

**MT. SAN JACINTO  
COMMUNITY COLLEGE DISTRICT**

**SAN JACINTO, CALIFORNIA**

**AUDIT REPORT**

**FOR THE FISCAL YEARS ENDED  
JUNE 30, 2018 AND 2017**



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

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT**  
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**JUNE 30, 2018 AND 2017**

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## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Mt. San Jacinto Community College District, as of and for the fiscal years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Mt. San Jacinto Community College District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Mt. San Jacinto Community College District, as of June 30, 2018 and 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter – Change in Accounting Principles**

As discussed in Note 2 to the financial statements, the District implemented the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 75, "Accounting for Financial Reporting for Postemployment Benefits Other than Pensions". This Statement replaces the requirements of GASB Statements No. 45, "Accounting and Reporting for Employers Post-Employment Benefits Other than Pensions", as amended, and GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans." Note disclosures and required supplementary information requirements about OPEB are also discussed. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis on pages 4 through 12, and the schedule of changes in net OPEB liability, schedule of proportionate share of the net pension liability – Medicare Premium Program , schedule of contributions – Medicare Premium Program, schedule of proportionate share of the net pension liability, and the schedule of contributions on pages 58-62 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary Information*

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2018 on our consideration of the Mt. San Jacinto Community College District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Mt. San Jacinto Community College District's internal control over financial reporting and compliance.

*CWDL, Certified Public Accountants*

San Diego, California  
October 25, 2018

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**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

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

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

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

## USING THIS ANNUAL REPORT

The purpose of this annual report is to provide readers with information about the activities, programs, and financial condition of the Mt. San Jacinto Community College District (the District) as of June 30, 2018 and 2017. The report consists of three basic financial statements: The Statements of Net Position; Statements of Revenues, Expenses, and Changes in Net Position; and Statements of Cash Flows and provides information about the District as a whole. This section of the annual financial report presents our discussion and analysis of the District's financial performance during the fiscal years ending June 30, 2018 and 2017. Please read it in conjunction with the District's financial statements, which immediately follow this section. Responsibility for the completeness and accuracy of this information rests with District management.

## OVERVIEW OF THE FINANCIAL STATEMENTS

The Mt. San Jacinto Community College District's financial statements are presented in accordance with Governmental Accounting Standards Board Statements (GASB) No. 34, Basic Financial Statements – and Management's Discussion and Analysis - for State and Local Governments, and No. 35, Basic Financial Statements – and Management Discussion and Analysis - for Public College and Universities. These statements allow for the presentation of financial activity and results of operations which focuses on the District as a whole. The entity-wide financial statements present the overall results of operations whereby all of the District's activities are consolidated into one total versus the traditional presentation by fund type. The focus of the Statements of Net Position is designed to be similar to the bottom line results of the District. These statements combine and consolidate current financial resources with capital assets and long-term obligations. The Statements of Revenues, Expenses, and Changes in Net Position focus on the costs of the District's operational activities with revenues and expenses categorized as operating and nonoperating, and expenses are reported by natural classification. The Statements of Cash Flows provides an analysis of the sources and uses of cash within the operations of the District.

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

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



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



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



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

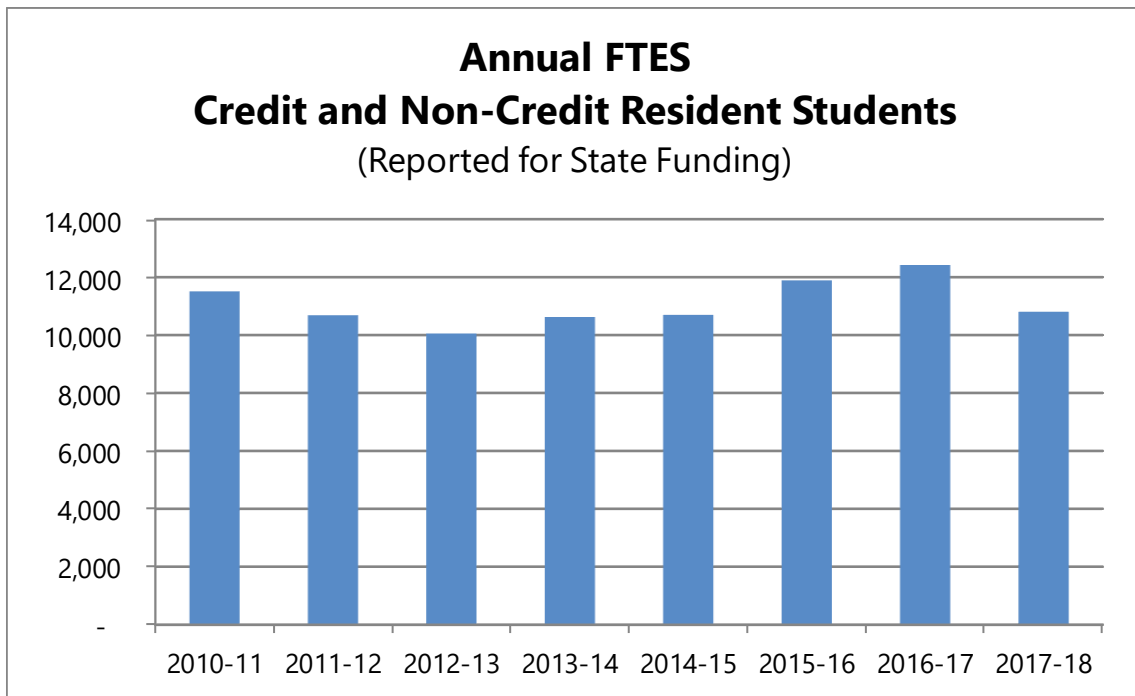


**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017**

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**FINANCIAL HIGHLIGHTS**

The District's primary funding source is from apportionment received from the State of California. The primary basis of this apportionment is the calculation of Full-Time Equivalent Students (FTES). See the below chart for a historical perspective on the changes in FTES over the past 8 fiscal years.



- During the 2017-2018 fiscal year, the District provided \$35,681,323 in financial aid to students attending classes at its two campuses. This aid was provided in the form of grants, scholarships, and tuition reductions funded through the Federal government, State Chancellor's Office, and local funding as shown below.

Federal Pell Grants (PELL)	\$ 20,625,433
Federal Supplemental Education Opportunity Grant (FSEOG)	494,740
Federal Work Study Program (FWS)	428,244
State of California Cal Grant B and C (CALG-B and C)	2,042,999
California Community College Board of Governor's Fee Waiver	12,087,437
Federal Iraq/Afghanistan Service Credit	2,470
<b>Total Financial Aid Provided to Students</b>	<b>\$ 35,681,323</b>

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017**

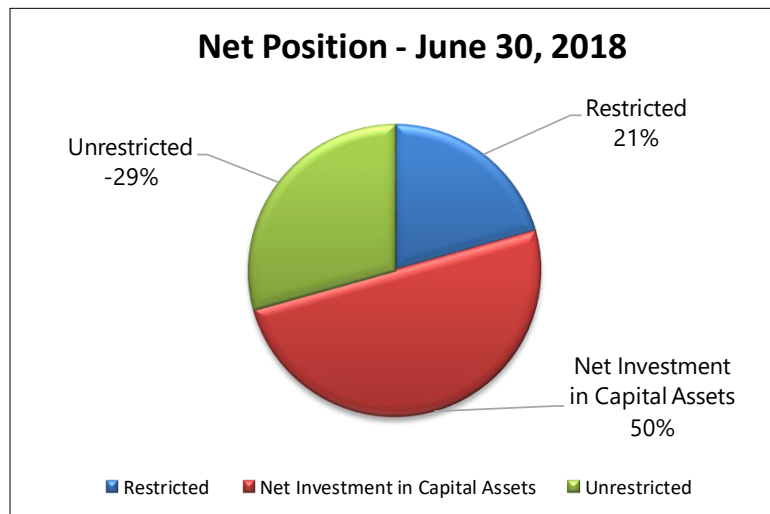
**THE DISTRICT AS A WHOLE**

**Net Position**

The District's Net Position decreased by \$7.09 million due primarily the implementation of GASB Statement No. 75 accounting for the net OPEB liability and changes in discount rates related to the net pension liability. Under pension accounting standards, the District continues to recognize its proportional share of the underfunded pension systems for both California Public Employee's Retirement System (PERS) and California State Teachers' Retirement System (STRS). In addition, beginning in 2017-18, the District recognizes its full OPEB liability.

	<b>2018</b>	<b>2017</b>	<b>Change</b>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
Total assets	\$ 338,174,887	\$ 204,527,511	\$ 133,647,376
Deferred outflow of resources	27,067,608	19,666,201	7,401,407
<b>Total Assets and Deferred Outflows of Resources</b>	<b>365,242,495</b>	<b>224,193,712</b>	<b>141,048,783</b>
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>			
Current liabilities	26,564,298	24,986,631	1,577,667
Non-current liabilities	278,328,534	133,272,233	145,056,301
Deferred inflows of resources	3,270,117	1,769,772	1,500,345
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>308,162,949</b>	<b>160,028,636</b>	<b>148,134,313</b>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	69,191,212	31,284,631	37,906,581
Restricted	28,362,969	58,988,050	(30,625,081)
Unrestricted	(40,474,635)	(26,107,605)	(14,367,030)
<b>Total Net Position</b>	<b>\$ 57,079,546</b>	<b>\$ 64,165,076</b>	<b>\$ (7,085,530)</b>

The composition of Net Position at June 30, 2018 is reflected below:



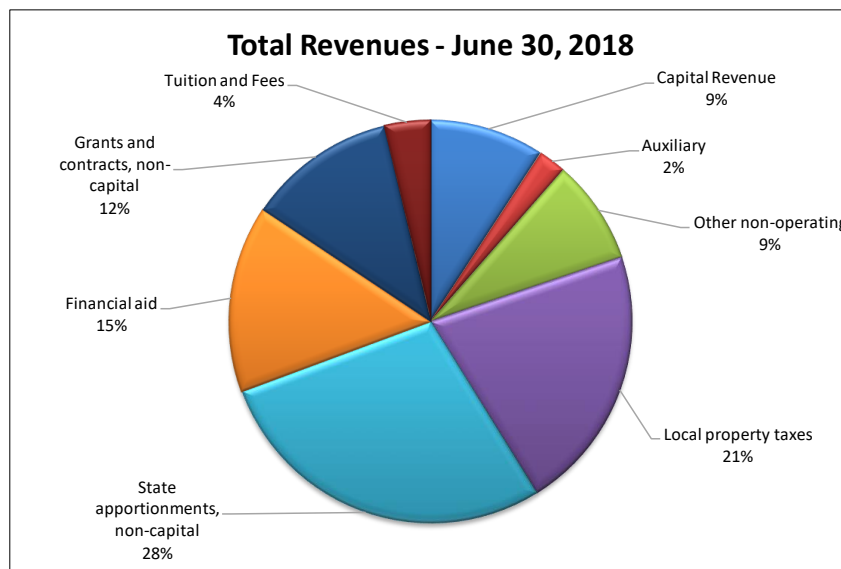
**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017**

**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 14.

	<b>2018</b>	<b>2017</b>	<b>Change</b>
<b>REVENUES</b>			
Tuition and fees (net)	\$ 5,282,690	\$ 5,876,686	\$ (593,996)
Grants and contracts, noncapital	20,640,360	19,874,572	765,788
Pell revenues	20,594,553	19,607,181	987,372
General revenues - property taxes	41,867,522	39,644,906	2,222,616
General revenues - state aid	50,317,056	49,261,111	1,055,945
General revenues - other	3,145,595	3,324,249	(178,654)
<b>Total Revenues</b>	<b>141,847,776</b>	<b>137,588,705</b>	<b>4,259,071</b>
<b>EXPENSES</b>			
Operating expenses	136,997,838	122,985,902	14,011,936
Interest	4,115,591	3,183,658	931,933
<b>Total Expenses</b>	<b>141,113,429</b>	<b>126,169,560</b>	<b>14,943,869</b>
<b>Change in Net Position</b>	<b>734,347</b>	<b>11,419,145</b>	<b>(10,684,798)</b>
<b>Net Position - Beginning</b>	<b>64,165,076</b>	<b>52,745,931</b>	<b>11,419,145</b>
<b>Prior Period Adjustmet</b>	<b>(7,819,877)</b>	<b>-</b>	<b>(7,819,877)</b>
<b>Net Position - Ending</b>	<b>\$ 57,079,546</b>	<b>\$ 64,165,076</b>	<b>\$ (7,085,530)</b>

