

**MONTEREY PENINSULA  
COMMUNITY COLLEGE DISTRICT**

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**ANNUAL FINANCIAL REPORT**

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**JUNE 30, 2010 AND 2009**

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

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***FINANCIAL SECTION***

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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Monterey Peninsula Community College District  
Monterey, California

We have audited the accompanying basic financial statements of Monterey Peninsula Community College District (the District) as of and for the years ended June 30, 2010 and 2009, as listed in the Table of Contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Monterey Peninsula Community College District as of June 30, 2010 and 2009, and the respective changes in financial position and cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 14 to the Financial Statements, the State of California continues to suffer the effects of a recessionary economy, which directly impacts the funding allocation of Monterey Peninsula Community College District.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2010, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and is important for assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 14 and the Schedule of Other Postemployment Benefits (OPEB) Funding Progress on page 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Additional Supplementary Information on pages 79 through 86 has been presented at the request of District management for purposes of additional analysis. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Vauvimez, Time, Day & Co., LLP.

Rancho Cucamonga, California  
December 23, 2010

## ***USING THIS ANNUAL REPORT***

The Monterey Peninsula Community College District (the District) presents the following discussion and analysis to assist the reader by focusing on significant financial issues, providing an overview of the District's financial activities and condition, to explain changes in the District's financial condition, and to identify challenges of subsequent fiscal years. The report consists of three basic financial statements: the Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets, and Statement of Cash Flows and provides information about the District as a whole. This section of the annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2010. 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 the District management.

## ***OVERVIEW OF THE FINANCIAL STATEMENTS***

The Monterey Peninsula Community College District's financial statements are presented in accordance with Governmental Accounting Standards Board Statements No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and No. 35, *Basic Financial Statements - and Management Discussion and Analysis - for Public College and Universities*. These statements allow for the presentation of financial activity and results of operations which focuses on the District 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 Statement of Net Assets is designed to be similar to the bottom line results of the District. This statement combines and consolidates current financial resources with capital assets and long-term obligations. The Statement of Revenues, Expenses, and Changes in Net Assets focuses on the costs of the District's operational activities with revenues and expenses categorized as operating and nonoperating, and expenses are reported by natural classification. The Statement of Cash Flows provides an analysis of the sources and uses of cash within the operations of the District.

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

## ***FINANCIAL HIGHLIGHTS***

The District's assets are primarily cash, land, and facilities. Liabilities are primarily long-term bonds and leases. The District's Total Assets increased by \$350 thousand, or .2 percent, to \$212.2 million, and Total Liabilities increased by \$1.9 million, or 1.3 percent, to \$149.7 million. This results in Net Assets being decreased by \$1.5 million, or 2.4 percent, to \$62.5 million.

In November 2002, a Proposition 39 facility bond was approved by the local voters giving the District \$145.0 million to assist in modernization of the existing campus and construct a satellite campus and public safety training facilities on the former Fort Ord properties. The repayment of the bonds will be through a special tax assessment on local property owners. In June 2003, the first series of bonds was sold and proceeds (\$40.0 million) were deposited with the County Treasurer. The first series was refinanced in 2006 which generated an additional \$4.2 million for projects. Numerous projects are in various stages of completion, and a balance of \$72.4 million remains outstanding or unencumbered at year-end.

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION) JUNE 30, 2010 AND 2009

### STATEMENT OF NET ASSETS

The Statement of Net Assets includes all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. The biggest change in this statement is that our fixed assets (land, building, and equipment) are capitalized and depreciated. As a result, they are now reflected as an asset on this statement. Net Assets, the difference between assets and liabilities, are one way to measure the financial health of the District.

### STATEMENT OF NET ASSETS

(Amounts in thousands)

	2010	2009	2008
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and investments	\$ 92,802	\$ 106,929	\$ 128,913
Accounts receivable	6,812	2,727	3,337
Other current assets	64	64	64
Total Current Assets	<u>99,678</u>	<u>109,720</u>	<u>132,314</u>
<b>Noncurrent Assets</b>			
Other current assets	1,538	1,602	1,666
Capital assets (net)	111,017	100,561	83,416
Total Assets	<u>\$ 212,233</u>	<u>\$ 211,883</u>	<u>\$ 217,396</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities	\$ 6,851	\$ 5,476	\$ 9,966
Deferred revenue	1,796	1,830	1,332
Amounts held in trust for others	-	-	44
Current portion of long-term obligations	3,321	3,214	5,641
Total Current Liabilities	<u>11,968</u>	<u>10,520</u>	<u>16,983</u>
Long-Term Obligations	<u>137,764</u>	<u>137,322</u>	<u>136,643</u>
Total Liabilities	<u>149,732</u>	<u>147,842</u>	<u>153,626</u>
<b>NET ASSETS</b>			
Invested in capital assets	45,655	48,447	45,153
Restricted	5,530	4,220	7,565
Unrestricted	11,316	11,374	11,052
Total Net Assets	<u>62,501</u>	<u>64,041</u>	<u>63,770</u>
Total Liabilities and Net Assets	<u>\$ 212,233</u>	<u>\$ 211,883</u>	<u>\$ 217,396</u>

