



Financial Statements
June 30, 2020

Mt. San Jacinto Community College District

Mt. San Jacinto Community College District

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June 30, 2020

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of Mt. San Jacinto Community College District (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our 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 District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the District as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the management's discussion and analysis on pages 4 through 14, and other required supplementary information on pages 66 through 70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The accompanying supplementary information listed in the Table of Contents, including the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the other supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements.

The schedule of expenditures of federal awards and other accompanying supplementary information listed in the table of contents are the responsibility of management and were 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 schedule of expenditures of federal awards and other accompanying supplementary information listed in the table of contents are 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 February 22, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Rancho Cucamonga, California
February 22, 2021



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
Vicki Carpenter
Ann Motte
Joshua Rivera
Brian Sylva

Using This Annual Report

The purpose of this annual report is to provide readers with information about the activities programs and financial condition of Mt. San Jacinto Community College District (the District) as of June 30, 2020. The report consists of three basic financial statements: the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement 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, 2020. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Overview of the Financial Statements

Mt. San Jacinto Community College District's financial statements are presented in accordance with Governmental Accounting Standards Board (GASB) Statements 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's Primary Government and its Fiduciary Funds. 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 Statement of Net Position is designed to be similar to the bottom line results of the District. This statement combines and consolidates current financial resources with capital assets and long-term liabilities. The Statement of Revenues, Expenses, and Changes in Net Position focuses on the costs of the District's operational activities with revenues and expenses categorized as operating and nonoperating, and expenses are reported by natural classification. The Statement 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

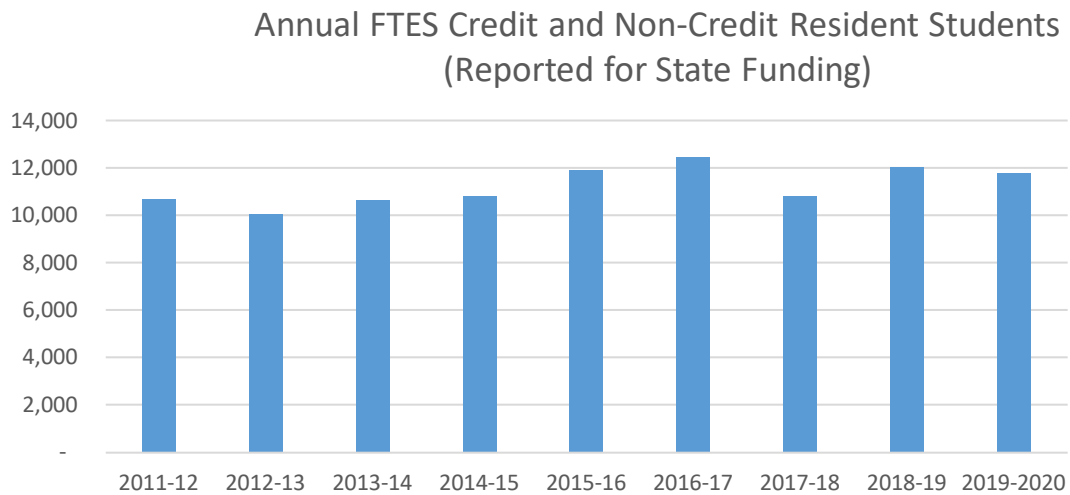
Menifee Valley Campus
28237 La Piedra Road
Menifee, CA 92584
951.672.6752

San Geronio Pass Campus
3144 W. Westward Avenue
Banning, CA 92220
951.922.1327

Temecula Valley Campus
41888 Motor Car Parkway
Temecula, CA 92591

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 9 years.



During the 2019-2020 fiscal year, the District provided \$34,260,337 in financial aid to students attending classes at its two campuses. This aid was provided in the form of grants, scholarships, and tuition reductions funds through the Federal government, State Chancellor's Office, and local funding as shown below.

Federal Pell Grants (PELL)	\$ 20,397,345
Federal Supplemental Education Opportunity Grants (FSEOG)	573,300
Federal Work-Study Program (FWS)	496,978
State of California Cal Grant B and C (CALG-B and C)	2,143,507
California Community College Board of Governor's Fee Waiver	<u>10,649,207</u>
 Total Financial Aid Provided to Students	 <u><u>\$ 34,260,337</u></u>

The District As A Whole

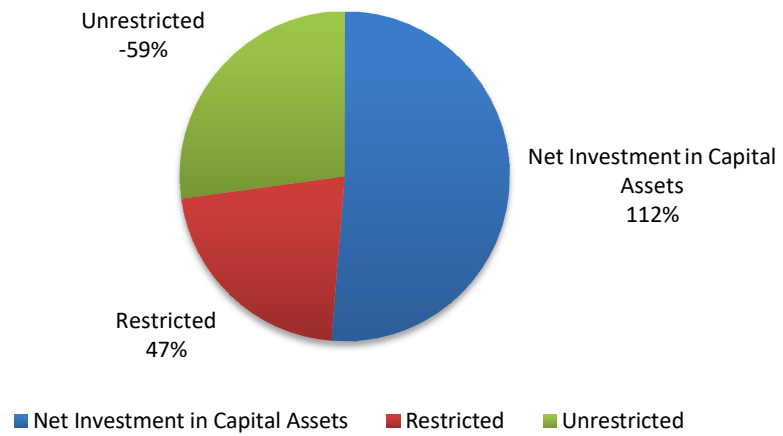
Net Position

The District's Net Position increased by \$12.7 million for the year ending June 30, 2020.

	<u>2020</u>	<u>2019</u>
Assets		
Current Assets		
Cash and investments	\$ 132,231,772	\$ 164,314,833
Accounts receivable (net)	8,002,503	5,666,569
Other current assets	<u>746,012</u>	<u>947,271</u>
Total current assets	<u>140,980,287</u>	<u>170,928,673</u>
Capital assets, net	<u>220,156,596</u>	<u>173,014,535</u>
Total assets	<u>361,136,883</u>	<u>343,943,208</u>
Deferred Outflows of Resources		
Deferred outflows related to OPEB	1,725,718	500,000
Deferred outflows related to pensions	<u>25,342,641</u>	<u>25,350,642</u>
Total deferred outflows of resources	<u>27,068,359</u>	<u>25,850,642</u>
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	31,790,166	24,687,956
Current portion of long-term liabilities	<u>6,635,000</u>	<u>8,265,000</u>
Total current liabilities	<u>38,425,166</u>	<u>32,952,956</u>
Long-term liabilities less current portion	<u>276,269,976</u>	<u>277,345,341</u>
Total liabilities	<u>314,695,142</u>	<u>310,298,297</u>
Deferred Inflows of Resources		
Deferred inflows related to OPEB	288,984	21,862
Deferred inflows related to pensions	<u>3,813,135</u>	<u>2,736,133</u>
Total deferred inflows of resources	<u>4,102,119</u>	<u>2,757,995</u>
Net Position		
Net investment in capital assets	77,832,907	75,769,650
Restricted	32,764,071	30,342,021
Unrestricted (deficit)	<u>(41,188,997)</u>	<u>(49,374,113)</u>
Total net position	<u>\$ 69,407,981</u>	<u>\$ 56,737,558</u>

The composition of Net Position at June 30, 2020 is reflected below:

Net Position - June 30, 2020



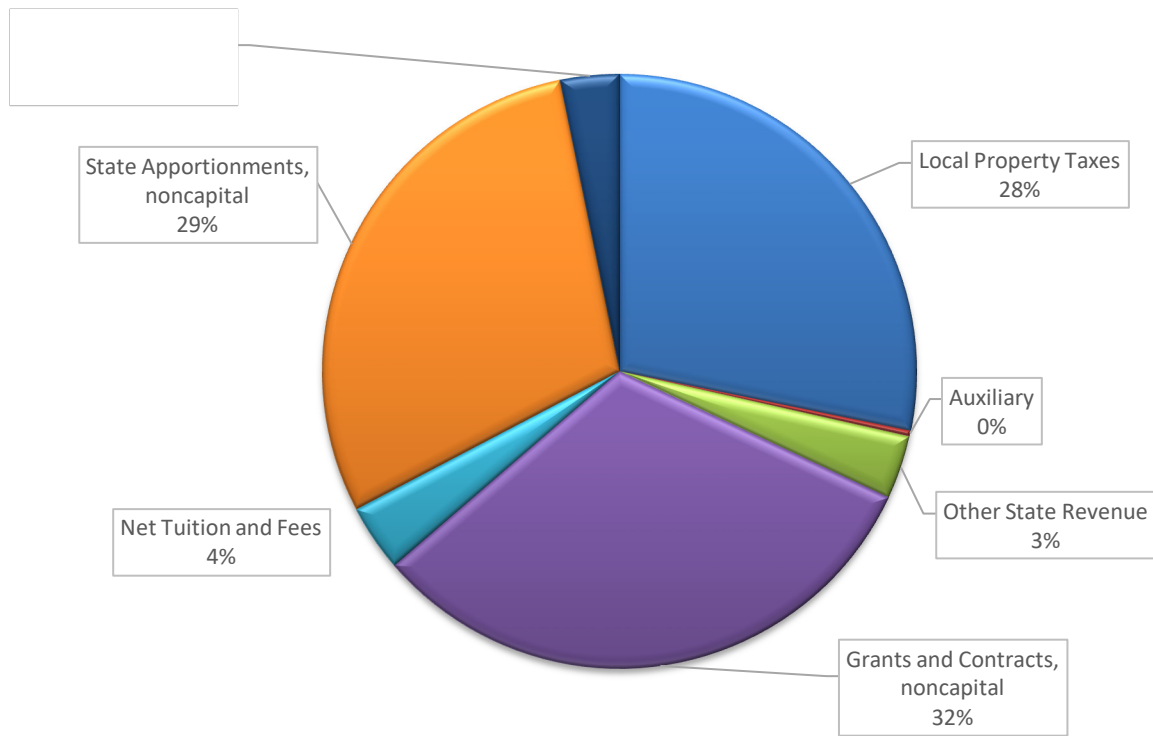
Operating Results for the Year

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 17.

