

**MT. SAN JACINTO
COMMUNITY COLLEGE DISTRICT**

SAN JACINTO, CALIFORNIA

AUDIT REPORT

**FOR THE FISCAL YEARS ENDED
JUNE 30, 2017 AND 2016**



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

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT
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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, 2017 and 2016, 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, 2017 and 2016, 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

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 11, and the schedule of funding progress, schedule of proportionate share of the net pension liability, and the schedule of contributions on pages 53-54 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 24, 2017 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 24, 2017

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**



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, 2017 and 2016. 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, 2017 and 2016. 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

4

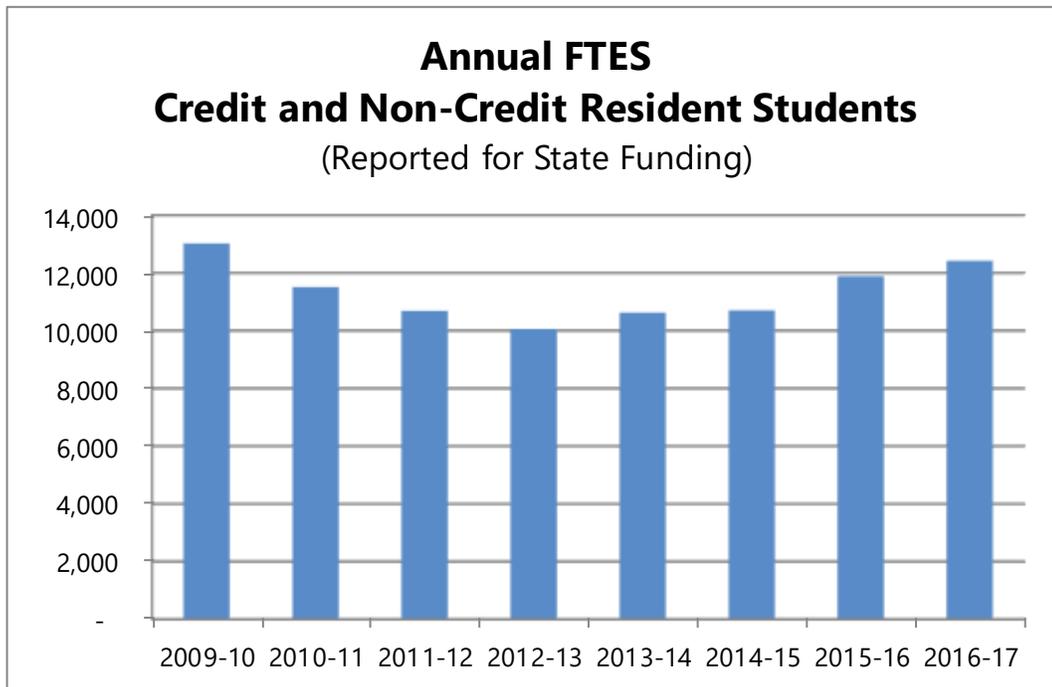
San Geronio Pass Campus
3144 W. Westward Avenue
Banning, CA 92220
951-922-1327

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, 2017 AND 2016**

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 2016-2017 fiscal year, the District provided \$34,486,405 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)	\$ 20,353,806
Federal Supplemental Education Opportunity Grant (FSEOG)	430,326
Federal Work Study Program (FWS)	334,037
State of California Cal Grant B and C (CALG-B and C)	1,677,428
California Community College Board of Governor's Fee Waiver	11,690,808
Total Financial Aid Provided to Students	\$ 34,486,405

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016**

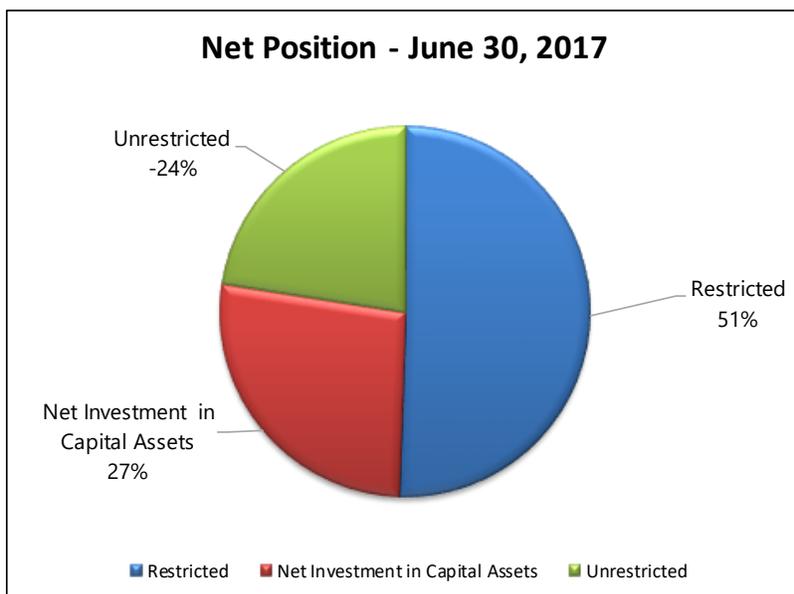
THE DISTRICT AS A WHOLE

Net Position

The District's Net Position increased by \$10.8 million due primarily to increases in state grants and contracts, local property tax revenues, and a new improvement related to pension activity. 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).

	2017	2016	Change
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Total assets	\$ 204,527,511	\$ 194,544,935	\$ 9,982,576
Deferred outflow of resources	19,666,201	7,823,102	11,843,099
Total Assets and Deferred Outflows of Resources	224,193,712	202,368,037	21,825,675
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Current liabilities	24,986,631	21,581,492	3,405,139
Non-current liabilities	133,272,233	123,050,418	10,221,815
Deferred inflows of resources	1,769,772	4,990,196	(3,220,424)
Total Liabilities and Deferred Inflows of Resources	160,028,636	149,622,106	10,406,530
NET POSITION			
Invested in capital assets, net of related debt	31,284,631	62,455,300	(31,170,669)
Restricted	58,988,050	18,616,505	40,371,545
Unrestricted	(26,107,605)	(28,325,874)	2,218,269
Total Net Position	\$ 64,165,076	\$ 52,745,931	\$ 11,419,145

The composition of Net Position at June 30, 2017 is reflected below:



**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016**

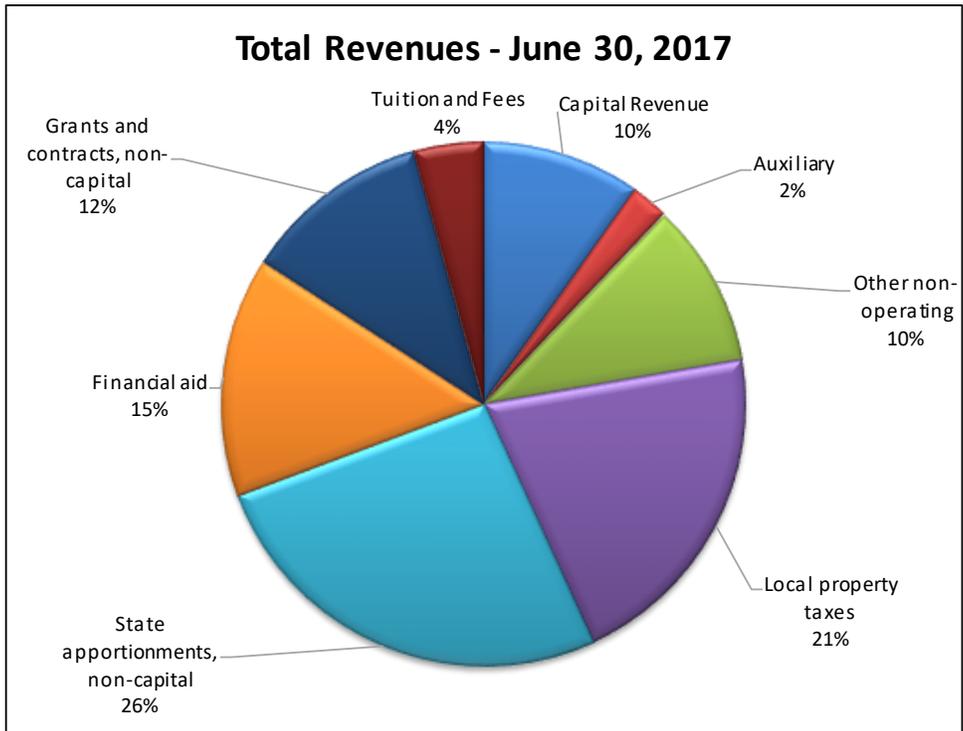
Operating Results for the Year

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 13.

