Financial and Performance Audits
Measure AA General Obligation Bonds
Election 2014
June 30, 2019

Mt. San Jacinto Community College District

Financial Audit
Measure AA General Obligation Bonds
Election 2014
June 30, 2019

Mt. San Jacinto Community College District

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

FINANCIAL AUDIT
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JUNE 30, 2019

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Mt. San Jacinto Community College District's (the District) Measure AA General Obligation Bond Fund (General Obligation Bonds, Election 2014) as of and for the year ended June 30, 2019, and the related notes to the financial statements, as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial 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 an opinion 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's Measure AA General Obligation Bond Fund (General Obligation Bonds, Election 2014) preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's Measure AA General Obligation Bond Fund (General Obligation Bonds, Election 2014) internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Measure AA General Obligation Bond Fund (General Obligation Bonds, Election 2014) of the District at June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Measure AA General Obligation Bond Fund specific to General Obligation Bonds, Election 2014, are intended to present the financial position and the changes in financial position attributable to the transactions of that Fund. They do not purport to, and do not, present fairly the financial position of the District as of June 30, 2019, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Management has omitted the management, discussion, and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2019, on our consideration of the District's Measure AA General Obligation Bond Fund's (General Obligation Bonds, Election 2014) 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 solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's Measure AA General Obligation Bond Fund's (General Obligation Bonds, Election 2014) internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's Measure AA General Obligation Bond Fund's (General Obligation Bonds, Election 2014) internal control over financial reporting and compliance.

Eide Bailly LLP

Riverside, California
November 1, 2019

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

BALANCE SHEET
JUNE 30, 2019

ASSETS	
Deposits and investments	$ 83,637,267
Accounts receivable	546,491
Due from other funds	504,817
Total Assets	$ 84,688,575
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	$ 627,284
Due to other funds	1,115
Total Liabilities	628,399
FUND BALANCE	
Restricted for capital projects	84,060,176
Total Liabilities and Fund Balance	$ 84,688,575

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

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2019

REVENUES	
Investment income	$ 1,982,587
EXPENDITURES	
Other expenses and services	15,925
Capital outlay	9,212,465
Total Expenditures	9,228,390
NET CHANGE IN FUND BALANCE	(7,245,803)
FUND BALANCE, BEGINNING OF YEAR	91,305,979
FUND BALANCE, END OF YEAR	$ 84,060,176

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Mt. San Jacinto Community College District's (the District) Measure AA General Obligation Bond Fund conforms to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA). The District's Measure AA General Obligation Bond Fund accounts for the financial transactions in accordance with the policies and procedures of the California Community Colleges Budget and Accounting Manual.

Financial Reporting Entity

The audited financial statements include only the Measure AA General Obligation Bond Fund of the District. This Fund was established to account for the receipt of proceeds of general obligation bond issuances and the expenditures of the proceeds under the General Obligation Bond Election of November 2014. These financial statements are not intended to present fairly the financial position and the changes in financial position of the District in compliance with accounting principles generally accepted in the United States of America.

Fund Accounting

The operations of the Measure AA General Obligation Bond Fund are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Resources are allocated to, and accounted for, in the fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Basis of Accounting

The Measure AA General Obligation Bond Fund is accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. These fund financial statements do not include the adoption of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as the District was not required to adopt GASB Statement No. 54 under the reporting requirements of GASB Statement No. 35.

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. The District's Board of Trustees adopts an operating budget no later than July 1 in accordance with State law. A public hearing must be conducted to receive comments prior to adoption. The District's Board of Trustees satisfied these requirements. The Board revises this budget during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

Encumbrances

The District utilizes an encumbrance accounting system under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated when the commitments are paid and all outstanding encumbrances lapse at June 30.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Fund Balance

As of June 30, 2019, the fund balance of the Measure AA General Obligation Bond Fund was classified as follows:

> **Restricted** - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation, or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Spending Order Policy

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

NOTE 2 - INVESTMENTS

Policies and Practices

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

Investment in County Treasury

In accordance with *The Budget and Accounting Manual*, the District maintains substantially all of its cash in the County Treasury as part of the common investment pool. The District is considered to be an involuntary participant in the external investment pool. The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

General Authorizations

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the Riverside County Treasury Investment Pool. The District maintains a Measure AA General Obligation Bond Fund investment of $83,637,267 with the Riverside County Treasury Investment Pool, with an average maturity of 387 days.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Riverside County Treasury Investment Pool has been rated by Fitch Ratings as AAAf/S1.