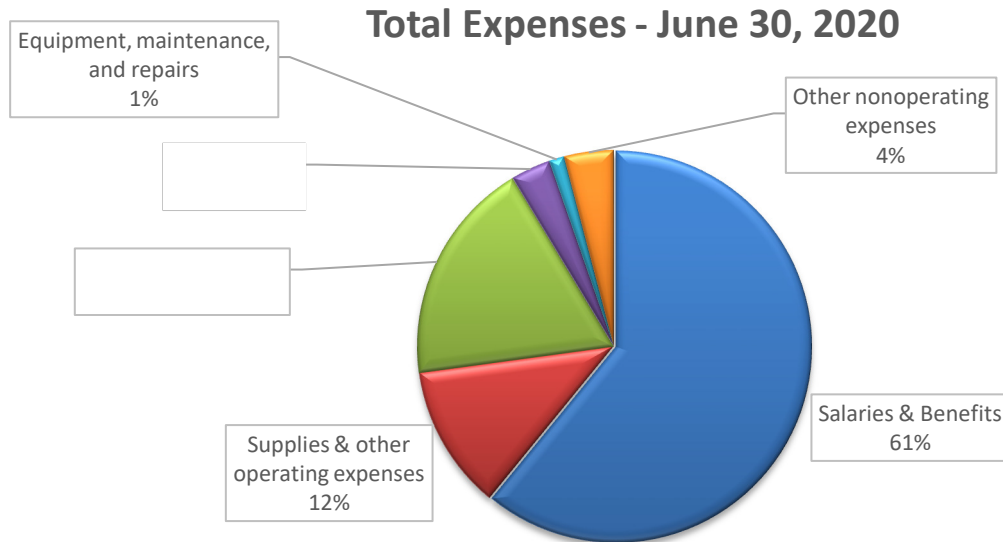
	2020	2019
Operating Revenues		
Tuition and fees	\$ 6,001,097	\$ 5,650,884
Grants and contracts	26,283,721	21,998,065
Auxiliary sales and charges	514,283	2,741,332
Total operating revenues	32,799,101	30,390,281
Operating Expenses		
Salaries and benefits	95,496,216	96,617,535
Supplies, materials, and other operating expenses	20,683,454	16,887,963
Student financial aid	29,055,034	24,367,324
Depreciation	5,136,843	5,058,993
Total operating expenses	150,371,547	142,931,815
Loss on operations	(117,572,446)	(112,541,534)
Nonoperating Revenues (Expenses)		
State apportionments, noncapital	48,715,219	35,469,469
Local property taxes	46,577,939	32,071,880
Federal revenues	24,564,345	20,092,247
State revenues	5,728,400	12,962,277
Net interest expense	(3,688,529)	(3,805,318)
Other nonoperating revenues	5,279,097	2,512,467
Total nonoperating revenues (expenses)	127,176,471	99,303,022
Other Revenues		
State and local capital income	3,066,398	12,896,524
Change in Net Position	\$ 12,670,423	\$ (341,988)

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 2019-2020. 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, 2020 are reflected below:

Total Revenues - June 30, 2020



The District's expense consisted primarily of employee salaries, benefits, supplies and operating items, and payments to students for financial aid. Total salaries increased \$3.6 million over the prior year, due primarily to cost of living adjustment (COLA) and new faculty positions. Benefits decreased \$4.7 million due to State contributions, on-behalf of District employees and increases in required contributions, and pension expenses. 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 cod. Operating expenses by functional classification are as follows:

	Salaries	Employee Benefits	Supplies, Material, and Other Expenses and Services	Student Financial Aid	Depreciation	Total
Instructional activities	\$ 29,101,525	\$ 13,310,828	\$ 466,087	\$ -	\$ -	\$ 42,878,440
Academic support	4,773,162	3,159,113	263,690	-	-	8,195,965
Student Services	13,526,352	6,000,777	853,146	255,168	-	20,635,443
Plant operations and maintenance	2,598,898	1,488,545	765,215	-	-	4,852,658
Instructional support services	9,649,866	5,804,265	1,937,796	-	-	17,391,927
Community services and economic development	967,138	483,466	164,796	-	-	1,615,400
Ancillary services and auxiliary operations	2,939,991	1,364,266	445,098	-	-	4,749,355
Student aid	-	-	-	28,799,866	-	28,799,866
Physical property and related acquisitions	219,572	108,452	15,787,626	-	-	16,115,650
Unallocated depreciation	-	-	-	-	5,136,843	5,136,843
Total	\$ 63,776,504	\$ 31,719,712	\$ 20,683,454	\$ 29,055,034	\$ 5,136,843	\$ 150,371,547

Capital Asset and Debt Administration

Capital Assets

At the end of the 2019-2020 fiscal year, the District had \$277.3 million in a broad range of capital assets, including land, buildings, and furniture and equipment. At June 30, 2020, the District's net capital assets were \$220.2 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. Projects will be accounted for within our Construction in Progress account until the project is completed at which time the cost will be recorded it to the depreciable capital asset categories.

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Land and construction in progress	\$ 65,525,679	\$ 2,852,516	\$ -	\$ 68,378,195
Buildings and Improvements	139,063,047	48,679,755	-	187,742,802
Equipment	20,420,092	746,633	-	21,166,725
Subtotal	225,008,818	52,278,904	-	277,287,722
Accumulated depreciation	(51,994,283)	(5,136,843)	-	(57,131,126)
Total Capital Assets	<u>\$ 173,014,535</u>	<u>\$ 47,142,061</u>	<u>\$ -</u>	<u>\$ 220,156,596</u>

We present more detailed information about our capital assets in Note 6 to the financial statements.

Long-Term Liabilities Other Than OPEB and Pensions

At the end of the 2019-2020 fiscal year, the District had \$178.2 million in General Obligation Bonds outstanding, including premium on bonds. These bonds are repaid semi-annually, utilizing Debt Service Funds, in accordance with the debt service schedules.

In addition to the General Obligation Bonds, the District is obligated to employees of the District for vacation, and load banking.

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
General obligation bonds payable	\$ 172,650,000	\$ -	\$ (8,265,000)	\$ 164,385,000
Unamortized premium	14,498,949	-	(652,071)	13,846,878
Compensated absences	1,837,660	284,572	-	2,122,232
Load banking	291,122	-	(21,633)	269,489
Total long-term liabilities	<u>\$ 189,277,731</u>	<u>\$ 284,572</u>	<u>\$ (8,938,704)</u>	<u>\$ 180,623,599</u>

We present more detailed information about our long-term liabilities in Note 9 to the financial statements.

Aggregate Net OPEB Liability and Aggregate Net Pension Liability

At year-end, the District has a net other postemployment benefit liability (OPEB) of \$7,231,861 versus \$7,287,261 last year, a decrease of \$55,400, or 0.76 percent.

At year-end, the District has a net pension liability of \$95,049,516 versus \$89,045,349 last year, an increase of \$6,004,167, or 6.74 percent.

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 fiscal year 2019 – 2020 budget on October 8, 2020.

Economic Factors Affecting the Future of the Mt. San Jacinto Community College District

The State of California approved its budget on June 29, 2020. Due to the worldwide pandemic, California is experiencing a recession that surpasses the Great Recession. The General Fund budget of \$202.1 billion includes the state's \$54.3 billion deficit. The Governor's key provisions includes; strengthening emergency response and protecting public health, protecting public education, supporting Californian's facing the greatest hardships, promoting economic recovery and an approach to balance and close the budget gap. Moving forward from the pandemic, the District will decide the timeline of when students, faculty and staff will return to campus.

The Student Centered Funding Formula (SCFF) remains at 70% Base FTEs, 20% Supplemental (student needs) and 10% Success with a proposal to extend the hold harmless provision until 2022-23, providing districts with the amount of funding received in 2017-18 plus cost-of-living adjustments (COLA) for each year. There is not adequate funding available to fully implement the SCFF so District growth is not funded. The outcomes allocation of the funding formula has been limited to 10% over the prior year.

The State budget includes \$120 million of Block Grant for COVID-19 to re-engage students, online technology needs, mental health needs and learning loss, deferrals of \$332 million for FY19-20, \$662.1 million for FY20-21, and a trigger deferral of \$791.1 million. Categorical programs are protected against cuts.

The State Budget also included 25 new and 15 ongoing Prop 51 projects. This includes funding for two high-priority science, technology, engineering and math (STEM) building projects for San Jacinto and Menifee Valley campus. Approximately half of the cost of the STEM projects will be paid for out of Measure AA funds. The remainder will be funded from Prop. 51, approved by voters in November 2016.

District Facilities

On the San Jacinto Campus, a \$43.9 million, 36,922-square-foot STEM building will include science labs and lecture rooms, general classrooms, math and general studies labs and faculty offices. The Menifee Valley Campus will be able to add a \$52 million, 41,865-square-foot state-of-the-art STEM building featuring laboratory and multi-use, computer-based instructional areas. These buildings have been in our plans for several years and this state funding will help us finally bring them to the communities we serve. The San Jacinto Campus Science and Technology Building will be completed as early as late 2023 and the Menifee Valley Campus Math and Science Building in 2024.

The renovation of our five-story 350,000 square foot Temecula Valley Campus began in August 2019, this project includes retrofit, structural engineering, and renovation. It is anticipated classes will begin in Fall 2021, pending the pandemic situation.

The renovation of the 700 building at the Menifee Valley Campus for our new Student Services Center, has been completed, providing students with gathering spaces, café, bookstore, and other student services.

The construction of a 5,000 seat Stadium at the Menifee Valley Campus has begun with an anticipated completion date of June 2022. The Stadium will enhance the campus and the community with sporting and other events.

Other Highlights

Mt San Jacinto College has been proving food distributions on both the San Jacinto and Menifee Campuses in the last two years and throughout the pandemic.

Mt. San Jacinto College is in the process of eliminating equity barriers by establishing a New Strategic Equity Plan. The following goals will initiate the work to eliminate equity issues and barriers for students, faculty, and staff:

Goal 1: Promote, encourage, and create a culture of racial equity, diversity, and inclusion to address and eliminate systemic racism, academic barriers, and educational injustice through implementation of culturally responsive and affirming practices.

Goal 2: Create structured educational experiences that support students from point of entry to timely and efficient attainment of educational goal in both on campus and distance education environments.

Goal 3: Implement, strengthen, and transform curriculum, classroom management, and academic and student support services to focus on the success and retention of our highest priority students in both on campus and distance education environments.

Goal 4: Foster an institutional climate that promotes inclusivity, is welcoming and engaging, and creates community and belonging for students, faculty, and staff.

Goal 5: Partner with local business, industry, cities, and communities to increase experiential opportunities for student to explore, transition-to, or promote within the regional workforce.

Goal 6: Strategic Enrollment, Planning, and Fiscal Responsibility: Support the optimization of strategic enrollment management, planning, and student success to ensure fiscal viability.

Goal 7: Facilities Planning and Improvement – Provide facilities at all locations that are inviting, accessible, and safe.

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.

