

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

**MEASURE AA GENERAL OBLIGATION BONDS
ELECTION 2014**

FINANCIAL AND PERFORMANCE AUDITS

JUNE 30, 2017

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

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

**FINANCIAL AUDIT
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JUNE 30, 2017**

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FINANCIAL SECTION

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Measure AA General Obligation Bond Fund (General Obligation Bonds, Election 2014) of the District at June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

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. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2017, on our

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**BALANCE SHEETS
JUNE 30, 2017**

ASSETS

Deposits and investments	\$ 44,387,527
Accounts receivable	113,095
Due from other funds	437,741
Total Assets	<u><u>\$ 44,938,363</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	<u>\$ 2,064,290</u>
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FUND BALANCE

Restricted for capital projects	<u>42,874,073</u>
Total Liabilities and Fund Balance	<u><u>\$ 44,938,363</u></u>

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

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT
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**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2017**

REVENUES

Investment income	\$ 389,171
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EXPENDITURES

Other expenses and services	553,340
Capital outlay	11,743,719

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

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

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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, 2017, 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.

Spending Order Policy

When an expenditure is incurred for purposes of which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assigned actions.

New Accounting Pronouncements

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation;
- Reporting amounts previously reported as goodwill and "negative" goodwill;
- Classifying real estate held by insurance entities;
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost;

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NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus;
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements;
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB;
- Classifying employer-paid member contributions for OPEB;
- Simplifying certain aspects of the alternative measurement method for OPEB;
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Early implementation is encouraged.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged.

NOTE 2 - 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,

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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

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

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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

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 Riverside County Treasury Investment Pool has been rated by Fitch Ratings as AAA/V1.

NOTE 3 - FAIR VALUE MEASUREMENTS

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs, other than Level 1 prices, such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the Riverside County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

The District's fair value measurements are as follows at June 30, 2017:

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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 4 - ACCOUNTS RECEIVABLE

Receivables at June 30, 2017, consist of the following:

Interest	<u>\$ 113,095</u>
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NOTE 5 - DUE FROM OTHER FUNDS

Due from other funds at June 30, 2017 consist of \$437,741 due from the General Fund for payroll and benefit expenses for four employees working on bond activities. The District elected to cover these expenses with unrestricted funds to allow more bond funds to be utilized on bond projects.

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2017, consist of the following:

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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

Litigation

INDEPENDENT AUDITOR'S REPORT

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 Measure (s)-2.6g /F0 11.029 Tf 1 0 0 1 54 6

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

**FINANCIAL STATEMENT FINDINGS
JUNE 30, 2017**

None reported.

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**MEASURE AA GENERAL OBLIGATION BONDS
ELECTION 2014**

PERFORMANCE AUDIT

JUNE 30, 2017



Vavrinek, Trine, Day & Co., LLP

Certified Public Accountants

VALUE THE DIFFERENCE

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

JUNE 30, 2017

AUTHORITY FOR ISSUANCE

The Measure AA General Obligation Bonds (the Bonds) were issued pursuant to the Constitution and laws of the

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**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT
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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2017**

There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.