trust
<b>ADDITIONS</b>		
Local revenues	\$ 158,402	\$ 169,988
<b>Total Additions</b>	<u>158,402</u>	<u>169,988</u>
<b>DEDUCTIONS</b>		
Books and supplies	70,247	60,502
Services and operating expenditures	82,849	76,926
Capital outlay		-
<b>Total Deductions</b>	<u>153,096</u>	<u>137,428</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Other sources	9,959	13,752
Other uses	(11,159)	(13,752)
<b>Total Other Financing Sources (Uses)</b>	<u>(1,200)</u>	<u>-</u>
<b>Change in Net Position</b>	4,106	32,560
<b>NET POSITION</b>		
<b>Beginning of Year</b>	171,920	139,360
<b>End of Year</b>	<u>\$ 176,026</u>	<u>\$ 171,920</u>

See accompanying notes to the financial statements.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

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**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 consists of 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) Statements No. 39 and 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.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**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.



**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation, continued**

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, 2016 and 2015, are stated at fair value. Fair value is estimated based on quoted market prices at year-end. Short-term investments have an original maturity date greater than three months, but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

**Restricted Assets**

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

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**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 \$188,314 for the year ended June 30, 2016.

**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.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**Debt Issuance Costs, Premiums, and Discounts**

Issuance costs related to prepaid insurance costs are amortized over the life of the bonds using the straight-line method, all other costs related to debt issuance are expensed when incurred.

**Deferred Gain/Loss on Refunding**

Deferred gain/loss on refunding is amortized using the straight-line method over the lesser of the remaining life of the debt or the remaining life of the refunded debt.

**Pensions**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plans and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**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.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**Unearned Revenue**

Unearned 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 unearned revenue is removed from the combined balance sheet and revenue is recognized. Unearned revenue includes (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 unearned 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.

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.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**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 *OMB Compliance Supplement*

**On Behalf Payments**

GASB Statement No. 24 requires direct on behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees for another legally separate entity be recognized as revenues and expenditures by the employer entity. The State of California makes direct on behalf payments to CalSTRS and CalPERS on behalf of all community colleges in California. The amount of the on behalf payments made for the District for the year ended June 30, 2015, was \$1,466,184 for CalSTRS and \$0 for CalPERS. These amounts are reflected in the District's audited financial statements.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**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.

**Change in Accounting Principles**

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.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**Change in Accounting Principles, continued**

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.

In November 2013, the GASB issued Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a State or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**Change in Accounting Principles, continued**

Statement No. 68 requires a State or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a State or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement No. 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, Statement No. 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a State or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement No. 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement No. 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68.

**New Accounting Pronouncements**

**GASB Statement No. 72** – In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This standard addresses accounting and financial reporting issues related to fair value measurements. The Statement is effective for periods beginning after June 15, 2015. The District has implemented GASB Statement No. 72 for the year ended June 30, 2016.

**GASB Statement No. 73** – In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This standard establishes requirements for defined benefit pensions that are not within the scope of GASB Statement 68 and amends certain provisions of GASB Statements 67 and 68. The Statement is effective for periods beginning after June 15, 2016. The District has not yet determined the impact on the financial statements.



**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
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JUNE 30, 2016 AND 2015**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**New Accounting Pronouncements, continued**

**GASB Statement No. 75** – In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of GASB 75 is to improve accounting and financial reporting by state and local governments for other postemployment benefits (OPEB) by establishing standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. It will require employers to report a net OPEB liability for the difference between the present value of projected pension benefits for past service and restricted resources held in trust for the payment of benefits. The 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. GASB 75 is required to be implemented retroactively and will require a restatement of beginning net position. The Statement is effective for periods beginning after June 15, 2017. The District has not yet determined the impact on the financial statements.

**GASB Statement No. 80** – In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14*. This standard's primary objective is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The Statement is effective for periods beginning after June 15, 2016. The District has not yet determined the impact on the financial statements.

**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.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

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**NOTE 3 - DEPOSITS AND INVESTMENTS, continued**

**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 Obligations	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

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
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**NOTE 3 - DEPOSITS AND INVESTMENTS, continued**

**Summary of Deposits and Investments**

Deposits and investments of the Primary Government as of June 30, 2016, consist of the following:

	Primary Government
Cash on hand and in banks	\$ 899,394
Cash in revolving	32,555
Cash collections awaiting deposit	
Investments	99,932,588
Cash with fiscal agents	532,002
Total Deposits and Investments	<u>\$ 101,396,539</u>

Deposits and investments of the Fiduciary Funds as of June 30, 2016, consist of the following:

	Fiduciary Funds
Cash on hand and in banks	<u>\$ 218,844</u>

**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 does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**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 Years
Riverside County Treasury Pooled Investment	\$ 100,082,492	1.15

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

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**NOTE 3 - DEPOSITS AND INVESTMENTS, continued**

**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 Riverside County Treasury pool are rated Aaa/AA+ by Moody's Investors Service and Fitch ratings as of June 30, 2016.

**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, 2015, 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, 2016, \$100,082,492 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. As of June 30, 2016 accounts receivable amounted to \$5,760,468. By November 18, 2016, the date of this audit report, \$4,129,230 had been collected and all remaining balances appear collectible.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

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**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	Beginning Balance			Ending Balance
	July 1, 2015	Additions	Deductions	June 30, 2016
Capital assets not being depreciated				
Land	\$ 6,809,952	\$ 271,056	\$ -	\$ 7,081,008
Construction in progress	14,075,627	2,228,494	-	16,304,121
Total capital assets not being depreciated	<u>20,885,579</u>	<u>2,499,550</u>	<u>-</u>	<u>23,385,129</u>
Capital assets being depreciated				
Land improvements	10,610,334	316,246	271,056	10,655,524
Buildings & improvements	66,272,046	1,684,579	-	67,956,625
Furniture and equipment	19,892,432	952,125	3,572,021	17,272,536
Total capital assets being depreciated	<u>96,774,812</u>	<u>2,952,950</u>	<u>3,843,077</u>	<u>95,884,685</u>
Total capital assets	<u>117,660,391</u>	<u>5,452,500</u>	<u>3,843,077</u>	<u>119,269,814</u>
Less accumulated depreciation				
Land improvements	4,182,619	532,695	-	4,715,314
Buildings & improvements	17,367,953	4,614,432	-	21,982,385
Furniture and equipment	12,034,809	1,225,375	3,286,517	9,973,667
Total accumulated depreciation	<u>33,585,381</u>	<u>6,372,502</u>	<u>3,286,517</u>	<u>36,671,366</u>
Net Capital Assets	<u>\$ 84,075,010</u>	<u>\$ (920,002)</u>	<u>\$ 556,560</u>	<u>\$ 82,598,448</u>

Depreciation expense for the year was \$6,372,502. At June 30, 2016, the District had capital assets acquired from capital leases with a net book value of \$606,219.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**NOTE 5 - CAPITAL ASSETS, continued**

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Beginning Balance July 1, 2014	Additions	Deductions	Ending Balance June 30, 2015
Capital assets not being depreciated				
Land	\$ 6,809,952	\$ -	\$ -	\$ 6,809,952
Construction in progress	14,071,272	4,355	-	14,075,627
Total capital assets not being depreciated	<u>20,881,224</u>	<u>4,355</u>	<u>-</u>	<u>20,885,579</u>
Capital assets being depreciated				
Land improvements	10,455,359	154,975	-	10,610,334
Buildings & improvements	64,430,352	1,841,694	-	66,272,046
Furniture and equipment	17,557,629	3,292,913	958,110	19,892,432
Total capital assets being depreciated	<u>92,443,340</u>	<u>5,289,582</u>	<u>958,110</u>	<u>96,774,812</u>
Total capital assets	<u>113,324,564</u>	<u>5,293,937</u>	<u>958,110</u>	<u>117,660,391</u>
Less accumulated depreciation				
Land improvements	3,670,692	511,927	-	4,182,619
Buildings & improvements	15,492,288	1,875,665	-	17,367,953
Furniture and equipment	10,994,861	1,071,332	31,384	12,034,809
Total accumulated depreciation	<u>30,157,841</u>	<u>3,458,924</u>	<u>31,384</u>	<u>33,585,381</u>
Net Capital Assets	<u>\$ 83,166,723</u>	<u>\$ 1,835,013</u>	<u>\$ 926,726</u>	<u>\$ 84,075,010</u>

Depreciation expense for the year was \$3,458,924. At June 30, 2015, the District had capital assets acquired from capital leases with a net book value of \$798,629.