Mt. San Jacinto Community College District
Statement of Net Position
June 30, 2020

Assets

Current Assets

Cash and cash equivalents	\$ 994,973
Investments	131,236,799
Accounts receivable	7,370,728
Student receivables, net	599,687
Due from fiduciary funds	32,088
Prepaid expenses	252,487
Inventories	493,525
	<hr/>
Total current assets	140,980,287

Noncurrent Assets

Nondepreciable capital assets	68,378,195
Depreciable capital assets, net of depreciation	151,778,401
	<hr/>
Total noncurrent assets	220,156,596
	<hr/>
Total assets	361,136,883

Deferred Outflows of Resources

Deferred outflows of resources related to OPEB	1,725,718
Deferred outflows of resources related to pensions	25,342,641
	<hr/>
Total deferred outflows of resources	27,068,359

Liabilities

Current Liabilities

Accounts payable	18,356,254
Interest payable	2,933,234
Unearned revenue	10,500,678
Long-term liabilities other than OPEB and pensions due within one year	6,635,000
	<hr/>
Total current liabilities	38,425,166

Mt. San Jacinto Community College District
Statement of Net Position
June 30, 2020

Noncurrent Liabilities	
Long-term liabilities other than OPEB and pensions due in more than one year	\$ 173,988,599
Aggregate net other postemployment benefits (OPEB) liability	7,231,861
Aggregate net pension liability	<u>95,049,516</u>
Total noncurrent liabilities	<u>276,269,976</u>
Total liabilities	<u>314,695,142</u>
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	288,984
Deferred inflows of resources related to pensions	<u>3,813,135</u>
Total Deferred Inflows of Resources	<u>4,102,119</u>
Net Position	
Net investment in capital assets	77,832,907
Restricted for	
Debt service	25,300,605
Capital projects	7,154,178
Educational programs	309,288
Unrestricted	<u>(41,188,997)</u>
Total net position	<u><u>\$ 69,407,981</u></u>

Mt. San Jacinto Community College District
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2020

Operating Revenues	
Student tuition and fees	\$ 16,650,304
Less: scholarship discounts and allowances	<u>(10,649,207)</u>
Net tuition and fees	<u>6,001,097</u>
Grants and contracts, noncapital	
Federal	4,138,541
State	21,645,288
Local	<u>499,892</u>
Grants and contracts, noncapital	<u>26,283,721</u>
Auxiliary enterprise sales and charges	
Bookstore	<u>514,283</u>
Total operating revenues	<u>32,799,101</u>
Operating Expenses	
Salaries	63,776,504
Employee benefits	31,719,712
Supplies, materials, and other operating expenses and services	18,717,956
Student financial aid	29,055,034
Equipment, maintenance, and repairs	1,965,498
Depreciation	<u>5,136,843</u>
Total operating expenses	<u>150,371,547</u>
Operating Loss	<u>(117,572,446)</u>
Nonoperating Revenues (Expenses)	
State apportionments, noncapital	48,715,219
Local property taxes, levied for general purposes	33,544,052
Taxes levied for other specific purposes	13,033,887
Federal financial aid grants, noncapital	24,564,345
State financial aid grants, noncapital	2,143,507
State taxes and other revenues	3,584,893
Investment income	2,220,164
Interest expense on capital related debt	(6,409,004)
Investment income on capital asset-related debt	500,311
Other nonoperating revenues	<u>5,279,097</u>
Total nonoperating revenues (expenses)	<u>127,176,471</u>
Income Before Other Revenues	<u>9,604,025</u>
Other Revenues	
State revenues, capital	2,097,086
Local revenues, capital	<u>969,312</u>
Total other revenues	<u>3,066,398</u>
Change in Net Position	12,670,423
Net Position, Beginning of Year	<u>56,737,558</u>
Net Position, End of Year	<u>\$ 69,407,981</u>

Mt. San Jacinto Community College District
Statement of Cash Flows
Year Ended June 30, 2020

Operating Activities	
Tuition and fees	\$ 5,926,382
Federal, State, and local grants and contracts, noncapital	25,661,657
Auxiliary sales	514,283
Payments to or on behalf of employees	(89,199,363)
Payments to vendors for supplies and services	(28,322,390)
Payments to students for scholarships and grants	(29,055,034)
	<u>(114,474,465)</u>
Net Cash Flows From Operating Activities	
Noncapital Financing Activities	
State apportionments	48,138,877
Property taxes - nondebt related	33,544,052
Federal and State financial aid grants	26,707,852
State taxes and other revenues	1,559,803
Other nonoperating	5,653,443
	<u>115,604,027</u>
Net Cash Flows From Noncapital Financing Activities	
Capital Financing Activities	
Purchase of capital assets	(37,259,366)
State revenue, capital projects	2,097,086
Property taxes - related to capital debt	13,033,887
Local revenue, capital projects	969,312
Principal paid on capital debt	(8,265,000)
Interest paid on capital debt	(7,167,638)
Interest received on capital asset-related debt	500,311
	<u>(36,091,408)</u>
Net Cash Flows From Capital Financing Activities	
Investing Activities	
Interest received from investments	2,878,785
	<u>2,878,785</u>
Net Change in Cash and Cash Equivalents	
	<u>(32,083,061)</u>
Cash and Cash Equivalents, Beginning of Year	
	<u>164,314,833</u>
Cash and Cash Equivalents, End of Year	
	<u>\$ 132,231,772</u>

Mt. San Jacinto Community College District
Statement of Cash Flows
Year Ended June 30, 2020

Reconciliation of net operating loss to net cash flows from operating activities	
Operating Loss	<u>\$(117,572,446)</u>
Adjustments to reconcile operating loss to net cash flows from operating activities	
Depreciation expense	5,136,843
Changes in assets, deferred outflows, liabilities, and deferred inflows	
Accounts receivable, net	(767,469)
Stores inventories	254,856
Prepaid expenses	(53,597)
Deferred outflows of resources related to OPEB	(1,225,718)
Deferred outflows of resources related to pensions	8,001
Accounts payable	(7,881,455)
Unearned revenue	70,690
Compensated absences and load banking	262,939
Aggregate net other postemployment benefits (OPEB) liability	(55,400)
Aggregate net pension liability	6,004,167
Deferred inflows of resources related to OPEB	267,122
Deferred inflows of resources related to pensions	<u>1,077,002</u>
Total adjustments	<u>3,097,981</u>
Net Cash Flows From Operating Activities	<u><u>\$(114,474,465)</u></u>
Cash and Cash Equivalents Consist of the Following:	
Cash in banks	994,973
Cash in County treasury	<u>131,236,799</u>
Total cash and cash equivalents	<u><u>\$ 132,231,772</u></u>
Non Cash Transactions	
Amortization of debt premium	<u><u>\$ 652,071</u></u>

Mt. San Jacinto Community College District
Fiduciary Funds
Statement of Net Position
June 30, 2020

	<u>Trust Funds</u>
Assets	
Cash and cash equivalents	\$ 195,097
Accounts receivable	<u>1,330</u>
Total assets	<u>196,427</u>
Liabilities	
Accounts payable	10,764
Due to primary government	<u>32,088</u>
Total liabilities	<u>42,852</u>
Net Position	
Restricted	<u>\$ 153,575</u>

Mt. San Jacinto Community College District
Fiduciary Funds
Statement of Changes in Net Position
Year Ended June 30, 2020

	<u>Trust Funds</u>
Additions	
Local revenues	<u>\$ 76,836</u>
Deductions	
Books and supplies	14,350
Services and other operating expenditures	<u>56,220</u>
Total deductions	<u>70,570</u>
Change in Net Position	6,266
Net Position, Beginning of Year	<u>147,309</u>
Net Position, End of Year	<u><u>\$ 153,575</u></u>

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 establish 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) Statement No. 61. The District has considered all potential component units in determining how to define the reporting entity using criteria set forth in accounting principles generally accepted in the United States of America. The basic criteria for including a component unit are (1) the economic resources held or received by the other entity are entirely or almost entirely for the direct benefit of the District, (2) the District is entitled to, or has the ability to otherwise access, a majority of the economic resources held or received by the other entity, and (3) the other entity's resources to which the District is entitled or has the ability to otherwise access are significant to the District. If any of these criteria are not met, the final criterion for including a component unit is whether the other entity is closely related to, or financially integrated with, the District. The District identified no component units.

Note 2 - Summary of Significant Accounting Policies**Basis of Accounting – Measurement Focus 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, No. 38, and No. 39. 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. Fiduciary activities, with the exception of the Student Financial Aid Fund, are excluded from the basic financial statements. 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.

Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore, not available to support the District's own programs. The District's trust fund accounts for Associate Student Government (ASG) activities and Student Representation Fee activities.

All material intra-agency and intra-fund transactions have been eliminated.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. 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. The District considers revenues to be available if they are collected within one year after year-end, except for property taxes, which are considered available if collected within 60 days. For the 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 revenues are recognized in the fiscal year received. State apportionment revenue is earned based upon criteria set forth from the California Community Colleges Chancellor's Office and includes reporting of full-time equivalent students (FTES). 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 costs 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 an accrual basis as they are incurred, when goods are received, or services are rendered.

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, No. 38, No. 39, and No. 61. 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 Change 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 cash with county treasury balances for purposes of the Statement of Cash Flows.

Investments

Investments with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investment not required to be reported at fair value are stated at cost or amortized cost.

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 \$341,519 for the year ended June 30, 2020.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. The cost of prepaid items is recorded as an expense when consumed rather than when purchased.

Inventories

Inventories consist primarily of bookstore merchandise held for resale to the students and faculty of the colleges. In addition, the District warehouse holds some inventory of paper and office supplies for daily operational needs. Inventories are stated at cost, utilizing the average cost method. The cost is recorded as an expense as the inventory is consumed rather than when purchased.

Capital Assets and Depreciation

Capital assets are stated at cost at the date of acquisition. The District's capitalization policy includes all items with a unit cost of \$5,000 (for equipment) and an estimated useful life of greater than one year. Buildings, renovations to buildings, infrastructure, and land improvements that cost more than \$5,000, significantly increase the value, or extend the useful life of the structure, are capitalized. Routine repair and maintenance costs are charged to operating expenses in the year in which the expense is incurred.

Depreciation of equipment and vehicles, facilities, and other physical properties is provided using the straight-line method over the estimated useful lives of the respective assets, or in the case of assets acquired under capital leases, the shorter of the lease term or useful life. Costs for construction in progress are capitalized when incurred.

The following estimated useful lives are used to compute depreciation:

Land improvements	10-50 years
Buildings and improvements	10-50 years
Machinery and equipment	3-7 years

Accrued Liabilities and Long-Term Liabilities

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

Compensated Absences and Load Banking

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 current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignation and retirements that occur prior to year-end that have not yet been paid within 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. The liability for this benefit is reported on the entity-wide financial statements.

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 a 0.004 year of service credit for each day of unused sick leave. Retirement credit for unused sick leave is applicable to all academic employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full time.

Debt Issuance Costs, Premiums, and Discounts

Debt premiums and discounts, as well as issuance costs related to prepaid insurance costs, are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense until then. The District reports deferred outflows of resources for OPEB and pension related items.

In addition to liabilities, the Statement of Net Position also reports deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for OPEB and pension related items.

Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (the Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value. The aggregate net pension liability attributable to the governmental activities will be paid by the fund in which the employee worked.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows/inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the District Plan and the CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the District Plan and MPP. For this purpose, the District Plan and MPP recognize benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund.

Unearned Revenue

Unearned revenues arise when resources are received by the District before it has a legal claim to them, such as when certain grants are received prior to the occurrence of qualifying expenditures. In the subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and the 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.

Noncurrent Liabilities

Noncurrent liabilities include bonds payable, compensated absences, and load banking with maturities greater than one year.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position related to net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the 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 net position is available.

The entity-wide financial statements report \$32,764,071 of restricted net position.