	2017	2016	Change
REVENUES			
Tuition and fees (net)	\$ 5,876,686	\$ 6,247,256	\$ (370,570)
Grants and contracts, noncapital	19,874,572	28,498,042	(8,623,470)
Financial aid revenues	19,607,181	20,236,651	(629,470)
General revenues - property taxes	39,644,906	37,524,129	2,120,777
General revenues - state aid	49,261,111	38,895,649	10,365,462
General revenues - other	3,324,249	1,059,161	2,265,088
Total Revenues	137,588,705	132,460,888	5,127,817
EXPENSES			
Operating expenses	122,985,902	117,414,148	5,571,754
Interest	3,183,658	1,645,051	1,538,607
Total Expenses	126,169,560	119,059,199	7,110,361
Change in Net Position	\$ 11,419,145	\$ 13,401,689	\$ (1,982,544)

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 2016-2017. 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, 2017 are reflected below:

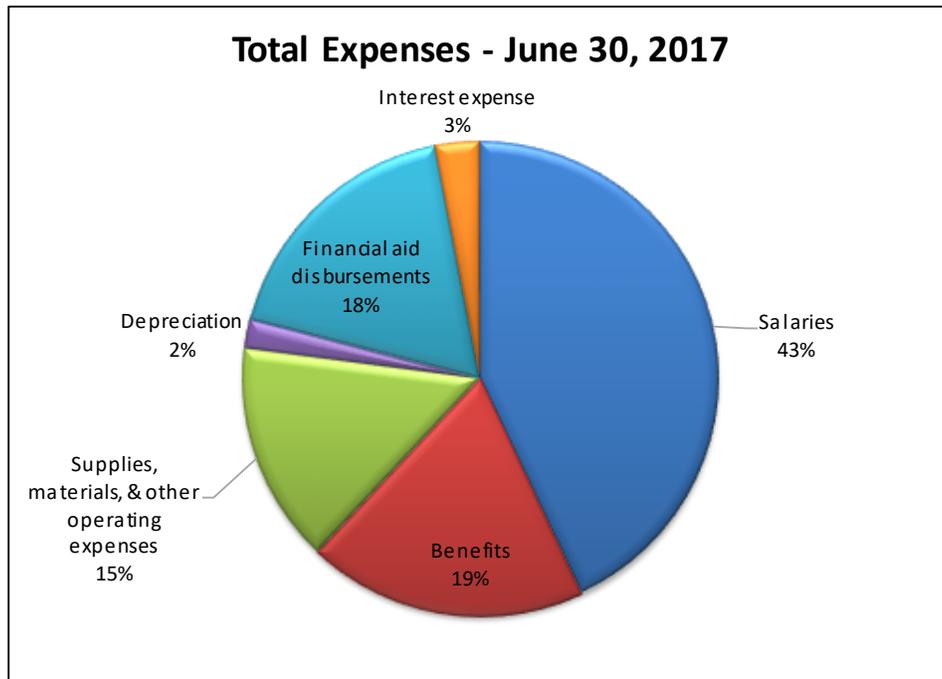
**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016**



**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016**

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 \$6.1 million over the prior year, due primarily to cost of living adjustment (COLA) and new faculty positions. Benefits increased \$9.3 million due to State contributions, on-behalf of District employees and increases in required contributions, and pension expense. 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	\$ 25,630,808	\$ 10,363,576	\$ 1,293,312	\$ -	\$ -	\$ 37,287,696
Academic support	6,808,803	2,952,733	2,273,746	-	-	12,035,282
Student services	8,054,771	2,997,834	1,061,150	401,611	-	12,515,366
Operations and maintenance	2,174,200	1,024,316	2,020,407	-	-	5,218,923
Institutional support services	6,905,178	4,750,256	6,127,087	-	-	17,782,521
Community services & economic development	852,509	295,129	636,001	-	-	1,783,639
Ancillary services & auxiliary operations	3,177,742	1,251,546	2,987,691	-	-	7,416,979
Physical property & related acquisitions	204,258	90,863	2,949,331	-	-	3,244,452
Transfers, student aid, other outgo	-	-	774	22,597,212	-	22,597,986
Depreciation - unallocated	-	-	-	-	3,103,058	3,103,058
Total	\$ 53,808,269	\$ 23,726,253	\$ 19,349,499	\$ 22,998,823	\$ 3,103,058	\$ 122,985,902

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, the District had \$135 million in a broad range of capital assets, including land, buildings, and furniture and equipment. At June 30, 2017, the District's net capital assets were \$95.3 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 in April 2015. 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.

	2017	2016	Change
Capital Assets not being depreciated	\$ 29,302,313	\$ 23,385,129	\$ 5,917,184
Capital Assets being depreciated	105,697,754	95,884,685	9,813,069
Accumulated depreciation	(39,677,563)	(36,671,366)	(3,006,197)
Total Capital Assets	\$ 95,322,504	\$ 82,598,448	\$ 12,724,056

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

Long-term Liabilities

At the end of the 2016-2017 fiscal year, the District had \$69.2 million in General Obligation Bonds outstanding, including premium on bonds. These bonds are repaid semi-annually, utilizing District 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.

	2017	2016	Change
General obligation and revenue bonds	\$ 69,238,278	\$ 75,519,756	\$ (6,281,478)
Capital Leases	365,537	606,219	(240,682)
Compensated Absences	1,532,501	1,375,114	157,387
Other long-term liabilities	387,163	1,171,073	(783,910)
Total Long-term Liabilities	\$ 71,523,479	\$ 78,672,162	\$ (7,148,683)

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, 2017 AND 2016**

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 2016 – 2017 budget on September 7, 2017.

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

The State of California approved its budget on June 15, 2017. The budget continues to increase the state's Rainy-Day Fund and pay down liabilities to counter the potential fiscal impact of federal policy changes, and the potential end of the economic expansion. California Community Colleges received \$8.6 billion to support general operating and categorical programs, deferred maintenance funding, pay down of state mandates, plus additional funding for Online Education Initiative, Veterans resource centers, an integrated library system, and grants.

Mt. San Jacinto College is committed to student access by successfully hiring 11 new faculty and 2 non-teaching faculty, in addition to replacing 13 retired faculty.

The District has designated reserves to assist in offsetting future 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.

Mt. San Jacinto Community College has experienced tremendous growth since the last recession, resulting in a 25% FTE growth in the last five years. The current Growth Formula Model Factors that direct resources based on local demographic need, while considering the system's demand for access, aligns with the District's population. Mt. San Jacinto College has the third highest constrained targeted growth rate in the state at 2.62%. However, the District has taken a conservative approach and did not include the additional growth funding into the budget for Fiscal Year 2017-18.

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.

The bond project list includes:

- Expanding career/support facilities for veterans and military
- Ensuring buildings are accessible for the disabled
- Upgrading nursing, emergency responder, criminal justice, and vocational job training classrooms
- Updating science labs, electrical systems, and technical infrastructure
- Acquisition, construction and repair classrooms, facilities, sites, and equipment

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016**

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.