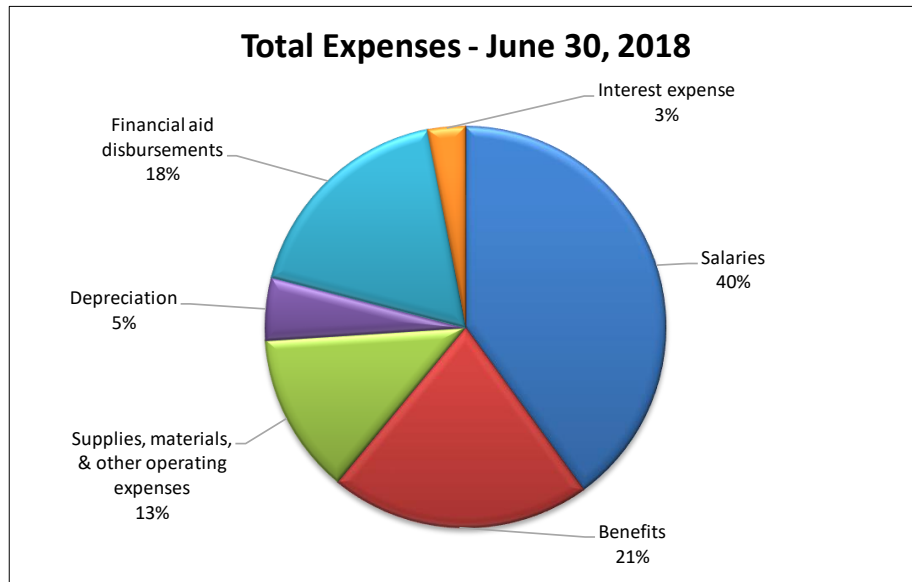
The District’s primary revenue is from the State apportionment, local property taxes, student enrollment fees, and grants. Property taxes levied and received from property within the County increased in 2017-2018. State apportionments increased due to system-wide increases in revenue and allocations. The composition of operating and nonoperating revenues for the year ended June 30, 2018 are reflected below:



**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017**

**Operating Results for the Year, continued**

The District’s expenses consisted primarily of employee salaries, benefits, supplies and operating items, and payments to students for financial aid. Total salaries increased \$3.2 million over the prior year, due primarily to cost of living adjustment (COLA) and new faculty positions. Benefits increased \$5.9 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 code. Operating expenses by functional classification are as follows:

	Salaries	Employee Benefits	Supplies material, and other expenses and services	Financial aid	Depreciation	Total
Instructional activities	\$ 27,084,918	\$ 12,171,114	\$ 1,204,870	\$ -	\$ -	\$ 40,460,902
Academic support	6,681,486	3,820,588	1,350,989	-	-	11,853,063
Student services	8,316,224	4,032,083	1,138,452	347,054	-	13,833,813
Operations and maintenance	2,654,191	1,602,789	2,024,410	-	-	6,281,390
Institutional support services	7,978,411	5,895,911	6,276,450	-	-	20,150,772
Community services & economic development	1,131,661	549,262	814,136	-	-	2,495,059
Ancillary services & auxiliary operations	3,169,481	1,509,714	2,797,878	60,000	-	7,537,073
Physical property & related acquisitions	-	-	2,359,614	-	-	2,359,614
Transfers, student aid, other outgo	-	-	559	24,767,866	-	24,768,425
Depreciation - unallocated	-	-	-	-	7,257,727	7,257,727
<b>Total</b>	<b>\$ 57,016,372</b>	<b>\$ 29,581,461</b>	<b>\$ 17,967,358</b>	<b>\$ 25,174,920</b>	<b>\$ 7,257,727</b>	<b>\$ 136,997,838</b>

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017**

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**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of the 2017-18 fiscal year, the District had \$212.4 million in a broad range of capital assets, including land, buildings, and furniture and equipment. At June 30, 2018, the District's net capital assets were \$165.4 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 to the depreciable capital asset categories.

	<b>2018</b>	<b>2017</b>	<b>Change</b>
Capital Assets not being depreciated	\$ 31,415,430	\$ 29,302,313	\$ 2,113,117
Capital Assets being depreciated	180,962,260	105,697,754	75,264,506
Accumulated depreciation	(46,935,290)	(39,677,563)	(7,257,727)
<b>Total Capital Assets</b>	<b>\$ 165,442,400</b>	<b>\$ 95,322,504</b>	<b>\$ 70,119,896</b>

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

**Long-term Liabilities**

At the end of the 2017-2018 fiscal year, the District had \$192.9 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 for lease purchase agreements for equipment and obligations to employees of the District for vacation, load banking, and retirement benefits.

	<b>2018</b>	<b>2017</b>	<b>Change</b>
General obligation and revenue bonds	\$ 192,916,020	\$ 69,238,278	\$ 123,677,742
Capital Leases	174,967	365,537	(190,570)
Compensated Absences	1,568,013	1,532,501	35,512
Other long-term liabilities	256,731	387,163	(130,432)
<b>Total Long-term Liabilities</b>	<b>\$ 194,915,731</b>	<b>\$ 71,523,479</b>	<b>\$ 123,392,252</b>

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

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017**

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**UNRESTRICTED GENERAL FUND BUDGETARY HIGHLIGHTS**

Over the course of the year, the District revises its budget to provide for unanticipated changes in revenues and expenditures. The Board of Trustees adopted the final amendment for the fiscal year 2017 – 2018 budget on September 14, 2017.

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

The State of California approved its budget on June 14, 2018. The General Fund budget provides \$138.6 billion which is an increase of \$11.6 billion from 2017-18, and the Governor places a high priority on building reserves with a total reserve balance of nearly \$16 billion including an optional \$3.5 billion deposit into the state's rainy day fund. The 2018-19 community college apportionment budget increase along with the allotment for the 2.71 % COLA has allowed for some modest increases to the Mt. San Jacinto College budget. Mt. San Jacinto College is committed to student success by funding faculty replacements positions and one net new categorical funded faculty position, as well as ten net new teaching faculty for 2019-20, contingent upon the allocation for Full-Time Faculty. In addition, 10 net new classified positions and 3 administrative positions utilizing existing budget resources were funded.

The District has designated reserves to assist in offsetting increases in the California Public Employee's Retirement System (PERS) and California State Teachers' Retirement System (STRS) contributions. Additionally, the District has set aside funds in a Post-Employment Benefits Other Than Pensions (OPEB) irrevocable trust. Finally, the District has maintained and budgeted a 7% Board Reserve.

The new student Centered Funding Formula brings significant apportionment funding changes to the District. The formula provides \$369 million in additional apportionment funding for community colleges and changes the allocation formula. The 2018-19 budget package creates a new credit apportionment funding formula with 60% Base FTEs, 20% based student need and 20% based on outcomes.

Mt. San Jacinto Community College General Obligation Bond, Measure AA was approved during the November 4, 2014 election. A 55 percent plus one supermajority vote was required for approval. Measure AA authorized the issuance of \$295 million in bonds to fund capital improvement projects District-wide. The funds were designated to ensure school buildings are accessible for the disabled; upgrade classrooms, labs, electrical systems, and technology infrastructure and acquire, construct, and repair classrooms and facilities. Fiscal accountability will be monitored by the nine-member Citizen's Oversight Committee. The first issuance of \$70 million occurred in April of 2015 and the second issuance of \$120 million occurred in February of 2018. Along with our second Bond issuance, MSJC received upgraded bond ratings: Moody's from "Aa2" to "Aa1" and Standard & Poor's, from "AA-" to "AA".

In March 2018, the District purchased a five-story 350,000 square-foot facility in Temecula utilizing Measure AA Bond funds. The Temecula campus will allow the District to serve more students and address shortages in classroom space for courses that students need for success. In order to offer classes in the fall of 2020, renovations projects to make the building field act compliant are currently in progress.

On June 28, 2018, the District closed escrow on an 80-acre parcel in Wildomar using capital outlay funds, allowing for future development of a proposed campus.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017**

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

Mt San Jacinto College was evaluated in 2017-2018 by the Accrediting Commission for Community and Junior Colleges, Western Association of Schools and Colleges. The District received a full accreditation certification.

The following commendations were acknowledged:

Commendation 1. The team commends the College for its systemic integration of data-informed planning, evaluation, and resource allocation in pursuit of enhancing student learning and achievement. Supported by its highly engaged Institutional Effectiveness Unit and Institutional Planning Committee, analysis of data to guide decision-making permeates every aspect of the College, creating a true culture of evidence throughout the institution (I.B.9).

Commendation 2. The team commends the College's Curriculum Committee for its forward-thinking faculty leadership. In one example, the committee proactively analyzes all high-unit courses for impediments to timely student progress towards degree attainment. By collaboratively addressing such institution-wide issues, the faculty continuously improves instructional courses, programs, and services through comprehensive evaluations used to promote student success (II.A.2).

Commendation 3. The team commends the College for the development of innovative learning technology support services through the DELTA team. This approach provides intensive online student support and training as well as faculty professional development and support to promote high impact practices in using instructional technology for all modalities of learning that is showing gains in academic quality and student success (III.C.4).

Commendation 4. The team commends the College for its effective oversight of finances including the management of grants through processes that include all grant and categorical funds in the budgeting process. This not only incorporates restricted funds into the integrated planning process, it also ensures that the College plans for the eventual end of grant funding (III.D.1, III.D.10).

Commendation 5. The team commends the College for strategically identifying and allocating resources for payment of liabilities and future obligations. Over the last several years, through strategic planning and budgeting and with strong Board leadership, the College budgeted conservatively and set aside one-time funds to address long-term liabilities and, as a result, increased their Moody's credit rating from Aa2 to Aa1, one of the highest in the state (III.D.1, III.D.11).

Commendation 6. The team commends the Board for advancing the culture of collegiality and support so that the Board now acts as a collective entity. Once the Board reaches a decision, all Board members act in support of the conclusion. This intentionally united focus of the Board on the greater good of the institution provides a powerful and inspirational behavioral standard for the College community (IV.C.2)

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017**

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**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Mt. San Jacinto Community College District at 1499 North State Street, San Jacinto, California 92583.



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## **FINANCIAL SECTION**

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**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
STATEMENTS OF NET POSITION – PRIMARY GOVERNMENT  
JUNE 30, 2018 AND 2017**

<b>ASSETS</b>	<b>2018</b>	<b>2017</b>
Current Assets:		
Cash and cash equivalents	\$ 165,935,883	\$ 98,341,953
Accounts receivable, net	5,734,215	7,724,058
Inventory	824,169	836,509
Prepaid expenditures and other assets	238,220	551,457
Total Current Assets	<u>172,732,487</u>	<u>107,453,977</u>
Noncurrent Assets:		
Prepaid OPEB asset	-	1,751,030
Capital assets, net	165,442,400	95,322,504
Total Noncurrent Assets	<u>165,442,400</u>	<u>97,073,534</u>
<b>TOTAL ASSETS</b>	<u>338,174,887</u>	<u>204,527,511</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows - OPEB	500,000	-
Deferred outflows - pensions	26,567,608	19,666,201
<b>TOTAL ASSETS &amp; DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 365,242,495</u>	<u>\$ 224,193,712</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable & accrued expenses	\$ 9,053,207	\$ 9,359,108
Unearned revenue	11,569,053	8,928,772
Long-term debt, current portion	5,942,038	6,698,751
Total Current Liabilities	<u>26,564,298</u>	<u>24,986,631</u>
Noncurrent Liabilities:		
Compensated absences	1,568,013	1,532,501
Net OPEB Liability	7,051,039	-
Net pension liability	82,303,802	68,447,505
Long-term debt - non-current portion	187,405,680	63,292,227
Total Noncurrent Liabilities	<u>278,328,534</u>	<u>133,272,233</u>
<b>TOTAL LIABILITIES</b>	<u>304,892,832</u>	<u>158,258,864</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows - pensions	3,270,117	1,769,772
<b>NET POSITION</b>		
Net investment in capital assets	69,191,212	31,284,631
Restricted for:		
Debt service	29,495,416	15,890,034
Capital projects	(1,314,742)	42,970,640
Educational programs	182,295	127,376
Unrestricted	(40,474,635)	(26,107,605)
<b>TOTAL NET POSITION</b>	<u>57,079,546</u>	<u>64,165,076</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 365,242,495</u>	<u>\$ 224,193,712</u>

See accompanying notes to the financial statements.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – PRIMARY  
GOVERNMENT  
FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017**