Operating Revenues and Expenses

Classification of Revenues - The District has classified its revenues as either operating or nonoperating. Certain significant revenue streams relied upon for operation are classified as nonoperating as defined by GASB Statements No. 34 and No. 35. Classifications are as follows:

Operating Revenues - Operating revenues include activities that have the characteristics of exchange transactions such as student tuition and fees, net of scholarship discounts and allowances, Federal, State, and local grants and contracts, and sales and services of auxiliary enterprises.

Nonoperating Revenues - Nonoperating revenues include activities that have the characteristics of nonexchange transactions such as State apportionments, property taxes, investment income, gifts and contributions, and other revenue sources defined in GASB Statements No. 34 and No. 35.

Classification of Expenses - Nearly all of the District's expenses are from exchange transactions and are classified as either operating or nonoperating according to the following criteria:

Operating Expenses - Operating expenses are necessary costs to provide the services of the District and include employee salaries and benefits, supplies, operating expenses, and student financial aid.

Nonoperating Expenses - Nonoperating expenses include interest expense and other expenses not directly related to the services of the District.

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 and are recorded in the District's financial records when received. 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 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 received.

The voters of the District passed General Obligation Bonds in November 2014 for the acquisition, construction, and rehabilitation of facilities. As a result of the passage of the Bond, property taxes are assessed on the property within the District specifically for the repayment of the debt incurred. The taxes are assessed, billed, and collected by the County of Riverside and remitted to the District.

Scholarships, Discounts, and Allowances

Student tuition and fee revenue is reported net of scholarships, discounts, and allowances. Fee waivers approved by the Board of Governors are included within the scholarships, discounts, and allowances in the Statement of Revenues, Expenses, and Change 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.

Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, Supplemental Educational Opportunity 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

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 are eliminated during the consolidation process in the Primary Government and Fiduciary Funds' financial statements, respectively.

Change in Accounting Principles

In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 83, *Certain Asset Retirement Obligations*.
- Statement No. 84, *Fiduciary Activities*.
- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*.
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*.
- Statement No. 90, *Majority Equity Interests*.
- Statement No. 91, *Conduit Debt Obligations*.
- Statement No. 92, *Omnibus 2020*.
- Statement No. 93, *Replacement of Interbank Offered Rates*.
- Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*.
- Implementation Guide No. 2018-1, *Implementation Guidance Update—2018*.
- Implementation Guide No. 2019-1, *Implementation Guidance Update—2019*.
- Implementation Guide No. 2019-2, *Fiduciary Activities*.

The effective dates of the following pronouncements are postponed by 18 months:

- Statement No. 87, *Leases*.
- Implementation Guide No. 2019-3, *Leases*.

The provisions of this Statement have been implemented as of June 30, 2020, with the exception of Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The District has already implemented this standard as of June 30, 2020.

New Accounting Pronouncements

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all State and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

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.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for the reporting periods beginning after June 15, 2021. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In August 2018, the GASB issued Statement 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 60*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The effects of this change on the District's financial statements have not yet been determined.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

A conduit debt obligation is defined as a debt instrument having all of the following characteristics:

- There are at least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply:

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.
- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.
- If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer, at the inception of the arrangement, should recognize the entire capital asset and a deferred inflow of resources. The deferred inflow of resources should be reduced, and an inflow recognized, in a systematic and rational manner over the term of the arrangement.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for the reporting periods beginning after December 15, 2021. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reporting.
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan. The applicability of Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits.
- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements.
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition.
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers.
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature.
- Terminology used to refer to derivative instruments.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.
- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR (Interbank Offered Rate). This Statement achieves that objective by:

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment.
- Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate.

- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable.
- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap.
- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap
Clarifying the definition of reference rate, as it is used in Statement 53, as amended.
- Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

As a result of the implementation of GASB Statement No. 95, the removal of LIBOR as an appropriate benchmark interest rate (paragraph 11b) is effective for reporting periods ending after December 31, 2021. Paragraph 13 and 14 related to lease modifications is effective for reporting periods beginning after June 15, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the

extent relevant, the standards for SBITAs are based on the standards established in Statement No 87, Leases, as amended.

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately.

The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement.

The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The effects of this change on the District's financial statements have not yet been determined.

Note 3 - Deposits and Investments**Policies and Practices**

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

Investment in County Treasury

In accordance with the *Budget and Accounting Manual*, the District maintains substantially all of its cash in the County Treasury as part of the common investment pool. The District is considered to be an involuntary participant in an external investment pool. 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 are 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 Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Authorized Under Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements rather than the general provisions of the California Government Code. These provisions allow for the acquisition of investment agreements with maturities of up to 30 years.

Summary of Deposits and Investments

Deposits and investments as of June 30, 2020, consisted of the following:

Primary government	\$ 132,231,772
Fiduciary funds	<u>195,097</u>
Total deposits and investments	<u><u>\$ 132,426,869</u></u>
Cash on hand and in banks	\$ 1,164,070
Cash in revolving funds	26,000
Investments	<u>131,236,799</u>
Total deposits and investments	<u><u>\$ 132,426,869</u></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. The District manages its exposure to interest rate risk by investing in the Riverside County Investment Pool and having the pool purchase a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The District maintains an investment of \$131,236,799 with the Riverside County Investment Pool with an average weighted maturity of 409 days.

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 Investment Pool was rated AAf/S1 by Fitch Rating as of the year-end.

Custodial Credit Risk – Deposits and Investments

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 for deposits. 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, 2020, the District's bank balance was fully insured and/or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

Note 4 - Accounts Receivable

Accounts receivable at June 30, 2020, consisted of the following:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>
Federal Government		
Categorical aid	\$ 1,657,512	\$ -
State Government		
Apportionment	576,342	-
Categorical aid	552,907	-
Lottery	601,078	-
State funded construction projects	1,952,000	-
Local Sources		
Interest	281,501	-
Property taxes	983,738	-
Other local sources	765,650	1,330
	<u>\$ 7,370,728</u>	<u>\$ 1,330</u>
Student receivables	\$ 941,206	\$ -
Less allowance for bad debt	(341,519)	-
Student receivables, net	<u>\$ 599,687</u>	<u>\$ -</u>

Note 5 - 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, respectively, has been eliminated in the consolidation process of the basic financial statements. Balances owing between the primary governmental and the fiduciary funds are not eliminated in the consolidation process. As of June 30, 2020, the amounts owed between the primary government and the fiduciary funds were \$32,088.

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. During the 2019-2020 fiscal year, there were no amounts transferred between the primary government and the fiduciary funds.

Note 6 - Capital Assets

Capital asset activity for the District for the fiscal year ended June 30, 2020, was as follows:

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
Capital Assets Not Being Depreciated				
Land	\$ 9,899,976	\$ 262,530	\$ -	\$ 10,162,506
Construction in progress*	55,625,703	51,269,741	48,679,755	58,215,689
Total capital assets not being depreciated	65,525,679	51,532,271	48,679,755	68,378,195
Capital Assets Being Depreciated				
Land improvements	16,911,490	1,258,798	-	18,170,288
Buildings and improvements	122,151,557	47,420,957	-	169,572,514
Machinery and equipment	20,420,092	746,633	-	21,166,725
Total capital assets being depreciated	159,483,139	49,426,388	-	208,909,527
Total capital assets	225,008,818	100,958,659	48,679,755	277,287,722
Less Accumulated Depreciation				
Land improvements	6,452,675	638,610	-	7,091,285
Buildings and improvements	31,587,217	3,551,394	-	35,138,611
Machinery and equipment	13,954,391	946,839	-	14,901,230
Total accumulated depreciation	51,994,283	5,136,843	-	57,131,126
Net Capital Assets	\$ 173,014,535	\$ 95,821,816	\$ 48,679,755	\$ 220,156,596

Depreciation expense for the year was \$5,136,843.

*A reclassification of \$44,142,160 was made from building and improvements to construction in progress to properly reflect the balances in each of those accounts.

Note 7 - Accounts Payable

Accounts payable at June 30, 2020, consisted of the following:

	Primary Government	Fiduciary Funds
Accrued payroll	\$ 551,915	\$ -
Construction	16,169,874	-
State categorical	42,712	-
Vendor payables	1,591,753	10,764
Total	\$ 18,356,254	\$ 10,764

Note 8 - Unearned Revenue

Unearned revenue at June 30, 2020, consisted of the following:

	Primary Government
Federal financial assistance	\$ 153,591
State categorical aid	7,709,206
Other State revenues	570,022
Student fees	1,131,202
Other local revenues	936,657
Total	\$ 10,500,678

Note 9 - Long-Term Liabilities Other Than OPEB and Pensions

Summary

The changes in the District's long-term liabilities other than OPEB and pensions during the 2019-2020 fiscal year consisted of the following:

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020	Due in One Year
General obligation bonds	\$ 172,650,000	\$ -	\$ (8,265,000)	\$ 164,385,000	\$ 6,635,000
Unamortized premium	14,498,949	-	(652,071)	13,846,878	-
Compensated absences	1,837,660	284,572	-	2,122,232	-
Load banking	291,122	-	(21,633)	269,489	-
Total long term liabilities	\$ 189,277,731	\$ 284,572	\$ (8,938,704)	\$ 180,623,599	\$ 6,635,000

Description of Debt

Payments on the general obligation bonds are made by the bond interest and redemption fund with local property tax revenues. The compensated absences and load banking liability will be paid by the fund for which the employee worked.

Bonded Debt

The outstanding general obligation bonded debt at June 30, 2020 was as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2019	Addition	Redeemed	Bonds Outstanding June 30, 2020
5/21/2015	8/1/2040	2.00-5.00%	\$ 70,000,000	\$ 52,650,000	\$ -	\$ (390,000)	\$ 52,260,000
2/14/2018	8/1/2043	3.00-5.00%	120,000,000	120,000,000	-	(7,875,000)	112,125,000
				\$ 172,650,000	\$ -	\$ (8,265,000)	\$ 164,385,000

Mt. San Jacinto Community College District

Notes to Financial Statements

June 30, 2020

In November 2014, votes authorized a total of \$295,000,000 in general obligation bonds. In May 2015, the District issued Election of 2014 General Obligation Bonds Series A in the amount of \$70,000,000. The 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 bonds were issued as current interest bonds. The bonds bear interest rates of 2.00 to 5.00 percent. At June 30, 2020, the principal balance outstanding was \$52,260,000. Unamortized premium received on issuance of the bonds amounted to \$4,593,844 as of June 30, 2020.

In February 2018, the District issued Election of 2014 General Obligation Bonds Series B in the amount of \$120,000,000. The bonds were used to finance the acquisition, construction, modernization and renovation of District sites and facilities and pay the costs of issuing the bonds. The bonds were issued as current interest bonds. The bonds bear interest rates of 3.00 to 5.00 percent. At June 30, 2020, the principal balance outstanding was \$112,125,000. Unamortized premium received on issuance of the bonds amounted to \$9,253,034.