Cash and investments consist primarily of funds held in the Monterey County Treasury. The changes in our cash position are explained in the Statement of Cash Flows on pages 17 and 18.



# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION) JUNE 30, 2010 AND 2009

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### STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

The Statement of Revenues, Expenses, and Changes in Net Assets present the operating results of the District, as well as the nonoperating revenue and expenses. The State general apportionment and property taxes, while budgeted for operations, are considered nonoperating revenues according to Governmental Accounting Standards Board (GASB). As a result, this statement will show a significant operating loss.

### STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

(Amounts in thousands)

	2010	2009	2008
Operating Revenues			
Tuition and fees, net	\$ 3,310	\$ 3,234	\$ 2,501
Operating Expenses			
Salaries and benefits	38,812	38,557	35,436
Supplies, maintenance, equipment, and other expenses	13,491	13,368	8,240
Depreciation	2,961	1,959	932
Total Operating Expenses	<u>55,264</u>	<u>53,884</u>	<u>44,608</u>
Loss on Operations	<u>(51,954)</u>	<u>(50,650)</u>	<u>(42,107)</u>
Nonoperating Revenues			
State apportionments	20,732	22,992	12,697
Grants and contracts	10,499	10,854	8,296
Property taxes	20,681	20,061	28,552
State revenues	1,020	1,071	1,170
Net interest expense	(5,096)	(6,767)	(484)
Other nonoperating revenues	2,347	2,119	3,960
Total Nonoperating Revenue	<u>50,183</u>	<u>50,330</u>	<u>54,191</u>
Other Revenues			
State and local capital income	<u>231</u>	<u>590</u>	<u>2,518</u>
Net Increase (Decrease) in Net Assets	<u>\$ (1,540)</u>	<u>\$ 270</u>	<u>\$ 14,602</u>

**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)  
JUNE 30, 2010 AND 2009**

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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:

Year ended June 30, 2010:

(Amounts in thousands)

	Salaries and Benefits		Supplies, Material, and	Student Financial Aid	Depreciation	Total
	Instructional	Non-	Other Expenses and Services			
		Instructional				
Instructional activities	\$ 15,724	\$ 2,518	\$ 3,197	\$ -	\$ -	\$ 21,439
Academic support	131	11,024	154	-	-	11,309
Student services	564	2,304	711	-	-	3,579
Plant operations and maintenance	-	1,676	1,536	-	-	3,212
Instructional support services	570	965	142	-	-	1,677
Community services and economic development	-	205	92	-	-	297
Institutional support services	2,639	-	1,119	-	-	3,758
Ancillary services and auxiliary operations	29	463	788	-	-	1,280
Student aid	-	-	-	4,912	-	4,912
Physical property and related acquisitions	-	-	840	-	-	840
Unallocated depreciation	-	-	-	-	2,961	2,961
Total	<u>\$ 19,657</u>	<u>\$ 19,155</u>	<u>\$ 8,579</u>	<u>\$ 4,912</u>	<u>\$ 2,961</u>	<u>\$ 55,264</u>

**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)  
JUNE 30, 2010 AND 2009**

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**STATEMENT OF CASH FLOWS**

The Statement of Cash Flows provides information about cash receipts and payments during the year. This statement also assists users in assessing the District's ability to meet its obligations as they come due and the District's need for external funding.

**STATEMENT OF CASH FLOWS**

(Amounts in thousands)

	2010	2009	2008
Cash Provided by (Used in)			
Operating activities	\$ (48,729)	\$ (48,470)	\$ (42,202)
Noncapital financing activities	45,603	49,420	56,557
Capital financing activities	(11,965)	(23,149)	79,712
Investing activities	964	216	2,364
Net Increase (Decrease) in Cash	(14,127)	(21,983)	96,431
Cash, Beginning of Year	106,929	128,912	32,481
Cash, End of Year	<u>\$ 92,802</u>	<u>\$ 106,929</u>	<u>\$ 128,912</u>

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2010, the District had \$111.0 million in a broad range of capital assets, including land, buildings, and furniture and equipment. At June 30, 2009, our net capital assets were \$100.6 million.