**NOTE 6 - 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, 2016 and 2015, the amounts owed between the primary government and the fiduciary funds were \$42,693 and \$22,303, respectively.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**NOTE 6 - INTERFUND TRANSACTIONS, continued**

**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. As of June 30, 2016 and 2015, there were no transfers made between the primary government and the fiduciary funds.

**NOTE 7 - LONG-TERM OBLIGATIONS**

**Long-Term Obligations Summary**

The changes in long-term obligations during the 2016 fiscal year consisted of the following:

	Balance July 1, 2015	Additions	Payments and Reductions	Balance June 30, 2016	Due Within One Year
General obligation bonds					
Series A	\$ 70,000,000	\$ -	\$ -	\$ 70,000,000	\$ 6,050,000
Unamortized premium	5,751,234	-	231,478	5,519,756	-
Total general obligation bonds	75,751,234	-	231,478	75,519,756	6,050,000
Other liabilities					
Compensated absences	1,220,209	154,905	-	1,375,114	-
Capital leases	798,629	79,974	272,384	606,219	240,683
Golden handshake	599,218	124,569	334,574	389,213	191,460
Supplemental early retirement plan	767,037	-	255,679	511,358	255,679
Load banking	311,597	-	41,095	270,502	-
Total other liabilities	3,696,690	359,448	903,732	3,152,406	687,822
Total long-term obligations	\$ 79,447,924	\$ 359,448	\$ 1,135,210	\$ 78,672,162	\$ 6,737,822

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**NOTE 7 - LONG-TERM OBLIGATIONS, continued**

**Long-Term Obligations Summary, continued**

The changes in long-term obligations during the 2015 fiscal year consisted of the following:

	Balance July 1, 2014	Additions	Payments and Reductions	Balance June 30, 2015	Due Within One Year
General obligation bonds					
Series A	\$ -	\$ 70,000,000	\$ -	\$ 70,000,000	\$ -
Unamortized premium	-	5,786,956	35,722	5,751,234	-
Total general obligation bonds	-	75,786,956	35,722	75,751,234	-
Lease revenue bonds					
Series 2003	5,980,000	-	5,980,000	-	-
Series 2008A	5,410,000	-	5,410,000	-	-
Total lease revenue bonds	11,390,000	-	11,390,000	-	-
Total bonds payable	11,390,000	75,786,956	11,425,722	75,751,234	-
Other liabilities					
Compensated absences	1,167,933	52,276	-	1,220,209	-
Capital leases	223,831	958,063	383,265	798,629	253,229
Golden handshake	1,506,406	-	907,188	599,218	210,004
Supplemental early retirement plan	1,022,716	-	255,679	767,037	255,679
Load banking	267,633	43,964	-	311,597	-
Total other liabilities	4,188,519	1,054,303	1,546,132	3,696,690	718,912
Total long-term obligations	\$ 15,578,519	\$ 76,841,259	\$ 12,971,854	\$ 79,447,924	\$ 718,912

**Description of Debt**

Payments on the general obligation bonds and 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, supplemental early retirement plan, and load banking obligations from the General Fund.

**Bonds Payable**

The outstanding bonded debt is as follows:

Series	Issue Date	Yield	Maturity Date	Bonds			Bonds	
				Outstanding July 1, 2015	Additions	Redeemed	Outstanding June 30, 2016	Due Within One Year
Series A	4/28/2015	2.00-5.00%	8/1/2040	\$ 70,000,000	\$ -	\$ -	\$ 70,000,000	\$ 6,050,000
<b>Total General Obligation Bonds</b>				70,000,000	-	-	70,000,000	6,050,000



**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

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**NOTE 7 - LONG-TERM OBLIGATIONS, continued**

**Bonds Payable, continued**

**General Obligation Bonds**

During November 2014, voters of the District supported Measure AA, which authorized the issuance and sale of general obligation bonds in the amount of \$295,000,000. As a result of the authorization, on April 28, 2015, the District issued General Obligation Bond Series A. At June 30, 2015, the principal outstanding was \$70,000,000.

Series A bonds were issued in the aggregate principal amount of \$70,000,000 with interest rates ranging from 2.00 to 5.00 percent. Series A bonds were used to finance the acquisition, construction, and modernization of property and school facilities, to refund outstanding lease revenue bonds, and to pay certain costs of the bond issue. The refunded lease revenue bonds are considered defeased.

Debt service requirements to maturity - Series A General Obligation Bonds matures through 2040 as follows:

Fiscal Year	Principal	Interest	Total
2017	\$ 6,050,000	\$ 2,868,512	\$ 8,918,512
2018	6,185,000	2,684,312	8,869,312
2019	5,115,000	2,432,737	7,547,737
2020	390,000	2,295,112	2,685,112
2021	505,000	2,272,737	2,777,737
2022-2026	4,575,000	10,802,685	15,377,685
2027-3031	9,040,000	9,132,315	18,172,315
2032-2036	15,090,000	6,434,297	21,524,297
2037-2041	23,050,000	2,447,000	25,497,000
	<u>\$ 70,000,000</u>	<u>\$ 41,369,707</u>	<u>\$ 111,369,707</u>

**Lease Revenue Bonds**

On June 12, 2003, the District issued Series 2003 Lease Revenue Bonds through the California Community College Financial Authority consisting of Current Interest Bonds in the amount of \$8,000,000. The bonds bear variable interest rates from 3.0 percent to 4.25 percent.

On May 22, 2008, the District issued Series 2008A Lease Revenue Bonds through the California Community College Financial Authority consisting of Current Interest Bonds in the amount of \$5,860,000. The bonds bear variable interest rates from 3.5 percent to 5.0 percent.

During the 2015 fiscal year, a portion of the proceeds from the Series A general obligation bond issuance were placed into escrow accounts to refund 100% of the outstanding lease revenue bonds, resulting in the in-substance defeasance of the lease revenue bonds. As a result, outstanding lease revenue bond payments and the corresponding funds committed in escrow accounts are not reflected in the District's financial statements.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 7 - LONG-TERM OBLIGATIONS, continued**

**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, 2015	\$ 798,629
Additions	79,974
Payments	(272,384)
Balance, June 30, 2016	<u>\$ 606,219</u>

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

Year Ending June 30,	Lease Payment
2017	\$ 240,682
2018	187,212
2019	178,325
Total	<u>\$ 606,219</u>

Amortization of the leased equipment under capital leases is included with depreciation expenses.

**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, 2016, are \$389,213.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2016 AND 2015**

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**NOTE 7 - LONG-TERM OBLIGATIONS, continued**

**Supplemental Early Retirement Plan (SERP)**

The Board of Trustees of the District established a retirement plan for certain eligible employees of the District effective July 1, 2013. The eligibility requirements for employees to participate in such a plan are:

- a. Faculty, Classified, Management, and Confidential employees of the District.
- b. Employee must be at least 55 years of age by June 30, 2013 (Group 1) or December 31, 2013 (Group II).
- c. Employee must have five years service with the District by date of retirement.
- d. Employee must declare intention to retire during the window period of February 14, 2013 through April 9, 2013.