FINANCIAL SECTION

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT
STATEMENTS OF NET POSITION – PRIMARY GOVERNMENT
JUNE 30, 2017 AND 2016**

	2017	2016
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 98,341,953	\$ 101,396,539
Accounts receivable, net	7,724,058	5,760,468
Inventory	836,509	826,918
Prepaid expenditures and other assets	551,457	2,687,155
Total Current Assets	<u>107,453,977</u>	<u>110,671,080</u>
Noncurrent Assets:		
Prepaid OPEB asset	1,751,030	1,275,407
Capital assets, net	95,322,504	82,598,448
Total Noncurrent Assets	<u>97,073,534</u>	<u>83,873,855</u>
TOTAL ASSETS	<u>204,527,511</u>	<u>194,544,935</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows - pensions	19,666,201	7,823,102
TOTAL ASSETS & DEFERRED LOSS ON REFUNDING	<u>\$ 224,193,712</u>	<u>\$ 202,368,037</u>
LIABILITIES		
Current Liabilities:		
Accounts payable & accrued expenses	\$ 9,359,108	\$ 6,066,394
Unearned revenue	8,928,772	8,777,276
Long-term debt, current portion	6,698,751	6,737,822
Total Current Liabilities	<u>24,986,631</u>	<u>21,581,492</u>
Noncurrent Liabilities:		
Compensated absences	1,532,501	1,375,114
Net pension liability	68,447,505	51,116,078
Long-term debt - non-current portion	63,292,227	70,559,226
Total Noncurrent Liabilities	<u>133,272,233</u>	<u>123,050,418</u>
TOTAL LIABILITIES	<u>158,258,864</u>	<u>144,631,910</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows - pensions	1,769,772	4,990,196
NET POSITION		
Net investment in capital assets	31,284,631	62,455,300
Restricted for:		
Debt service	15,890,034	13,688,885
Capital projects	42,970,640	4,927,620
Educational programs	127,376	113,026
Unrestricted	<u>(26,107,605)</u>	<u>(28,438,900)</u>
TOTAL NET POSITION	<u>64,165,076</u>	<u>52,745,931</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 224,193,712</u>	<u>\$ 202,368,037</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, 2017 AND 2016**

	2017	2016
OPERATING REVENUES		
Tuition and fees (gross)	\$ 17,567,494	\$ 17,201,489
Less: Scholarship discounts and allowances	(11,690,808)	(10,954,233)
Net tuition and fees	<u>5,876,686</u>	<u>6,247,256</u>
Grants and Contracts, noncapital:		
Federal	3,535,457	4,215,418
State	13,126,988	11,269,638
Local	33,130	287,086
Auxiliary enterprise sales, net	<u>3,178,997</u>	<u>3,078,762</u>
TOTAL OPERATING REVENUES	<u>25,751,258</u>	<u>25,098,160</u>
OPERATING EXPENSES		
Salaries	53,808,269	47,691,988
Employee benefits	23,726,253	14,386,987
Supplies, materials, and other operating expenses and services	19,349,499	25,968,148
Student aid	22,998,823	22,994,573
Depreciation	<u>3,103,058</u>	<u>6,372,502</u>
TOTAL OPERATING EXPENSES	<u>122,985,902</u>	<u>117,414,198</u>
OPERATING INCOME (LOSS)	<u>(97,234,644)</u>	<u>(92,316,038)</u>
NON-OPERATING REVENUES (EXPENSES)		
State apportionments, noncapital	36,013,088	34,090,083
Local property taxes	28,749,404	26,306,704
State taxes and other revenues	9,473,554	13,347,472
Pell grants	19,607,181	20,236,651
Investment income - noncapital	745,964	110,800
Interest expense on capital asset-related debt	(3,183,658)	(1,645,051)
Other non-operating revenues	<u>3,774,469</u>	<u>1,178,138</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>95,180,002</u>	<u>93,624,797</u>
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	<u>(2,054,642)</u>	<u>1,308,759</u>
State apportionments, capital	2,578,285	1,392,318
Local property taxes and revenues, capital	10,895,502	11,217,425
Gain (loss) on disposal of asset	<u>-</u>	<u>(516,813)</u>
INCREASE (DECREASE) IN NET ASSETS	<u>11,419,145</u>	<u>13,401,689</u>
NET POSITION -- BEGINNING OF YEAR	<u>52,745,931</u>	<u>39,344,242</u>
NET POSITION -- END OF YEAR	<u>\$ 64,165,076</u>	<u>\$ 52,745,931</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, 2017 AND 2016**

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 5,876,686	\$ 5,798,635
Grants and contracts	15,567,687	15,772,092
Payments to or on behalf of employees	(75,799,170)	(60,987,455)
Payments to vendors for supplies and services	(16,225,309)	(23,736,640)
Payment to students	(23,134,678)	(22,957,723)
Other receipts	3,178,997	2,940,974
Net Cash Used In Operating Activities	<u>(90,535,787)</u>	<u>(83,170,117)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
State apportionments	36,013,088	33,395,135
Grants and contracts, non-capital	19,607,181	20,236,651
Property taxes	28,749,404	26,267,416
State taxes and other revenues	9,473,554	13,753,734
Other non-operating	3,542,991	1,349,105
Net Cash Provided by Non-Capital Financing Activities	<u>97,386,218</u>	<u>95,002,041</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(15,825,956)	(6,097,372)
State revenue, capital projects	2,578,285	1,392,318
Local revenue, capital	10,894,344	11,217,425
Principal paid on capital debt	(6,050,000)	(5,459,073)
Interest paid on capital debt	(2,247,654)	(2,034,036)
Net Cash Used In Capital Financing Activities	<u>(10,650,981)</u>	<u>(980,738)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	745,964	110,800
Net Cash Provided by (Used in) Investing Activities	<u>745,964</u>	<u>110,800</u>
NET DECREASE IN CASH & CASH EQUIVALENTS	(3,054,586)	10,961,986
CASH & CASH EQUIVALENTS, BEGINNING OF YEAR	<u>101,396,539</u>	<u>90,434,553</u>
CASH & CASH EQUIVALENTS, END OF YEAR	<u>\$ 98,341,953</u>	<u>\$ 101,396,539</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, 2017 and 2016**

	2017	2016
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	\$ (97,234,644)	\$ (92,316,038)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation expense	3,103,058	6,372,502
Changes in Assets and Liabilities:		
Receivables, net	(1,963,590)	(598,863)
Inventory	(9,591)	(168,069)
Prepaid items	2,135,698	(2,225,455)
Net OPEB Asset	(475,623)	(202,163)
Deferred outflows of resources	(11,843,099)	(4,127,820)
Accounts payable and accrued liabilities	2,356,710	3,042,451
Deferred revenue	151,496	2,925,518
Compensated absences	157,387	154,905
Other long-term liabilities	(1,024,592)	(699,189)
Net pension liability	17,331,427	11,528,842
Deferred infows of resoirces	(3,220,424)	(6,856,738)
Total Adjustments	6,698,857	9,145,921
Net Cash Flows From Operating Activities	\$ (90,535,787)	\$ (83,170,117)

See accompanying notes to the financial statements.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT
STATEMENTS OF NET POSITION – FIDUCIARY FUNDS
JUNE 30, 2017 AND 2016**

	2017	2016
	Trust	Trust
ASSETS		
Cash and cash equivalents	\$ 181,937	\$ 218,844
Accounts receivable, net	4,735	1
Due from primary government	1,181	344
Total Assets	<u>187,853</u>	<u>219,189</u>
LIABILITIES		
Accounts payable	893	170
Due to primary government	51,678	42,993
Total Liabilities	<u>52,571</u>	<u>43,163</u>
NET POSITION		
Held in Trust for Student Groups	135,282	176,026
Total Net Position	<u>\$ 135,282</u>	<u>\$ 176,026</u>

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, 2017 AND 2016**

	2017	2016
	Trust	Trust
ADDITIONS		
Local revenues	\$ 88,070	\$ 158,402
Total Additions	<u>88,070</u>	<u>158,402</u>
DEDUCTIONS		
Books and supplies	29,575	70,247
Services and operating expenditures	55,772	82,849
Total Deductions	<u>85,347</u>	<u>153,096</u>
OTHER FINANCING SOURCES (USES)		
Other sources	5,042	9,959
Other uses	(48,509)	(11,159)
Total Other Financing Sources (Uses)	<u>(43,467)</u>	<u>(1,200)</u>
Change in Net Position	(40,744)	4,106
NET POSITION		
Beginning of Year	176,026	171,920
End of Year	<u>\$ 135,282</u>	<u>\$ 176,026</u>

See accompanying notes to the financial statements.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

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, 2017 AND 2016**

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, 2017 AND 2016**

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 Fiduciary Net Position
 - Statement of Changes in Fiduciary Net Position
- Notes to the Financial Statements

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include 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, 2017 and 2016, 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, 2017 AND 2016**

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 \$175,027 for the year ended June 30, 2017.