**CAPITAL ASSETS**

(Amounts in thousands)

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Land and construction in progress	\$ 26,197	\$ 13,147	\$ 2,993	\$ 36,351
Buildings and improvements	86,983	3,150	-	90,133
Furniture and equipment	6,731	113	-	6,844
Subtotal	119,911	16,410	2,993	133,328
Accumulated depreciation	19,350	2,961	-	22,311
	<u>\$ 100,561</u>	<u>\$ 13,449</u>	<u>\$ 2,993</u>	<u>\$ 111,017</u>

**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)  
JUNE 30, 2010 AND 2009**

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**Obligations**

At the end of the 2009-2010 fiscal year, the District had \$137.3 million in general obligation bonds outstanding. These bonds are repaid annually in accordance with the obligation requirements through an increase in the assessed property taxes on property within the Monterey Peninsula Community College District boundaries. Other obligations for the District include the lease revenue bonds, capital leases, compensated absences, early retirement, and net OPEB obligation.

**LONG-TERM OBLIGATIONS**

(Amounts in thousands)

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
General obligation bonds	\$ 136,590	\$ 3,507	\$ 2,804	\$ 137,293
Lease revenue bonds	170	-	15	155
Capital leases	2,143	-	267	1,876
Compensated absences	1,326	-	130	1,196
Early retirement	35	-	7	28
Net OPEB obligation	272	1,077	812	537
Total Long-Term Obligations	<u>\$ 140,536</u>	<u>\$ 4,584</u>	<u>\$ 4,035</u>	<u>\$ 141,085</u>

***ECONOMIC FACTORS AFFECTING THE FUTURE OF THE MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT***

Financial information is maintained by the District in seven (7) governmental funds. Worksheets indicating the amounts from each fund used for the combined financial statements are included as supplemental information in this audited financial report. All funds show positive ending balances, and the District's designated Unrestricted General Fund reserve is 10.8 percent (\$4.3 million) of the Unrestricted General Fund budget.

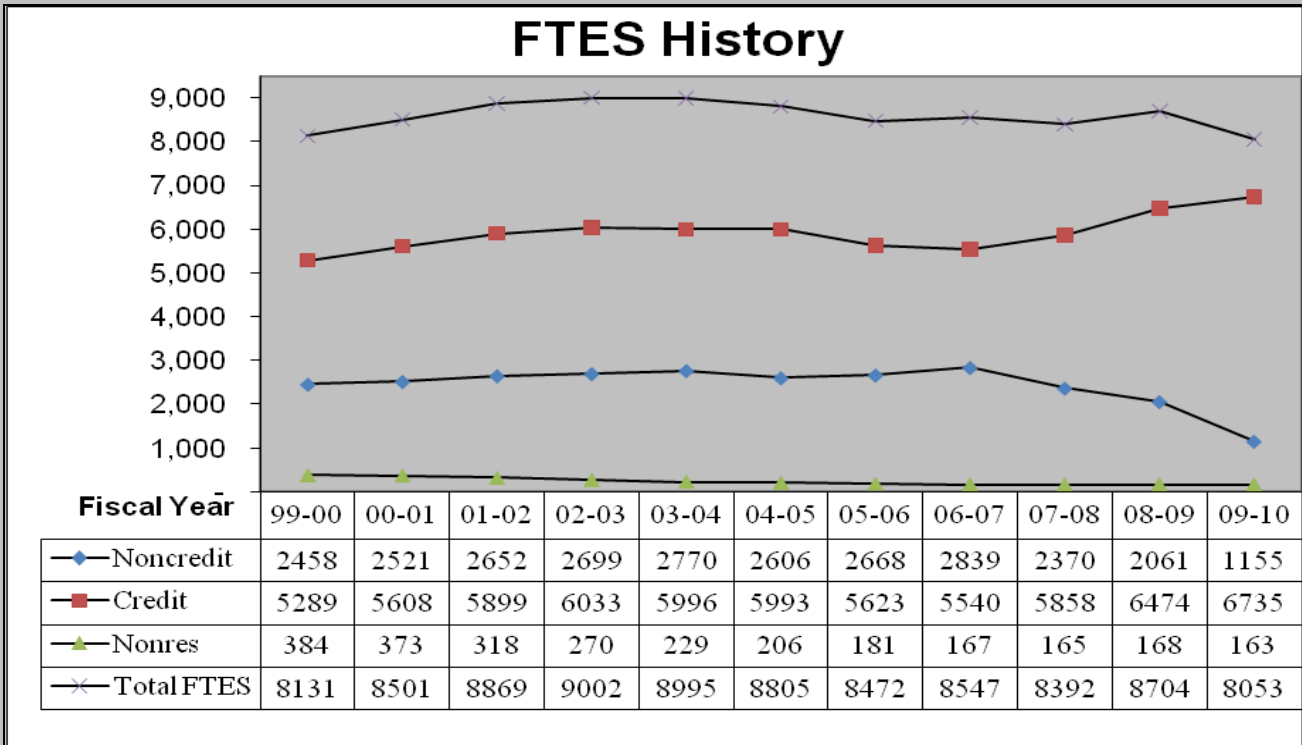
The primary source of income for day-to-day operations is derived from enrollments. Enrollment income is received based on actual instate credit and non-credit full-time equivalent students (FTES). Actual funds are paid through local taxes, student registration fees, and the State. The State dictates the amount the District will receive per instate FTES with non-credit FTES being paid 40 percent less than the credit rate. The total amount paid for instate FTES is limited based on an enrollment cap calculated by the State. The District also receives income from non-resident fees.