The Series A General Obligation Bonds matures through 2041 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2021	\$ 505,000	\$ 2,272,738	\$ 2,777,738
2022	630,000	2,244,363	2,874,363
2023	760,000	2,209,613	2,969,613
2024	905,000	2,167,988	3,072,988
2025	1,060,000	2,118,863	3,178,863
2026-2030	8,015,000	9,558,687	17,573,687
2031-2035	13,760,000	7,058,405	20,818,405
2036-2040	21,285,000	3,351,575	24,636,575
2041	5,340,000	106,800	5,446,800
	<u>\$ 52,260,000</u>	<u>\$ 31,089,032</u>	<u>\$ 83,349,032</u>
Total	<u>\$ 52,260,000</u>	<u>\$ 31,089,032</u>	<u>\$ 83,349,032</u>

The Series B General Obligation Bonds matures through 2044 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2021	\$ 6,130,000	\$ 4,631,800	\$ 10,761,800
2022	3,925,000	4,411,075	8,336,075
2023	465,000	4,303,650	4,768,650
2024	645,000	4,281,450	4,926,450
2025	845,000	4,251,650	5,096,650
2026-2030	7,855,000	20,324,875	28,179,875
2031-2035	15,890,000	17,433,575	33,323,575
2036-2040	26,645,000	12,833,575	39,478,575
2041-2044	49,725,000	4,508,700	54,233,700
Total	\$ 112,125,000	\$ 76,980,350	\$ 189,105,350

Compensated Absences

At June 30, 2020, the liability for compensated absences was \$2,122,232.

Load Banking

At June 30, 2020, the liability for load banking was \$269,489.

Note 10 - Aggregate Net Other Postemployment Benefits (OPEB) Liability

For the fiscal year ended June 30, 2020, the District reported an aggregate net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Aggregate Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	\$ 6,884,738	\$ 1,725,718	\$ 288,984	\$ 1,681,081
Medicare Premium Payment (MPP) Program	347,123	-	-	38,688
Total	\$ 7,231,861	\$ 1,725,718	\$ 288,984	\$ 1,719,769

District Plan**Plan Administration**

The District has established a Postemployment Benefits Plan (the Plan) and participates in an agent multiple-employer defined retiree healthcare plan administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. CalPERS issues a publicly available financial report that can be found on the CalPERS website at: <https://calpers.ca.gov/pages/forms-publications>.

Plan Membership

At June 30, 2019, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	76
Active employees	557
	<hr/>
	633
	<hr/> <hr/>

Benefits Provided

The Plan provides medical, dental, and vision insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

Contributions

The contribution requirements of Plan members and the District are established and may be amended by the District and the District's bargaining units. Voluntary contributions based on projected pay-as-you-go financing requirements, and any additional amounts to prefund benefits with the District, TEA, CSEA, and the unrepresented groups are based on availability of funds. For the measurement period of June 30, 2019, the District contributed \$1,000,480 to the Plan, of which \$500,480 was used for current premiums and \$500,000 was used to fund the OPEB Trust.

Investment**Investment Policy**

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the governing board by a majority vote of its members. It is the policy of the District to pursue an investment strategy that reduces risks through the prudent diversification for the portfolio across a broad selection of distinct asset classes. The Plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocation over short time spans. The following was the Plan's adopted asset allocation policy as of June 30, 2019:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	66%
Fixed income	23%
Real estate	8%
Commodities	3%

Net OPEB Liability of the District

The District's net OPEB liability of \$6,884,738 was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The components of the net OPEB liability of the District at June 30, 2020, were as follows:

Total OPEB liability	\$ 13,197,707
Plan fiduciary net position	<u>6,312,969</u>
District's net OPEB liability	<u><u>\$ 6,884,738</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u><u>48%</u></u>

Actuarial Assumptions

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following assumption, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary increases	2.75 percent
Investment rate of return	7.00 percent
Healthcare cost trend rates	4.00 percent

The discount rate was based on the assumed long-term expected rate of return on plan assets.

Mortality rates were based on the 2009 CalSTRS Mortality Table for certificated employees and the 2014 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actual experience study as of October 2019.

The long-term expected rate of return on OPEB 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 investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	7.8%
Fixed income	5.3%
Real estate	7.8%
Commodities	7.8%

Changes in the Net OPEB Liability

	<u>Increase (Decrease)</u>		
	<u>Total OPEB Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net OPEB Liability (a) - (b)</u>
Balance at June 30, 2018	\$ 12,451,710	\$ 5,472,884	\$ 6,978,826
Service cost	594,311	-	594,311
Interest	874,904	-	874,904
Changes of benefits terms	(1,073,077)	-	(1,073,077)
Differences between expected and actual experience	(316,771)	-	(316,771)
Contributions - employer	-	1,000,480	(1,000,480)
Expected net investment income	-	405,988	(405,988)
Differences between projected and actual earnings on OPEB plan investments	-	(61,233)	61,233
Changes of assumptions or other inputs	1,167,110	-	1,167,110
Benefit payments	(500,480)	(500,480)	-
Administrative expense	-	(4,670)	4,670
	<u>745,997</u>	<u>840,085</u>	<u>(94,088)</u>
Net change in total OPEB liability			
Balance at June 30, 2019	<u>\$ 13,197,707</u>	<u>\$ 6,312,969</u>	<u>\$ 6,884,738</u>

The implicit rate subsidy assumption increased from 20.8% to 45.2% since the previous valuation. New retirees beginning in 2018 have the option to elect an HRA contribution in lieu of medical coverage.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

<u>Discount Rate</u>	<u>Net OPEB Liability</u>
1% decrease (6.0%)	\$ 7,914,384
Current discount rate (7.0%)	6,884,738
1% increase (8.0%)	5,960,186

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percent lower or higher than the current healthcare costs trend rates:

<u>Healthcare Cost Trend Rates</u>	<u>Net OPEB Liability</u>
1% decrease (3.0%)	\$ 6,055,724
Current healthcare cost trend rate (4.0%)	6,884,738
1% increase (5.0%)	7,767,210

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the District recognized OPEB expense of \$1,681,081. At June 30, 2020, the District reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
OPEB contributions subsequent to measurement date	\$ 628,397	\$ -
Differences between expected and actual experience	-	288,984
Changes of assumptions	1,064,731	-
Net difference between projected and actual earnings on OPEB plan investments	32,590	-
Total	<u>\$ 1,725,718</u>	<u>\$ 288,984</u>

Amounts reported as deferred outflows of resources for OPEB contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

Amounts reported as deferred outflows/(inflows) of resources related to differences between expected and actual experience in the measurement of the total OPEB liability and changes of assumptions will be amortized over the Expected Average Remaining Services Life (EARSL) of all members that are provided benefits as of the beginning of the measurement period. The EARSL for the measurement period is 11.4 years and will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	\$ 74,592
2022	74,592
2023	74,592
2024	74,592
2025	74,592
Thereafter	402,787
	<u>\$ 775,747</u>

The deferred outflows/(inflows) of resources related to the differences between projected and actual earnings on OPEB plan investments will be amortized over a closed five-year period and will be recognized as OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	\$ 6,781
2022	6,781
2023	6,781
2024	12,247
	<u>\$ 32,590</u>

Medicare Premium Payment (MPP) Program

Plan Description

The Medicare Premium Payment (MPP) Program is administered by the California State Teachers' Retirement System (CalSTRS). The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2018 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan (STRP) Defined Benefit (DB) Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis.

The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District benefit payments. In accordance with California Education Code Section 25930, contributions that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

Net OPEB Liability and OPEB Expense

At June 30, 2020, the District reported a liability of \$347,123 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating entities, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2019 and June 30, 2018, was 0.0932 percent and 0.0920, respectively, resulting in a net increase in the proportionate share of 0.0012 percent.

For the year ended June 30, 2020, the District recognized OPEB expense of \$38,688.

Actuarial Methods and Assumptions

The June 30, 2019 total OPEB liability was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2018, and rolling forward the total OPEB liability to June 30, 2019, using the assumptions listed in the following table:

Measurement Date	June 30, 2019	June 30, 2018
Valuation Date	June 30, 2018	June 30, 2017
Experience Study	July 1, 2010 through June 30, 2015	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.50%	3.87%
Medicare Part A Premium Cost Trend Rate	3.70%	3.70%
Medicare Part B Premium Cost Trend Rate	4.10%	4.10%

For the valuation as of June 30, 2018, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP 2016) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 380 or an average of 0.23 percent of the potentially eligible population (165,422).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2019, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2019, is 3.50 percent. The MPP Program is funded on a pay-as-you-go basis as previously noted, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.50 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2019, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate decreased 0.37 percent from 3.87 percent as of June 30, 2018.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net OPEB liability calculated using the current discount rate, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

<u>Discount Rate</u>	<u>Net OPEB Liability</u>
1% decrease (2.50%)	\$ 378,790
Current discount rate (3.50%)	347,123
1% increase (4.50%)	318,006

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates

The following presents the District's proportionate share of the net OPEB liability calculated using the current Medicare costs trend rates, as well as what the net OPEB liability would be if it were calculated using the Medicare costs trend rates that is one percent lower or higher than the current rate:

<u>Medicare Costs Trend Rates</u>	<u>Net OPEB Liability</u>
1% decrease (2.7% Part A and 3.1% Part B)	\$ 325,358
Current Medicare costs trend rates (3.7% Part A and 4.1% Part B)	347,123
1% increase (4.7% Part A and 5.1% Part B)	390,598

Note 11 - Risk Management**Property and Liability 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 Schools Association for Excess Risk (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, 2020, the District contracted with SWACC Joint Powers Authority (JPA) for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2019-2020, 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.

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

Employee Medical Benefits

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

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

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

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

Note 12 - Employee Retirement Systems

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

For the fiscal year ended June 30, 2020, the District reported its proportionate share of the net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

<u>Pension Plan</u>	<u>Aggregate Net Pension Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Pension Expense</u>
CalSTRS	\$ 47,589,427	\$ 13,903,892	\$ 3,372,933	\$ 5,641,396
CalPERS	47,460,089	11,438,749	440,202	8,136,997
Total	<u>\$ 95,049,516</u>	<u>\$ 25,342,641</u>	<u>\$ 3,813,135</u>	<u>\$ 13,778,393</u>

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)**Plan Description**

The District contributes to the State Teachers' Retirement Plan (STRP) administered by CalSTRS. STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2018, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that may be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

The STRP provides retirement, disability, and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is 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 non-employer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2020, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	17.10%	17.10%
Required State contribution rate	10.328%	10.328%

Contributions

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2020, are presented above, and the District's total contributions were \$5,718,671.

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

At June 30, 2020, 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, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

Total Net Pension Liability, Including State Share	
District's proportionate share of net pension liability	\$ 47,589,427
State's proportionate share of net pension liability associated with the District	<u>25,963,209</u>
Total	<u>\$ 73,552,636</u>

The net pension liability was measured as of June 30, 2019. 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 college districts and the State, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2019 and June 30, 2018, was 0.0527 percent and 0.0512 percent, respectively, resulting in a net increase in the proportionate share of 0.0015 percent.