Prepaid Expenses

Prepaid expenses represent payments made to vendors and others for services that will benefit periods beyond June 30, 2017.

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, 2017 AND 2016**

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, 2017 AND 2016**

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, 2017 AND 2016**

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, 2017, was \$1,734,791 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, 2017 AND 2016**

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.

New Accounting Pronouncements

GASB Statement No. 72 – In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This standard address accounting and financial reporting issues related to fair value measurements. The Statement is effective for periods beginning after June 15, 2015. The District has implemented GASB Statement No. 72 for the year ended June 30, 2016.

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 not yet determined the impact on the financial statements.

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 not yet determined the impact on the financial statements.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

New Accounting Pronouncements, continued

GASB Statement No. 80 – In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14*. This standard's primary objective is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The Statement is effective for periods beginning after June 15, 2016. The District has not yet determined the impact on the financial statements.

GASB Statement No. 81 – In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Early implementation is encouraged. The District does not expect an impact on its financials.

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
JUNE 30, 2017 AND 2016**

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
 JUNE 30, 2017 AND 2016**

NOTE 3 - DEPOSITS AND INVESTMENTS, continued

Summary of Deposits and Investments

Deposits and investments of the Primary Government as of June 30, 2017, consist of the following:

	Primary Government
Cash in county treasury	\$ 97,311,273
Cash in revolving	32,555
Cash on hand and in banks	466,123
Cash with fiscal agents	532,002
Total Deposits and Investments	<u>\$ 98,341,953</u>

Deposits and investments of the Fiduciary Funds as of June 30, 2017, consist of the following:

	Fiduciary Funds
Cash on hand and in banks	<u>\$ 181,937</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	\$ 97,109,936	1.13

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

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, 2017.

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, 2017, 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, 2017, \$97,311,273 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, 2017, accounts receivable amounted to \$7,724,058. By October 24, 2017, the date of this audit report, \$3,646,507 had been collected and all remaining balances appear collectible.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 5 - CAPITAL ASSETS

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

	Beginning Balance July 1, 2016	Additions	Deductions	Ending Balance June 30, 2017
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.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 5 - CAPITAL ASSETS, continued

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	Beginning Balance			Ending Balance
	July 1, 2015	Additions	Deductions	June 30, 2016
Capital assets not being depreciated				
Land	\$ 6,809,952	\$ 271,056	\$ -	\$ 7,081,008
Construction in progress	14,075,627	2,228,494	-	16,304,121
Total capital assets not being depreciated	<u>20,885,579</u>	<u>2,499,550</u>	<u>-</u>	<u>23,385,129</u>
Capital assets being depreciated				
Land improvements	10,610,334	316,246	271,056	10,655,524
Buildings & improvements	66,272,046	1,684,579	-	67,956,625
Furniture and equipment	19,892,432	952,125	3,572,021	17,272,536
Total capital assets being depreciated	<u>96,774,812</u>	<u>2,952,950</u>	<u>3,843,077</u>	<u>95,884,685</u>
Total capital assets	<u>117,660,391</u>	<u>5,452,500</u>	<u>3,843,077</u>	<u>119,269,814</u>
Less accumulated depreciation				
Land improvements	4,182,619	532,695	-	4,715,314
Buildings & improvements	17,367,953	4,614,432	-	21,982,385
Furniture and equipment	12,034,809	1,225,375	3,286,517	9,973,667
Total accumulated depreciation	<u>33,585,381</u>	<u>6,372,502</u>	<u>3,286,517</u>	<u>36,671,366</u>
Net Capital Assets	<u>\$ 84,075,010</u>	<u>\$ (920,002)</u>	<u>\$ 556,560</u>	<u>\$ 82,598,448</u>

Depreciation expense for the year was \$6,372,502. At June 30, 2016, the District had capital assets acquired from capital leases with a net book value of \$606,219.

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, 2017 and 2016, the amounts owed between the primary government and the fiduciary funds were \$50,497 and \$42,649, respectively.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

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, 2017, and 2016, 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 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

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 7 - LONG-TERM LIABILITIES, continued

Long-Term Liabilities Summary, continued

The changes in long-term obligations during the 2016 fiscal year consisted of the following:

	Balance July 1, 2015	Additions	Payments and Reductions	Balance June 30, 2016	Due Within One Year
General obligation bonds					
Series A	\$ 70,000,000	\$ -	\$ -	\$ 70,000,000	\$ 6,050,000
Unamortized premium	5,751,234	-	231,478	5,519,756	-
Total general obligation bonds	75,751,234	-	231,478	75,519,756	6,050,000
Other liabilities					
Compensated absences	1,220,209	154,905	-	1,375,114	-
Capital leases	798,629	79,974	272,384	606,219	240,683
Golden handshake	599,218	124,569	334,574	389,213	191,460
Supplemental early retirement plan	767,037	-	255,679	511,358	255,679
Load banking	311,597	-	41,095	270,502	-
Total other liabilities	3,696,690	359,448	903,732	3,152,406	687,822
Total long-term liabilities	\$ 79,447,924	\$ 359,448	\$ 1,135,210	\$ 78,672,162	\$ 6,737,822

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 Outstanding			Bonds Outstanding		Due Within One Year
				July 1, 2016	Additions	Redeemed	June 30, 2017		
Series A	4/28/2015	2.00-5.00%	8/1/2040	\$ 70,000,000	\$ -	\$ 6,050,000	\$ 63,950,000	\$ 6,185,000	
Total General Obligation Bonds				70,000,000	-	6,050,000	63,950,000	6,185,000	

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

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 April 28, 2015, the District issued General Obligation Bond Series A. At June 30, 2017, the principal outstanding was \$63,950,000.

Series A bonds were issued in the aggregate principal amount of \$70,000,000 with interest rates ranging from 2.00 to 5.00 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
2018	\$ 6,185,000	\$ 2,684,312	\$ 8,869,312
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
2023-2027	5,345,000	10,554,685	15,899,685
2028-2032	10,135,000	8,652,940	18,787,940
2033-2037	16,515,000	5,760,910	22,275,910
2038-2041	19,130,000	1,603,400	20,733,400
	<u>\$ 63,950,000</u>	<u>\$ 38,501,195</u>	<u>\$ 102,451,195</u>

Lease Revenue Bonds

On June 12, 2003, the District issued Series 2003 Lease Revenue Bonds through the California Community College Financial Authority consisting of Current Interest Bonds in the amount of \$8,000,000. The bonds bear variable interest rates from 3.0 percent to 4.25 percent.

On May 22, 2008, the District issued Series 2008A Lease Revenue Bonds through the California Community College Financial Authority consisting of Current Interest Bonds in the amount of \$5,860,000. The bonds bear variable interest rates from 3.5 percent to 5.0 percent.