**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)**

**JUNE 30, 2010 AND 2009**

Total FTES has increased over the past 10 years. Declines were reported in 2003-2004 through 2007-2008; however, strategic plans have been implemented to promote enrollment growth in credit FTES and the highest level of credit FTES was reported in 2009-2010. The District received the maximum enrollment income allowed by the State.

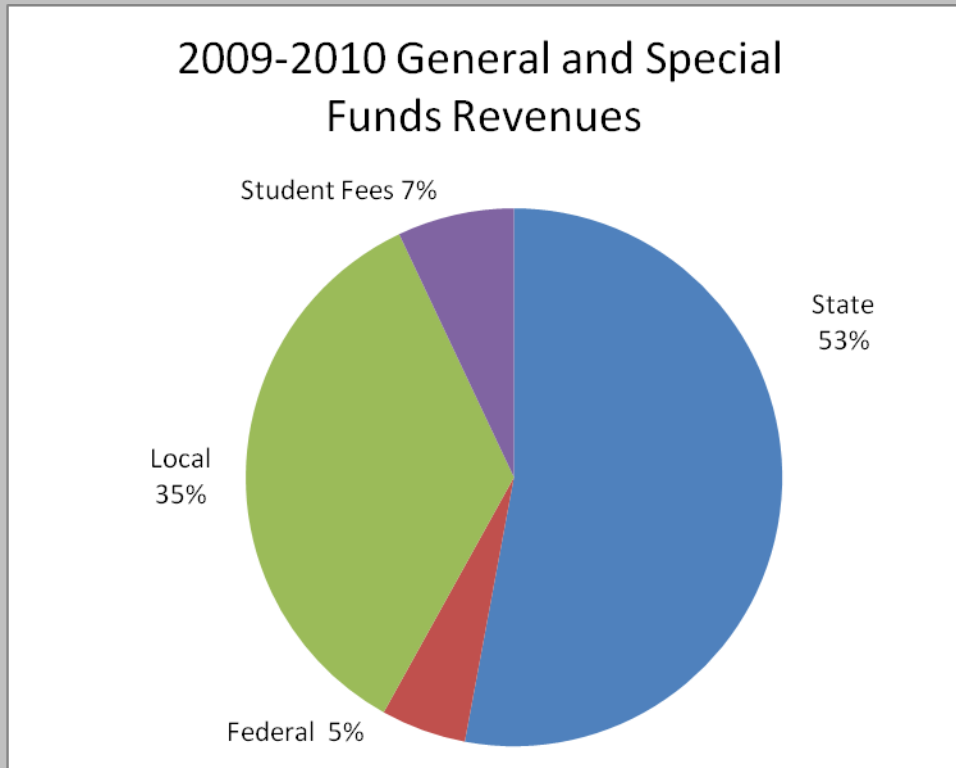


**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)  
JUNE 30, 2010 AND 2009**

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The economy in the State has been down for a number of years and the outlook for the near future is not good. Income from the State accounts for 53 percent (\$24.6 million) of the total income in the General and Special Revenue Funds. All of these funds are impacted by the economics of the State.