<b>OPERATING REVENUES</b>	<b>2018</b>	<b>2017</b>
Tuition and fees (gross)	\$ 17,370,127	\$ 17,567,494
Less: Scholarship discounts and allowances	(12,087,437)	(11,690,808)
Net tuition and fees	5,282,690	5,876,686
Grants and Contracts, noncapital:		
Federal	3,721,914	3,535,457
State	13,786,468	13,126,988
Local	53,189	33,130
Auxiliary enterprise sales, net	3,078,789	3,178,997
<b>TOTAL OPERATING REVENUES</b>	<b>25,923,050</b>	<b>25,751,258</b>
<b>OPERATING EXPENSES</b>		
Salaries	57,016,372	53,808,269
Employee benefits	29,581,461	23,726,253
Supplies, materials, and other operating expenses and services	17,967,358	19,349,499
Student aid	25,174,920	22,998,823
Depreciation	7,257,727	3,103,058
<b>TOTAL OPERATING EXPENSES</b>	<b>136,997,838</b>	<b>122,985,902</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(111,074,788)</b>	<b>(97,234,644)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
State apportionments, noncapital	40,059,101	36,013,088
Local property taxes	30,237,511	28,749,404
State taxes and other revenues	7,408,832	9,473,554
Pell grants	20,594,553	19,607,181
Investment income - noncapital	1,710,885	745,964
Interest expense on capital asset-related debt	(4,115,591)	(3,183,658)
Other non-operating revenues	2,849,123	3,774,469
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>98,744,414</b>	<b>95,180,002</b>
<b>INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES</b>	<b>(12,330,374)</b>	<b>(2,054,642)</b>
State apportionments, capital	1,434,710	2,578,285
Local property taxes and revenues, capital	11,630,011	10,895,502
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>734,347</b>	<b>11,419,145</b>
<b>NET POSITION - BEGINNING OF YEAR</b>	<b>64,165,076</b>	<b>52,745,931</b>
<b>PRIOR YEAR ADJUSTMENT (SEE NOTE 14)</b>	<b>(7,819,877)</b>	<b>-</b>
<b>NET POSITION - END OF YEAR</b>	<b>\$ 57,079,546</b>	<b>\$ 64,165,076</b>

See accompanying notes to the financial statements.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
STATEMENTS OF CASH FLOWS – PRIMARY GOVERNMENT  
FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017**

	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and fees	\$ 5,282,690	\$ 5,876,686
Grants and contracts	21,084,132	15,567,687
Payments to or on behalf of employees	(77,012,302)	(75,799,170)
Payments to vendors for supplies and services	(25,423,847)	(16,225,309)
Payment to students	(25,091,964)	(23,134,678)
Other receipts	3,078,789	3,178,997
Net Cash Used In Operating Activities	<u>(98,082,502)</u>	<u>(90,535,787)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
State apportionments	40,059,101	36,013,088
Grants and contracts, non-capital	20,594,553	19,607,181
Property taxes	30,237,511	28,749,404
State taxes and other revenues	7,408,832	9,473,554
Other non-operating	7,741,125	3,542,991
Net Cash Provided by Non-Capital Financing Activities	<u>106,041,122</u>	<u>97,386,218</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(77,377,623)	(15,825,956)
Proceeds from debt issuance	130,514,813	-
State revenue, capital projects	1,434,710	2,578,285
Local revenue, capital	11,630,011	10,894,344
Principal paid on capital debt	(7,158,073)	(6,050,000)
Interest paid on capital debt	(1,119,413)	(2,247,654)
Net Cash Used In Capital Financing Activities	<u>57,924,425</u>	<u>(10,650,981)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment income	1,710,885	745,964
Net Cash Provided by (Used in) Investing Activities	<u>1,710,885</u>	<u>745,964</u>
<b>NET DECREASE IN CASH &amp; CASH EQUIVALENTS</b>	67,593,930	(3,054,586)
<b>CASH &amp; CASH EQUIVALENTS, BEGINNING OF YEAR</b>	98,341,953	101,396,539
<b>CASH &amp; CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 165,935,883</u>	<u>\$ 98,341,953</u>

See accompanying notes to the financial statements.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
STATEMENTS OF CASH FLOWS – PRIMARY GOVERNMENT  
FOR THE FISCAL YEARS ENDED JUNE 30, 2018 and 2017**

<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>	<b>2018</b>	<b>2017</b>
Operating loss	\$ (115,966,790)	\$ (97,234,644)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation expense	7,257,727	3,103,058
Changes in Assets and Liabilities:		
Receivables, net	1,989,843	(1,963,590)
Inventory	12,340	(9,591)
Prepaid items	313,237	2,135,698
Net OPEB liability/asset	982,192	(475,623)
Deferred outflows - OPEB	(500,000)	-
Deferred outflows - pension	(6,901,407)	(11,843,099)
Accounts payable and accrued liabilities	(3,302,079)	2,356,710
Deferred revenue	2,640,281	151,496
Compensated absences	35,512	157,387
Other long-term liabilities	-	(1,024,592)
Net pension liability	13,856,297	17,331,427
Deferred infows - pension	1,500,345	(3,220,424)
Total Adjustments	17,884,288	6,698,857
<b>Net Cash Flows From Operating Activities</b>	<b>\$ (98,082,502)</b>	<b>\$ (90,535,787)</b>

See accompanying notes to the financial statements.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
STATEMENTS OF NET POSITION – FIDUCIARY FUNDS  
JUNE 30, 2018 AND 2017**

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	2018		2017
	Trust		Trust
<b>ASSETS</b>			
Cash and cash equivalents	\$ 151,052	\$	181,937
Accounts receivable, net	275		4,735
Due from primary government	577		1,181
<b>Total Assets</b>	<b>151,904</b>		<b>187,853</b>
<b>LIABILITIES</b>			
Accounts payable	317		893
Due to primary government	11,422		51,678
<b>Total Liabilities</b>	<b>11,739</b>		<b>52,571</b>
<b>NET POSITION</b>			
Held in Trust for Student Groups	140,165		135,282
<b>Total Net Position</b>	<b>\$ 140,165</b>	\$	<b>135,282</b>

See accompanying notes to the financial statements.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
 STATEMENTS OF CHANGES IN NET POSITION – FIDUCIARY FUNDS  
 FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017**

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	2018	2017
	Trust	Trust
<b>ADDITIONS</b>		
Local revenues	\$ 70,541	\$ 88,070
<b>Total Additions</b>	<u>70,541</u>	<u>88,070</u>
<b>DEDUCTIONS</b>		
Books and supplies	20,000	29,575
Services and operating expenditures	45,658	55,772
<b>Total Deductions</b>	<u>65,658</u>	<u>85,347</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Other sources	2,130	5,042
Other uses	(2,130)	(48,509)
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>(43,467)</u>
<b>Change in Net Position</b>	4,883	(40,744)
<b>NET POSITION</b>		
<b>Beginning of Year</b>	135,282	176,026
<b>End of Year</b>	<u>\$ 140,165</u>	<u>\$ 135,282</u>

See accompanying notes to the financial statements.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

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**NOTE 1 – ORGANIZATION**

The Mt. San Jacinto Community College District (the District) was established in 1962 as a political subdivision of the State of California and is a comprehensive, public, two-year institution offering educational services to residents of the surrounding area. The District operates under a locally elected five-member Board of Trustees form of government, which establishes the policies and procedures by which the District operates. The Board must approve the annual budgets for the General Fund, special revenue funds, capital project funds, and proprietary funds, but these budgets are managed at the department level. Currently, the District consists of a single college with one center and two other offsite locations located within Riverside County. While the District is a political subdivision of the State of California, it is legally separate and is independent of other State and local governments, and it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statements No. 39 and No. 61. The District has considered all potential component units in determining how to define the reporting entity using criteria set forth in accounting principles generally accepted in the United States of America. The basic criteria for including a component unit are (1) the economic resources held or received by the other entity are entirely or almost entirely for the direct benefit of the District, (2) the District is entitled to, or has the ability to otherwise access, a majority of the economic resources held or received by the other entity, and (3) the other entity's resources to which the District is entitled, or has the ability to otherwise access, are significant to the District. If any of these criteria are not met, the final criterion for including a component unit is whether the other entity is closely related to, or financially integrated with, the District. The District identified no component units.

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

**Financial Reporting Entity**

The District has adopted GASB Statement No. 61, Determining Whether Certain Organizations are Component Units. This statement amends GASB Statement No. 14, The Financial Reporting Entity, to provide additional guidance to determine whether certain organizations, for which the District is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the District. The three components used to determine the presentation are: providing a "direct benefit", the "environment and ability to access/influence reporting", and the "significance" criterion. As defined by accounting principles generally accepted in the United States of America and established by the Governmental Accounting Standards Board, the financial reporting entity consists of the primary government, the District. Management has reviewed the following potential component units and has determined the established criteria has not been met, and the financial activity has been excluded from the District's reporting entity:

Mt. San Jacinto Community College Foundation - The Foundation is a legally separate not-for-profit corporation. The Board of Directors is elected by their own Board and independent of any District Board of Trustees appointments. The Board is responsible for approving its own audit and accounting and finance related activities.



**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

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

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

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB Statements No. 34 and No. 35 as amended by GASB Statements No. 37 and No. 38. This presentation provides a comprehensive entity-wide perspective of the District's assets, liabilities, activities, and cash flows and replaces the fund group perspective previously required. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. The significant accounting policies followed by the District in preparing these financial statements are in accordance with accounting principles generally accepted in the United States of America as prescribed by GASB. Additionally, the District's policies comply with the California Community Colleges Chancellor's Office Budget and Accounting Manual. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All material intra-agency and intra-fund transactions have been eliminated.

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are classified as operating revenues. These transactions are recorded on the accrual basis when the exchange takes place. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Mt. San Jacinto Community College District, operating revenues consist primarily of student fees and auxiliary activities through the bookstore and cafeteria.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, certain Federal and State grants, entitlements, and donations. Property tax revenue is recognized in the fiscal year received. State apportionment revenue is earned based upon criteria set forth from the Community Colleges Chancellor's Office and includes reporting of full-time equivalent students (FTES) attendance. The corresponding apportionment revenue is recognized in the period the FTES are generated. Revenue from Federal and State grants and entitlements are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements may include time and/or purpose requirements.

Operating expenses are incurred to provide instructional services including support costs, auxiliary services, and depreciation of capital assets. All other expenses not meeting this definition are reported as nonoperating. Expenses are recorded on the accrual basis as they are incurred; when goods are received or services are rendered.

The District reports are based on all applicable GASB pronouncements, as well as applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements. The District has not elected to apply FASB pronouncements after that date.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

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

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

The financial statements are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, and GASB Statement No. 35, Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities, as amended by GASB Statements No. 37 and No. 38. The business-type activities model followed by the District requires the following components of the District's financial statements:

- Management's Discussion and Analysis
- Basic Financial Statements for the District as a whole including:
- Statement of Net Position - Primary Government
  - Statement of Revenues, Expenses, and Changes in Net Position - Primary Government
  - Statement of Cash Flows - Primary Government
  - Financial Statements for the Fiduciary Funds including:
    - Statement of Net Position – Fiduciary Funds
    - Statement of Changes in Net Position – Fiduciary Funds
- Notes to the Financial Statements

**Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include unrestricted cash with county treasury balances for purposes of the Statement of Cash Flows. Restricted cash and cash equivalents represent balances restricted by external sources such as grants and contracts or specifically restricted for the repayment of capital debt.

**Investments**

In accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and External Investment Pools, investments held at June 30, 2018 and 2017, are stated at fair value. Fair value is estimated based on quoted market prices at year-end. Short-term investments have an original maturity date greater than three months, but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

**Restricted Assets**

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

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

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

**Accounts Receivable**

Accounts receivable include amounts due from the Federal, State and/or local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of California. The District provides for an allowance for uncollectible accounts as an estimation of amounts that may not be received. This allowance is based upon management's estimates and analysis. The allowance was estimated at \$238,483 for the year ended June 30, 2018.

**Prepaid Expenses**

Prepaid expenses represent payments made to vendors and others for services that will benefit periods beyond June 30, 2018.

**Inventories**

Inventories consist primarily of bookstore supplies held for resale to the students and faculty of the college. Inventories are stated at cost, utilizing the weighted average method. The cost is recorded as an expense as the inventory is sold.

**Capital Assets and Depreciation**

Capital assets are long-lived assets of the District as a whole and include land, construction in progress, buildings, leasehold improvements, and equipment. The District maintains an initial unit cost capitalization threshold of \$2,000 and an estimated useful life greater than one year. Assets are recorded at historical cost, or estimated historical cost, when purchased or constructed. The District does not possess any infrastructure. Donated capital assets are recorded at estimated fair market value at the date of donation. Improvements to buildings and land that significantly increase the value or extend the useful life of the asset are capitalized; the costs of routine maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are charged as an operating expense in the year in which the expense was incurred. Major outlays for capital improvements are capitalized as construction in progress as the projects are constructed.

Depreciation of capital assets is computed and recorded utilizing the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 15 to 50 years; improvements, 20 years; equipment, 5 to 20 years.

**Accrued Liabilities and Long-Term Obligations**

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

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

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

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

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

**Deferred Gain/Loss on Refunding**

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

**Pensions**

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

**Compensated Absences**

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the entity-wide financial statements. The amounts have been recorded in the fund from which the employees, who have accumulated the leave, are paid. The District also participates in "load-banking" with eligible academic employees whereby the employee may teach extra courses in one period in exchange for time off in another period.

Sick leave is accumulated without limit for each employee based upon negotiated contracts. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, retirement credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Retirement credit for unused sick leave is available to all full-time employees based on the California Public Employees' Retirement System (CalPERS) and the California State Teachers' Retirement System (CalSTRS) criteria.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

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

**Unearned Revenue**

Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized. Unearned revenue includes (1) amounts received for tuition and fees prior to the end of the fiscal year that are related to the subsequent fiscal year and (2) amounts received from Federal and State grants received before the eligibility requirements are met are recorded as unearned revenue.