During the 2015 fiscal year, a portion of the proceeds from the Series A general obligation bond issuance were placed into escrow accounts to refund 100% of the outstanding lease revenue bonds, resulting in the in-substance defeasance of the lease revenue bonds. As a result, outstanding lease revenue bond payments and the corresponding funds committed in escrow accounts are not reflected in the District's financial statements.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 7 - LONG-TERM LIABILITIES, continued

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.

	Capital Lease
Balance, July 1, 2016	\$ 606,219
Additions	-
Payments	(240,682)
Balance, June 30, 2017	<u>\$ 365,537</u>

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

Year Ending June 30,	Lease Payment
2018	\$ 187,212
2019	178,325
Total	<u>\$ 365,537</u>

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

CalSTRS/CalPERS Golden Handshake Agreement

The District has adopted an early retirement incentive program pursuant to Education Code Sections 22714 and 87488, whereby the service credit to eligible employees is increased by two years (and age is increased by two years). Eligible employees must have five or more years of service under the California State Teachers' Retirement System and retire during a period of not more than 120 days or less than 60 days from the date of the formal action taken by the District (retire during the window period in the formal action taken by the District's governing board). The final payment was made in 2016-17 and there are no future liabilities as of June 30, 2017.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 7 - LONG-TERM OBLIGATIONS, 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.

Supplemental Early Retirement Plan (SERP), continued

On June 30, 2017, there were 25 participants that elected early retirement under this plan. Future minimum annual payments of \$95,061 are due in 2018.

Other Obligations

The compensated absences balance at June 30, 2017, was \$1,532,501.

The amount owed to employees for load banking balances at June 30, 2017, was \$292,102.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 8 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) ASSET

The District provides postemployment health care benefits for retired employees in accordance with approved Board policy.

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, 2017, the value of the Plan assets was \$4,611,072.

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 63 retirees and retiree beneficiaries currently receiving benefits and 422 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. For fiscal year 2016-2017, the District actuarial determined contributions \$610,993 for pay-as-you-go premiums and \$500,000 was contributed to the Irrevocable Trust.

Annual OPEB Cost and Net OPEB Asset

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the payments of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding costs) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB asset to the Plan:

Annual Required Contribution (ARC)	\$ 635,370
Annual OPEB Cost	<u>635,370</u>
District contributions made	610,993
Contributions made to irrevocable trust	<u>500,000</u>
Increase in net OPEB asset	475,623
Net OPEB asset - July 1, 2016	<u>1,275,407</u>
Net OPEB asset - June 30, 2017	<u>\$ 1,751,030</u>

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 8 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) ASSET, continued

Trend Information

Trend information for the annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB asset for the past three years is as follows:

Year Ended	Annual OPEB Cost	Actual		Percentage Contributed	Net Ending OPEB Asset
		Employer Contributions			
June 30, 2017	\$ 635,370	\$ 1,110,993		175%	\$ 1,751,030
June 30, 2016	\$ 743,279	\$ 945,442		127%	\$ 1,275,407
June 30, 2015	\$ 743,279	\$ 827,712		111%	\$ 1,073,244

Funding Status and Funding Progress

The funded status of the OPEB Plan as of June 30, 2017, is as follows:

Actuarial Valuation Date	Value of Assets*	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2017	\$ 4,611,072	\$ 11,590,212	\$ 6,979,140	40%	\$ 53,808,269	12.97%
July 1, 2015	2,915,987	7,228,287	4,312,300	40%	35,966,974	11.99%
July 1, 2013	2,657,386	5,812,306	3,154,920	46%	35,385,588	8.92%

The above noted actuarial accrued liability was based on the June 30, 2017, actuarial valuation. Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Other Postemployment Benefits Funding Progress, presented as required supplementary information, follows the notes to the financial statements and presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 8 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) ASSET, continued

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial values of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2017, actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 7.00 percent investment rate of return (net of administrative expenses), based on the Plan being funded in an irrevocable employee benefit trust fund invested in a long-term fixed income portfolio. The UAAL is being amortized at a level dollar method. The remaining amortization period at June 30, 2017, was 30 years. The actuarial value of assets amounted to \$4,611,072 which consisted of deposits held in Trust with CalPERS.

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	\$ 40,114,200	\$ 11,013,450	\$ 938,056	\$ 6,060,789
CalPERS	28,333,305	8,652,751	831,716	4,091,494
Total	\$ 68,447,505	\$ 19,666,201	\$ 1,769,772	\$ 10,152,283

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.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 9 – PENSION PLANS, continued

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

General Information about the Pension Plan, continued

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>.

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, 2017, 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	11.85%	11.85%

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, 2017, are presented above and the total District contributions were \$2,595,998.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

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, 2017, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$28,333,305. The net pension liability was measured as of June 30, 2016. 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, 2016 and June 30, 2015, respectively was 0.1435 percent and 0.1402 percent, resulting in a net increase in the proportionate share of 0.0033 percent.

For the year ended June 30, 2017, the District recognized pension expense of \$4,091,494. At June 30, 2017, 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	\$ 4,058,942	\$ -
Differences between expected and actual experience	1,200,437	-
Changes in assumptions	-	831,716
Net changes in proportionate share of net pension liability	797,374	-
District contributions subsequent to the measurement date	2,595,998	-
Total	\$ 8,652,751	\$ 831,716

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 of Resources	Deferred Inflows of Resources
2018	\$ 1,801,064	\$ 437,746
2019	1,745,751	393,970
2020	1,232,496	-
2021	1,277,442	-
	\$ 6,056,753	\$ 831,716

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 9 – PENSION PLANS, continued

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

Actuarial assumptions. For the measurement period ended June 30, 2015 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2013 total pension liability. The June 30, 2014 and the June 30, 2015 total pension liabilities were based on the following actuarial methods and assumptions

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Experience study	July 1, 1997, through June 30, 2011
Actuarial cost method	Entry Age Normal
Discount rate	7.65%
Investment rate of return	7.50%
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:

Asset Class	Assumed Asset Allocation	Real Return Years 1 - 10*	Real Return Years 11+**
Global Equity	51%	5.25%	5.71%
Global Debt Securities	20%	0.99%	2.43%
Inflation Assets	6%	0.45%	3.36%
Private Equity	10%	6.83%	6.95%
Real Estate	10%	4.50%	5.13%
Infrastructure and Forestland	2%	4.50%	5.09%
Liquidity	1%	-0.55%	-1.05%
	<u>100%</u>		

*An expected inflation of 2.5% used for this period

**An expected inflation of 3.0% used for this period

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017 AND 2016**

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 7.65 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 7.65 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 (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
Plan's net pension liability	\$ 42,138,099	\$ 28,333,305	\$ 16,671,841

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, 2017 AND 2016**

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	12.58%	12.58%
Required state contribution rate	8.828%	8.828%

*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
 JUNE 30, 2017 AND 2016**

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, 2017, are presented above and the District's total contributions were \$5,288,381.

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 \$1,734,791 to CalSTRS.