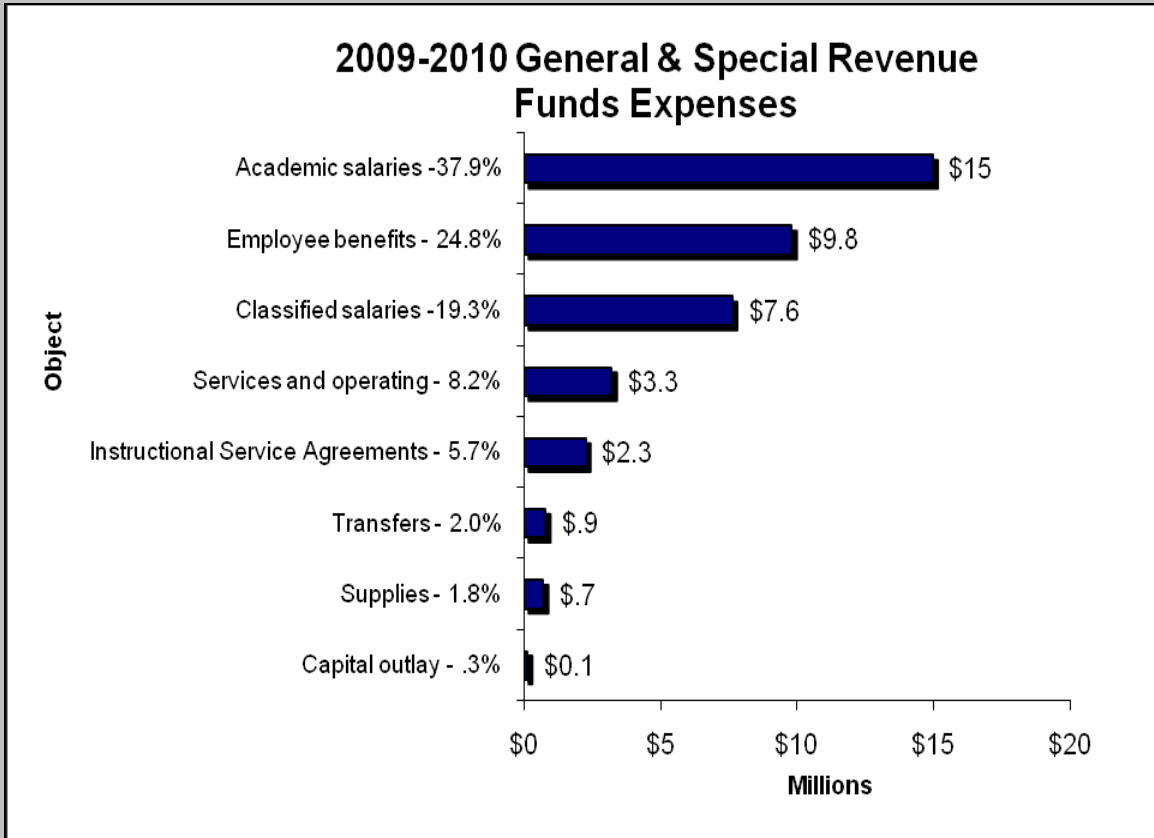
For 2010-2011, State funding for enrollment and categorical grants has remained at the same level as 2009-2010. The State's financial situation continues to be challenging in light of the prolonged nature of the current recession that started in 2007. Funding for California community colleges will be depressed until such time as the economy begins to improve.

**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)  
JUNE 30, 2010 AND 2009**

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Costs for employees represent 82 percent (\$32.4 million) of Total Expenses in the General and Special Revenue Funds. These expenses include academic and classified salaries, and employee benefits.



*(The above chart includes transfers to the Self-Insurance Fund under Employee benefits)*

The District's labor contracts with both the academic and classified employees provide employees with the same percentage increase for salaries and benefits as the District receives for instate enrollment income. The formula results in a predictable total compensation model balanced with new revenues.