**Noncurrent Liabilities**

Noncurrent liabilities include lease revenue bonds, compensated absences, load banking, capital lease obligations, golden handshake, and OPEB obligations with maturities greater than one year.

**Net Position**

GASB Statements No. 34 and No. 35 report equity as "Net Position" and represent the difference between assets and liabilities. The net position is classified according to imposed restrictions or availability of assets for satisfaction of District obligations according to the following net asset categories:

**Net Investment in Capital Assets** consists of capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. To the extent debt has been incurred, but not yet expended for capital assets, such accounts are not included as a component invested in capital assets – net of related debt.

**Restricted:** Net position is reported as restricted when there are limitations imposed on their use, either through enabling legislation adopted by the District, or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

None of the District's restricted net position has resulted from enabling legislation adopted by the District.

**Unrestricted:** Net position that is not subject to externally imposed constraints. Unrestricted net position may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

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

**State Apportionments**

Certain current year apportionments from the State are based on financial and statistical information of the previous year. Any corrections due to the recalculation of the apportionment are made in February of the subsequent year. When known and measurable, these recalculations and corrections are accrued in the year in which the FTES are generated.

**Property Taxes**

Secured property taxes attach as an enforceable lien on property as of January 1. The Riverside County Assessor is responsible for assessment of all taxable real property. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Riverside bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when the County notifies the District of the availability of the revenues.

**Board of Governors Grants (BOGG) and Fee Waivers**

Student tuition and fee revenue is reported net of allowances and fee waivers approved by the Board of Governors through BOGG fee waivers in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship discounts and allowances represent the difference between stated charges for enrollment fees and the amount that is paid by students or third parties making payments on the students' behalf. To the extent that fee waivers have been used to satisfy tuition and fee charges, the District has recorded a scholarship discount and allowance.

**Federal Financial Assistance Programs**

The District participates in federally funded Pell Grants, SEOG Grants, and Federal Work-Study programs, as well as other programs funded by the Federal government. Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to students in the form of reduced tuition. These programs are audited in accordance with the *OMB Compliance Supplement*

**On Behalf Payments**

GASB Statement No. 24 requires direct on behalf payments for fringe benefits and salaries made by one entity to a third-party recipient for the employees for another legally separate entity be recognized as revenues and expenditures by the employer entity. The State of California makes direct on behalf payments to CalSTRS and CalPERS on behalf of all community colleges in California. The amount of the on-behalf payments made for the District for the year ended June 30, 2018, was \$1,808,237 for CalSTRS and \$0 for CalPERS. These amounts are reflected in the District's audited financial statements.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

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

**Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Interfund Activity**

Interfund transfers and interfund receivables and payables for governmental activities are eliminated during the consolidation process in the entity-wide financial statements.

**Change in Accounting Principles**

**GASB Statement No. 73** – In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This standard establishes requirements for defined benefit pensions that are not within the scope of GASB Statement 68 and amends certain provisions of GASB Statements 67 and 68. The Statement is effective for periods beginning after June 15, 2016. The District has implemented GASB Statement No. 73 for the year ending June 30, 2018.

**GASB Statement No. 75** – In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of GASB 75 is to improve accounting and financial reporting by state and local governments for other postemployment benefits (OPEB) by establishing standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. It will require employers to report a net OPEB liability for the difference between the present value of projected pension benefits for past service and restricted resources held in trust for the payment of benefits. The Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. GASB 75 is required to be implemented retroactively and will require a restatement of beginning net position. The Statement is effective for periods beginning after June 15, 2017. The District has implemented GASB Statement No. 73 for the year ending June 30, 2018.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

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

**New Accounting Pronouncements**

**GASB Statement No. 83** – In November 2016, the GASB issued Statement No. 83, Certain Asset Retirement Obligations. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Early implementation is encouraged; however, no such asset retirement obligations are known at this time.

**Comparative Financial Information**

Comparative financial information for the prior year has been presented for additional analysis; certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

**Policies and Practices**

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



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

**Investment in County Treasury**

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section (ECS) 41001). The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis. The County Treasurer also holds investments in a separate investment agreement account other than the County Pooled Investment noted above on behalf of the District.

**General Authorizations**

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Obligations	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

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

**Summary of Deposits and Investments**

Deposits and investments of the Primary Government as of June 30, 2018, consist of the following:

	Primary Government
Cash in county treasury	\$ 165,403,430
Cash in revolving	32,555
Cash on hand and in banks	499,898
Total Deposits and Investments	<u>\$ 165,935,883</u>

Deposits and investments of the Fiduciary Funds as of June 30, 2018, consist of the following:

	Fiduciary Funds
Cash on hand and in banks	<u>\$ 151,052</u>

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Specific Identification**

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investment by maturity:

Investment Type	Fair Market Value	Weighted Average of Maturity in Years
Riverside County Treasury Pooled Investment	\$ 164,474,524	1.13

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

**Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in the Riverside County Treasury pool are rated Aaa/AA+ by Moody's Investors Service and Fitch ratings as of June 30, 2018.

**Custodial Credit Risk - Deposits**

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2018, the District's bank balance was fully collateralized with eligible collateral in accordance with California Government Code Section 53651.

**Custodial Credit Risk - Investments**

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The cash held in the County Treasury is uncategorized and the fair value approximates carrying value are shown above in the credit risk schedule. Deposits with the County Treasury are not categories because they do not represent securities which exist in physical or book entry form. The deposits with the County Treasury are valued using the amortized cost method (which approximates fair value). The fair values are provided by the County Treasurer. As of June 30, 2018, \$165,403,430 is invested in the Riverside County Treasurer's Pooled Investment Fund.

**NOTE 4 - ACCOUNTS RECEIVABLE**

Accounts receivable for the District consisted primarily of intergovernmental grants, entitlements, interest, and other local sources. As of June 30, 2018, accounts receivable amounted to \$5,734,215. By October 25, 2018, the date of this audit report, \$4,339,538 had been collected and all remaining balances appear collectible.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	Beginning Balance July 1, 2017	Additions	Deductions	Ending Balance June 30, 2018
Capital assets not being depreciated				
Land	\$ 7,081,008	\$ 2,818,968	\$ -	\$ 9,899,976
Construction in progress	22,221,305	10,569,498	11,275,349	21,515,454
Total capital assets not being depreciated	29,302,313	13,388,466	11,275,349	31,415,430
Capital assets being depreciated				
Land improvements	10,795,081	4,833,191	-	15,628,272
Buildings & improvements	76,771,505	69,383,008	-	146,154,513
Furniture and equipment	18,131,168	1,048,307	-	19,179,475
Total capital assets being depreciated	105,697,754	75,264,506	-	180,962,260
Total capital assets	135,000,067	88,652,972	11,275,349	212,377,690
Less accumulated depreciation				
Land improvements	5,252,433	576,965	-	5,829,398
Buildings & improvements	23,352,488	5,335,831	-	28,688,319
Furniture and equipment	11,072,642	1,344,931	-	12,417,573
Total accumulated depreciation	39,677,563	7,257,727	-	46,935,290
Net Capital Assets	\$ 95,322,504	\$ 81,395,245	\$ 11,275,349	\$ 165,442,400

Depreciation expense for the year was \$7,257,727. At June 30, 2018, the District had capital assets acquired from capital leases with a net book value of \$174,967.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 5 - CAPITAL ASSETS, continued**

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	Beginning Balance			Ending Balance
	July 1, 2016	Additions	Deductions	
Capital assets not being depreciated				
Land	\$ 7,081,008	\$ -	\$ -	\$ 7,081,008
Construction in progress	16,304,121	5,917,184	-	22,221,305
Total capital assets not being depreciated	23,385,129	5,917,184	-	29,302,313
Capital assets being depreciated				
Land improvements	10,655,524	139,557	-	10,795,081
Buildings & improvements	67,956,625	8,814,880	-	76,771,505
Furniture and equipment	17,272,536	954,335	95,703	18,131,168
Total capital assets being depreciated	95,884,685	9,908,772	95,703	105,697,754
Total capital assets	119,269,814	15,825,956	95,703	135,000,067
Less accumulated depreciation				
Land improvements	4,715,314	537,119	-	5,252,433
Buildings & improvements	21,982,385	1,374,832	4,729	23,352,488
Furniture and equipment	9,973,667	1,191,107	92,132	11,072,642
Total accumulated depreciation	36,671,366	3,103,058	96,861	39,677,563
Net Capital Assets	\$ 82,598,448	\$ 12,722,898	\$ (1,158)	\$ 95,322,504

Depreciation expense for the year was \$3,103,058. At June 30, 2017, the District had capital assets acquired from capital leases with a net book value of \$365,537.

**NOTE 6 - INTERFUND TRANSACTIONS**

**Interfund Receivables and Payables (Due To/Due From)**

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund activity within the governmental funds and fiduciary funds has been eliminated respectively in the consolidation process of the basic financial statements. Balances owing between the primary government and the fiduciary funds are not eliminated in the consolidation process. As of June 30, 2018 and 2017, the amounts owed between the primary government and the fiduciary funds were \$63,711 and \$50,497, respectively.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

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**NOTE 6 - INTERFUND TRANSACTIONS, continued**

**Interfund Operating Transfers**

Operating transfers between funds of the District are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Operating transfers within the funds of the District have been eliminated in the consolidation process. Transfers between the primary government and the fiduciary funds are not eliminated in the consolidation process. As of June 30, 2018, and 2017, there were no transfers made between the primary government and the fiduciary funds.

**NOTE 7 - LONG-TERM LIABILITIES**

**Long-Term Liabilities Summary**

The changes in long-term liabilities during the 2018 fiscal year consisted of the following:

	Balance July 1, 2017	Additions	Payments and Reductions	Balance June 30, 2018	Due Within One Year
General obligation bonds					
Series A	\$ 63,950,000	\$ -	\$ 6,185,000	\$ 57,765,000	\$ 5,115,000
Series B	-	120,000,000	-	120,000,000	-
Unamortized premium	5,288,278	10,514,813	652,071	15,151,020	652,071
Total general obligation bonds	69,238,278	130,514,813	6,837,071	192,916,020	5,767,071
Other liabilities					
Compensated absences	1,532,501	35,512	-	1,568,013	-
Capital leases	365,537	-	190,570	174,967	174,967
Supplemental early retirement plan	95,061	-	95,061	-	-
Load banking	292,102	-	35,371	256,731	-
Total other liabilities	2,285,201	35,512	321,002	1,999,711	174,967
Total long-term liabilities	\$ 71,523,479	\$ 130,550,325	\$ 7,158,073	\$ 194,915,731	\$ 5,942,038

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

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

**Long-Term Liabilities Summary, continued**

The changes in long-term obligations during the 2017 fiscal year consisted of the following:

	Balance July 1, 2016	Additions	Payments and Reductions	Balance June 30, 2017	Due Within One Year
General obligation bonds					
Series A	\$ 70,000,000	\$ -	\$ 6,050,000	\$ 63,950,000	\$ 6,185,000
Unamortized premium	5,519,756	-	231,478	5,288,278	231,478
Total general obligation bonds	75,519,756	-	6,281,478	69,238,278	6,416,478
Other liabilities					
Compensated absences	1,375,114	157,387	-	1,532,501	-
Capital leases	606,219	-	240,682	365,537	187,212
Golden handshake	389,213	-	389,213	-	-
Supplemental early retirement plan	511,358	-	416,297	95,061	95,061
Load banking	270,502	21,600	-	292,102	-
Total other liabilities	3,152,406	178,987	1,046,192	2,285,201	282,273
Total long-term liabilities	\$ 78,672,162	\$ 178,987	\$ 7,327,670	\$ 71,523,479	\$ 6,698,751

**Description of Debt**

Payments on the general obligation bonds and lease revenue bonds are made by the Capital Outlay fund. The capital lease payments are made by the General Fund and Capital Outlay fund. The compensated absences are made by the fund for which the employees' salaries are paid from. The District's General Fund makes payments for the golden handshake, supplemental early retirement plan, and load banking obligations from the General Fund.

**Bonds Payable**

The outstanding bonded debt is as follows:

Series	Issue Date	Yield	Maturity Date	Bonds			Bonds	
				Outstanding July 1, 2017	Additions	Redeemed	Outstanding June 30, 2018	Due Within One Year
Series A	5/21/2015	0.35-3.85%	8/1/2040	\$ 63,950,000	\$ -	\$ 6,185,000	\$ 57,765,000	\$ 5,115,000
Series B	2/14/2018	1.32-3.41%	8/1/2043	-	120,000,000	-	120,000,000	-
<b>Total General Obligation Bonds</b>				<b>\$ 63,950,000</b>	<b>\$ 120,000,000</b>	<b>\$ 6,185,000</b>	<b>\$ 177,765,000</b>	<b>\$ 5,115,000</b>

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

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

**Bonds Payable, continued**

**General Obligation Bonds**

During November 2014, voters of the District supported Measure AA, which authorized the issuance and sale of general obligation bonds in the amount of \$295,000,000. As a result of the authorization, on May 21, 2015, the District issued General Obligation Bond Series A. On February 14, 2018, the District issued General Obligation Bond Series B. At June 30, 2018, the principal outstanding was \$177,765,000.