For the year ended June 30, 2020, the District recognized pension expense of \$5,641,396. In addition, the District recognized pension expense and revenue of \$3,866,482 for support provided by the State. At June 30, 2020, 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>
Pension contributions subsequent to measurement date	\$ 5,718,671	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	2,046,061	198,759
Differences between projected and actual earnings on the pension plan investments	-	1,833,160
Differences between expected and actual experience in the measurement of the total pension liability	120,138	1,341,014
Changes of assumptions	<u>6,019,022</u>	<u>-</u>
Total	<u>\$ 13,903,892</u>	<u>\$ 3,372,933</u>

The 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 subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Inflows of Resources
2021	\$ (184,906)
2022	(1,455,312)
2023	(302,145)
2024	109,203
Total	<u>\$ (1,833,160)</u>

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	\$ 1,707,438
2022	1,704,846
2023	1,809,355
2024	1,547,531
2025	(84,540)
Thereafter	(39,182)
Total	<u>\$ 6,645,448</u>

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2018, and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

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. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2019, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	4.80%
Fixed income	12%	1.30%
Real estate	13%	3.60%
Private equity	13%	6.30%
Risk Mitigating Strategies	9%	1.80%
Inflation sensitive	4%	3.30%
Cash/liquidity	2%	-0.40%

Discount Rate

The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments, and administrative expense occurred mid-year. Based on these 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 total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.10%)	\$ 70,864,596
Current discount rate (7.10%)	47,589,427
1% increase (8.10%)	28,289,879

California Public Employees' Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2018, annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that may be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

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 service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service.

The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or age 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2020, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	19.721%	19.721%

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 July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. 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 District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2020, are presented above, and the total District contributions were \$4,748,398.

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

As of June 30, 2020, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$47,460,089. The net pension liability was measured as of June 30, 2019. 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 college districts, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2019, and June 30, 2018, was 0.1628 percent and 0.1573 percent, respectively, resulting in a net increase in the proportionate share of 0.0055 percent.

Mt. San Jacinto Community College District

Notes to Financial Statements

June 30, 2020

For the year ended June 30, 2020, the District recognized pension expense of \$8,136,997. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 4,748,398	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	983,596	-
Differences between projected and actual earnings on the pension plan investments	-	440,202
Differences between expected and actual experience in the measurement of the total pension liability	3,447,508	-
Changes of assumptions	2,259,247	-
Total	\$ 11,438,749	\$ 440,202

The 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 subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	\$ 434,527
2022	(867,955)
2023	(131,528)
2024	124,754
Total	\$ (440,202)

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4.1 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2021	\$ 4,091,139
2022	1,855,699
2023	675,920
2024	67,593
Total	<u>\$ 6,690,351</u>

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2018, and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and services

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90 percent of Scale MP-2016.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations, as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11+ 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 rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	50%	5.98%
Fixed income	28%	2.62%
Inflation assets	0%	1.81%
Private equity	8%	7.23%
Real assets	13%	4.93%
Liquidity	1%	-0.92%

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool 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 total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.15%)	\$ 68,410,597
Current discount rate (7.15%)	47,460,089
1% increase (8.15%)	30,080,195

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal year ended June 30, 2020, which amounted to \$3,621,607 (10.328 percent) of salaries subject to CalSTRS. Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. No contributions were made for CalPERS for the year ended June 30, 2020. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated for an additional 2019-2020 contribution on behalf of school employers of \$1.1 billion for CalSTRS. A proportionate share of these contributions has been recorded in these financial statements.

Note 13 - 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, 2020.

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, 2020.

Construction Commitments

As of June 30, 2020, the District had the following commitments with respect to the unfinished capital projects:

<u>Capital Project</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Emergency Generator MVC	\$ 19,062	August 2022
Shade Structure Projects	394,953	January 2021
MVC Stadium	5,470,289	August 2022
TVC Renovation Series	30,164,015	June 2021
MVC Building 700 Renovation	1,935,728	December 2020
STEM Building - MVC	3,423,523	October 2023
STEM Building SJC	2,828,868	June 2023
Signage	35,580	June 2022
	<u>\$ 44,272,018</u>	

Note 14 - Subsequent Events

Subsequent to year end, the District has been negatively impacted by the effects of the world-wide coronavirus pandemic. The District is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the issuance date of these financial statements, the full impact to the District's financial position is not known beyond increased cash flow monitoring due to state apportionment deferrals.

On January 20, 2021, the District issued \$105,000,000 General Obligation Bonds, Election 2014, Series C. The bonds are being issued to finance the acquisition, construction, modernization, and renovation of District sites and facilities and pay the costs of issuance of the bonds. The bonds interest payments are due semiannually on February 1 and August 1 of each year, commencing August 1, 2021 with interest rates ranges from 2.00 percent to 4.00 percent.



Required Supplementary Information
June 30, 2020

Mt. San Jacinto Community College District

Mt. San Jacinto Community College District
Schedule of Changes in the District's Net OPEB Liability and Related Ratios
Year Ended June 30, 2020

	2020	2019	2018
Total OPEB Liability			
Service cost	\$ 594,311	\$ 683,856	\$ 665,553
Interest	874,904	813,012	715,885
Changes of benefit terms	(1,073,077)	-	-
Differences between expected and actual experience	(316,771)	-	-
Changes of assumptions	1,167,110	-	-
Benefit payments	(500,480)	(635,370)	(610,933)
Net changes in total OPEB liability	745,997	861,498	770,505
Total OPEB Liability - Beginning	12,451,710	11,590,212	10,819,707
Total OPEB Liability - Ending (A)	<u>\$ 13,197,707</u>	<u>\$ 12,451,710</u>	<u>\$ 11,590,212</u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 1,000,480	\$ 1,135,370	\$ 1,110,933
Expected net investment income	405,988	339,975	394,469
Differences between projected and actual earnings on OPEB plan investments	(61,233)	27,328	-
Benefit payments	(500,480)	(635,370)	(610,933)
Administrative expense	(4,670)	(5,491)	(3,308)
Net Change in Plan Fiduciary Net Position	840,085	861,812	891,161
Plan Fiduciary Net Position - Beginning	5,472,884	4,611,072	3,719,911
Plan Fiduciary Net Position - Ending (B)	<u>\$ 6,312,969</u>	<u>\$ 5,472,884</u>	<u>\$ 4,611,072</u>
District's Net OPEB Liability - Ending (A) - (B)	<u>\$ 6,884,738</u>	<u>\$ 6,978,826</u>	<u>\$ 6,979,140</u>
Plan Fiduciary Net Position as A Percentage of the Total OPEB Liability	<u>47.83%</u>	<u>43.95%</u>	<u>39.78%</u>
Covered payroll	<u>\$ 53,967,962</u>	<u>\$ 53,808,269</u>	<u>\$ 53,808,269</u>
District's net OPEB liability as a percentage of covered payroll	<u>12.76%</u>	<u>12.97%</u>	<u>12.97%</u>
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017

Note: In the future, as data becomes available, ten years of information will be presented.

Mt. San Jacinto Community College District
Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program
Year Ended June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Year ended June 30,			
District's proportion of the net OPEB liability	<u>0.0932%</u>	<u>0.0920%</u>	<u>0.0918%</u>
District's proportionate share of the net OPEB liability	<u>\$ 347,123</u>	<u>\$ 308,435</u>	<u>\$ 71,899</u>
District's covered payroll	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>
District's proportionate share of the net OPEB liability as a percentage of it's covered payroll	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>0.01%</u>	<u>-0.40%</u>	<u>0.01%</u>
Measurement date	June 30, 2019	June 30, 2018	June 30, 2017

¹ As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

Note: In the future, as data becomes available, ten years of information will be presented.

Mt. San Jacinto Community College District
Schedule of the District's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2020

	2020	2019	2018	2017	2016	2015
CaSTRS						
District's proportion of the net pension liability	0.0527%	0.0512%	0.0507%	0.0496%	0.0452%	0.0454%
District's proportionate share of the net pension liability	\$ 47,589,427	\$ 47,097,210	\$ 46,914,359	\$ 40,114,200	\$ 30,455,197	\$ 26,482,179
State's proportionate share of the net pension liability associated with the District	25,963,209	26,966,653	27,754,365	22,839,660	16,107,399	16,049,771
Total	\$ 73,552,636	\$ 74,063,863	\$ 74,668,724	\$ 62,953,860	\$ 46,562,596	\$ 42,531,950
District's covered payroll	\$ 25,300,147	\$ 27,965,364	\$ 28,247,933	\$ 25,497,698	\$ 21,422,962	\$ 20,575,455
District's proportionate share of the net pension liability as a percentage of its covered payroll	188.10%	168.41%	166.08%	157.32%	142.16%	128.71%
Plan fiduciary net position as a percentage of the total pension liability	73%	71%	69%	70%	74%	77%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
CaIPERS						
District's proportion of the net pension liability	0.1628%	0.1573%	0.1482%	0.1435%	0.1402%	0.1377%
District's proportionate share of the net pension liability	\$ 47,460,089	\$ 41,948,139	\$ 35,389,443	\$ 28,333,305	\$ 20,660,881	\$ 15,625,838
District's covered payroll	\$ 18,554,440	\$ 20,809,478	\$ 18,692,382	\$ 17,024,859	\$ 15,231,697	\$ 14,778,614
District's proportionate share of the net pension liability as a percentage of its covered payroll	255.79%	201.58%	189.33%	166.42%	135.64%	105.73%
Plan fiduciary net position as a percentage of the total pension liability	70%	71%	72%	74%	79%	83%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

Note: In the future, as data becomes available, ten years of information will be presented.

Mt. San Jacinto Community College District
Schedule of the District Contributions for Pensions
Year Ended June 30, 2020

	2020	2019	2018	2017	2016	2015
CalSTRS						
Contractually required contribution	\$ 5,718,671	\$ 4,118,864	\$ 4,035,402	\$ 3,553,590	\$ 2,735,903	\$ 1,902,359
Contributions in relation to the contractually required contribution	<u>5,718,671</u>	<u>4,118,864</u>	<u>4,035,402</u>	<u>3,553,590</u>	<u>2,735,903</u>	<u>1,902,359</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	<u>\$ 33,442,520</u>	<u>\$ 25,300,147</u>	<u>\$ 27,965,364</u>	<u>\$ 28,247,933</u>	<u>\$ 25,497,698</u>	<u>\$ 21,422,962</u>
Contributions as a percentage of covered payroll	<u>17.10%</u>	<u>16.28%</u>	<u>14.43%</u>	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
CalPERS						
Contractually required contribution	\$ 4,748,398	\$ 3,351,303	\$ 3,231,920	\$ 2,595,998	\$ 2,016,935	\$ 1,792,923
Contributions in relation to the contractually required contribution	<u>4,748,398</u>	<u>3,351,303</u>	<u>3,231,920</u>	<u>2,595,998</u>	<u>2,016,935</u>	<u>1,792,923</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	<u>\$ 24,077,876</u>	<u>\$ 18,554,440</u>	<u>\$ 20,809,478</u>	<u>\$ 18,692,382</u>	<u>\$ 17,024,859</u>	<u>\$ 15,231,697</u>
Contributions as a percentage of covered payroll	<u>19.721%</u>	<u>18.062%</u>	<u>15.531%</u>	<u>13.888%</u>	<u>11.847%</u>	<u>11.771%</u>

Note: In the future, as data becomes available, ten years of information will be presented.