The plan provided one option as follows:

The benefit under this plan was based on a formula of 66 percent of salary funded over a five-year period.

**Supplemental Early Retirement Plan (SERP), continued**

On June 30, 2015, there were 25 participants that elected early retirement under this plan. Future minimum annual payments are as follows:

Year Ending June 30,	SERP Payment
2017	\$ 255,679
2018	255,679
Total	\$ 511,358

**Other Obligations**

The compensated absences balance at June 30, 2016, was \$1,375,114.

The amount owed to employees for load banking balances at June 30, 2016, was \$270,502.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 8 - 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, 2016, the value of the Plan assets was \$2,915,987.

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 63 retirees and retiree beneficiaries currently receiving benefits and 422 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. Currently, plan members do not make contributions. The District provides 100 percent of the contribution. 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 2015-2016, the District actuarial determined contributions \$445,442 for pay-as-you-go premiums and \$500,000 was contributed to the Irrevocable Trust.

**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 (ARC)	\$ 743,279
Annual OPEB Cost	<u>743,279</u>
District contributions made	445,442
Contributions made to irrevocable trust	<u>500,000</u>
Increase in net OPEB asset	202,163
Net OPEB asset - July 1, 2015	1,073,244
Net OPEB asset - June 30, 2016	<u>\$ 1,275,407</u>

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

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**NOTE 8 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) ASSET, continued**

**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	Annual OPEB Cost	Actual Employer Contributions	Percentage Contributed	Net Ending OPEB Asset
June 30, 2016	\$ 743,279	\$ 945,442	127%	\$ 1,275,407
June 30, 2015	\$ 743,279	\$ 827,712	111%	\$ 1,073,244
June 30, 2014	\$ 607,503	\$ 218,438	36%	\$ 730,210

**Funding Status and Funding Progress**

The funded status of the OPEB Plan as of June 30, 2016, is as follows:

Actuarial Valuation Date	Value of Assets*	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2015	\$ 2,915,987	\$ 7,228,287	\$ 4,312,300	40%	\$ 35,966,974	11.99%
July 1, 2013	2,657,386	5,812,306	3,154,920	46%	35,385,588	8.92%
July 1, 2011	2,241,079	3,948,140	1,707,061	57%	34,887,743	4.89%

The above noted actuarial accrued liability was based on the July 1, 2015, 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.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
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**NOTE 8 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) ASSET, continued**

**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, 2015, actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 7.00 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, 2015, was 30 years. The actuarial value of assets amounted to \$2,915,987 which consisted of deposits held in Trust with CalPERS.

**NOTE 9 – PENSION PLANS**

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS). The District reported its proportionate share of the net pension liabilities, pension expense, deferred outflow of resources, and deferred inflow of resources for each of the above plans as follows:

	<u>Net pension liability</u>	<u>Deferred outflows related to pensions</u>	<u>Deferred inflows related to pensions</u>	<u>Pension expense</u>
STRS Pension	\$ 30,455,197	\$ 4,202,087	\$ 3,013,288	\$ 2,358,468
PERS Pension	20,660,881	3,621,015	1,976,908	919,118
<b>Total</b>	<u>\$ 51,116,078</u>	<u>\$ 7,823,102</u>	<u>\$ 4,990,196</u>	<u>\$ 3,277,586</u>

**Pension Plans – California Public Employees' Retirement System (CalPERS)**

**General Information about the Pension Plan**

**Plan Description** – The schools cost-sharing multiple-employer defined benefit pension plan (the Plan) is administered by the California Public Employees' Retirement System (CalPERS). Plan membership consists of non-teaching and non-certified employees of public schools (K-12), community college districts, offices of education, charter and private schools (elective) in the State of California. The Plan was established to provide retirement, death and disability benefits to non-teaching and noncertified employees in schools. The benefit provisions for Plan employees are established by statute.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
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**NOTE 9 – PENSION PLANS, continued**

**Pension Plans – California Public Employees’ Retirement System (CalPERS), continued**

**Benefits Provided** – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The Plans’ provisions and benefits in effect at June 30, 2015 are established by statute.

**Contributions** – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Local Government is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2015 (the measurement date), the average active employee contribution rate is 6.974 percent of annual pay, and the employer’s contribution rate is 11.442 percent of annual payroll. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any Employer Paid Member Contributions or situations where members are paying a portion of the employer contribution.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to CalPERS**

At June 30, 2016, the District reported a liability of \$20,660,881 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2015, the District’s proportion was 0.140%. For the year ended June 30, 2016, the District recognized pension expense of \$919,118.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 9 – PENSION PLANS, continued**

**Pension Plans – California Public Employees’ Retirement System (CalPERS), continued**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to CalPERS, continued**

At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ -	\$ 707,446
Differences between expected and actual experience	1,180,800	-
Changes in assumptions	-	1,269,462
Changes in proportion and differences between District contributions and proportionate share of contributions	423,280	-
District contributions subsequent to the measurement date	2,016,935	-
	<u>\$ 3,621,015</u>	<u>\$ 1,976,908</u>

The \$3,621,015 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2017	\$ 553,131	\$ 614,607
2018	553,131	614,607
2019	497,818	570,832
2020	-	176,862
	<u>\$ 1,604,080</u>	<u>\$ 1,976,908</u>



**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

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**NOTE 9 – PENSION PLANS, continued**

**Pension Plans – California Public Employees’ Retirement System (CalPERS), continued**

**Actuarial assumptions.** For the measurement period ended June 30, 2015 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2014 total pension liability. The June 30, 2014 and the June 30, 2015 total pension liabilities were based on the following actuarial methods and assumptions:

Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.65% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality Rate Table <sup>1</sup>	Derived using CalPERS’ Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.00% until Purchasing Power Protection allowance Floor on Purchasing Power applies, 2.75% thereafter

<sup>1</sup>The mortality table used was developed based on CalPERS specific data.

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS’ website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 9 – PENSION PLANS, continued**

**Pension Plans – California Public Employees’ Retirement System (CalPERS), continued**

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

<b>Asset Class</b>	<b>New Strategic Allocation</b>	<b>Real Return Years 1 - 10<sup>1</sup></b>	<b>Real Return Years 11+<sup>2</sup></b>
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	10.0	6.83	6.95
Real Estate	10.0	4.50	5.13
Infrastructure and Forestland	2.0	4.50	5.09
Liquidity	2.0	(0.55)	(1.05)
	100%		

<sup>1</sup>An expected inflation of 2.5% used for this period

<sup>2</sup>An expected inflation of 3.0% used for this period

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2016 AND 2015**

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**NOTE 9 – PENSION PLANS, continued**

**Pension Plans – California Public Employees’ Retirement System (CalPERS), continued**

**Discount Rate** - The discount rate used to measure the total pension liability was 7.65 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS’ website.

**Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate** - The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.65 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is in the following table:

	Discount Rates		
	-1% (6.65%)	(7.65%)	1% (8.65%)
Plan’s net pension liability	\$ 33,627,305	\$ 20,660,881	\$ 9,878,433

**Pension plan fiduciary net position.** Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS CAFR at <https://www.calpers.ca.gov/docs/forms-publications/cafr-2014.pdf>.

**Pension Plans – California State Teachers’ Retirement System (CalSTRS)**

**General Information about the Pension Plan**

**Plan Description** – CalSTRS provides pension benefits to California full-time and part-time public school teachers from pre-kindergarten through community college and certain other employees of the public school system. The Teachers’ Retirement Law (California Education Code Section 22000 et seq.), as enacted and amended by the California Legislature, established these plans and CalSTRS as the administrator. The benefit terms of the plans may be amended through legislation.

**Benefits Provided** - The State Teachers’ Retirement Plan (STRP) is a multiple-employer, cost-sharing defined benefit plan comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

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**NOTE 9 – PENSION PLANS, continued**

**Pension Plans – California State Teachers’ Retirement System (CalSTRS), continued**

**Benefits Provided, continued**

The Plans’ provisions and benefits in effect at June 30, 2015 are established by statute.