Series A bonds were issued in the aggregate principal amount of \$70,000,000 with interest yields ranging from 0.35 to 3.85 percent. Series A bonds were used to finance the acquisition, construction, and modernization of property and school facilities, to refund outstanding lease revenue bonds, and to pay certain costs of the bond issue. The refunded lease revenue bonds are considered defeased.

Debt service requirements to maturity - Series A General Obligation Bonds matures through August 1, 2040 as follows:

Fiscal Year	Principal	Interest	Total
2019	\$ 5,115,000	\$ 2,432,737	\$ 7,547,737
2020	390,000	2,295,112	2,685,112
2021	505,000	2,272,737	2,777,737
2022	630,000	2,244,362	2,874,362
2023	760,000	2,209,612	2,969,612
2024-2028	6,175,000	10,266,686	16,441,686
2029-2033	11,310,000	8,141,008	19,451,008
2034-2038	17,995,000	5,031,529	23,026,529
2039-2041	14,885,000	923,100	15,808,100
	\$ 57,765,000	\$ 35,816,883	\$ 93,581,883



**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

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

**Bonds Payable, continued**

**General Obligation Bonds, continued**

Series B bonds were issued in the aggregate principal amount of \$120,000,000 with interest yields ranging from 1.32 to 3.41 percent. Series B bonds The Bonds are being issued to finance the acquisition, construction, modernization and renovation of District sites and facilities and pay the costs of issuing the Bonds.

Debt service requirements to maturity - Series B General Obligation Bonds matures through August 1, 2043 as follows:

Fiscal Year	Principal	Interest	Total
2019	\$ -	\$ 4,810,432	\$ 4,810,432
2020	7,875,000	4,872,525	12,747,525
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
2024-2028	5,395,000	20,968,975	26,363,975
2029-2033	12,330,000	18,821,750	31,151,750
2034-2038	22,030,000	14,860,900	36,890,900
2039-2043	46,475,000	8,674,700	55,149,700
2044	15,375,000	307,500	15,682,500
	<u>\$ 120,000,000</u>	<u>\$ 86,663,307</u>	<u>\$ 206,663,307</u>

**Capital Leases**

The District has entered into various capital lease arrangements for equipment. The lease agreements do not carry a stated interest rate, and no interest has been input. The balance as of June 30, 2018 is \$174,967.

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

Year Ending June 30,	Lease Payment
2019	\$ 174,967
Total	<u>\$ 174,967</u>

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

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

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

**Supplemental Early Retirement Plan (SERP)**

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

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

The plan provided one option as follows:

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

On June 30, 2018, there were 25 participants that elected early retirement under this plan. The final payment of \$95,061 was made during the 2017-18 fiscal year.

**Other Obligations**

The compensated absences balance at June 30, 2018, was \$1,568,013.

The amount owed to employees for load banking balances at June 30, 2018, was \$256,731.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
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**NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

Qualified employees are covered under multiple-employer post-employment benefit plans maintained by the District. This includes the District's single-employer defined benefit healthcare plan and the State Medicare Premium Program. The District reported its proportionate share of the net OPEB liabilities as follows:

OPEB Plans	Net OPEB Liabilities
California Employers' Retirement Benefit Trust	\$ 6,979,140
Medicare Premium Payment Program	71,899
Total	<u>\$ 7,051,039</u>

**OPEB Plan - California Employers' Retirement Benefit Trust**

**Plan Description** – The Mt. San Jacinto Community College District has established a GASB Statement No. 43 trust with California Employers' Retirement Benefit Trust to fund future OPEB obligations. As of June 30, 2018, the value of the Plan assets was \$4,614,380.

The Mt. San Jacinto Community College District Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the District. The Plan provides medical benefits to eligible retirees and their spouses. Membership of the Plan consists of 83 retirees and retiree beneficiaries currently receiving benefits and 517 active plan members.

**Funding Policy** – The contribution requirements of plan members and the District are established and may be amended by the District and the District's bargaining units. Currently, plan members do not make contributions. The District provides 100 percent of the contribution. The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to prefund benefits as determined annually through agreements between the District and the bargaining units.

**Employees Covered by Benefit Term**

The following is a table of plan participants at June 30, 2017:

Inactive Employees/Dependents Receiving Benefits	<u>83</u>
Active Employees	<u>517</u>
	<u>600</u>

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

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**NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB), continued**

**OPEB Plan - California Employers’ Retirement Benefit Trust, continued**

**Contributions** – Eligible employees are not permitted to make contributions to the Trust. The Plan administrator shall, on behalf of the employer, make all contribution to the Trustee. All contributions shall be paid to the Trustee for investment and reinvestment pursuant to the terms of the trust agreement. The District does not have contractually required contributions rates, but contributes in an amount sufficient to fully fund the Net OPEB obligation over a period not to exceed 30 years. Contributions to the Trust from the District were \$500,000 for the year ended June 30, 2018. These represent deferred outflows of resources in the financial statements.

**OPEB Plan Investments**

The plan discount rate of 7% was determined using the following asset allocation and assumed rate of return:

Asset Class	Percentage of Portfolio	Rate of Return*
US Large Cap	43%	7.8%
US Mid Cap	23%	7.8%
Long-Term Corporate Bonds	12%	5.3%
Long-Term Government Bonds	6%	4.5%
Treasury Inflation Protected Securities (TIPS)	5%	7.8%
US Real Estate	8%	7.8%
All Commodities	3%	7.8%

\*Geometric Average

Rolling periods of time for all asset classes in combination we used to appropriately reflect correlation between asset classes. This means that the average returns for any asset class do not necessarily reflect the averages over time individually, but reflect the return for the asset class for the portfolio average. Additionally, the historic 30 year real rates of return for each asset class along with the assumed long-term inflation assumption was used to set the discount rate. The investment return was offset by assumed investment expenses of 25 basis points. It was further assumed that contributions to the plan would be sufficient to fully fund the obligation over a period not to exceed 30 years.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

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**NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB), continued**

**OPEB Plan - California Employers' Retirement Benefit Trust, continued**

**Actuarial Assumptions** – The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	June 30, 2017
Measurement date	June 30, 2017
Census data	The census was provided by the District as of June 30, 2016
Actuarial cost methods	Entry age actuarial cost method
Inflation rate	2.75%
Investment rate of return	7.00%
Discount rate	7.00%
Health care cost trend rate	4.00%
Payroll increase	2.75%
Mortality	For certificated employees the 2009 CalSTRS mortality tables were used. For classified employees the 2014 CalPERS active mortality for miscellaneous employees were used.

**Changes in the Net OPEB Liability**

	Increase/(Decrease)		
	Total OPEB Liability (a)	Fiduciary Net Position (b)	Total OPEB Liability (a) - (b)
Balance July 1, 2016	\$ 10,819,707	\$ 3,719,911	\$ 7,099,796
Changes for the year:			
Service cost	665,553	-	665,553
Interest	715,885	-	715,885
Employer contributions	-	1,110,933	(1,110,933)
Net investment income	-	394,469	(394,469)
Administrative expense	-	(3,308)	3,308
Benefit payments	(610,933)	(610,933)	-
Net change	770,505	891,161	(120,656)
Balance June 30, 2017	\$ 11,590,212	\$ 4,611,072	\$ 6,979,140

Fiduciary Net Position as a % of the Total OPEB Liability, at June 30, 2017: 40%

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB), continued**

**OPEB Plan - California Employers' Retirement Benefit Trust, continued**

**Sensitivity of the net pension liability to assumptions**

The following presents the net OPEB liability calculated using the discount rate of 7 percent. The schedule also shows what the net OPEB liability would be if it were calculated using a discount rate that is 1 percent lower (6.0 percent) and 1 percent higher (8.0):

	Discount Rate 1% Lower (6.0%)	Valuation Discount Rate (7.0%)	Discount Rate 1% Higher (8.0%)
Net OPEB liability	\$ 7,926,241	\$ 6,979,140	\$ 6,126,238

The following table presents the net OPEB liability calculated using the health care cost trend rate of 4.0 percent. The schedule also shows what the net OPEB liability would be if it were calculated using a health care cost trend rate that is 1 percent lower (3.0 percent) and 1 percent higher (5.0 percent):

	Trend Rate 1% Lower (3.0%)	Valuation Trend Rate (4.0%)	Trend Rate 1% Higher (5.0%)
Net OPEB liability	\$ 6,191,236	\$ 6,979,140	\$ 7,813,889

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

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**NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB), continued**

**OPEB Plan – Medicare Premium Payment Program, continued**

**General Information about the OPEB Plan**

**Plan Description** – 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).

**Benefits Provided** – The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the STRP 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 MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

MPP provides healthcare benefits for retirees and their dependents through payment of 100 percent of insurance premiums for non-Medicare-eligible retirees and supplemental health insurance for Medicare-eligible retirees.

**Contributions** – The MPP Program is funded on a pay-as-you-go basis from a portion of monthly employer contributions. 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.

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

At June 30, 2018, Mt. San Jacinto Community College District reported a liability of \$71,899 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2016. Mt. San Jacinto Community College District's proportion of the net OPEB liability was based on Mt. San Jacinto Community College District's share of benefit payments under the program for the year ending June 30, 2017. At June 30, 2017, Mt. San Jacinto Community College District's proportion was 0.01709 percent.

For the year ended June 30, 2018, Mt. San Jacinto Community College District recognized OPEB expense of \$8,085. At June 30, 2018, Mt. San Jacinto Community College District reported no deferred outflows of resources and deferred inflows of resources related to OPEB.

Because the plan is funded on a pay-as-you-go basis, investment earnings are negligible and are fully recognized in the year in which they occur.

As stated above, Mt. San Jacinto Community College District does not contribute directly for this benefit. Consequently, there are no deferred outflows of resources attributable to contributions subsequent to the Measurement Date.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2018 AND 2017**

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**NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB), continued**

**OPEB Plan – Medicare Premium Payment Program, continued**

**Actuarial Assumptions** – The total OPEB liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Discount Rate	3.58%
Inflation	2.75%
Payroll Growth	Not Applicable
Projected Salary Increase	Not Applicable
Investment Rate of Return	3.58%
Mortality Rate Table*	Derived Using CalSTRS' Membership Data

\* CalSTRS used mortality assumptions based on the July 1, 2010, through June 30, 2015, experience study adopted by the CalSTRS Board in February 2017. CalSTRS now 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.

**Discount Rate** – The discount rate used to measure the total OPEB liability as of June 30, 2017 and 2016 was 3.58% and 2.85%, respectively. The MPP Program is funded on a pay-as-you-go basis, and under the pay-as-you-go method, the OPEB plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.58% and 2.85%, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2017 and 2016, respectively, was applied to all periods of projected benefit payments to measure the total OPEB liability.

**Sensitivity of Mt. San Jacinto Community College District's proportionate share of the net OPEB liability to changes in the discount rate** – The following presents Mt. San Jacinto Community College District's proportionate share of the net OPEB liability, as well as what Mt. San Jacinto Community College District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58% percent) or 1-percentage-point higher (4.58% percent) than the current discount rate:

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
Mt. San Jacinto Community College District's proportionate share of the MPP's net OPEB liability (asset)	\$ 79,597	\$ 71,899	\$ 64,411



**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2018 AND 2017**

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**NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB), continued**

**OPEB Plan – Medicare Premium Payment Program, continued**

**Medicare Cost Trend Rate** – The June 30, 2016 valuation uses the 2017 Medicare Part A and Part B premiums as the basis for future premium calculations. Future premiums are assumed to increase with a medical trend rate that varies by year, as shown in the following table:

Years	Part A	Part B
2017-2026	3.40%	4%
2027-2036	4.60%	5.20%
2037-2046	4.10%	4.70%
2047 and Later	3.90%	4.50%

**Sensitivity of Mt. San Jacinto Community College District’s proportionate share of the net OPEB liability to changes in the Medicare cost trend rates** – The following presents Mt. San Jacinto Community College District’s proportionate share of the net OPEB liability, as well as what Mt. San Jacinto Community College District’s proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the above trend rates:

	1% Decrease	Current Trend Rate	1% Increase
Mt. San Jacinto Community College District’s proportionate share of the MPP’s net OPEB liability (asset)	\$ 64,972	\$ 71,899	\$ 78,757

**OPEB Plan Fiduciary Net Position** – Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued TRS financial report.

**Payables to the OPEB Plan** – Since there are no explicit contributions by Mt. San Jacinto Community College District for plan benefits, there are no payables to the OPEB plan.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

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**NOTE 9 – PENSION PLANS**

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

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	\$ 46,914,359	\$ 15,664,721	\$ 2,876,147	\$ 8,122,381
CalPERS	35,389,443	10,902,887	393,970	7,600,176
Total	\$ 82,303,802	\$ 26,567,608	\$ 3,270,117	\$ 15,722,557

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

***General Information about the Pension Plan***

**Plan Description** – Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (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, 2013 annual actuarial valuation report, Schools Pool Actuarial Valuation, 2013.