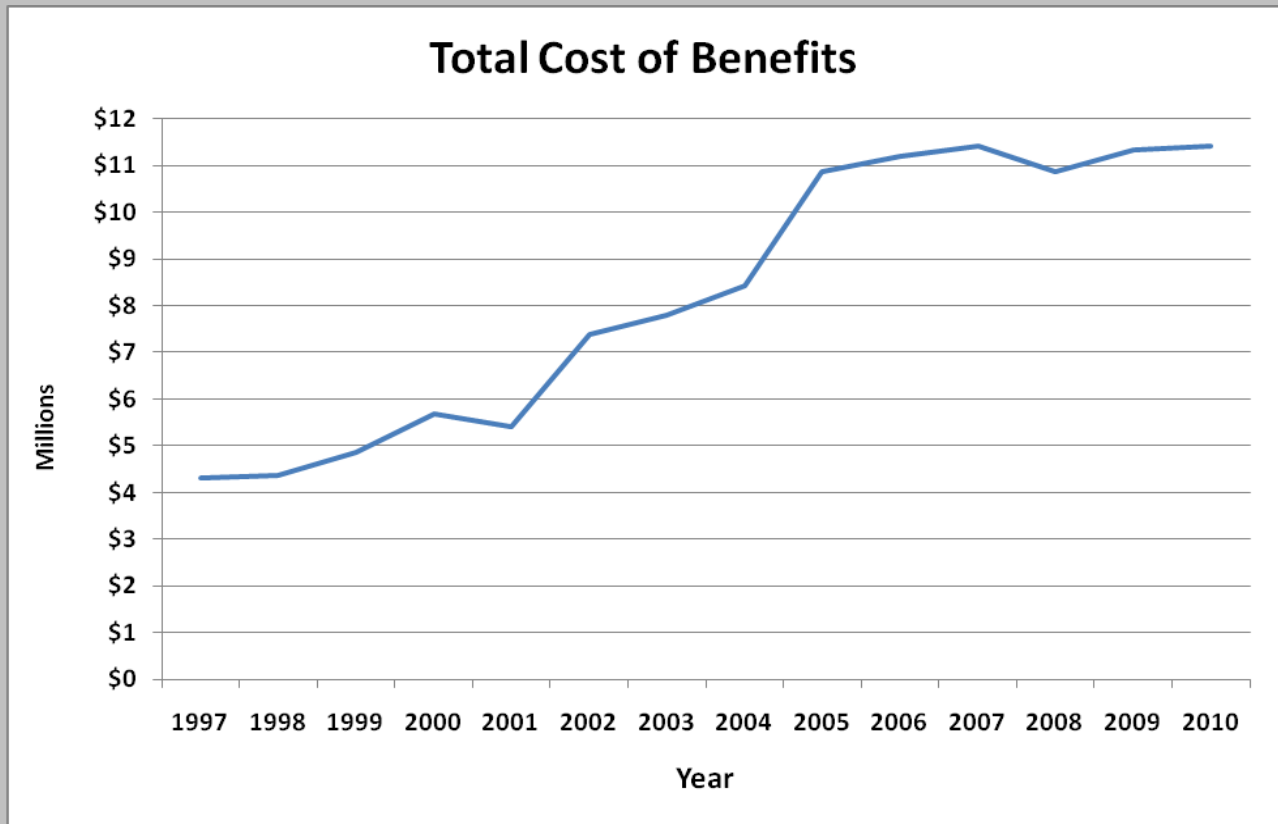
# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)

**JUNE 30, 2010 AND 2009**

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Employee benefit costs represent the second largest expense category for the District and have more than doubled over the past 10 years. The largest portion of benefit costs is for health and welfare, for which the District is self-insured. Stop loss insurance is carried to cover catastrophic illnesses; however, increased costs for medical expenses paid by the District have outpaced normal inflation. The District has implemented a number of cost containment measures over the past several years which have helped contain expenses. Additional cost containment measures are being pursued in the labor negotiation process.



The District provides benefits to retirees and currently has an unfunded actuarial accrued liability of \$11.1 million. The current fund balance in the District's Self-Insurance Fund is \$8.8 million of which \$3.05 million has been designated as a retiree health benefit reserve.

In conclusion, the District continues to have a solid financial base. Reserves are believed to be adequate and the negotiated employee salary and benefit formula tie future increases in compensation with increases in revenues. Credit enrollments are increasing and strategic plans have been developed to promote future growth. Although the State may have future problems balancing its budget which could adversely affect the District, the current level of reserves, the compensation formula, and future enrollment growth should help offset any negative impact.



# **MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION) JUNE 30, 2010 AND 2009**

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### ***CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT***

This financial report is designed to provide our 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 Monterey Peninsula Community College District at 980 Fremont Street, Monterey, California 93940-4799.