The STRP Defined Benefit Program has two benefit formulas:

- CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS.
- CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS.

***CalSTRS 2% at 60***

CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.

***CalSTRS 2% at 62***

CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

Under California law, the DB Program receives contributions from members and employers set as a percentage of members’ earnings, in addition to contributions from the state’s General Fund and other sources. CalSTRS investment earnings finance the cost of administering the plan and offset the amount of contributions required to fund benefits. Unlike most other pension plans in California, the board does not have broad authority to raise contribution rates. Because contribution rates are set in statute, the authority to adjust them rests with the Legislature and the Governor.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 9 – PENSION PLANS, continued**

**Pension Plans – California State Teachers’ Retirement System (CalSTRS), continued**

**Plan Contributions**

		<b>FY 2014-15 Rate</b>	<b>Ultimate Rate</b>	<b>Equivalent Rate <sup>1</sup></b>
EC § 22901 & § 22901.7	Members	8.15% / 8.15%	10.25% / 9.205%	9.654%
EC §22950 & § 22951	Employers Employers –	8.25%	8.25%	8.250%
EC § 22950.5(a)	Supplemental <sup>2</sup>	0.63%	10.85%	8.662%
EC §22950(c)	Employers for THBF <sup>3</sup>	0.00%	<i>as needed</i>	0.000%
EC § 22955.1(a)	State <sup>4</sup>	2.017%	2.017%	1.868%
EC § 22955.1(b)	State – Supplemental	1.437%	4.311%	3.794%
<b>Equivalent Level Contribution Rate through June 30, 2046</b>				<b>32.228%</b>

<sup>1</sup> Equivalent level contribution rate payable through June 30, 2046.

<sup>2</sup> Graded increases per schedule defined in the Education Code. The ultimate contribution will vary depending on the funded status. For purposes of this exhibit, it is assumed the ultimate rate specified in the graded schedule will not change in the future.

<sup>3</sup> The Teachers’ Health Benefit Fund is financed by a redirection of employer contributions. The Teachers’ Retirement Board has set aside DB Program assets to finance these future costs. This is reflected in the valuation by adding the unfunded obligation for future THBF benefits to the Actuarial Obligation of the DB Program.

<sup>4</sup> The State’s contribution of 2.017% is paid quarterly based on second prior fiscal year salaries.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to CalSTRS**

At June 30, 2016, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability totaled \$30,455,197.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 9 – PENSION PLANS, continued**

**Pension Plans – California State Teachers’ Retirement System (CalSTRS), continued**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to CalSTRS, continued**

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on the District’s proportionate share of total CalSTRS calculated employer contributions, including the State. At June 30, 2015, the District’s proportion was 0.045%.

The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$	30,455,197
States's proportionate share of the net pension liability associated with the District		16,107,399
Total	\$	<u>46,562,596</u>

For the year ended June 30, 2016, the District recognized pension expense of \$2,358,468 and revenue of the same amount for support provided by the State. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ -	\$ 2,482,593
Differences between expected and actual experience	-	508,913
Changes in proportion and differences between District contributions and proportionate share of contributions	-	21,782
District contributions subsequent to the measurement date	4,202,087	-
	<u>\$ 4,202,087</u>	<u>\$ 3,013,288</u>

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 9 – PENSION PLANS, continued**

**Pension Plans – California State Teachers’ Retirement System (CalSTRS), continued**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to CalSTRS, continued**

The \$4,202,087 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. The \$3,013,288 reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2017	\$ -	\$ 708,579
2018	-	708,579
2019	-	708,579
2020	-	708,579
2021	-	87,931
2022	-	91,041
	<u>\$ -</u>	<u>\$ 3,013,288</u>

**Actuarial Assumptions**

The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Discount rate	7.60%
Investment rate of return	7.60 %, net of investment expenses, but gross of administrative expenses. CalSTRS uses a 7.50 % assumed investment rate of return for funding purposes, which is net of administrative expenses.
Consumer price inflation	3.00%
Wage growth	3.75%
Post-retirement benefit increases	2.00% simple for DB Not applicable for DBS/CBB

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

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**NOTE 9 – PENSION PLANS, continued**

**Pension Plans – California State Teachers’ Retirement System (CalSTRS), continued**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance - PCA) as an input to the process. Based on the model from CalSTRS consulting actuary’s (Milliman) investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board.

<b>Asset Class</b>	<b>Actual Allocation as of June 30, 2014</b>	<b>Time-Weighted Performance Returns</b>			
		<b>1 Yr</b>	<b>3 Yr</b>	<b>5 Yr</b>	<b>10 Yr</b>
Global Equity	57.30%	24.73%	13.00%	16.80%	8.30%
Fixed Income	15.50%	5.80%	4.60%	6.30%	5.50%
Real Estate	11.70%	14.50%	12.60%	8.00%	7.40%
Private Equity	11.50%	19.60%	13.00%	16.60%	13.80%
Cash/Liquidity	2.50%	0.60%	2.40%	5.60%	2.00%
Inflation Sensitive Absolute Return	0.70%	10.50%	5.80%	-	-
	0.80%	0.10%	0.30%	-	-
Total	100.00%	18.70%	11.20%	13.70%	7.70%

**Discount rate** - The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increase per Assembly Bill 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the STRP’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.



**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
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**NOTE 9 – PENSION PLANS, continued**

**Pension Plans – California State Teachers’ Retirement System (CalSTRS), continued**

**Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate -**

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.60% percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.60%) or 1-percentage-point higher (8.60%) than the current rate:

	Discount Rates		
	-1% (6.60%)	(7.60%)	1% (8.60%)
Plan's net pension liability	\$ 45,984,977	\$ 30,455,197	\$ 17,548,697

**Pension plan fiduciary net position** - Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalSTRS CAFR at <http://www.calstrs.com/comprehensive-annual-financial-report>.

**NOTE 10 - 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, 2015, 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.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
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**NOTE 10 - RISK MANAGEMENT, continued**

**Workers' Compensation**

For fiscal year 2015-2016, 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 occurrence)	250,000,000
Statewide Association of Community Colleges (SWACC)	Liability (per occurrence)	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.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 11 - 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. As a result of the Public Employee Pension Reform Act of 2013 (PEPRA), changes have been made to the defined benefit pension plan effective January 1, 2013. 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**

Due to the implementation of the PEPRA, new members must pay at least 50 percent of the normal costs of the plan, which can fluctuate from year to year. For 2015-2016, the required contribution rate for new members is 8.0 percent. "Classic" plan members are also required to contribute 8.0 percent of their salary. 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 2015-2016 was 10.73 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, 2016, 2015, and 2014, were \$4,202,087, \$1,902,359, and \$1,697,475, respectively, and equals 100 percent of the required contributions for each year.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

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**NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS, continued**

**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. As a result of the PEPRA, changes have been made to the defined benefit pension plan effective January 1, 2013. 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**

As a result of the implementation of the PEPRA, new members must pay at least 50 percent of the normal costs of the plan, which can fluctuate from year to year. For 2014-2015, the normal cost is 11.85 percent, which rounds to a 6.0 percent contribution rate. "Classic" plan members continue to contribute 7.0 percent. 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 2015-2016 was 11.85 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, 2016, 2015, and 2014, were \$2,016,936, \$1,792,923, and \$1,690,969, 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, 2016, 2015, and 2014, which amounted to \$1,466,184, \$1,129,775, and \$1,132,683, respectively, (7.126 percent) of 2013-14 creditable compensation. 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, 2016, 2015, and 2014. 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 non-operating revenue and employee benefit expense.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

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**NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS, continued**

**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 12 - 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 13 - 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.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

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**NOTE 14 - 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, 2015.