This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

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**NOTE 9 – PENSION PLANS, continued**

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

**Benefits Provided** – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of 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 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, 2018, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
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	7.000%	6.000%
Required employer contribution rate	13.89%	13.89%

**Contributions** – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. 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 contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the total District contributions were \$3,231,920.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

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**NOTE 9 – PENSION PLANS, continued**

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

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$35,389,443. The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively was 0.1482 percent and 0.1435 percent, resulting in a net increase in the proportionate share of 0.0047 percent.

For the year ended June 30, 2018, the District recognized pension expense of \$7,600,176. At June 30, 2018, 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
Difference between projected and actual earnings on plan investments	\$ 406,640	\$ -
Differences between expected and actual experience	1,237,423	-
Changes in assumptions	5,169,184	393,970
Net changes in proportionate share of net pension liability	857,720	-
District contributions subsequent to the measurement date	3,231,920	-
Total	\$ 10,902,887	\$ 393,970

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 pensions will be recognized as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	\$ 2,685,644
2020	2,566,359
2021	2,611,301
2022	(586,307)
	\$ 7,276,997

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

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**NOTE 9 – PENSION PLANS, continued**

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

**Actuarial assumptions.** For the measurement period ended June 30, 2017 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2016 total pension liability. The June 30, 2016 and the June 30, 2017 total pension liabilities were based on the following actuarial methods and assumptions

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 1997, through June 30, 2011
Actuarial cost method	Entry Age Normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries. 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 (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

<b>Asset Class</b>	<b>Assumed Asset Allocation</b>	<b>Real Return Years 1 - 10*</b>	<b>Real Return Years 11+**</b>
Global Equity	47%	4.90%	5.38%
Fixed Income	19%	0.80%	2.27%
Inflation Assets	6%	0.60%	1.39%
Private Equity	12%	6.60%	6.63%
Real Estate	11%	2.80%	5.21%
Infrastructure and Forestland	3%	3.90%	5.36%
Liquidity	2%	-0.40%	-0.90%
	100%		

\*An expected inflation of 2.5% used for this period

\*\*An expected inflation of 2.75% used for this period

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2018 AND 2017**

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**NOTE 9 – PENSION PLANS, continued**

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

**Discount Rate** - The discount rate used to measure the total pension liability was 7.15 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS’ website.

**Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate** - The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.15 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is in the following table:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
Plan's net pension liability	\$ 52,069,211	\$ 35,389,443	\$ 21,552,178

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

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

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**NOTE 9 – PENSION PLANS, continued**

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

***General Information about the Pension Plan***

**Plan Description** – The District contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (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, 2015, annual actuarial valuation report, Defined Benefit 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 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 nonemployer 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 provision and benefits in effect as June 30, 2017 are summarized as follows:

	STRP Defined Benefit Plan	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
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%	9.205%*
Required employer contribution rate	14.43%	14.43%
Required state contribution rate	9.328%	9.328%

\*The rate imposed on CalSTRS 2% at 62 members assuming no change in the normal cost of benefits.

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

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

**Contributions** - Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the 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, 2018, are presented above and the District's total contributions were \$4,035,402.

**On-Behalf Payments** - The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately \$1,808,237 to CalSTRS.

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

At June 30, 2018, 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 the net pension liability	\$ 46,914,359
State's proportionate share of the net pension liability associated with the District	27,754,365
Total	\$ 74,668,724

The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively, was 0.0507 percent and 0.0496 percent, resulting in a net increase in the proportionate share of 0.0011 percent.



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

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

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

For the year ended June 30, 2018, the District recognized pension expense of \$8,122,381. At June 30, 2018, 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
Difference between projected and actual earnings on plan investments	\$ -	\$ 2,093,012
Differences between expected and actual experience	173,493	767,577
Changes in assumptions	8,691,215	-
Net changes in proportionate share of net pension liability	2,764,611	15,558
District contributions subsequent to the measurement date	4,035,402	-
Total	<u>\$ 15,664,721</u>	<u>\$ 2,876,147</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 pensions will be recognized as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	\$ 1,636,792
2020	1,636,791
2021	2,251,218
2022	359,133
2023	1,391,790
Thereafter	1,477,448
	<u>\$ 8,753,172</u>

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

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

**Actuarial Assumptions**

The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016 and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
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%

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. Based on the model for CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation is based on Teachers' Retirement Board of the California State Teachers' Retirement System (board) policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

<b>Asset Class</b>	<b>Assumed Asset Allocation</b>	<b>Long-term Expected Real Rate of Return*</b>
Global Equity	47%	6.30%
Fixed Income	12%	0.30%
Real Estate	13%	5.20%
Private Equity	13%	9.30%
Cash/Liquidity	2%	-1.00%
Absolute Return/Risk Mitigation Strategies	9%	2.90%
Inflation Sensitive	4%	3.80%
	100%	

\*20-year geometric average

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2018 AND 2017**

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**NOTE 9 – PENSION PLANS, continued**

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

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

**Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate** - The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.10% percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10%) or 1-percentage-point higher (8.10%) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
Plan's net pension liability	\$ 68,885,174	\$ 46,914,359	\$ 29,083,555

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

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2018 AND 2017**

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**NOTE 10 - RISK MANAGEMENT**

**Insurance Coverages**

The District is exposed to various risks of loss related to torts and liability; theft of, damage to and destruction of assets; errors and omissions and injuries to employees. The District obtains coverage for these risks as a member of various joint powers authorities or through the purchase of coverage from a risk retention group. The District uses SAFER for excess property limits of \$250,000,000 per occurrence, with no aggregate and a \$5,000 member retained limit. Then, their excess liability has the first \$1,000,000 worth of coverage through the Statewide Association of Community Colleges (SWACC) and \$24,000,000 excess coverage of \$1,000,000 is in SAFER with a \$10,000 Member Retained Limit.

**Joint Powers Authority Risk Pools**

During fiscal year ended June 30, 2018, 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 2017-2018, the District participated in the Protected Insurance Programs for Schools (PIPS) JPA, an insurance purchasing pool. The intent of the JPA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the JPA. The workers' compensation experience of the participating districts is calculated as one experience, and a common premium rate is applied to all districts in the JPA. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall saving. A participant will then either receive money from or be required to contribute to the "equity pooling fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the JPA. Participation in the JPA is limited to K-12 and community college districts that can meet the JPA's selection criteria.

Insurance Program / JPA Name	Type of Coverage	Limits
Protected Insurance Program for Schools (PIPS)	Workers' Compensation	\$ 155,000,000
Schools Association for Excess Risk (SAFER)	Excess Liability	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 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.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

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**NOTE 10 - RISK MANAGEMENT, continued**

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 11 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES**

The District is a member of the Statewide Association of Community Colleges (SWACC), Schools Association for Excess Risk (SAFER), Protected Insurance Program for Schools (PIPS), Riverside County Employer/Employee Partnerships for Benefits (REEP), and Community Colleges of Riverside County Self-Insurance Program for Employees (CCRCSIPE) Joint Powers Authorities (JPAs). The District pays annual premiums for its property liability, health, and workers' compensation coverage. The relationship between the District and the JPAs is such that they are not component units of the District for financial reporting purposes.

The JPAs have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, transactions between the JPAs and the District are included in these statements. Audited financial statements are available from the respective entities.

The District's share of year-end assets, liabilities, or fund equity has not been calculated.

**NOTE 12 - 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, 2018.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

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**NOTE 12 - COMMITMENTS AND CONTINGENCIES, continued**

**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, 2018.

**Early Retirement - Golden Handshake**

The District has adopted an early retirement incentive program. The final payment of \$389,213, was paid during the 2016-17 fiscal year.

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

The District has adopted an early retirement incentive program. The outstanding contract amount for this purpose is \$95,061, of which was paid out during 2017-18. No outstanding balance remains as of June 30, 2018.

**Construction Commitments**

The District has \$2,447,487 in construction commitments remaining at June 30, 2018. The capital project in progress was the fire alarm drawing and construction phases.

**NOTE 13 - SUBSEQUENT EVENTS**

The District evaluated subsequent events from June 30, 2018 through October 25, 2018, the date the financial statements were issued. The District concluded that no subsequent events have occurred that would require recognition or disclosure in the financial statements.

**NOTE 14 – PRIOR PERIOD ADJUSTMENT**

The beginning net position decreased by \$7,819,877. This was due to adjustments made to bring on the net OPEB liabilities following the District's implementation of GASB Statements No. 75 during the year ended June 30, 2018. See Note 2, Summary of Significant Accounting Policies, Change in Accounting Principles for further details on the implementation of GASB Statements No. 75.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF CHANGES IN NET OPEB LIABILITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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	2018
Total OPEB liability	
Service cost	\$ 665,553
Interest on Total OPEB Liability	715,885
Actual investment income	-
Administrative expense	-
Benefit payments	(610,933)
Net change in total OPEB liability	<u>770,505</u>
Total OPEB liability, beginning of year	10,819,707
Total OPEB liability, end of year (a)	<u>\$ 11,590,212</u>
Plan fiduciary net position	
Employer contributions	1,110,933
Employee contributions	-
Net investment income	394,469
Administrative expense	(3,308)
Benefit payments	(610,933)
Change in plan fiduciary net position	<u>891,161</u>
Fiduciary trust net position, beginning of year	3,719,911
Fiduciary trust net position, end of year (b)	<u>\$ 4,611,072</u>
Net OPEB liability, ending (a) - (b)	\$ 6,979,140
Covered payroll	\$ 53,808,269
Plan fiduciary net position as a percentage of the total OPEB liability	40%
Net OPEB liability as a percentage of covered payroll	13%

This is a 10-year schedule, however the information in this schedule is not required to be presented retrospectively.



**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY –  
MEDICARE PREMIUM PROGRAM  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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	Measurement Date	
	June 30, 2017	
	<hr/>	
Plan's Proportionate Share of the Net OPEB Liability/(Asset)	\$	71,899
Plan's Covered-Employee Payroll		-
Plan's Proportionate Share of the Net OPEB Liability/(Asset) as a Percentage of its Covered-Employee Payroll		0.00%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total OPEB Liability		0.02%

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
 SCHEDULE OF CONTRIBUTIONS –  
 MEDICARE PREMIUM PROGRAM  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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	CalSTRS Fiscal Year 2016-17	
Actuarially Determined Contributions	\$	-
Actual Contributions During the Measurement Period		-
Contribution Deficiency (Excess)	\$	-
Covered-Employee Payroll	\$	-
Contributions as a Percentage of Covered-Employee Payroll		0.00%

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

<b>CalSTRS</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
District's proportion of the net pension liability	0.051%	0.050%	0.045%	0.045%
District's proportionate share of the net pension liability	\$ 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	27,754,365	22,839,660	16,107,399	16,049,771
Total	\$ 74,668,724	\$ 62,953,860	\$ 46,562,596	\$ 42,531,950
District's covered - employee payroll	\$ 27,965,364	\$ 32,407,450	\$ 39,162,041	\$ 21,422,962
District's proportionate Share of the net pension liability as percentage of covered-employee payroll	167.76%	123.78%	77.77%	123.62%
Plan fiduciary net position as a percentage of the total pension liability	69.0%	70.0%	76.5%	76.5%
<b>CalPERS</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
District's proportion of the net pension liability	0.148%	0.144%	0.140%	0.138%
District's proportionate share of the net pension liability	\$ 35,389,443	\$ 28,333,305	\$ 20,660,881	\$ 15,625,838
District's covered - employee payroll	\$ 23,267,963	\$ 21,400,819	\$ 17,134,780	\$ 15,669,838
District's proportionate Share of the net pension liability as percentage of covered-employee payroll	152.10%	132.39%	120.58%	99.72%
Plan fiduciary net position as a percentage of the total pension liability	71.9%	73.9%	83.4%	83.4%

As fiscal year 2015 was the first year of implementation, there are only four years of information shown.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF CONTRIBUTIONS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<b>Reporting Fiscal Year</b>			
	2018	2017	2016	2015
<b>CalSTRS</b>				
Statutorily required contribution	\$ 4,035,402	\$ 5,288,381	\$ 4,202,087	\$ 1,902,359
District's contributions in relation to the statutorily required contribution	4,035,402	5,288,381	4,202,087	1,902,359
District's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 27,965,364	\$ 32,407,350	\$ 39,162,041	\$ 21,422,962
District's contributions as a percentage of covered-employee payroll	14.43%	16.32%	10.73%	8.88%
	<b>Reporting Fiscal Year</b>			
	2018	2017	2016	2015
<b>CalPERS</b>				
Statutorily required contribution	\$ 3,231,920	\$ 2,595,998	\$ 2,016,935	\$ 1,792,923
District's contributions in relation to the statutorily required contribution	3,231,920	2,595,998	2,016,935	1,792,923
District's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 23,267,963	\$ 21,400,819	\$ 17,134,780	\$ 15,669,664
District's contributions as a percentage of covered-employee payroll	13.89%	12.13%	11.77%	11.44%