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

STATEMENTS OF NET ASSETS - PRIMARY GOVERNMENT  
JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 210,936	\$ 431,583
Investments	92,590,774	106,497,406
Accounts receivable	6,786,913	2,718,217
Student loans receivable	25,682	8,440
Deferred cost on issuance - current portion	64,089	64,089
<b>Total Current Assets</b>	<u>99,678,394</u>	<u>109,719,735</u>
<b>NONCURRENT ASSETS</b>		
Deferred cost on issuance - noncurrent portion	1,538,148	1,602,237
Nondepreciable capital assets	36,350,578	26,197,290
Depreciable capital assets, net of depreciation	74,666,028	74,363,464
<b>Total Noncurrent Assets</b>	<u>112,554,754</u>	<u>102,162,991</u>
<b>TOTAL ASSETS</b>	<u>212,233,148</u>	<u>211,882,726</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	4,944,225	3,402,418
Accrued interest payable	1,373,810	1,415,975
Deferred revenue	1,795,949	1,830,038
Deferred compensation	438,742	444,034
Claims liability	94,286	213,682
Compensated absences payable - current portion	168,939	331,434
Bonds and notes payable - current portion	3,025,000	2,685,000
Lease obligations - current portion	120,773	190,042
Other long-term obligations - current portion	7,000	7,000
<b>Total Current Liabilities</b>	<u>11,968,724</u>	<u>10,519,623</u>
<b>NONCURRENT LIABILITIES</b>		
Compensated absences payable - noncurrent portion	1,027,227	994,305
Bonds and notes payable - noncurrent portion	134,423,253	134,074,797
Lease obligations - noncurrent portion	1,755,573	1,953,555
Other long-term obligations - noncurrent portion	557,728	299,728
<b>Total Noncurrent Liabilities</b>	<u>137,763,781</u>	<u>137,322,385</u>
<b>TOTAL LIABILITIES</b>	<u>149,732,505</u>	<u>147,842,008</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	45,655,064	48,446,418
Restricted for:		
Debt service	4,315,640	3,290,513
Capital projects	856,907	661,961
Other activities	356,812	267,913
Unrestricted	11,316,220	11,373,913
<b>TOTAL NET ASSETS</b>	<u>\$ 62,500,643</u>	<u>\$ 64,040,718</u>

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

**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT**

**STATEMENTS OF REVENUES, EXPENSES,  
AND CHANGES IN NET ASSETS - PRIMARY GOVERNMENT  
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
<b>OPERATING REVENUES</b>		
Student Tuition and Fees	\$ 4,683,679	\$ 4,183,523
Less: Scholarship discounts and allowances	(1,373,598)	(949,355)
Net tuition and fees	3,310,081	3,234,168
<b>TOTAL OPERATING REVENUES</b>	<u>3,310,081</u>	<u>3,234,168</u>
<b>OPERATING EXPENSES</b>		
Salaries	25,862,545	26,774,276
Employee benefits	12,949,852	11,783,027
Supplies, materials, and other operating expenses and services	8,578,943	9,020,549
Student financial aid	4,911,561	4,347,408
Depreciation	2,960,974	1,958,914
<b>TOTAL OPERATING EXPENSES</b>	<u>55,263,875</u>	<u>53,884,174</u>
<b>OPERATING LOSS</b>	<u>(51,953,794)</u>	<u>(50,650,006)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State apportionments, noncapital	20,732,205	22,992,384
Grants and Contracts, noncapital:		
Federal	7,443,818	6,638,905
State	3,055,121	4,215,009
Local property taxes, levied for general purposes	14,467,435	14,411,277
Taxes levied for other specific purposes	6,213,861	5,649,736
State taxes and other revenues	1,020,035	1,071,247
Investment income	871,763	2,376,664
Loss on investment	-	(2,455,013)
Interest expense on capital related debt	(6,780,354)	(6,682,545)
Investment income on capital asset-related debt, net	812,673	(6,636)
Other nonoperating revenue	2,346,650	2,119,002
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>50,183,207</u>	<u>50,330,030</u>
<b>LOSS BEFORE OTHER REVENUES</b>	<u>(1,770,587)</u>	<u>(319,976)</u>
<b>OTHER REVENUES</b>		
State revenues, capital	162,851	547,553
Local revenues, capital	67,661	42,787
<b>TOTAL OTHER REVENUES</b>	<u>230,512</u>	<u>590,340</u>
<b>CHANGE IN NET ASSETS</b>	<u>(1,540,075)</u>	<u>270,364</u>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>64,040,718</u>	<u>63,770,354</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 62,500,643</u>	<u>\$ 64,040,718</u>