**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, 2016.

**Early Retirement - Golden Handshake**

The District has adopted an early retirement incentive program. The outstanding contract amount for this purpose is \$389,213. This amount is contingent upon the employee performing the required service days per year.

**Supplemental Early Retirement Plan - (SERP)**

The District has adopted an early retirement incentive program. The outstanding contract amount for this purpose is \$511,358. This amount is contingent upon the employee performing the required service days per year.

**Construction Commitments**

The District has \$4,142,000 in construction commitments remaining at June 30, 2016. The capital project in progress was the fire alarm drawing and construction phases.

**NOTE 15 - RESTATEMENT**

The June 30, 2015 beginning net position decreased by \$53,417,623. This was due to adjustments made to bring on net pension liabilities related to CalPERS and CalSTRS following the District's implementation of GASB Statements No. 68 and No. 71 during the year ended June 30, 2015. See Note 2, Summary of Significant Accounting Policies for further details on the implementation of GASB Statements No. 68 and No. 71.

**NOTE 16 - SUBSEQUENT EVENTS**

The District evaluated subsequent events from June 30, 2016 through November 18, 2016, the date the financial statements were issued. The District concluded that no subsequent events have occurred that would require recognition or disclosure in the financial statements.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF FUNDING PROGRESS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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Actuarial Valuation Date	Value of Assets*	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2015	\$ 2,915,987	\$ 7,228,287	\$ 4,312,300	40%	\$ 35,966,974	11.99%
July 1, 2013	2,657,386	5,812,306	3,154,920	46%	35,385,588	8.92%
July 1, 2011	2,241,079	3,948,140	1,707,061	57%	34,887,743	4.89%

\*Asset valuation as of June 30, 2016.



**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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<b>STRS</b>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.045%	0.045%
District's proportionate share of the net pension liability	\$ 30,455,197	\$ 26,482,179
States's proportionate share of the net pension liability associated with the District	16,107,399	16,049,771
Total	<u>\$ 46,562,596</u>	<u>\$ 42,531,950</u>
District's covered-employee payroll	\$ 39,162,041	\$ 21,422,962
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	77.8%	123.6%
Plan fiduciary net position as a percentage of the total pension liability.	76.5%	76.5%
<b>PERS</b>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.140%	0.138%
District's proportionate share of the net pension liability	\$ 20,660,881	\$ 15,625,838
District's covered-employee payroll	\$ 17,134,780	\$ 15,669,664
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	120.6%	99.7%
Plan fiduciary net position as a percentage of the total pension liability.	83.4%	83.4%

\* - Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF CONTRIBUTIONS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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<b>STRS</b>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 4,202,087	\$ 1,902,359
Contributions in relation to the contractually required contribution*	(4,202,087)	(1,902,359)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 39,162,041	\$ 21,422,962
Contributions as a percentage of covered-employee payroll	10.73%	8.88%

\*Amounts do not include on behalf contributions

<b>PERS</b>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 2,016,935	\$ 1,792,923
Contributions in relation to the contractually required contribution	(2,016,935)	(1,792,923)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 17,134,780	\$ 15,669,664
Contributions as a percentage of covered-employee payroll	11.77%	11.44%

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**SUPPLEMENTARY  
INFORMATION**

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**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
DISTRICT ORGANIZATIONAL STRUCTURE  
JUNE 30, 2016**

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

**GOVERNING BOARD**

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<b>MEMBER</b>	<b>OFFICE</b>	<b>TERM EXPIRES</b>
Tom Ashley	President	2020
Ann Motte	Clerk	2018
Dorothy McGargill	Trustee	2020
Sherrie Guerrero, Ed.D	Trustee	2020
Bill Zimmerman	Trustee	2018

**DISTRICT ADMINISTRATION**

Dr. Roger Schultz  
*Superintendent/President*

Ms. Becky Elam  
*Vice President, Business Services*

Dr. William Vincent  
*Vice President, Student Services*

Dr. Rudy Besikof  
*Vice President, Instructional Services*

Mr. Jack Miyamoto  
*Interim Vice President, Human Resources*

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<b>Passed through the California Department of Education</b>			
Child and Adult Care Food Program	10.558	3094-1A	\$ 72,600
<b>Total U.S. Department of Agriculture</b>			<u>72,600</u>
<b>U.S. DEPARTMENT OF LABOR</b>			
<b>Passed through the Employment and Training Administration (ETA) via Chaffey College</b>			
Trade Adjustment Assistance Community College & Career Training (TAACCCT)	17.282	15C215	374,787
<b>Total U.S. Department of Labor</b>			<u>374,787</u>
<b>U.S. DEPARTMENT OF VETERANS AFFAIRS</b>			
<b>Passed through the California Community College Chancellor's Office</b>			
Veterans Education	64.000	*	8,419
Chapter 33 - Veterans Post 911 GI Bill	64.028	*	149,862
<b>Total U.S. Department of Veterans Affairs</b>			<u>158,281</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<b>HIGHER EDUCATION ACT</b>			
TRIO - Upward Bound Program - Fund 12 - Resource 1310	84.047A		225,469
TRIO - Talent Search Program - Fund 12 - Resource 1314	84.044A		193,244
College Cost Reduction and Access Act (STEM)	84.031C	*	1,116,928
Strengthening Institutional Success (Title V)	84.031S	*	293,838
<b>Total Higher Education Act</b>			<u>1,829,479</u>
<b>Passed through the California Department of Education</b>			
Workforce Investment Act, Title II: Adult Education & Family Literacy Act			
English as a second Language	84.002A	*	363,557
<b>STUDENT FINANCIAL ASSISTANCE CLUSTER</b>			
Federal Supplement Education Opportunity Grant (FSEOG)	84.007	*	379,750
FSEOG Administrative	84.007	*	10,329
Federal Work Study Program (FWS) - Fund 12 - Resource 4101	84.033		363,197
Federal Work Study Administrative	84.033	*	26,678
Federal Pell Grants (PELL)	84.063	*	20,236,651
Federal Pell Administrative	84.063	*	34,970
<b>Total Student Financial Assistance Cluster</b>			<u>21,051,575</u>
<b>CAREER AND TECHNICAL EDUCATION ACT</b>			
<b>Passed through from California Community Colleges Chancellor's Office</b>			
Perkins, Title I, Part C	84.048	15-C01-035	454,380
Perkins, Title II, Tech. Prep., CTE Transitions	84.243	15-112-035	45,119
<b>Total Career and Technical Education Act</b>			<u>499,499</u>
<b>Total U.S. Department of Education</b>			<u>23,744,110</u>
<b>NATIONAL SCIENCE FOUNDATION</b>			
<b>Passed through the University of California San Diego</b>			
UC San Diego Biodiversity Project	47.076	53851742	18,573
<b>Total National Science Foundation</b>			<u>18,573</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<b>Passed through from California Community Colleges Chancellor's Office</b>			
Temporary Assistance to Needy Families (TANF)	93.558	*	103,899
<b>Passed through from Yosemite Community College District</b>			
Child Development Training Consortium	93.575	15-15-4474	12,500
<b>Total U.S. Department of Health and Human Services</b>			<u>116,399</u>
<b>Total Federal Expenditures</b>			<u>\$ 24,484,750</u>