NOTE 3 - FAIR VALUE MEASUREMENTS

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

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

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

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

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

The District's fair value measurements are as follows at June 30, 2019:

Investment Type	Reported Value	Uncategorized
Riverside County Treasury Investment Pool	$ 83,637,267	$ 83,637,267

All assets have been valued using a market approach, with quoted market prices.

NOTE 4 - ACCOUNTS RECEIVABLE

Receivables at June 30, 2019, consist of the following:

Interest	$ 546,491

NOTE 5 - DUE FROM OTHER FUNDS

Due from other funds at June 30, 2019, consist of $504,817 due from the General Fund for payroll and benefits for five employees working on bond activities, the District elected to cover these expenses with unrestricted funds to allow more Measure AA General Obligation Bond funds to be utilized on bond projects, and due from the Restricted General Fund, Student Equity and Achievement grant, for Building 700 renovation architectural fees.

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2019, consist of the following:

Construction payables	$ 627,284

NOTE 7 - DUE TO OTHER FUNDS

Due to other funds at June 30, 2019, consist of $1,115 due to the General Fund for the shade structure project management fees.

NOTE 8 - FUND BALANCE

Fund balance at June 30, 2019, is composed of the following element:

Restricted	
Capital projects	$ 84,060,176

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 9 - COMMITMENTS AND CONTINGENCIES

As of June 30, 2019, the Measure AA General Obligation Bonds (Measure AA) had the following commitments with respect to unfinished projects:

CAPITAL PROJECT	Remaining Construction Commitment	Expected Date of Completion
Shade Structure Projects MVC	$ 550,180	September 2020
Emergency Generator MVC	45,924	December 2020
MVC Building 700 Renovation	270,170	December 2020
TVC Renovation Series B	52,228,163	February 2021
MVC Stadium	5,744,666	April 2022
STEM Building - SJ	3,797,182	October 2023
STEM Building - MVC	3,143,348	May 2024
	$ 65,779,633	

Litigation

The District may be involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District's Measure AA General Obligation Bond Fund at June 30, 2019.

INDEPENDENT AUDITOR'S REPORT

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Mt. San Jacinto Community College District's (the District) Measure AA General Obligation Bond Fund (General Obligation Bonds, Election 2014), as of and for the year ended June 30, 2019, and the related notes of the financial statements, and have issued our report thereon dated November 1, 2019.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Measure AA General Obligation Bond Fund specific to General Obligation Bonds, Election 2014, are intended to present the financial position and the changes in financial position attributable to the transactions of that Fund. They do not purport to, and do not, present fairly the financial position of the District as of June 30, 2019, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Management has omitted the management, discussion, and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's Measure AA General Obligation Bond Fund (General Obligation Bonds, Election 2014) internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's Measure AA General Obligation Bond Fund (General Obligation Bonds, Election 2014) internal control. Accordingly, we do not express an opinion on the effectiveness of the District's Measure AA General Obligation Bond Fund (General Obligation Bonds, Election 2014) internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's Measure AA General Obligation Bond Fund (General Obligation Bonds, Election 2014) financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's Measure AA General Obligation Bond Fund (General Obligation Bonds, Election 2014) financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our testing disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's Measure AA General Obligation Bond Fund (General Obligation Bonds, Election 2014) internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's Measure AA General Obligation Bond Fund (General Obligation Bonds, Election 2014) internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Riverside, California
November 1, 2019

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

FINANCIAL STATEMENT FINDINGS
JUNE 30, 2019

None reported.

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2019

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

Performance Audit
Measure AA General Obligation Bonds
Election 2014
June 30, 2019

Mt. San Jacinto Community College District

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

PERFORMANCE AUDIT
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JUNE 30, 2019

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INDEPENDENT AUDITOR'S REPORT ON PERFORMANCE

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

We were engaged to conduct a performance audit of Mt. San Jacinto Community College District's (the District) Measure AA General Obligation Bond Fund (General Obligation Bonds, Election 2014) funds for the year ended June 30, 2019.

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

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

In planning and performing our performance audit, we obtained an understanding of the District's internal control in order to determine if the internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39 and outlined in Article XIIIA, Section 1(b)(3)(C) of the California Constitution. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

The results of our tests indicated that the District's Measure AA General Obligation Bond Fund (General Obligation Bonds, Election 2014) funds are in compliance with Proposition 39 as outlined in Article XIIIA, Section 1(b)(3)(C) of the California Constitution.