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

At June 30, 2017, 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	\$ 40,114,200
State's proportionate share of the net pension liability associated with the District	22,839,660
Total	\$ 62,953,860

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 and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2016 and June 30, 2015, respectively, was 0.0496 percent and 0.0452 percent, resulting in a net increase in the proportionate share of 0.0044 percent.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

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, 2017, the District recognized pension expense of \$6,060,789. At June 30, 2017, 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	\$ 2,922,735	\$ -
Differences between expected and actual experience	-	938,056
Net changes in proportionate share of net pension liability	2,802,334	-
District contributions subsequent to the measurement date	5,288,381	-
Total	\$ 11,013,450	\$ 938,056

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 of Resources	Deferred Inflows of Resources
2018	\$ 1,277,661	\$ 170,479
2019	1,277,661	170,479
2020	1,277,660	170,479
2021	1,892,087	170,479
2022	-	170,478
Thereafter	-	85,662
	\$ 5,725,069	\$ 938,056

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

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, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Experience study	July 1, 2006, through June 30, 2010
Actuarial cost method	Entry Age Normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

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:

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return*
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, 2017 AND 2016**

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 7.60 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 7.60% 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 (6.60%) or 1-percentage-point higher (8.60%) than the current rate:

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
Plan's net pension liability	\$ 58,203,000	\$ 40,114,200	\$ 25,688,000

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, 2017 AND 2016**

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, 2017, 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 2016-2017, 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	24,000,000
Statewide Association of Community Colleges (SWACC)	Property (per occurrence)	250,000,000
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, 2017 AND 2016**

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 - CalSTRS EARLY RETIREMENT INCENTIVE PROGRAM

The District has adopted an early retirement incentive program pursuant to Education Code Sections 22714 and 87488, whereby the service credit to eligible employees is increased by two years (and age is increased by two years). Eligible employees must have five or more years of service under the California State Teachers' Retirement System and retire during a period of not more than 120 days or less than 60 days from the date of the formal action taken by the District (retire during the window period in the formal action taken by the District's Governing Board). (See golden handshake.)

NOTE 12 - 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.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2017.

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, 2017.

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. This amount is contingent upon the employee performing the required service days per year.

Construction Commitments

The District has \$5,515,166 in construction commitments remaining at June 30, 2017. The capital project in progress was the fire alarm drawing and construction phases.

NOTE 14 - SUBSEQUENT EVENTS

The District evaluated subsequent events from June 30, 2017 through October 24, 2017, 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.

**REQUIRED SUPPLEMENTARY
INFORMATION**

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FUNDING PROGRESS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Actuarial Valuation Date	Value of Assets*	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2017	\$ 4,611,072	\$ 11,590,212	\$ 6,979,140	40%	\$ 53,808,269	12.97%
July 1, 2015	2,915,987	7,228,287	4,312,300	40%	35,966,974	11.99%
July 1, 2013	2,657,386	5,812,306	3,154,920	46%	35,385,588	8.92%

*Asset valuation as of June 30, 2017.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

CaSTRS	2017	2016	2015
District's proportion of the net pension liability	0.050%	0.045%	0.045%
District's proportionate share of the net pension liability	\$ 40,114,200	\$ 30,455,197	\$ 26,482,179
State's proportionate share of the net pension liability associated with the District	22,839,660	16,107,399	16,049,771
Total	<u>\$ 62,953,860</u>	<u>\$ 46,562,596</u>	<u>\$ 42,531,950</u>
District's covered - employee payroll	\$ 32,407,450	\$ 39,162,041	\$ 21,422,962
District's proportionate Share of the net pension liability as percentage of covered-employee payroll	123.78%	77.77%	123.62%
Plan fiduciary net position as a percentage of the total pension liability	70.0%	76.5%	76.5%
CaPERS	2017	2016	2015
District's proportion of the net pension liability	0.143%	0.140%	0.138%
District's proportionate share of the net pension liability	\$ 28,333,305	\$ 20,660,881	\$ 15,625,838
District's covered - employee payroll	\$ 21,400,819	\$ 17,134,780	\$ 15,669,838
District's proportionate Share of the net pension liability as percentage of covered-employee payroll	132.39%	120.58%	99.72%
Plan fiduciary net position as a percentage of the total pension liability	73.9%	83.4%	83.4%

* - Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF CONTRIBUTIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

CalSTRS	Reporting Fiscal Year		
	2017	2016	2015
Statutorily required contribution	\$ 5,288,381	\$ 4,202,087	\$ 1,902,359
District's contributions in relation to the statutorily required contribution	5,288,381	4,202,087	1,902,359
District's contribution deficiency (excess)	-	-	-
District's covered-employee payroll	\$ 32,407,450	\$ 39,162,041	\$ 21,422,962
District's contributions as a percentage of covered-employee payroll	16.32%	10.73%	8.88%

CalPERS	Reporting Fiscal Year		
	2017	2016	2015
Statutorily required contribution	\$ 2,595,998	\$ 2,016,935	\$ 1,792,923
District's contributions in relation to the statutorily required contribution	2,595,998	2,016,935	1,792,923
District's contribution deficiency (excess)	-	-	-
District's covered-employee payroll	\$ 21,400,819	17,134,780	15,669,664
District's contributions as a percentage of covered-employee payroll	12.13%	11.77%	11.44%

**SUPPLEMENTARY
INFORMATION**

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT
DISTRICT ORGANIZATIONAL STRUCTURE
JUNE 30, 2017**

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

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Tom Ashley	President	2020
Ann Motte	Trustee	2018
Dorothy McGargill	Trustee	2020
Sherrie Guerrero, Ed.D	Trustee	2020
Bill Zimmerman	Clerk	2018

DISTRICT ADMINISTRATION

Dr. Roger Schultz
Superintendent/President

Ms. Beth Gomez
Vice President, Business Services

Dr. John Colson
Vice President, Student Services

Dr. Rudy Besikof
Vice President, Instructional Services

Dr. Barry Kayrell
Provost - Human Resources

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed through the California Department of Education			
Child and Adult Care Food Program	10.558	3094-1A	\$ 68,373
Total U.S. Department of Agriculture			<u>68,373</u>
U.S. DEPARTMENT OF LABOR			
Passed through the Employment and Training Administration (ETA) via Chaffey College			
Trade Adjustment Assistance Community College & Career Training (TAACCCT)	17.282	15C215	314,553
Total U.S. Department of Labor			<u>314,553</u>
U.S. DEPARTMENT OF VETERANS AFFAIRS			
Passed through the California Community College Chancellor's Office			
Veterans Education	64.000	*	5,502
Chapter 33 - Veterans Post 911 GI Bill	64.028	*	235,870
Total U.S. Department of Veterans Affairs			<u>241,372</u>
U.S. DEPARTMENT OF EDUCATION			
HIGHER EDUCATION ACT			
TRIO - Upward Bound Program	84.047A	P047A120976	217,071
TRIO - Talent Search Program	84.044A	P044A160331	277,347
College Cost Reduction and Access Act (STEM)	84.031C	P031C110177	103,465
Strengthening Institutional Success (Title V)	84.031S	P031S150055	453,464
Total Higher Education Act			<u>1,051,347</u>
Passed through the California Department of Education			
Workforce Investment Act, Title II: Adult Education & Family Literacy Act			
English as a second Language	84.002A	V002A160005	507,484
STUDENT FINANCIAL ASSISTANCE CLUSTER			
Federal Supplement Education Opportunity Grant (FSEOG)	84.007	*	409,834
FSEOG Administrative	84.007	*	20,492
Federal Work Study Program (FWS)	84.033	*	318,131
Federal Work Study Administrative	84.033	*	15,906
Federal Pell Grants (PELL)	84.063	*	20,319,356
Federal Pell Administrative	84.063	*	34,450
Total Student Financial Assistance Cluster			<u>21,118,169</u>
CAREER AND TECHNICAL EDUCATION ACT			
Passed through from California Community Colleges Chancellor's Office			
Perkins, Title I, Part C	84.048	16-C01-035	366,776
Perkins, Title II, Tech. Prep., CTE Transitions	84.243	16-112-035	43,748
Total Career and Technical Education Act			<u>410,524</u>
Total U.S. Department of Education			<u>23,087,524</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through from California Community Colleges Chancellor's Office			
Temporary Assistance to Needy Families (TANF)	93.558	*	105,680
Passed through from Yosemite Community College District			
Child Development Training Consortium	93.575	16-17-4744	10,638
Total U.S. Department of Health and Human Services			<u>116,318</u>
Total Federal Expenditures			<u>\$ 23,828,140</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, 2017**