\*Pass-Through number is either not available or not applicable

See accompanying note to the supplementary information.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF REVENUES AND EXPENDITURES OF STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Program Title	Program Entitlements		
	Current Year	Prior Year	Total Entitlement
Board Financial Assistance Program (BFAP - 2101)	\$ 531,784	\$ -	\$ 531,784
Extended Opportunity Program & Services (EOPS - 2111)	705,120	-	705,120
Cooperative Agencies Resources for Educ. (CARE - 2112)	165,350	-	165,350
Disabled Students Program (DSPS - 2121)	1,057,518	-	1,057,518
CalWORKS (2131)	450,849	-	450,849
Student Success and Support Program (SSSP) Credit Matriculation (2141)	2,618,231	379,153	2,997,384
Student Success and Support Program (SSSP) Non-Credit Matriculation (2142)	132,868	-	132,868
Student Success and Support Program (SSSP) Student Equity (2143)	1,718,214	731,435	2,449,649
Staff Diversity (2151)	5,637	10,829	16,466
Enrollment Growth & Retention (2186)	146,687	-	146,687
SB1070 CTE Pathways Constorium Program (2192)	608,438	425,374	1,033,812
Adult Education Block Grant (2193)	2,796,294	-	2,796,294
Full-Time Student Success Grant (2194)	350,604	-	350,604
Adult Education Block Grant Data & Accountability (2195)	461,243	-	461,243
Basic Skills (2314)	140,667	121,118	261,785
Prekindergarten & Family Literacy (2318)	5,000	-	5,000
Song-Brown Capitation (2328)	70,000	25,497	95,497
Song-Brown Special Programs (2329)	-	22,154	22,154
Health Workforce Initiative (2331)	10,000	11,808	21,808
AB86 Adult Education Planning Grant (2332)	-	128,054	128,054
San Bernardino Community College SB70 Mini Grant (2333)	-	9,580	9,580
CTE Enhancement Funds (2334)	-	103,271	103,271
California Career Pathways Trust Implementation (2336)	104,661	-	104,661
Restricted State Lottery Prop 20 (2401)	539,792	26,760	566,552
Instructional Improvement Block Grant (2161)	814,231	-	814,231
Cal Grant B	1,267,902	-	1,267,902
Cal Grant C	41,470	-	41,470
<b>Total State District Funding</b>	<b>\$ 14,742,560</b>	<b>\$ 1,995,033</b>	<b>\$ 16,737,593</b>

See accompanying note to the supplementary information.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF REVENUES AND EXPENDITURES OF STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Program Title	Program Revenues					Program Expenditures
	Cash Received	Accounts Receivable	Accounts Payable	Grantor Advances	Total Revenue	
Board Financial Assistance Program (BFAP - 2101)	\$ 531,784	\$ -	\$ -	\$ -	\$ 531,784	\$ 531,784
Extended Opportunity Program & Services (EOPS - 2111)	705,120	-	-	-	705,120	705,120
Cooperative Agencies Resources for Educ. (CARE - 2112)	165,350	-	-	-	165,350	165,350
Disabled Students Program (DSPS - 2121)	1,057,518	-	-	-	1,057,518	1,057,518
CalWORKS (2131)	450,849	-	-	-	450,849	450,849
Student Success and Support Program (SSSP) Credit Matriculation (2141)	2,997,384	-	-	896,650	2,100,734	2,100,734
Student Success and Support Program (SSSP) Non-Credit Matriculation (2142)	132,868	-	-	81,517	51,351	51,351
Student Success and Support Program (SSSP) Student Equity (2143)	2,342,349	-	-	1,157,045	1,185,304	1,185,304
Staff Diversity (2151)	16,466	-	-	5,225	11,241	11,241
Enrollment Growth & Retention (2186)	134,952	11,735	-	-	146,687	146,687
SB1070 CTE Pathways Constorium Program (2192)	269,262	451,981	-	-	721,243	721,243
Adult Education Block Grant (2193)	2,796,294	-	-	1,875,833	920,461	920,461
Full-Time Student Success Grant (2194)	350,604	-	-	26,004	324,600	324,600
Adult Education Block Grant Data & Accountability (2195)	461,243	-	-	433,743	27,500	27,500
Basic Skills (2314)	261,785	-	-	130,942	130,843	130,843
Prekindergarten & Family Literacy (2318)	2,580	2,420	-	-	5,000	5,000
Song-Brown Capitation (2328)	77,997	17,500	-	32,000	63,497	63,497
Song-Brown Special Programs (2329)	9,798	12,356	-	-	22,154	22,154
Health Workforce Initiative (2331)	11,808	10,000	-	-	21,808	21,808
AB86 Adult Education Planning Grant (2332)	128,054	-	-	-	128,054	128,054
San Bernardino Community College SB70 Mini Grant (2333)	9,580	-	-	-	9,580	9,580
CTE Enhancement Funds (2334)	103,271	-	-	-	103,271	103,271
California Career Pathways Trust Implementation (2336)	8,113	48,648	-	-	56,761	56,761
Restricted State Lottery Prop 20 (2401)	566,552	-	-	-	566,552	566,552
Instructional Improvement Block Grant (2161)	488,626	-	-	325,605	163,021	163,021
Cal Grant B	1,449,744	-	181,842	-	1,267,902	1,267,902
Cal Grant C	41,470	-	-	-	41,470	41,470
<b>Total State District Funding</b>	<b>\$ 15,571,421</b>	<b>\$ 554,640</b>	<b>\$ 181,842</b>	<b>\$ 4,964,564</b>	<b>\$ 10,979,655</b>	<b>\$ 10,979,655</b>

See accompanying note to the supplementary information.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT - ANNUAL/ACTUAL  
ATTENDANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

<b>CATEGORIES</b>	Reported Data	Audit Adjustments*	Audited Data
<b>A. Summer Intersession (Summer 2015 only)</b>			
1. Noncredit*	42.19	-	42.19
2. Credit	698.46	-	698.46
<b>B. Summer Intersession (Summer 2016 - Prior to July 1, 2016)</b>			
1. Noncredit	-	-	-
2. Credit	452.33	-	452.33
<b>C. Primary Terms (Exclusive of Summer Intersession)</b>			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	8903.74	-	8,903.74
(b) Daily Census Contact Hours	1126.88	-	1,126.88
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit*	597.67	-	597.67
(b) Credit	57.02	-	57.02
3. Alternative Attendance Accounting Procedure Courses			
(a) Weekly Census Contact Hours	4.43	-	4.43
(b) Daily Census Contact Hours	6.93	-	6.93
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
<b>D. Total FTES</b>	<b>11,889.65</b>	<b>-</b>	<b>11,889.65</b>
<b>Supplemental Information (subset of above information)</b>			
<b>E. In-service Training Courses</b>	-	-	-
<b>F. Basic Skills Courses and Immigrant Education</b>			
1. Credit	419.86	-	419.86
2. Noncredit	598.54	-	598.54
Total Basic Skills FTES	<b>1,018.40</b>	<b>-</b>	<b>1,018.40</b>
<b><u>CCFS 320 Addendum</u></b>			
CDCP Noncredit FTES	315.98	-	315.98
<b>Centers FTES</b>			
1. Credit	5,154.51	-	5,154.51
2. Noncredit*	178.98	-	178.98
Total Centers FTES	<b>5,333.49</b>	<b>-</b>	<b>5,333.49</b>

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



**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH FUND  
FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2016.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
RECONCILIATION OF THE ECS 84362 (50 PERCENT LAW) CALCULATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Object/ TOP Codes	Activity (ESCA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6100			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Academic Salaries</u>							
Instructional Salaries							
Contract or Regular	1100	11,498,510	-	11,498,510	11,498,510	-	11,498,510
Other	1300	9,856,855	-	9,856,855	9,856,855	-	9,856,855
Total Instructional Salaries		21,355,365	-	21,355,365	21,355,365	-	21,355,365
Non-Instructional Salaries							
Contract or Regular	1200	-	-	-	3,529,732	-	3,529,732
Other	1400	-	-	-	1,379,009	-	1,379,009
Total Non-Instructional Salaries		-	-	-	4,908,741	-	4,908,741
Total Academic Salaries		21,355,365	-	21,355,365	26,264,106	-	26,264,106
<u>Classified Salaries</u>							
Non-Instructional Salaries							
Regular Status	2100	-	-	-	10,100,830	-	10,100,830
Other	2300	-	-	-	1,132,896	-	1,132,896
Total Non-Instructional Salaries		-	-	-	11,233,726	-	11,233,726
Instructional Aides							
Regular Status	2200	1,629,962	-	1,629,962	1,629,962	-	1,629,962
Other	2400	456,669	-	456,669	456,669	-	456,669
Total Instructional Aides		2,086,631	-	2,086,631	2,086,631	-	2,086,631
Total Classsified Salaries		2,086,631	-	2,086,631	13,320,357	-	13,320,357
Employee Benefits	3000	6,722,358	-	6,722,358	12,507,058	-	12,507,058
Supplies and Materials	4000	-	-	-	710,319	-	710,319
Other Operating Expenses	5000	-	-	-	6,628,697	-	6,628,697
Equipment Replacement	6420	-	-	-	36,887	-	36,887
Total Expenditures Prior to Exclusions (Balance Forward)		30,164,354	-	30,164,354	59,467,424	-	59,467,424