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**SUPPLEMENTARY  
INFORMATION**

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**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
DISTRICT ORGANIZATIONAL STRUCTURE  
JUNE 30, 2018**

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

**GOVERNING BOARD**

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

Dr. Jack Miyamoto  
*Interim Provost, Human Resources*

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<b>Passed through the California Department of Education</b>			
Child and Adult Care Food Program	10.558	3094-1A	\$ 63,737
<b>Total U.S. Department of Agriculture</b>			<u>63,737</u>
<b>U.S. DEPARTMENT OF LABOR</b>			
<b>Passed through the Employment and Training Administration (ETA) via Chaffey College</b>			
Trade Adjustment Assistance Community College & Career Training (TAACCCT)	17.282	15C215	99,293
<b>Total U.S. Department of Labor</b>			<u>99,293</u>
<b>U.S. DEPARTMENT OF VETERANS AFFAIRS</b>			
<b>Passed through the California Community College Chancellor's Office</b>			
Veterans Education	64.000	*	6,727
Chapter 33 - Veterans Post 911 GI Bill	64.028	*	192,714
<b>Total U.S. Department of Veterans Affairs</b>			<u>199,441</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<b>HIGHER EDUCATION ACT</b>			
TRIO - Upward Bound Program	84.047A	P047A170398	316,099
TRIO - Talent Search Program	84.044A	P044A160331	237,119
College Cost Reduction and Access Act (STEM)	84.031C	P031C110177	72,613
Strengthening Institutional Success (Title V)	84.031S	P031S150055	574,699
<b>Total Higher Education Act</b>			<u>1,200,530</u>
<b>Passed through the California Department of Education</b>			
Workforce Investment Act, Title II: Adult Education & Family Literacy Act			
English as a second Language	84.002A	V002A170005	488,561
<b>STUDENT FINANCIAL ASSISTANCE CLUSTER</b>			
Federal Supplement Education Opportunity Grant (FSEOG)	84.007	*	471,374
FSEOG Administrative	84.007	*	23,366
Federal Work Study Program (FWS)	84.033	*	407,851
Federal Work Study Administrative	84.033	*	20,393
Federal Pell Grants (PELL)	84.063	*	20,592,083
Federal Pell Administrative	84.063	*	33,350
Federal Iraq/Afghanistan Service Credit	84.408	*	2,470
<b>Total Student Financial Assistance Cluster</b>			<u>21,550,887</u>
<b>CAREER AND TECHNICAL EDUCATION ACT</b>			
<b>Passed through from California Community Colleges Chancellor's Office</b>			
Perkins, Title I, Part C	84.048	17-C01-035	554,259
Perkins, Title II, Tech. Prep., CTE Transitions	84.243	17-112-035	41,592
<b>Total Career and Technical Education Act</b>			<u>595,851</u>
<b>Total U.S. Department of Education</b>			<u>23,835,829</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<b>Passed through from California Community Colleges Chancellor's Office</b>			
Temporary Assistance to Needy Families (TANF)	93.558	*	105,667
<b>Passed through from Yosemite Community College District</b>			
Child Development Training Consortium	93.575	17-18-4744	12,500
<b>Total U.S. Department of Health and Human Services</b>			<u>118,167</u>
<b>Total Federal Expenditures</b>			<u>\$ 24,316,467</u>

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

See accompanying note to the supplementary information.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF REVENUES AND EXPENDITURES OF STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Program Title	Program Entitlements		
	Current Year	Prior Year	Total Entitlement
Board Financial Assistance Program (BFAP - 2101)	\$ 581,445	\$ -	\$ 581,445
Community College Completion Grant (CCCG-2102)	354,000	-	354,000
AB 134 Emergency Student Aid (2103)	54,332	-	54,332
Veterans Resource Center Restricted Funds (VRC-2104)	107,335	-	107,335
Extended Opportunity Program & Services (EOPS - 2111)	647,117	-	647,117
Cooperative Agencies Resources for Educ. (CARE - 2112)	182,951	-	182,951
Disabled Students Program (DSPS - 2121)	1,160,072	-	1,160,072
CalWORKs (2131)	605,246	-	605,246
Student Success and Support Program (SSSP) Credit Matriculation (2141)	2,889,936	1,328,862	4,218,798
Student Success and Support Program (SSSP) Non-Credit Matriculation (2142)	181,194	96,279	277,473
Student Success and Support Program (SSSP) Student Equity (2143)	1,750,653	1,099,633	2,850,286
Hunger Free Campus Meal Program (2144)	25,240	-	25,240
Campus Safety and Sexual Assault (2145)	24,402	-	24,402
Guided Pathways Initiative (2146)	396,552	-	396,552
Staff Diversity (2151)	50,000	44,961	94,961
Enrollment Growth & Retention (2186)	97,000	-	97,000
SB1070 CTE Pathways Consortium Program (2192)	250,000	-	250,000
Adult Education Block Grant (2193)	907,972	907,689	1,815,661
Full-Time Student Success Grant (2194)	802,500	25,100	827,600
Adult Education Block Grant Data & Accountability (2195)	-	362,848	362,848
Strong Workforce Program SWP (2196)	1,955,101	1,491,549	3,446,650
Small Business Sector Navigator Project (2302)	7,500	-	7,500
Basic Skills (2314)	511,698	82,166	593,864
Prekindergarten & Family Literacy (2318)	5,000	-	5,000
California Career Pathways Trust Implementation (2336)	-	109,796	109,796
Rancho Santiago CCD - CTE Data Unlock 15-197-001 Sub Award (2337)	-	38,243	38,243
Inland Empire/Desert Region Strong Workforce Program (2339)	681,954	561,500	1,243,454
CCC Maker Seed Grant (2340)	100,000	17,905	117,905
San Bernardino Community College District - Social Media Mini Grant (2341)	12,000	-	12,000
Riverside County Department of Social Services - CalWORKs Job Training (2342)	20,000	-	20,000
Restricted State Lottery Prop 20 (2401)	706,651	58,105	764,756
Instructional Improvement Block Grant (2161)	297,084	246,360	543,444
Cal Grant B	1,999,704	3,547	2,003,251
Cal Grant C	55,210	205	55,415
<b>Total State District Funding</b>	<b>\$ 17,419,849</b>	<b>\$ 6,474,748</b>	<b>\$ 23,894,597</b>

See accompanying note to the supplementary information.



**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF REVENUES AND EXPENDITURES OF STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Program Title	Program Revenues					Program Expenditures
	Cash Received	Accounts Receivable	Accounts Payable	Grantor Advances	Total Revenue	
Board Financial Assistance Program (BFAP - 2101)	\$ 581,445	\$ -	\$ -	\$ 20,353	\$ 561,092	\$ 561,092
Community College Completion Grant (CCCG-2102)	354,000	-	-	57,755	296,245	296,245
AB 134 Emergency Student Aid (2103)	54,332	-	-	-	54,332	54,332
Veterans Resource Center Restricted Funds (VRC-2104)	107,335	-	-	107,040	295	295
Extended Opportunity Program & Services (EOPS - 2111)	647,117	-	-	-	647,117	647,117
Cooperative Agencies Resources for Educ. (CARE - 2112)	182,951	-	-	-	182,951	182,951
Disabled Students Program (DSPS - 2121)	1,160,072	-	-	-	1,160,072	1,160,072
CalWORKs (2131)	605,246	-	-	-	605,246	605,246
Student Success and Support Program (SSSP) Credit Matriculation (2141)	4,218,798	-	-	2,078,106	2,140,692	2,140,692
Student Success and Support Program (SSSP) Non-Credit Matriculation (2142)	277,473	-	-	86,204	191,269	191,269
Student Success and Support Program (SSSP) Student Equity (2143)	2,850,286	-	-	1,335,413	1,514,873	1,514,873
Hunger Free Campus Meal Program (2144)	25,240	-	-	24,243	997	997
Campus Safety and Sexual Assault (2145)	24,402	-	-	24,402	-	-
Guided Pathways Initiative (2146)	396,552	-	-	389,516	7,036	7,036
Staff Diversity (2151)	94,961	-	-	47,198	47,763	47,763
Enrollment Growth & Retention (2186)	21,738	75,262	-	-	97,000	97,000
SB1070 CTE Pathways Consortium Program (2192)	100,000	85,780	-	-	185,780	185,780
Adult Education Block Grant (2193)	1,815,661	-	-	1,129,413	686,248	686,248
Full-Time Student Success Grant (2194)	827,596	-	900	496	826,200	826,200
Adult Education Block Grant Data & Accountability (2195)	362,848	-	-	197,759	165,089	165,089
Strong Workforce Program SWP (2196)	3,446,650	-	-	2,827,086	619,564	619,564
Small Business Sector Navigator Project (2302)	-	7,500	2,098	-	5,402	5,402
Basic Skills (2314)	593,864	-	-	305,016	288,848	288,848
Prekindergarten & Family Literacy (2318)	4,949	51	-	-	5,000	5,000
California Career Pathways Trust Implementation (2336)	32,690	15,332	-	1,667	46,355	46,355
Rancho Santiago CCD - CTE Data Unlock 15-197-001 Sub Award (2337)	38,243	-	-	2,391	35,852	35,852
Inland Empire/Desert Region Strong Workforce Program (2339)	177,665	44,816	-	-	222,481	222,481
CCC Maker Seed Grant (2340)	27,905	90,000	-	-	117,905	117,905
San Bernardino Community College District - Social Media Mini Grant (2341)	12,000	-	-	-	12,000	12,000
Riverside County Department of Social Services - CalWORKs Job Training (2342)	10,176	6,111	-	-	16,287	16,287
Restricted State Lottery Prop 20 (2401)	503,197	261,558	-	-	764,755	764,755
Instructional Improvement Block Grant (2161)	543,444	-	-	452,108	91,336	91,336
Cal Grant B	1,994,891	8,360	15,667	-	1,987,584	1,987,584
Cal Grant C	55,415	-	-	-	55,415	55,415
<b>Total State District Funding</b>	<b>\$ 22,149,142</b>	<b>\$ 594,770</b>	<b>\$ 18,665</b>	<b>\$ 9,086,166</b>	<b>\$ 13,639,081</b>	<b>\$ 13,639,081</b>

See accompanying note to the supplementary information.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT - ANNUAL/ACTUAL  
ATTENDANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

<b>CATEGORIES</b>	Reported Data	Audit Adjustments	Audited Data
<b>A. Summer Intersession (Summer 2017 only)</b>			
1. Noncredit*	20.31	-	20.31
2. Credit*	12.44	-	12.44
<b>B. Summer Intersession (Summer 2018 - Prior to July 1, 2018)</b>			
1. Noncredit*	0.02	-	0.02
2. Credit*	2.57	-	2.57
<b>C. Primary Terms (Exclusive of Summer Intersession)</b>			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	4,210.85	-	4,210.85
(b) Daily Census Contact Hours	3,715.49	-	3,715.49
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit*	589.20	-	589.20
(b) Credit*	78.81	-	78.81
3. Alternative Attendance Accounting Procedure Courses			
(a) Weekly Census Contact Hours	1,458.70	-	1,458.70
(b) Daily Census Contact Hours	716.60	-	716.60
<b>D. Total FTES</b>	<b>10,804.99</b>	<b>-</b>	<b>10,804.99</b>
<b>F. Basic Skills Courses and Immigrant Education</b>			
1. Credit*	178.89	-	178.89
2. Noncredit*	560.23	-	560.23
Total Basic Skills FTES	739.12	-	739.12

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

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH FUND  
FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2018.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
RECONCILIATION OF THE ECS 84362 (50 PERCENT LAW) CALCULATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Object/ TOP Codes	Activity (ESCA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6100			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Academic Salaries</u>							
Instructional Salaries							
Contract or Regular	1100	13,464,690	-	13,464,690	13,464,690	-	13,464,690
Other	1300	10,223,683	-	10,223,683	10,223,683	-	10,223,683
Total Instructional Salaries		23,688,373	-	23,688,373	23,688,373	-	23,688,373
Non-Instructional Salaries							
Contract or Regular	1200	-	-	-	4,163,837	-	4,163,837
Other	1400	-	-	-	1,576,216	-	1,576,216
Total Non-Instructional Salaries		-	-	-	5,740,053	-	5,740,053
Total Academic Salaries		23,688,373	-	23,688,373	29,428,426	-	29,428,426
<u>Classified Salaries</u>							
Non-Instructional Salaries							
Regular Status	2100	-	-	-	13,142,539	-	13,142,539
Other	2300	-	-	-	1,597,325	-	1,597,325
Total Non-Instructional Salaries		-	-	-	14,739,864	-	14,739,864
Instructional Aides							
Regular Status	2200	1,438,367	-	1,438,367	1,438,367	-	1,438,367
Other	2400	597,909	-	597,909	597,909	-	597,909
Total Instructional Aides		2,036,276	-	2,036,276	2,036,276	-	2,036,276
Total Classified Salaries		2,036,276	-	2,036,276	16,776,140	-	16,776,140
Employee Benefits	3000	8,267,830	-	8,267,830	16,107,092	-	16,107,092
Supplies and Materials	4000	-	-	-	794,337	-	794,337
Other Operating Expenses	5000	-	-	-	7,578,771	-	7,578,771
Equipment Replacement	6420	-	-	-	599	-	599
Total Expenditures Prior to Exclusions		33,992,479	-	33,992,479	70,685,365	-	70,685,365