Program Title	Program Entitlements		
	Current Year	Prior Year	Total Entitlement
Board Financial Assistance Program (BFAP - 2101)	\$ 553,455	\$ -	\$ 553,455
Extended Opportunity Program & Services (EOPS - 2111)	670,699	-	670,699
Cooperative Agencies Resources for Educ. (CARE - 2112)	175,588	-	175,588
Disabled Students Program (DSPS - 2121)	1,195,958	1,428	1,197,386
CalWORKS (2131)	594,751	-	594,751
Student Success and Support Program (SSSP) Credit Matriculation (2141)	2,722,210	896,649	3,618,859
Student Success and Support Program (SSSP) Non-Credit Matriculation (2142)	182,155	81,517	263,672
Student Success and Support Program (SSSP) Student Equity (2143)	1,786,381	1,264,345	3,050,726
Staff Diversity (2151)	60,000	5,762	65,762
Enrollment Growth & Retention (2186)	97,000	-	97,000
SB1070 CTE Pathways Constorium Program (2192)	100,000	312,569	412,569
Adult Education Block Grant (2193) with pass through 8970	775,561	670,325	1,445,886
Full-Time Student Success Grant (2194)	468,238	29,700	497,938
Adult Education Data & Accountability (2195)	-	433,743	433,743
Strong Workforce Program SWP (2196)	1,813,511	-	1,813,511
Basic Skills (2314)	97,331	123,427	220,758
Prekindergarten & Family Literacy (2318)	5,000	-	5,000
Song-Brown Capitation (2328)	70,000	32,000	102,000
HWI-Alcohol and Substance Abuse Project Model (2331)	10,000	-	10,000
California Career Pathways Trust Implementation (2336)	103,655	47,900	151,555
Rancho Santiago CCD - CTE Data Unlock 15-197-001 Sub Award (2337)	50,000	-	50,000
Inland Empire/Desert Region Strong Workforce Program (2339)	561,500	-	561,500
CCC Maker Seed Grant (2340)	40,000	-	40,000
San Bernardino Community College District - Social Media Mini Grant (2341)	3,800	-	3,800
Riverside County Department of Social Services - CalWORKs Job Training (2342)	49,006	-	49,006
Restricted State Lottery Prop 20 (2401)	589,687	34,172	623,859
Instructional Improvement Block Grant (2161)	500,000	325,605	825,605
Cal Grant B	1,651,282	-	1,651,282
Cal Grant C	26,146	-	26,146
Total State District Funding	\$ 14,952,914	\$ 4,259,142	\$ 19,212,056

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, 2017**

Program Title	Program Revenues					Program Expenditures
	Cash Received	Accounts Receivable	Accounts Payable	Grantor Advances	Total Revenue	
Board Financial Assistance Program (BFAP - 2101)	\$ 553,455	\$ -	\$ -	\$ -	\$ 553,455	\$ 553,455
Extended Opportunity Program & Services (EOPS - 2111)	670,699	-	313	-	670,386	670,386
Cooperative Agencies Resources for Educ. (CARE - 2112)	175,588	-	-	-	175,588	175,588
Disabled Students Program (DSPS - 2121)	1,197,386	-	-	-	1,197,386	1,197,386
CalWORKS (2131)	594,751	-	16,423	-	578,328	578,328
Student Success and Support Program (SSSP) Credit Matriculation (2141)	3,618,859	-	-	1,328,862	2,289,997	2,289,997
Student Success and Support Program (SSSP) Non-Credit Matriculation (2142)	263,672	-	-	96,279	167,393	167,393
Student Success and Support Program (SSSP) Student Equity (2143)	3,050,726	-	-	1,099,633	1,951,093	1,951,093
Staff Diversity (2151)	65,762	-	-	44,961	20,801	20,801
Enrollment Growth & Retention (2186)	89,240	7,760	-	-	97,000	97,000
SB1070 CTE Pathways Constorium Program (2192)	40,000	348,842	-	-	388,842	388,842
Adult Education Block Grant (2193) with pass through 8970	1,445,886	-	-	791,861	654,025	654,025
Full-Time Student Success Grant (2194)	497,938	-	900	25,104	471,934	471,934
Adult Education Data & Accountability (2195)	433,743	-	-	362,848	70,895	70,895
Strong Workforce Program SWP (2196)	1,813,511	-	-	1,491,549	321,962	321,962
Basic Skills (2314)	220,758	-	-	86,572	134,186	134,186
Prekindergarten & Family Literacy (2318)	5,000	-	-	-	5,000	5,000
Song-Brown Capitation (2328)	84,500	17,500	-	-	102,000	102,000
HWI-Alcohol and Substance Abuse Project Model (2331)	10,000	-	-	-	10,000	10,000
California Career Pathways Trust Implementation (2336)	31,358	10,401	-	-	41,759	41,759
Rancho Santiago CCD - CTE Data Unlock 15-197-001 Sub Award (2337)	50,000	-	-	38,243	11,757	11,757
Inland Empire/Desert Region Strong Workforce Program (2339)	-	-	-	-	-	-
CCC Maker Seed Grant (2340)	19,999	2,095	-	-	22,094	22,094
San Bernardino Community College District - Social Media Mini Grant (2341)	-	3,800	-	-	3,800	3,800
Riverside County Department of Social Services - CalWORKs Job Training (2342)	-	-	-	-	-	-
Restricted State Lottery Prop 20 (2401)	370,820	253,039	-	-	623,859	623,859
Instructional Improvement Block Grant (2161)	825,605	-	-	246,360	579,245	579,245
Cal Grant B	1,651,282	-	19,645	-	1,631,637	1,631,637
Cal Grant C	26,146	-	-	-	26,146	26,146
Total State District Funding	\$ 17,806,684	\$ 643,437	\$ 37,281	\$ 5,612,272	\$ 12,800,568	\$ 12,800,568

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, 2017**

CATEGORIES	Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2016 only)			
1. Noncredit*	32.48	-	32.48
2. Credit*	504.98	-	504.98
B. Summer Intersession (Summer 2017 - Prior to July 1, 2017)			
1. Noncredit*	27.52	-	27.52
2. Credit*	1,031.74	-	1,031.74
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	7,689.94	-	7,689.94
(b) Daily Census Contact Hours	471.75	-	471.75
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit*	531.72	-	531.72
(b) Credit*	77.15	-	77.15
3. Alternative Attendance Accounting Procedure Courses			
(a) Weekly Census Contact Hours	1,344.83	-	1,344.83
(b) Daily Census Contact Hours	708.10	-	708.10
D. Total FTES	12,420.21	-	12,420.21
F. Basic Skills Courses and Immigrant Education			
1. Credit*	553.05	-	553.05
2. Noncredit*	213.02	-	213.02
Total Basic Skills FTES	766.07	-	766.07

*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, 2017**

There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2017.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF THE ECS 84362 (50 PERCENT LAW) CALCULATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	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	12,281,025	-	12,281,025	12,281,025	-	12,281,025
Other	1300	10,149,211	-	10,149,211	10,149,211	-	10,149,211
Total Instructional Salaries		22,430,236	-	22,430,236	22,430,236	-	22,430,236
Non-Instructional Salaries							
Contract or Regular	1200	-	-	-	3,946,012	-	3,946,012
Other	1400	-	-	-	1,286,506	-	1,286,506
Total Non-Instructional Salaries		-	-	-	5,232,518	-	5,232,518
Total Academic Salaries		22,430,236	-	22,430,236	27,662,754	-	27,662,754
<u>Classified Salaries</u>							
Non-Instructional Salaries							
Regular Status	2100	-	-	-	11,117,921	-	11,117,921
Other	2300	-	-	-	1,487,437	-	1,487,437
Total Non-Instructional Salaries		-	-	-	12,605,358	-	12,605,358
Instructional Aides							
Regular Status	2200	1,509,903	-	1,509,903	1,508,903	-	1,508,903
Other	2400	536,789	-	536,789	536,789	-	536,789
Total Instructional Aides		2,046,692	-	2,046,692	2,045,692	-	2,045,692
Total Classified Salaries		2,046,692	-	2,046,692	14,651,050	-	14,651,050
Employee Benefits	3000	8,620,382	-	8,620,382	16,496,347	-	16,496,347
Supplies and Materials	4000	-	-	-	705,951	-	705,951
Other Operating Expenses	5000	-	-	-	7,467,728	-	7,467,728
Equipment Replacement	6420	-	-	-	8,659	-	8,659
Total Expenditures Prior to Exclusions		33,097,310	-	33,097,310	66,992,489	-	66,992,489