Note 1 - Purpose of Schedules

Schedule of Changes in the District's Net OPEB Liability and Related Ratios

This schedule presents information on the District's changes in the net OPEB liability, including beginning and ending balances, the Plan's fiduciary net position, and the net OPEB liability. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* – New retirees beginning in 2018 have the option to elect an HRA contribution in lieu of medical coverage.
- *Changes of Assumptions* – The implicit rate subsidy assumption was increased from 20.8 percent to 45.2 percent.

Schedule of the District's Proportionate Share of the Net OPEB Liability - MPP Program

This schedule presents information on the District's proportionate share of the net OPEB liability - MPP program and the Plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* - There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* - The plan rate of investment return assumption was changed from 3.87 percent to 3.50 percent since the previous valuation.

Schedule of the District's Proportionate Share of the Net Pension Liability

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* - There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.
- *Changes of Assumptions* - There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

Schedule of District Contributions for Pensions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.



Supplementary Information
June 30, 2020

Mt. San Jacinto Community College District

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

Member	Office	Term Expires
Dorothy McGargill	President	2020
Vicki Carpenter	Clerk	2022
Ann Motte	Trustee	2022
Tom Ashley	Trustee	2020
Sherrie Guerrero, Ed.D	Trustee	2020

District Administration

Dr. Roger Schultz
Superintendent/President

Ms. Beth Gomez
Vice President, Business Services

Dr. John Colson
Vice President, Student Services

Dr. Jeremy Brown
Vice President, Instructional Services

Mr. Brandon Moore
Vice President of Institutional Effectiveness and Enrollment Management

Auxiliary Organizations in Good Standing

Mt. San Jacinto College Foundation
Master Agreement revised February 11, 2016
Rebecca Orlauski, Director of Foundation and Donor Initiatives

Mt. San Jacinto Community College District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Identifying Number	Total Program Expenditures
U.S. Department of Education			
Student Financial Assistance Cluster			
Federal Pell Grant Program	84.063		\$ 20,397,345
Federal Pell Grant Program Administrative Allowance	84.063		35,285
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007		573,300
FSEOG Administrative Allowance	84.007		28,735
Federal Work-Study Program	84.033		496,978
Federal Work-Study Program Administrative Allowance	84.033		24,849
Subtotal Student Financial Assistance Cluster			<u>21,556,492</u>
TRIO Cluster			
TRIO Talent Search Program	84.044A		260,578
TRIO Upward Bound Program	84.047A		290,031
Subtotal TRIO Cluster			<u>550,609</u>
Strengthening Institutional Success (Title V)	84.031S		543,404
COVID-19: CARES Act Higher Education Emergency Relief Funds, Institutional Portion	84.425F		745,602
COVID-19: CARES Act Higher Education Emergency Relief Funds, Minority Serving Institution	84.425L		217,743
COVID-19: CARES Act Higher Education Emergency Relief Funds, Student Portion	84.425E		3,436,311
Subtotal			<u>4,399,656</u>
Passed through from California Community Colleges Chancellor's Office			
Career and Technical Education Act (CTEA), Title I, Part C	84.048A	19-C01-035	471,112
Title I, CTEA Transitions	84.048A	19-C01-035	46,195
Subtotal			<u>517,307</u>
Passed through the California Department of Education			
Adult Basic Education: Adult Basic Education & ELA (Section 231)	84.002A	14508	408,310
Adult Education: English Literacy & Civics Education - Local Grant	84.002A	14109	205,620
Subtotal			<u>613,930</u>
Total U.S. Department of Education			<u>28,181,398</u>

Mt. San Jacinto Community College District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Identifying Number	Total Program Expenditures
U.S. Department of Agriculture			
Passed through the California Department of Education			
Child and Adult Care Food Program	10.558	13666	\$ 45,432
Total U.S. Department of Agriculture			45,432
U.S. Department of Veterans Affairs			
Veterans Education	64.000		14,610
Chapter 33 - Veterans Post 911 GI Bill	64.028		157,389
Total U.S. Department of Veterans Affairs			171,999
U.S. Department of Health and Human Services			
Passed through from California Community College Chancellor's Office			
Temporary Assistance to Needy Families (TANF)	93.558	N/A	102,644
Child Care and Development (CCDF) Cluster			
Passed through the Yosemite Community College District			
Child Development Training Consortium	93.575	19-20-4472	15,600
Passed through the California Department of Education			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	13609	48,198
Child Care and Development Block Grant	93.575	15136	22,126
Subtotal Child Care and Development (CCDF) Cluster			85,924
Total U.S. Department of Health and Human Services			188,568
Total Federal Program Expenditures			\$ 28,587,397

Mt. San Jacinto Community College District
Schedule of Expenditures of State Awards
Year Ended June 30, 2020

Program	Program Entitlements			Program Revenues				Total Revenue	Program Expenditures
	Current Year	Prior Year	Total Entitlement	Cash Received	Accounts Receivable	Accounts Payable	Unearned Revenue		
Board Financial Assistance Program	\$ 560,439	\$ 22,000	\$ 582,439	\$ 582,439	\$ -	\$ -	\$ 106,592	\$ 475,847	\$ 475,847
Veterans Resource Center Restricted Funds	241,293	116,916	358,209	358,209	-	-	245,640	112,569	112,569
Student Success and Completion Grant	1,452,383	40,017	1,492,400	1,492,400	-	-	-	1,492,400	1,492,400
Financial Aid Technology	53,506	197,954	251,460	251,460	-	-	231,578	19,882	19,882
Mental Health Support	-	110,462	110,462	110,462	-	-	2,743	107,719	107,719
College Promise	890,136	-	890,136	890,136	-	-	704,557	185,579	185,579
Extended Opportunity Program & Services	681,115	-	681,115	681,115	-	-	-	681,115	681,115
Cooperative Agencies Resources for Education	178,774	(10)	178,764	178,764	-	-	2,713	176,051	176,051
Disabled Students Program	1,125,443	889	1,126,332	1,126,332	-	-	120,337	1,005,995	1,005,995
CalWORKS	628,840	-	628,840	627,971	869	-	28,589	600,251	600,251
Student Equity and Achievement	5,353,137	2,949,704	8,302,841	8,302,841	-	-	1,533,449	6,769,392	6,769,392
Hunger Free Campus Meal Program	39,819	105,828	145,647	145,647	-	-	40,464	105,183	105,183
Campus Safety and Sexual Assault	-	18,779	18,779	18,779	-	-	-	18,779	18,779
Guided Pathways Initiative	396,552	460,791	857,343	857,343	-	-	317,572	539,771	539,771
Staff Diversity	50,000	32,178	82,178	82,178	-	-	42,916	39,262	39,262
Classified Professional Development	-	61,463	61,463	61,463	-	-	59,060	2,403	2,403
Instructional Improvement Block Grant	-	295,402	295,402	295,402	-	-	214,378	81,024	81,024
Certified Nurse Assistant Training Program	-	37,500	37,500	37,500	-	-	4,075	33,425	33,425
Enrollment Growth & Retention	93,676	-	93,676	93,676	-	-	-	93,676	93,676
California Adult Education Program	1,026,532	1,297,922	2,324,454	2,324,454	-	-	1,101,089	1,223,366	1,223,366
California Adult Education Program Data & Accountability	-	55,000	55,000	55,000	-	-	-	55,000	55,000
Strong Workforce Program SWP Local Apportionment	2,057,815	2,323,198	4,381,013	4,381,013	-	-	2,953,455	1,427,558	1,427,558
Apprenticeship Allowance	-	4,000	4,000	4,000	-	-	-	4,000	4,000
Prekindergarten & Family Literacy	5,000	-	5,000	4,995	5	-	-	5,000	5,000
Song Brown Capitation Grant	-	36,718	36,718	29,218	7,500	-	-	36,718	36,718

Mt. San Jacinto Community College District
Schedule of Expenditures of State Awards
Year Ended June 30, 2020

Program	Program Entitlements			Program Revenues				Program Expenditures	
	Current Year	Prior Year	Total Entitlement	Cash Received	Accounts Receivable	Accounts Payable	Unearned Revenue		Total Revenue
Inland Empire/Desert Region Strong Workforce Program	\$ 1,013,717	\$ 970,105	\$ 1,983,822	\$ 262,485	\$ 393,317	\$ -	\$ -	\$ 655,802	\$ 655,802
Improving Online CTE Pathways Program - Planning & Development	499,960	-	499,960	86,811	78,841	-	-	165,652	165,652
ATL Community College Clean Transportation	163,179	-	163,179	-	3,002	-	-	3,002	3,002
Solano CCD NASDAQ Student Internship and Faculty Externship	2,500	-	2,500	1,500	998	-	-	2,498	2,498
Workforce Accelerator Grant WAF 7.0	25,000	-	25,000	-	19,007	-	-	19,007	19,007
Restricted State Lottery Prop 20	698,133	48,294	746,427	434,757	311,670	-	-	746,427	746,427
General Child Care and Development Program	288,380	8,666	297,046	243,997	31,379	-	-	275,376	275,376
California State Preschool	659,565	-	659,565	614,424	17,989	-	-	632,413	632,413
Child and Adult Care Food Program - State subsidies	2,500	-	2,500	1,851	-	-	-	1,851	1,851
Childcare State Tax Bailout	13,889	-	13,889	13,889	-	-	-	13,889	13,889
Cal Grant B	2,094,250	7,315	2,101,565	2,101,565	-	42,712	-	2,058,853	2,058,853
Cal Grant C	84,928	(274)	84,654	84,654	-	-	-	84,654	84,654
Total state programs	\$ 20,380,461	\$9,200,817	\$ 29,581,278	\$ 26,838,729	\$ 864,577	\$42,712	\$7,709,206	\$ 19,951,388	\$19,951,388

Mt. San Jacinto Community College District
Schedule of Workload Measures for State General Apportionment Annual (Actual) Attendance
Year Ended June 30, 2020

Categories	Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2019 only)			
1. Noncredit*	42.45	-	42.45
2. Credit	1,125.55	-	1,125.55
B. Summer Intersession (Summer 2020 - Prior to July 1, 2020)			
1. Noncredit*	-	-	-
2. Credit	-	-	-
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	7,086.51	-	7,086.51
(b) Daily Census Contact Hours	405.24	-	405.24
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit*	364.63	-	364.63
(b) Credit	110.24	-	110.24
3. Alternative Attendance Accounting Procedure Courses			
(a) Weekly Census Procedure Courses	1,677.40	-	1,677.40
(b) Daily Census Procedure Courses	964.10	-	964.10
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	<u>11,776.12</u>	<u>-</u>	<u>11,776.12</u>
<u>Supplemental Information (Subset of Above Information)</u>			
E. In-Service Training Courses (FTES)	-	-	-
F. Basic Skills Courses and Immigrant Education			
1. Noncredit*	385.11	-	385.11
2. Credit	12.64	-	12.64
<u>CCFS-320 Addendum</u>			
CDCP Noncredit FTES	259.60	-	259.60

