

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

**MEASURE AA GENERAL OBLIGATION BONDS
ELECTION 2014**

FINANCIAL AUDIT

JUNE 30, 2016 AND 2015

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT
MEASURE AA GENERAL OBLIGATION BOND FUND**

FINANCIAL AUDIT

FINANCIAL SECTION

Opinions

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT
MEASURE AA GENERAL OBLIGATION BOND FUND**

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT MEASURE AA GENERAL OBLIGATION BOND FUND

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

Encumbrances

The District utilizes an encumbrance accounting system under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated when the commitments are paid and all outstanding encumbrances lapse at June 30.

Use of Estimates

The preparation of 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Fund Balance -

As of June 30, 2016 and 2015, the fund balance of the Measure AA General Obligation Bond Fund was classified as follows:

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation, or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Change in Accounting Principles

In February 2015, the GASB issued Statement No. ~~72~~⁷²; *Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The District has implemented the provisions of this Statement as of June 30, 2016.

In June 2015, the GASB issued Statement No. ~~76~~⁷⁶; *Hierarchy of Generally Accepted Accounting Principles*

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT
MEASURE AA GENERAL OBLIGATION BOND FUND**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

The District has implemented the provisions of this Statement as of June 30, 2016.

In December 2015, the GASB issued Statement No. 79,

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT
MEASURE AA GENERAL OBLIGATION BOND FUND**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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 41001). The fair value of the District's investment in the pool is reported in the accounting 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.

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 Percentag of Portfolio	Maximum Investmen in One Issue
Local Agency Bonds, Notes, Warran	5 year:	None	None
Registered State Bonds, Notes, Warran	5 year:	None	None
U.S. Treasury Obligations	5 year:	None	None
U.S. Agency Securities	5 year:	None	None
Banker's Acceptances	180 day:		

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT
MEASURE AA GENERAL OBLIGATION BOND FUND**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

The District's fair value measurements are as follows at June 30, 2016:

Investment Type	Fair Value	Fair Value Measurements Using			Uncategorized
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	
County Poc	<u>\$ 52,837,211</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,837,211</u>

All assets have been valued using a market approach, with quoted market prices.

NOTE 4 - ACCOUNTS RECEIVABLE

Receivables at June 30, 2016, consist of the following:

	2016	2015
Interes	<u>\$ 91,200</u>	<u>\$ 22,960</u>

NOTE 5 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2016, consist of the following:

	2016	2015
Construction payable	<u>\$ 564,438</u>	<u>\$ 46,779</u>

NOTE 6 - FUND BALANCE

Fund balance is composed of the following element:

	2016	2015
Restricted Capital project	<u>\$ 54,781,961</u>	<u>\$ 62,929,351</u>

NOTE 7 - COMMITMENTS AND CONTINGENCIES

Litigation

The District may be 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's Measure AA General Obligation Bond Fund at June 30, 2016.

INDEPENDENT AUDITOR'S REPORT



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

Board of Trustees and Citizens' Oversight Committee
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 accompanying financial statements of the Mt. San Jacinto Community College District's (the District) Measure AA General Obligation Bond Fund (General Obligation Bonds, Election 2014), as of and for the years ended June 30, 2016 and 2015, and have issued our report thereon dated October 31, 2016.

As discussed in Note 1, the financial statements present only the Measure AA General Obligation Bond Fund specific to General Obligation Bonds, Election 2014, and are not intended to present fairly the financial position and changes in financial position of the District in accordance with accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *Material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. *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 significant deficiencies or material weaknesses. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our testing 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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance ~~with~~ *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

[Handwritten signature]


Riverside, California
October 31, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT
MEASURE AA GENERAL OBLIGATION BOND FUND**

**FINANCIAL STATEMENT FINDINGS
JUNE 30, 2016**

None reported.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

**MEASURE AA GENERAL OBLIGATION BONDS
ELECTION 2014**

PERFORMANCE AUDIT

JUNE 30, 2016 AND 2015

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT
MEASURE AA GENERAL OBLIGATION BOND FUND**

**PERFORMANCE AUDIT
TABLE OF CONTENTS
JUNE 30, 2016 AND 2015**

Independent Auditor's Report on Performance	1
Authority for Issuance	2
Purpose of Issuance	2
Authority for the Audit	2
Objectives of the Audit	3
Scope of the Audit	3
Procedures Performed	3

INDEPENDENT AUDITOR'S REPORT ON PERFORMANCE

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT MEASURE AA GENERAL OBLIGATION BOND FUND

JUNE 30, 2016

4. We verified the total proceeds for the 2015 Series A General Obligation bonds were deposited into the General Obligation Bond Fund for the purpose of the projects approved by the voters in the original ballot text.
5. We selected a sample of expenditures for the period starting July 1, 2014 and ending June 30, 2016, and reviewed supporting documentation to ensure that such funds were properly expended on the specific projects listed in the ballot text.
6. Our sample included transactions totaling \$5,823,549 for the year ended June 30, 2015 and \$6,991,331 for the year ended June 30, 2016. This represents 99.76 percent and 82.5 percent of the total expenditures and other uses of \$7,093,601 and \$8,438,591, respectively.
7. We verified that funds from the Bonds were expended for the voter authorized Bond projects as listed in the Approved Bond Project Listing.
8. We verified that the District used formal bid procedures for those contracts over the construction bid level requirements in accordance with the Education Code requirements and District policies.

CONCLUSION

The results of our tests indicated that, in all significant respects, Mt. San Jacinto Community College District has properly accounted for the proceeds and expenditures held in the Bond Funds and that such expenditures were made for authorized Bond projects. There were no salaries of administrators charged to the Bonds for District general administration or operations. District procedures for disbursement of funds were applied in accordance with laws and regulations, as well as policies approved by the Board of Trustees.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT
MEASURE AA GENERAL OBLIGATION BOND FUND**