See accompanying note to the supplementary information.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
RECONCILIATION OF THE ECS 84362 (50 PERCENT LAW) CALCULATION, continued  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Object/ TOP Codes	Activity (ESCA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6100			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Total Expenditures Prior to Exclusions (Balance Brought Forward)		30,164,354	-	30,164,354	59,467,424	-	59,467,424
<u>Exclusions</u>							
Activities to Exclude							
Inst. Staff-Retirees' Benefits and Incentives	5900	625,530	-	625,530	625,530	-	625,530
Std. Health Svcs. Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Non-inst.Staff-Retirees' Benefits and Incentives	6740	-	-	-	876,627	-	876,627
Objects to Exclude							
Rents and Leases	5060	-	-	-	161,999	-	161,999
Lottery Expenditures							
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	-	-	-	-	-	-
Supplies and Materials	4000						
Software	4100	-	-	-	-	-	-
Books, Magazines & Periodicals	4200	-	-	-	-	-	-
Instructional Supplies & Materials	4300	-	-	-	-	-	-
Non-inst. Supplies & Materials	4400	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	-	-	-
Other Operating Expenses and Services	5000	-	-	-	1,592,939	-	1,592,939
Capital Outlay	6000						
Library Books	6300	-	-	-	-	-	-
Equipment	6400						
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay		-	-	-	-	-	-
Total Exclusions		\$ 625,530	\$ -	\$ 625,530	\$ 3,257,095	\$ -	\$ 3,257,095
Total for ECS 84362, 50% Law		\$ 29,538,824	\$ -	\$ 29,538,824	\$ 56,210,329	\$ -	\$ 56,210,329
Percent of CEE (Instructional Salary Cost/Total CEE)		52.55%	0.00%	52.55%	100.00%	0.00%	100.00%
50% of Current Expense of Education					\$ 28,105,165	\$ -	\$ 28,105,165

See accompanying note to the supplementary information.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
 DETAILS OF THE EDUCATION PROTECTION ACCOUNT  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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<b>Activity Classification</b>	<b>Object Code</b>				<b>Unrestricted</b>
EPA Proceeds	8630				\$ 9,934,224
<b>Activity Classification</b>	<b>Activity Code</b>	<b>Salaries and Benefits (Obj 1000-3000)</b>	<b>Operating Expenses (Obj 4000-5000)</b>	<b>Capital Outlay (Obj 6000)</b>	<b>Total</b>
Instructional Activities	0100-5900	\$ 9,934,224	\$ -	\$ -	\$ 9,934,224
Other Support Activities	6XXX	-	-	-	-
<b>Total Expenditures for EPA</b>		\$ 9,934,224	\$ -	\$ -	\$ 9,934,224
<b>Revenues Less Expenditures</b>					\$ -

See accompanying note to the supplementary information.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
 COMBINING BALANCE SHEET – FUND EQUITY  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

June 30, 2016	General Fund	Bond Interest and Redemption Fund	Cafeteria Fund	Child Development Fund	Bond Fund	Balance Forward
<b>ASSETS</b>						
Cash and cash equivalents	\$ 29,002,375	\$ 13,688,885	\$ 40,971	\$ 4,768	\$ 52,757,962	\$ 95,494,961
Accounts receivable	4,329,983	-	130	29,727	91,203	4,451,043
Prepaid expenses	215,212	-	-	-	2,121,831	2,337,043
Inventory	2,602	-	(4,542)	-	-	(1,940)
Capital assets	-	-	-	-	-	-
Due from other funds	360,313	-	64,797	138,989	405,612	969,711
<b>Total Assets</b>	<b>\$ 33,910,485</b>	<b>\$ 13,688,885</b>	<b>\$ 101,356</b>	<b>\$ 173,484</b>	<b>\$ 55,376,608</b>	<b>\$ 103,250,818</b>
<b>LIABILITIES</b>						
Accounts payable	\$ 3,449,292	\$ -	\$ 44,069	\$ 70,203	\$ 564,438	\$ 4,128,002
Due to other funds	407,399	-	10,103	71,800	30,209	519,511
Deferred revenues	8,658,615	-	43,180	31,481	-	8,733,276
<b>Total Liabilities</b>	<b>12,515,306</b>	<b>-</b>	<b>97,352</b>	<b>173,484</b>	<b>594,647</b>	<b>13,380,789</b>
<b>FUND EQUITY</b>						
Fund balance	21,395,179	13,688,885	4,004	-	54,781,961	89,870,029
<b>Total Fund Equity</b>	<b>21,395,179</b>	<b>13,688,885</b>	<b>4,004</b>	<b>-</b>	<b>54,781,961</b>	<b>89,870,029</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 33,910,485</b>	<b>\$ 13,688,885</b>	<b>\$ 101,356</b>	<b>\$ 173,484</b>	<b>\$ 55,376,608</b>	<b>\$ 103,250,818</b>

Note: This combining balance sheet reflects the governmental funds of the District, see pages 16 and 17 for fiduciary fund activity.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
COMBINING BALANCE SHEET – FUND EQUITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

June 30, 2016	Balance Brought Forward	Capital Outlay Projects Fund	Bookstore Fund	Internal Service Fund	Financial Aid Trust Fund	Total
<b>ASSETS</b>						
Cash and cash equivalents	\$ 95,494,961	\$ 5,121,636	\$ 195,828	\$ 337,621	\$ 246,493	\$ 101,396,539
Accounts receivable	4,451,043	70,024	107,931	100,379	1,031,091	5,760,468
Prepaid expenses	2,337,043	350,112	-	-	-	2,687,155
Inventory	(1,940)	-	828,858	-	-	826,918
Capital assets	-	-	85,124	-	-	85,124
Due from other funds	969,711	-	-	-	66,590	1,036,301
<b>Total Assets</b>	<b>\$ 103,250,818</b>	<b>\$ 5,541,772</b>	<b>\$ 1,217,741</b>	<b>\$ 438,000</b>	<b>\$1,344,174</b>	<b>\$ 111,792,505</b>
<b>LIABILITIES</b>						
Accounts payable	\$ 4,128,002	\$ 345,413	\$ 174,665	\$ 230,614	\$ 944,793	\$ 5,823,487
Due to other funds	519,511	224,739	111,600	39,110	33,246	928,206
Deferred revenues	8,733,276	44,000	-	-	-	8,777,276
<b>Total Liabilities</b>	<b>13,380,789</b>	<b>614,152</b>	<b>286,265</b>	<b>269,724</b>	<b>978,039</b>	<b>15,528,969</b>
<b>FUND EQUITY</b>						
Fund balance	89,870,029	4,927,620	931,476	168,276	366,135	96,263,536
<b>Total Fund Equity</b>	<b>89,870,029</b>	<b>4,927,620</b>	<b>931,476</b>	<b>168,276</b>	<b>366,135</b>	<b>96,263,536</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 103,250,818</b>	<b>\$ 5,541,772</b>	<b>\$ 1,217,741</b>	<b>\$ 438,000</b>	<b>\$1,344,174</b>	<b>\$ 111,792,505</b>