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

Mt. San Jacinto Community College District
 Reconciliation of *Education Code* Section 84362 (50 Percent Law) Calculation
 Year Ended June 30, 2020

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			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	\$ 15,188,331	\$ -	\$ 15,188,331	\$ 15,188,331	\$ -	\$ 15,188,331
Other	1300	10,040,969	-	10,040,969	10,040,969	-	10,040,969
Total Instructional Salaries		25,229,300	-	25,229,300	25,229,300	-	25,229,300
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	4,327,613	-	4,327,613
Other	1400	-	-	-	1,618,656	-	1,618,656
Total Noninstructional Salaries		-	-	-	5,946,269	-	5,946,269
Total Academic Salaries		25,229,300	-	25,229,300	31,175,569	-	31,175,569
<u>Classified Salaries</u>							
Noninstructional Salaries							
Regular Status	2100	-	-	-	14,775,608	-	14,775,608
Other	2300	-	-	-	1,166,784	-	1,166,784
Total Noninstructional Salaries		-	-	-	15,942,392	-	15,942,392
Instructional Aides							
Regular Status	2200	1,844,664	-	1,844,664	1,844,664	-	1,844,664
Other	2400	649,509	-	649,509	649,509	-	649,509
Total Instructional Aides		2,494,173	-	2,494,173	2,494,173	-	2,494,173
Total Classified Salaries		2,494,173	-	2,494,173	18,436,565	-	18,436,565
Employee Benefits	3000	10,686,122	-	10,686,122	20,259,888	-	20,259,888
Supplies and Material	4000	-	-	-	607,997	-	607,997
Other Operating Expenses	5000	337,329	-	337,329	6,942,811	-	6,942,811
Equipment Replacement	6420	-	-	-	800	-	800
Total Expenditures Prior to Exclusions		38,746,924	-	38,746,924	77,423,630	-	77,423,630

Mt. San Jacinto Community College District
 Reconciliation of *Education Code* Section 84362 (50 Percent Law) Calculation
 Year Ended June 30, 2020

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Exclusions</u>							
Activities to Exclude							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	\$ 285,916	\$ -	\$ 285,916	\$ 285,916	\$ -	\$ 285,916
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	875,366	-	875,366
Objects to Exclude							
Rents and Leases	5060	-	-	-	53,171	-	53,171
Lottery Expenditures							
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	-	-	-	-	-	-
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, and Periodicals	4200	-	-	-	-	-	-
Instructional Supplies and Materials	4300	-	-	-	-	-	-
Noninstructional Supplies and Materials	4400	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	-	-	-

Mt. San Jacinto Community College District
 Reconciliation of *Education Code* Section 84362 (50 Percent Law) Calculation
 Year Ended June 30, 2020

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Other Operating Expenses and Services	5000	\$ -	\$ -	\$ -	\$ 2,060,569	\$ -	\$ 2,060,569
Capital Outlay	6000	-	-	-	-	-	-
Library Books	6300	-	-	-	-	-	-
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay							
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		285,916	-	285,916	3,275,022	-	3,275,022
Total for ECS 84362, 50 Percent Law		\$ 38,461,008	\$ -	\$ 38,461,008	\$ 74,148,608	\$ -	\$ 74,148,608
Percent of CEE (Instructional Salary Cost/Total CEE)		51.87%		51.87%	100%		100%
50% of Current Expense of Education					\$ 37,074,304		\$ 37,074,304

Mt. San Jacinto Community College District
Reconciliation of Annual Financial and Budget Report (CCFS-311) with Audited Financial Statements
Year Ended June 30, 2020

There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2020.

Mt. San Jacinto Community College District
 Proposition 30 Education Protection Account (EPA) Expenditure Report
 Year Ended June 30, 2020

Activity Classification	Object Code				Unrestricted
EPA Revenue:	8630				\$ 6,060,061
Activity Classification	Activity Code	Salaries and Benefits (Obj 1000-3000)	Operating Expenses (Obj 4000-5000)	Capital Outlay (Obj 6000)	Total
Instructional Activities	1000-5900	\$ 6,060,061	\$ -	\$ -	\$ 6,060,061
Total Expenditures for EPA		\$ 6,060,061	\$ -	\$ -	\$ 6,060,061
Revenues Less Expenditures					\$ -

Mt. San Jacinto Community College District
 Reconciliation of Government Funds to the Statement of Net Position
 Year Ended June 30, 2020

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:

Total fund balance:

General Fund	\$ 38,952,398
Special Revenue Funds	25,496
Capital Project Funds	43,062,367
Debt Service Fund	28,233,839
Enterprise Funds	631,759
Internal Service Fund	851,645
Fiduciary Funds	<u>551,396</u>

Total fund balance - all district funds		\$ 112,308,900
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

The cost of capital assets is	277,287,722
Accumulated depreciation is	(57,131,126)
Less capital assets already recorded in the enterprise funds	<u>(31,970)</u>

Net capital assets		220,124,626
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Amounts held in trust on behalf of others (Trust and Agency Funds)		(153,575)
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In governmental funds, unmatured interest on long-term liabilities is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term liabilities is recognized when it is incurred.

		(2,933,234)
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Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources at year-end consist of:

Aggregate net other postemployment benefits (OPEB) liability	1,725,718
Aggregate net pension liability	<u>25,342,641</u>

Total deferred outflows of resources		27,068,359
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Mt. San Jacinto Community College District
 Reconciliation of Government Funds to the Statement of Net Position
 Year Ended June 30, 2020

Deferred inflows of resources represent an acquisition of net position in a future period and is not reported in the District's funds. Deferred inflows of resources at year-end consists of:

Aggregate net other postemployment benefits (OPEB) liability	\$ (288,984)
Aggregate net pension liability	<u>(3,813,135)</u>

Total deferred inflows of resources	\$ (4,102,119)
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Aggregate net OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.	(7,231,861)
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Aggregate net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.	(95,049,516)
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

General obligation bonds	(178,231,878)
Compensated absences	(2,122,232)
Load banking	<u>(269,489)</u>

Total long-term liabilities	<u>(180,623,599)</u>
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Total net position	<u>\$ 69,407,981</u>
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Note 1 - Purpose of Schedules

District Organization

This schedule provides information about the District's governing board members and administration members as of June 30, 2020.

Schedule of Expenditures of Federal Awards

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2020. The information is presented in accordance with the 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). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position of the District.

Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the modified accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Indirect Cost Rate

The District has not elected to use the ten percent de minimis cost rate.

The following schedule provides reconciliation between revenues reported on the statement of revenues, expenses, and changes in net position – primary government and the related expenditures reported on the schedule of expenditures of federal awards.

Description	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenses, and Change in Net Position:		\$ 28,702,886
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	(115,489)
Total Schedule of Expenditures of Federal Awards		<u>\$ 28,587,397</u>

Schedule of Expenditures of State Awards

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

Chancellor's Office.

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

FTES is a measurement of the number of students attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis for making apportionments of State funds to community college districts. This schedule provides information regarding the attendance of students based on various methods of accumulating attendance data.

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

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

Reconciliation of Annual Financial and Budget Report (CCFS-311) With Audited 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 audited financial statements.

Proposition 30 Education Protection Account (EPA) Expenditure Report

This schedule provides information about the District's EPA proceeds and summarizes the expenditures of EPA proceeds.

Reconciliation of the Governmental Funds to the Statement of Net Position

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



Independent Auditor's Reports
June 30, 2020

Mt. San Jacinto Community College District



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
Mt. San Jacinto Community College District
San Jacinto, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate remaining fund information of Mt. San Jacinto Community College District (the District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 22, 2021.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 from 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 financial statements. 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 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.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
February 22, 2021



Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance Required by the Uniform Guidance

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 (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2020. The 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 the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 the 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 the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the 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 the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
February 22, 2021



Independent Auditor's Report on State Compliance

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 (the District) compliance with the types of compliance requirements described in the 2019-2020 California Community Colleges Chancellor's Office *Contracted District Audit Manual* applicable to the state laws and regulations listed in the table below for the year ended June 30, 2020.

Management's Responsibility

Management is responsible for compliance with state laws and regulations as identified in the table below.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the District's State programs based on our audit of the types of compliance requirements referred to in the table below. We conducted our audit 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 standards and procedures identified in the 2019-2020 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements listed in the table below has occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Compliance Requirements Tested

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

Section 411	SCFF Data Management Control Environment
Section 421	Salaries of Classroom Instructors (50 Percent Law)
Section 423	Apportionment for Activities Funded From Other Sources
Section 424	Student Centered Funding Formula Base Allocation: FTES
Section 425	Residency Determination for Credit Courses
Section 426	Students Actively Enrolled
Section 427	Dual Enrollment (CCAP and Non-CCAP)
Section 430	Scheduled Maintenance Program
Section 431	Gann Limit Calculation
Section 435	Open Enrollment
Section 439	Proposition 39 Clean Energy Fund
Section 444	Apprenticeship Related and Supplemental Instruction (RSI) Funds
Section 475	Disabled Student Programs and Services (DSPS)
Section 479	To Be Arranged Hours (TBA)
Section 490	Proposition 1D and 51 State Bond Funded Projects
Section 491	Education Protection Account Funds

The District reports no Apportionment for Activities Funded From Other Sources; therefore, the compliance tests within this section were not applicable.

The District reports no Proposition 39 Clean Energy Fund; therefore, the compliance tests within this section were not applicable.

The District reports no Apprenticeship Related and Supplemental Instruction (RSI) Funds; therefore, the compliance tests within this section were not applicable.

The District reports no attendance for classes with To Be Arranged Hours (TBA); therefore, the compliance tests within this section were not applicable.

Unmodified Opinion

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the State programs noted in the table above that were audited for the year ended June 30, 2020.

The purpose on this report on state compliance is solely to describe the results of our testing based on the requirements of the 2019-2020 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Accordingly, this report is not suitable for any other purpose.



Rancho Cucamonga, California
February 22, 2021

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	No

Identification of major Federal programs:

Name of Federal Program or Cluster	CFDA Number
Student Financial Assistance Cluster	84.007, 84.033, 84.063
COVID-19: CARES Act Higher Education Emergency Relief Funds, Student Portion	84.425E
COVID-19: CARES Act Higher Education Emergency Relief Funds, Institutional Portion	84.425F
COVID-19: CARES Act Higher Education Emergency Relief Funds, Minority Serving Institution	84.425L
Dollar threshold used to distinguish between type A and type B programs:	\$ 857,622
Auditee qualified as low-risk auditee?	No

None reported.

None reported.

None reported.

Mt. San Jacinto Community College District
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2020

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