Eide Bailly LLP

Riverside, California
November 1, 2019

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

JUNE 30, 2019

AUTHORITY FOR ISSUANCE

The Measure AA General Obligation Bonds (the Bonds) were issued pursuant to the Constitution and laws of the State of California (the State), including the provisions of Chapters 1 and 1.5 of Part 10 of the California *Education Code*, and other applicable provisions of law. The Bonds were authorized to be issued by a resolution adopted by the Board of Supervisors of Riverside County (the County Resolution), pursuant to a request of the Mt. San Jacinto Community College District (the District) made by a resolution adopted by the Board of Trustees of the District (the District Resolution).

The District received authorization from an election held on November 4, 2014, to issue bonds of the District in an aggregate principal amount not to exceed $295,000,000 to finance specific acquisition, construction, and modernization projects approved by eligible voters within the District. The Measure required approval by at least 55 percent of the votes cast by eligible voters within the District. The results of the election provided a 59 percent approval of the bond measure.

PURPOSE OF ISSUANCE

Pursuant to the 2014 Authorization, the proceeds of the Bonds will be used to finance the repair, renovation, and construction of facilities noted on a specific Project List for facilities of the District. 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 technology infrastructure
- Acquisition, construction and repair of classrooms, facilities, sites, and equipment

AUTHORITY FOR THE AUDIT

On November 7, 2000, California voters approved Proposition 39, the Smaller Classes, Safer Schools, and Financial Accountability Act. Proposition 39 amended portions of the California Constitution to provide for the issuance of general obligation bonds by school districts, community college districts, or county offices of education, "for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of rental property for school facilities", upon approval by 55 percent of the electorate. In addition to reducing the approval threshold from two-thirds to 55 percent, Proposition 39 and the enacting legislation (AB 1908 and AB 2659) requires the following accountability measures as codified in *Education Code* Sections 15278-15282:

1. Requires that the proceeds from the sale of the bonds be used only for the purposes specified in Article XIIIA, Section 1(b)(3)(C) of the California Constitution, and not for any other purpose, including teacher and administrator salaries and other school operating expenses.

2. The community college district must list the specific school facilities projects to be funded in the ballot measure, and must certify that the governing board has evaluated safety, class size reduction, and information technology needs in developing the project list.

3. Requires the community college district to appoint a Citizens' Oversight Committee.

4. Requires the community college district to conduct an annual independent financial audit and performance audit in accordance with the *Government Auditing Standards* issued by the Comptroller General of the United States of the bond proceeds until all of the proceeds have been expended.

5. Requires the community college district to conduct an annual independent performance audit to ensure that the funds have been expended only on the specific projects listed.

OBJECTIVES OF THE AUDIT

Determine whether expenditures charged to the Bonds have been made in accordance with the Bond project list approved by the voters through the approval of the Measure AA for the year ended June 30, 2019.

SCOPE OF THE AUDIT

The scope of our performance audit covered the period of July 1, 2018 through June 30, 2019. The population of expenditures tested included all object and project codes associated with the Bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other State or local funding sources, other than proceeds of the bonds, were not included within the scope of the audit. Expenditures incurred subsequent to June 30, 2019, were not reviewed or included within the scope of our audit or in this report.

PROCEDURES PERFORMED

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2019, for the Measure AA Bonds. Within the fiscal year audited, we obtained the actual invoices and other supporting documentation for a sample of expenditures to ensure compliance with the requirements of Article XIIIA, Section 1(b)(3)(C) of the California Constitution and Measure AA as to the approved Bond projects list. We performed the following procedures:

1. We verified that a separate Bond Fund of the District has been established to account for the receipt of Bond proceeds, interest, and expenditure of the funds for the period July 1, 2018 through June 30, 2019.

2. We verified the District has established a Citizens' Bond Oversight Committee comprised of representatives from the seven specific constituency groups required by the Proposition.

3. We verified the Citizens' Bond Oversight committee met regularly during the year with agendas and/or minutes of the meetings maintained.

4. We selected a sample of expenditures for the period starting July 1, 2018 and ending June 30, 2019, and reviewed supporting documentation to ensure that such funds were properly expended on the specific projects listed in the ballot text.

5. Our sample included transactions totaling $7,784,989 for the year ended June 30, 2019. This represents 84 percent of the total expenditures of $9,228,390.

6. We verified that the District used formal bid procedures for those contracts over the construction bid level requirements in accordance with the Education Code requirements and District policies.

CONCLUSION

The results of our tests indicated that, in all significant respects, Mt. San Jacinto Community College District has properly accounted for the expenditures held in the Measure AA General Obligation Bond Fund and that such expenditures were made for authorized Bond projects. There were no salaries of administrators charged to the Bonds for District general administration or operations. District procedures for disbursement of funds were applied in accordance with laws and regulations, as well as policies approved by the Board of Trustees.

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2019

None reported.

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2019

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