Note: This combining balance sheet reflects the governmental funds of the District, see pages 16 and 17 for fiduciary fund activity.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION  
JUNE 30, 2016**

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<b>Total Fund Equity - District Funds Included in the Reporting Entity</b>		\$ 96,263,536
Assets recorded within the statements of net position not included in the District fund financial statements:		
Nondepreciable capital assets	\$ 23,385,129	
Depreciable capital assets	95,884,685	
Accumulated depreciation	(36,671,366)	
Less fixed assets already recorded in enterprise funds	<u>(85,124)</u>	82,513,324
Unmatured Interest		(351,002)
Liabilities recorded within the statements of net position not recorded in the District fund financial statements:		
Net pension liability		(51,116,078)
Long-term debt		(78,672,162)
Pension related items:		
Deferred outflows of resources		7,823,102
Deferred inflows of resources		(4,990,196)
Net OPEB Asset		<u>1,275,407</u>
<b>Net Position Reported Within the Statements of Net Position</b>		<u>\$ 52,745,931</u>

See accompanying note to the supplementary information.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
 NOTE TO THE SUPPLEMENTARY INFORMATION  
 JUNE 30, 2016**

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**NOTE 1 - PURPOSE OF SCHEDULES**

**District Organizational Structure**

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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The following schedule provides reconciliation between revenues reported on the Statements of Revenues, Expenses, and Changes in Net Position - Primary Government and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist of Federal Pell administrative cost funds that in the previous period were recorded as revenues, but were unspent. These unspent funds have been expended in the current period.

Description	CFDA Number	Amount
Total Federal Revenues from the Statements of Revenues, Expenses, and Changes in Net Position:		\$ 24,452,069
Federal Pell Grants (PELL)	84.063	32,681
Total Expenditures of Federal Awards		24,484,750

**Schedule of Revenues and 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.



**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
NOTE TO THE SUPPLEMENTARY INFORMATION  
JUNE 30, 2016**

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**NOTE 1 – PURPOSE OF SCHEDULES, continued**

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

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

**Reconciliation of the ECS 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.

**Details of the Education Protection Account**

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

**Combining Balance Sheet – Fund Equity**

This schedule presents the assets, liabilities and fund equity of the District's governmental funds.

**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.

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**OTHER INDEPENDENT  
AUDITORS' REPORTS**

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**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**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Mt. San Jacinto Community College District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Mt. San Jacinto Community College District's basic financial statements, and have issued our report thereon dated November 18, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Mt. San Jacinto Community College 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 Mt. San Jacinto Community College District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Mt. San Jacinto Community College 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 entity'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. 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. Control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

## Compliance and Other Matters

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

## 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*CWDL, Certified Public Accountants*

San Diego, California

November 18, 2016



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

**Report on Compliance for Each Major Federal Program**

We have audited Mt. San Jacinto Community College District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Mt. San Jacinto Community College District's major federal programs for the year ended June 30, 2016. Mt. San Jacinto Community College District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Mt. San Jacinto Community College 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Mt. San Jacinto Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Mt. San Jacinto Community College District's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, Mt. San Jacinto Community College 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, 2016.

### **Report on Internal Control Over Compliance**

Management of Mt. San Jacinto Community College District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Mt. San Jacinto Community College 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 Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Mt. San Jacinto Community College District's internal control over compliance.

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

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. 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*WDL, Certified Public Accountants*

San Diego, California  
November 18, 2016



## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

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

### **Report on State Compliance**

We have audited Mt. San Jacinto Community College District's compliance with the types of compliance requirements described in the *California Community Colleges Contracted District Audit Manual (CDAM) 2015-16*, issued by the California Community Colleges Chancellor's Office for the year ended June 30, 2016.

### ***Management's Responsibility***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on Mt. San Jacinto Community College District's compliance with the 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 the *California Community Colleges Contracted District Audit Manual (CDAM) 2015-16*, issued by the California Community Colleges Chancellor's Office. Those standards 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 the state programs noted below. An audit includes examining, on a test basis, evidence about Mt. San Jacinto Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with the requirements referred to above. However, our audit does not provide a legal determination of Mt. San Jacinto Community College District's compliance with those requirements.

## **Opinion on State Compliance**

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, 2016.

## **Procedures Performed**

In connection with the audit referred to above, we selected and tested transactions and records to determine Mt. San Jacinto Community College District's compliance with the state laws and regulations applicable to the following items:

- Section 421 – Salaries of Classroom Instructors (50 Percent Law)
- Section 423 - Apportionment for Instructional Service Agreements/Contracts
- Section 424 - State General Apportionment 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 429 – Student Success and Support Program (SSSP)
- Section 430 – Scheduled Maintenance Program
- Section 431 - Gann Limit Calculation
- Section 435 - Open Enrollment
- Section 438 - Student Fees – Health Fees and Use of Health Fee Funds
- Section 439 – Proposition 39 Clean Energy
- Section 440 – Intersession Extension Program
- Section 475 - Disabled Student Programs and Services (DSPS)
- Section 479 - To Be Arranged Hours (TBA)
- 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.

The District reports no attendance within classes subject to the TBA Hours; therefore, the compliance tests within this section were not applicable.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing over state laws and regulations based on the requirements described in the *California Community Colleges Contracted District Audit Manual (CDAM) 2015-16*. Accordingly, this report is not suitable for any other purpose.



San Diego, California  
November 18, 2016



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**SCHEDULE OF FINDINGS AND  
QUESTIONED COSTS**

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**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED JUNE 30, 2016**

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**FINANCIAL STATEMENTS**

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</u>
Non-compliance material to financial statements noted?	<u>No</u>

**FEDERAL AWARDS**

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	<u>No</u>
Identification of major programs:	

<u>CFDA Numbers</u>	<u>Name of Federal Program of Cluster</u>
<u>84.007, 84.033, 84.063</u>	<u>Student Financial Assistance Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

**STATE AWARDS**

Internal control over state programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>No</u>
Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>
Unmodified for all State programs	

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS, continued  
FOR THE YEAR ENDED JUNE 30, 2016**

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**Section II – Financial Statement Findings**

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

***There were no financial statement findings or questioned costs identified during 2015-16.***

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS, continued  
FOR THE YEAR ENDED JUNE 30, 2016**

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**Section III – Federal Award Findings and Questioned Costs**

This section identifies the audit findings required to be reported by the *OMB Compliance Supplement* (e.g., deficiencies, significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

***There were no federal award findings or questioned costs identified during 2015-16.***

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS, continued  
FOR THE YEAR ENDED JUNE 30, 2016**

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**Section IV – State Award Findings and Questioned Costs**

This section identifies the audit findings pertaining to noncompliance with state program rules and regulations.

***There were no state award findings or questioned costs identified during 2015-16.***

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2016**

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**Finding #2015-1 475 - DISABLED STUDENT PROGRAMS AND SERVICES (DSPS)**

**Criteria:** Records must be available to support a student educational contract. The student educational contract should be prepared for and agreed upon by every student enrolled in DSPS per CCR Title V, Section 56022.

**Condition:** During our testing of 25 statistically significant sampled students enrolled in DSPS, and a subsequent sample of an additional 25 students, we noted that not all students had a student educational contract on file.

**Questioned Cost:** With DSPS funding for individual students based upon need and services provided, we could not extrapolate the results of our findings into a monetary questioned cost.

**Context:** For 1 of 50 students sampled, student educational contracts tested were not signed by the student.

**Effect:** Non-compliance with CCR Title V, Section 56022.

**Recommendation:** All student educational contracts should be signed by the related student as well as the DSPS professional staff.

**District Response:** The District agrees with this finding, and will implement procedures to ensure that eligibility determination records are maintained and all student educational contracts are signed by the related students.

**Status:** Implemented