See accompanying note to the supplementary information.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
RECONCILIATION OF THE ECS 84362 (50 PERCENT LAW) CALCULATION, continued  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

		Activity (ESCA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6100			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
<u>Exclusions</u>							
Activities to Exclude							
Inst. Staff-Retirees' Benefits and Incentives	5900	340,386	-	340,386	340,386	-	340,386
Std. Health Svcs. Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Non-inst.Staff-Retirees' Benefits and Incentives	6740	-	-	-	849,150	-	849,150
Object to Exclude							
Rents and Leases	5060	-	-	-	884,638	-	884,638
Lottery Expenditures		-	-	-	-	-	-
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	-	-	-	-	-	-
Supplies and Materials	4000						
Software	4100	-	-	-	-	-	-
Books, Magazines & Periodicals	4200	-	-	-	-	-	-
Instructional Supplies & Materials	4300	-	-	-	-	-	-
Non-inst. Supplies & Materials	4400	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	-	-	-
Other Operating Expenses and Services	5000	-	-	-	1,769,837	-	1,769,837
Capital Outlay	6000						
Library Books	6300	-	-	-	-	-	-
Equipment	6400						
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay		-	-	-	-	-	-
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		\$ 340,386	\$ -	\$ 340,386	\$ 3,844,011	\$ -	\$ 3,844,011
Total for ECS 84362, 50% Law		\$ 33,652,093	\$ -	\$ 33,652,093	\$ 66,841,354	\$ -	\$ 66,841,354
Percent of CEE (Instructional Salary Cost/Total CEE)		50.35%	0.00%	50.35%	100.00%	0.00%	100.00%
50% of Current Expense of Education		\$ -	\$ -	\$ -	\$ 33,420,677	\$ -	\$ 33,420,677

See accompanying note to the supplementary information.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
 DETAILS OF THE EDUCATION PROTECTION ACCOUNT  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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EPA Revenue	10,157,627
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Activity Classification	Activity Code	Salaries and Benefits	Operating Expenses	Capital Outlay	Total
		(Obj 1000-3000)	(Obj 4000-5000)	(Obj 6000)	
Instructional Activities	0100-5900	10,157,627	-	-	10,157,627
Total		10,157,627	-	-	10,157,627

See accompanying note to the supplementary information.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
COMBINING BALANCE SHEET – FUND EQUITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

June 30, 2018	General Fund	Bond Interest and Redemption Fund	Cafeteria Fund	Child Development Fund	Capital Outlay Projects Fund	Balance Forward
<b>ASSETS</b>						
Cash and cash equivalents	\$ 38,093,964	\$ 29,495,416	\$ 38,327	\$ 136,428	\$ 4,438,360	\$ 72,202,495
Accounts receivable	3,333,386	-	9,752	111,241	199,745	3,654,124
Inventory	2,614	-	-	-	-	2,614
Prepaid expenses	164,246	-	-	-	78,516	242,762
Other current assets	-	-	(4,542)	-	-	(4,542)
Capital assets	-	-	-	-	-	-
Due from other funds	1,100,555	-	51,433	3,831	1,230,819	2,386,638
<b>Total Assets</b>	<b>\$ 42,694,765</b>	<b>\$ 29,495,416</b>	<b>\$ 94,970</b>	<b>\$ 251,500</b>	<b>\$ 5,947,440</b>	<b>\$ 78,484,091</b>
<b>LIABILITIES</b>						
Accounts payable	\$ 2,118,507	\$ -	\$ 71,968	\$ 62,204	\$ 319,692	\$ 2,572,371
Deferred revenues	10,630,990	-	14,503	-	923,560	11,569,053
Accumulated depreciation	-	-	-	-	-	-
Due to other funds	1,716,163	-	4,663	189,296	485,110	2,395,232
<b>Total Liabilities</b>	<b>14,465,660</b>	<b>-</b>	<b>91,134</b>	<b>251,500</b>	<b>1,728,362</b>	<b>16,536,656</b>
<b>FUND EQUITY</b>						
Fund balance	28,229,105	29,495,416	3,836	-	4,219,078	61,947,435
<b>Total Fund Equity</b>	<b>28,229,105</b>	<b>29,495,416</b>	<b>3,836</b>	<b>-</b>	<b>4,219,078</b>	<b>61,947,435</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 42,694,765</b>	<b>\$ 29,495,416</b>	<b>\$ 94,970</b>	<b>\$ 251,500</b>	<b>\$ 5,947,440</b>	<b>\$ 78,484,091</b>

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

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
COMBINING BALANCE SHEET – FUND EQUITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

June 30, 2018	Balance Brought Forward	Bond Fund	Bookstore Fund	Internal Service Fund	Financial Aid Trust Fund	Total
<b>ASSETS</b>						
Cash and cash equivalents	\$ 72,202,495	\$ 92,401,439	\$ 245,081	\$ 970,808	\$ 116,060	\$ 165,935,883
Accounts receivable	3,654,124	425,202	149,672	126,815	1,314,691	5,670,504
Inventory	2,614	-	821,555	-	-	824,169
Prepaid expenses	242,762	-	-	-	-	242,762
Other current assets	(4,542)	-	-	-	-	(4,542)
Capital assets	-	-	1,089,049	-	-	1,089,049
Due from other funds	2,386,638	485,332	499	-	1,465,989	4,338,458
<b>Total Assets</b>	<b>\$ 78,484,091</b>	<b>\$ 93,311,973</b>	<b>\$ 2,305,856</b>	<b>\$ 1,097,623</b>	<b>\$ 2,896,740</b>	<b>\$ 178,096,283</b>
<b>LIABILITIES</b>						
Accounts payable	\$ 2,572,371	\$ 1,938,685	\$ 88,644	\$ 355,733	\$ 1,101,596	\$ 6,057,029
Deferred revenues	11,569,053	-	-	-	-	11,569,053
Accumulated depreciation	-	-	1,023,019	-	-	1,023,019
Due to other funds	2,395,232	67,309	369,012	-	1,443,194	4,274,747
<b>Total Liabilities</b>	<b>16,536,656</b>	<b>2,005,994</b>	<b>1,480,675</b>	<b>355,733</b>	<b>2,544,790</b>	<b>22,923,848</b>
<b>FUND EQUITY</b>						
Fund balance	61,947,435	91,305,979	825,181	741,890	351,950	155,172,435
<b>Total Fund Equity</b>	<b>61,947,435</b>	<b>91,305,979</b>	<b>825,181</b>	<b>741,890</b>	<b>351,950</b>	<b>155,172,435</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 78,484,091</b>	<b>\$ 93,311,973</b>	<b>\$ 2,305,856</b>	<b>\$ 1,097,623</b>	<b>\$ 2,896,740</b>	<b>\$ 178,096,283</b>

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



**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION  
JUNE 30, 2018**

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<b>Total Fund Equity - District Funds Included in the Reporting Entity</b>		\$ 155,172,435
Assets recorded within the statements of net position not included in the District fund financial statements:		
Nondepreciable capital assets	\$ 31,415,430	
Depreciable capital assets	180,962,260	
Accumulated depreciation	(46,935,290)	
Less fixed assets already recorded in enterprise funds	<u>(66,030)</u>	165,376,370
Unmatured Interest		(2,996,178)
Liabilities recorded within the statements of net position not recorded in the District fund financial statements:		
Net pension liability		(82,303,802)
Net OPEB liability		(7,051,039)
Compensated absences		(1,568,013)
Long-term debt		(193,347,718)
Deferred outflows and inflows of resources:		
Deferred outflows of resources - pensions		26,567,608
Deferred outflows of resources - OPEB		500,000
Deferred inflows of resources - pensions		<u>(3,270,117)</u>
<b>Net Position Reported Within the Statements of Net Position</b>		<u>\$ 57,079,546</u>

See accompanying note to the supplementary information.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
NOTE TO THE SUPPLEMENTARY INFORMATION  
JUNE 30, 2018**

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**NOTE 1 - PURPOSE OF SCHEDULES**

**District Organizational Structure**

This schedule provides information about the District's governing board members and administration members.

**Schedule of Expenditures of Federal Awards**

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

**Schedule of Revenues and Expenditures of State Awards**

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

**Schedule of Workload Measures for State General Apportionment – Annual/Actual Attendance**

FTES is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds, including restricted categorical funding, are made to community college districts. This schedule provides information regarding the annual attendance measurements of students throughout the District.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
NOTE TO THE SUPPLEMENTARY INFORMATION  
JUNE 30, 2018**

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

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

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

**Reconciliation of the ECS 84362 (50 Percent Law) Calculation**

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

**Details of the Education Protection Account**

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

**Combining Balance Sheet – Fund Equity**

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

**Reconciliation of Governmental Funds to the Statement of Net Position**

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

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**OTHER INDEPENDENT  
AUDITORS' REPORTS**

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Mt. San Jacinto Community College District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Mt. San Jacinto Community College District's basic financial statements, and have issued our report thereon dated October 25, 2018.

**Emphasis of Matter – Change in Accounting Principles**

As discussed in Note 2 to the financial statements, in 2018, the Districted adopted new accounting guidance, GASB Statement No. 75, Financial Reporting for Postemployment Benefit Plans Other than Pension Plans. Our opinion is not modified with respect to this matter.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. Control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

## Compliance and Other Matters

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

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*CWDL, Certified Public Accountants*

San Diego, California  
October 25, 2018



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

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

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

We have audited Mt. San Jacinto Community College District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Mt. San Jacinto Community College District's major federal programs for the year ended June 30, 2018. Mt. San Jacinto Community College District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Mt. San Jacinto Community College District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Mt. San Jacinto Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, Mt. San Jacinto Community College District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

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

Management of Mt. San Jacinto Community College District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Mt. San Jacinto Community College District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Mt. San Jacinto Community College District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*CWDL, Certified Public Accountants*

San Diego, California  
October 25, 2018





## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

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

### **Report on State Compliance**

We have audited Mt. San Jacinto Community College District's compliance with the types of compliance requirements described in the *California Community Colleges Contracted District Audit Manual (CDAM) 2017-18*, issued by the California Community Colleges Chancellor's Office for the year ended June 30, 2018.

### **Management's Responsibility**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on Mt. San Jacinto Community College District's compliance with the requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *California Community Colleges Contracted District Audit Manual (CDAM) 2017-18*, issued by the California Community Colleges Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state programs noted below. An audit includes examining, on a test basis, evidence about Mt. San Jacinto Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### **Opinion on State Compliance**

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the programs noted below that were audited for the year ended June 30, 2018.

## **Procedures Performed**

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

Section 421 – Salaries of Classroom Instructors (50 Percent Law)  
Section 423 – Apportionment for Instructional Service Agreements/Contracts  
Section 424 – State General Apportionment Funding System  
Section 425 – Residency Determination for Credit Courses  
Section 426 – Students Actively Enrolled  
Section 427 – Dual Enrollment of K-12 Students in Community College Credit Courses  
Section 428 – Student Equity  
Section 429 – Student Success and Support Program (SSSP)  
Section 430 – Scheduled Maintenance Program  
Section 431 – Gann Limit Calculation  
Section 435 – Open Enrollment  
Section 439 – Proposition 39 Clean Energy  
Section 440 – Intersession Extension Program  
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 State Bond Funded Projects  
Section 491 – Proposition 55 Education Protection Account Funds

The District reports no Instructional Service Agreements/Contracts for Apportionment Funding; therefore, the compliance tests within this section were not applicable.

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

The District did not receive Apprenticeship Related and Supplemental Instruction Funds; therefore, the compliance tests within this section were not applicable.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing over state laws and regulations based on the requirements described in the *California Community Colleges Contracted District Audit Manual (CDAM) 2017-18*. Accordingly, this report is not suitable for any other purpose.



San Diego, California  
October 25, 2018

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**SCHEDULE OF FINDINGS AND  
QUESTIONED COSTS**

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**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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**FINANCIAL STATEMENTS**

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

**FEDERAL AWARDS**

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards	<u>No</u>
Identification of major programs:	

<u>CFDA Numbers</u>	<u>Name of Federal Program of Cluster</u>
<u>84.007, 84.033, 84.063, 84.408</u>	<u>Student Financial Aid Cluster</u>

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

**STATE AWARDS**

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

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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**Section II – Financial Statement Findings**

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

***There were no financial statement findings or questioned costs identified during 2017-18.***

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

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

***There were no federal award findings or questioned costs identified during 2017-18.***

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

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

***There were no state award findings or questioned costs identified during 2017-18.***

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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*There were no audit findings or questioned costs identified during 2016-17.*