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, 2017**

		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	1,429,112	-	1,429,112	1,429,112	-	1,429,112
Std. Health Svcs. Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Non-inst.Staff-Retirees' Benefits and Incentives	6740	-	-	-	1,804,046	-	1,804,046
Object to Exclude							
Rents and Leases	5060	-	-	-	398,941	-	398,941
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	-	-	-	1,874,604	-	1,874,604
Capital Outlay	6000	-	-	-	-	-	-
Library Books	6300	-	-	-	-	-	-
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay		-	-	-	-	-	-
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		\$ 1,429,112	\$ -	\$ 1,429,112	\$ 5,506,703	\$ -	\$ 5,506,703
Total for ECS 84362, 50% Law		\$ 31,668,198	\$ -	\$ 31,668,198	\$ 61,485,786	\$ -	\$ 61,485,786
Percent of CEE (Instructional Salary Cost/Total CEE)		51.50%	0.00%	51.50%	100.00%	0.00%	100.00%
50% of Current Expense of Education		\$ -	\$ -	\$ -	\$ 30,742,893	\$ -	\$ 30,742,893

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, 2017**

EPA Revenue	9,733,916
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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	9,733,916	-	-	9,733,916
Total		9,733,916	-	-	9,733,916

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, 2017**

June 30, 2017	General Fund	Bond Interest and Redemption Fund	Cafeteria Fund	Child Development Fund	Capital Outlay Projects Fund	Balance Forward
ASSETS						
Cash and cash equivalents	\$ 31,309,861	\$ 15,890,034	\$ 18,438	\$ 71,117	\$ 5,565,942	\$ 52,855,392
Accounts receivable	3,873,704	-	1,408	66,013	1,300,959	5,242,084
Inventory	2,602	-	-	-	-	2,602
Prepaid expenses	105,263	-	-	-	450,736	555,999
Other current assets	-	-	(4,542)	-	-	(4,542)
Capital assets	-	-	-	-	-	-
Due from other funds	541,824	-	61,658	2,119	210,729	816,330
Total Assets	\$ 35,833,254	\$ 15,890,034	\$ 76,962	\$ 139,249	\$ 7,528,366	\$ 59,467,865
LIABILITIES						
Accounts payable	\$ 3,877,819	\$ -	\$ 43,610	\$ 81,339	\$ 627,313	\$ 4,630,081
Deferred revenues	7,715,493	-	21,864	15,000	1,176,415	8,928,772
Accumulated depreciation	-	-	-	-	-	-
Due to other funds	739,485	-	7,411	42,910	62,128	851,934
Total Liabilities	12,332,797	-	72,885	139,249	1,865,856	14,410,787
FUND EQUITY						
Fund balance	23,500,457	15,890,034	4,077	-	5,662,510	45,057,078
Total Fund Equity	23,500,457	15,890,034	4,077	-	5,662,510	45,057,078
Total Liabilities and Fund Equity	\$ 35,833,254	\$ 15,890,034	\$ 76,962	\$ 139,249	\$ 7,528,366	\$ 59,467,865

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, 2017**

June 30, 2017	Balance Brought Forward	Bond Fund	Bookstore Fund	Internal Service Fund	Financial Aid Trust Fund	Total
ASSETS						
Cash and cash equivalents	\$ 52,855,392	\$ 44,387,526	\$ 112,085	\$ 795,946	\$ 191,004	\$ 98,341,953
Accounts receivable	5,242,084	113,095	266,793	234,314	1,105,890	6,962,176
Inventory	2,602	-	833,907	-	-	836,509
Prepaid expenses	555,999	-	-	-	-	555,999
Other current assets	(4,542)	-	-	-	-	(4,542)
Capital assets	-	-	1,061,644	-	-	1,061,644
Due from other funds	816,330	437,742	-	13,378	81,167	1,348,617
Total Assets	\$ 59,467,865	\$ 44,938,363	\$ 2,274,429	\$ 1,043,638	\$ 1,378,061	\$ 109,102,356
LIABILITIES						
Accounts payable	\$ 4,630,081	\$ 2,064,291	\$ 281,720	\$ 477,570	\$ 969,442	\$ 8,423,104
Deferred revenues	8,928,772	-	-	-	-	8,928,772
Accumulated depreciation	-	-	1,002,542	-	-	1,002,542
Due to other funds	851,934	-	276,859	972	49,177	1,178,942
Total Liabilities	14,410,787	2,064,291	1,561,121	478,542	1,018,619	19,533,360
FUND EQUITY						
Fund balance	45,057,078	42,874,072	713,308	565,096	359,442	89,568,996
Total Fund Equity	45,057,078	42,874,072	713,308	565,096	359,442	89,568,996
Total Liabilities and Fund Equity	\$ 59,467,865	\$ 44,938,363	\$ 2,274,429	\$ 1,043,638	\$ 1,378,061	\$ 109,102,356

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, 2017**

Total Fund Equity - District Funds Included in the Reporting Entity		\$ 89,568,996
Assets recorded within the statements of net position not included in the District fund financial statements:		
Nondepreciable capital assets	\$ 29,302,313	
Depreciable capital assets	105,697,754	
Accumulated depreciation	(39,677,563)	
Less fixed assets already recorded in enterprise funds	<u>(59,102)</u>	95,263,402
Unmatured Interest		(936,004)
Liabilities recorded within the statements of net position not recorded in the District fund financial statements:		
Net pension liability		(68,447,505)
Long-term debt		(71,523,479)
Pension related items:		
Deferred outflows of resources		19,666,201
Deferred inflows of resources		(1,769,772)
Net OPEB Asset		<u>1,751,030</u>
Net Position Reported Within the Statements of Net Position		<u>\$ 63,572,869</u>

See accompanying note to the supplementary information.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT
NOTE TO THE SUPPLEMENTARY INFORMATION
JUNE 30, 2017**

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.

The following schedule provides reconciliation between revenues reported on the Statements of Revenues, Expenses, and Changes in Net Position - Primary Government and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist of Federal Pell administrative cost funds that in the previous period were recorded as revenues, but were unspent. These unspent funds have been expended in the current period.

Description	CFDA Number	Amount
Total Federal Revenues from the Statements of Revenues, Expenses, and Changes in Net Position:		\$ 23,142,638
Federal Pell Grants (PELL)	84.063	<u>685,502</u>
Total Expenditures of Federal Awards		<u>23,828,140</u>

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, 2017**

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.

**OTHER INDEPENDENT
AUDITORS' REPORTS**



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, 2017, 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 24, 2017.

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 24, 2017



**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, 2017. 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, 2017.

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 24, 2017



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) 2016-17*, issued by the California Community Colleges Chancellor's Office for the year ended June 30, 2017.

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) 2016-17*, 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, 2017.

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 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.

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) 2016-17*. Accordingly, this report is not suitable for any other purpose.

CWDL, Certified Public Accountants

San Diego, California
October 24, 2017

**SCHEDULE OF FINDINGS AND
QUESTIONED COSTS**

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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</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, continued
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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 2016-17.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS, continued
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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 2016-17.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS, continued
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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 2016-17.

**MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

There were no audit findings or questioned costs identified during 2015-16.