

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

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***FINANCIAL SECTION***

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## INDEPENDENT AUDITOR'S REPORT

Board of Trustees and Citizens' Oversight Committee  
Mt. San Jacinto Community College District  
San Jacinto, California

### Report on the Financial Statements

We have audited the accompanying financial statements of 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 the related notes to the 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 statement 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 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 principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

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 financial position of the Measure AA General Obligation Bond Fund (General Obligation Bonds, Election 2014) of the District at June 30, 2016 and 2015, and the respective changes in financial position for the years 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 opinions are 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, 2016, on our consideration of the District's Measure AA General Obligation Bond Fund's (General Obligation Bonds,



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

STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE FOR THE YEARS ENDED JUNE 30,

	<u>2016</u>	<u>2015</u>
REVENUES		
Investment income	\$ 291,193	\$ 22,960
Total Revenues	<u>291,193</u>	<u>22,960</u>
EXPENDITURES		
Supplies and materials SupCHACH		
	_____	_____
	_____	_____
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	_____	_____
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MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
MEASURE AA GENERAL OBLIGATION BOND FUND

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

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Encumbrances

The District utilizes an encumbrance accounting system under which purchase orders and commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation. Encumbrances are liquidated when the commitments are paid and they 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 concerning the reporting entity's assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenditures/expenses during the period. Actual results may differ from those estimates.

Fund Balance -

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

Restricted Amounts (to be spent only for specific purposes)

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

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

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

In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requ(t)-4.n10..1(a)-1atx2

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

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

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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 Authorths

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

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

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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 Pool	\$ 52,837,218	\$ -	\$ -	\$ -	\$ 52,837,218

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
Interest	\$ 91,203	\$ 22,960

**NOTE 5 - ACCOUNTS PAYABLE**

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

	2016	2015
Construction payables	\$ 564,438	\$ 46,779

**NOTE 6 - FUND BALANCE**

Fund balance is composed of the following element:

	2016	2015
Restricted Capital projects	\$ 54,781,961	\$ 62,929,359

**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.

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***INDEPENDENT AUDITOR'S REPORT***

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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. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be 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.



Riverside, California  
October 31, 2016

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***SCHEDULE OF FINDINGS AND QUESTIONED COSTS***

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MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

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MEASURE AA GENERAL OBLIGATION BONDS  
ELECTION 2014

PERFORMANCE AUDIT

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JUNE 30, 2016 AND 2015

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

PERFORMANCE AUDIT  
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JUNE 30, 2016 AND 2015

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Vavrinek, Trine, Day & Co., LLP

Certified Public Accountants

VALUE THE DIFFERENCE

## INDEPENDENT AUDITOR'S REPORT ON PERFORMANCE

Board of Trustees and Citizens' Oversight Committee  
Mt. San Jacinto Community College District  
San Jacinto, California

We were engaged to conduct a performance audit of Mt. San Jacinto Community College District's (the District) Measure AA General Obligation Bond Fund (General Obligation Bonds, Election 2014) for the years ended June 30, 2016 and 2015.

We conducted these performance audits in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

Our audits were limited to the objectives listed within the report which includes determining the District's compliance with the performance requirements as referred to in Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution. Management is responsible for the District's compliance with those requirements.

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

JUNE 30, 2016

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2. The community college district must list the specific school facilities projects to be funded in the ballot measure, and must certify that the governing board has evaluated safety, class size reduction, and information technology needs in developing the project list.
3. Requires the community college district to appoint a Citizens' Oversight Committee.
4. Requires the community college district to conduct an annual independent financial audit and performance audit in accordance with the *Government Auditing Standards* issued by the Comptroller General of the United States of the bond proceeds until all of the proceeds have been expended.
5. Requires the community college district to conduct an annual independent performance audit to ensure that the funds have been expended only on the specific projects listed.

## ***OBJECTIVES OF THE AUDIT***

Determine whether expenditures charged to the Bonds have been made in accordance with the Bond project list approved by the voters through the approval of the Measure AA for the years ended June 30, 2015 and 2016.

## ***SCOPE OF THE AUDIT***

The scope of our performance audit covered the period of July 1, 2014 through June 30, 2016. The population of expenditures tested included all object and project codes associated with the Bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other State or local funding sources,



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MEASURE AA GENERAL OBLIGATION BOND FUND

JUNE 30, 2016

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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.

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