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

**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT**

**STATEMENTS OF CASH FLOWS - PRIMARY GOVERNMENT  
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

	<b>2010</b>	<b>2009</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and fees	\$ 3,740,815	\$ 3,331,673
Payments to scholarships and grants	(4,911,561)	(4,347,408)
Payments to vendors for supplies and services	(8,852,082)	(9,388,847)
Payments to or on behalf of employees	(38,706,606)	(38,065,503)
<b>Net Cash Flows From Operating Activities</b>	<u>(48,729,434)</u>	<u>(48,470,085)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State apportionments	17,270,096	20,239,849
Federal grants and contracts	4,695,128	6,091,952
State and local grants and contracts	5,079,074	5,079,074
Property taxes - nondebt related	14,467,435	14,411,277
State taxes and other apportionments	1,436,109	1,713,646
Other nonoperating	2,655,403	1,883,739
<b>Net Cash Flows From Noncapital Financing Activities</b>	<u>45,603,245</u>	<u>49,419,537</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
Purchase of capital assets	(12,926,847)	(20,585,778)
Proceeds from capital debt	3,507,872	3,293,393
State revenue, capital projects	230,512	547,553
Local revenue, capital projects	-	42,787
Property taxes - related to capital debt	6,213,861	5,649,736
Principal paid on capital debt	(3,086,667)	(5,471,269)
Interest paid on capital debt	(6,780,354)	(6,682,545)
Interest received on capital asset-related debt	812,673	(6,636)
Deferred cost on issuance	64,089	64,089
<b>Net Cash Flows From Capital Financing Activities</b>	<u>(11,964,861)</u>	<u>(23,148,670)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Loss on investments	-	(2,455,013)
Interest received from investments	963,771	2,670,735
<b>Net Cash Flows From Investing Activities</b>	<u>963,771</u>	<u>215,722</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(14,127,279)	(21,983,496)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>106,928,989</u>	<u>128,912,485</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 92,801,710</u>	<u>\$ 106,928,989</u>

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

**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT**

**STATEMENTS OF CASH FLOWS - PRIMARY GOVERNMENT, CONTINUED  
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
<b>RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating Loss	\$ (51,953,794)	\$ (50,650,006)
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities:		
Depreciation expense	2,960,974	1,958,914
Changes in Operating Assets and Liabilities:		
Receivables, net	(17,242)	(4,740)
Accounts payable and accrued liabilities	(124,537)	(377,218)
Accrued interest payable	(42,165)	(114,438)
Deferred compensation	(5,292)	26,520
Deferred revenue	324,195	260,460
Compensated absences	(129,573)	123,695
Early retirement incentive	(7,000)	35,000
Other postemployment benefits	265,000	271,728
Total Adjustments	<u>3,224,360</u>	<u>2,179,921</u>
<b>Net Cash Flows From Operating Activities</b>	<u>\$ (48,729,434)</u>	<u>\$ (48,470,085)</u>
 <b>CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:</b>		
Cash in banks	\$ 102,247	\$ 322,894
Cash with fiscal agent	108,689	108,689
Investment in county treasury	92,590,774	106,497,406
<b>Total Cash and Cash Equivalents</b>	<u>\$ 92,801,710</u>	<u>\$ 106,928,989</u>
 <b>NON CASH TRANSACTIONS</b>		
On behalf payments for benefits	<u>\$ 643,721</u>	<u>\$ 754,492</u>

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

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## STATEMENTS OF FIDUCIARY NET ASSETS JUNE 30, 2010 AND 2009

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	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 600,734	\$ 605,994
Investments	60,288	79,568
Accounts receivable, net	43,585	43,525
<b>Total Assets</b>	<u>704,607</u>	<u>729,087</u>
 <b>LIABILITIES</b>		
Accounts payable	95,299	61,683
Due to student groups	74,402	118,579
<b>Total Liabilities</b>	<u>169,701</u>	<u>180,262</u>
 <b>NET ASSETS</b>		
Unreserved	534,906	548,825
<b>Total Net Assets</b>	<u>\$ 534,906</u>	<u>\$ 548,825</u>

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

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
<b>ADDITIONS</b>		
Federal revenues	\$ 2,148,003	\$ 1,614,729
State revenues	196,978	-
Local revenues	1,104,880	1,409,019
<b>Total Additions</b>	<u>3,449,861</u>	<u>3,023,748</u>
<b>DEDUCTIONS</b>		
Books and supplies	452,840	395,526
Services and operating expenditures	716,524	864,309
<b>Total Deductions</b>	<u>1,169,364</u>	<u>1,259,835</u>
<b>OTHER FINANCING USES</b>		
Other uses	(2,338,975)	(1,648,257)
<b>Change in Net Assets</b>	(13,919)	115,656
<b>Net Assets - Beginning</b>	548,825	433,169
<b>Net Assets - Ending</b>	<u>\$ 534,906</u>	<u>\$ 548,825</u>

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

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

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### *NOTE 1 - ORGANIZATION*

The Monterey Peninsula Community College District (the District) is a political subdivision of the State of California and provides educational services to the local residents of the surrounding area. The District consists of one community college located in Monterey, California. While the District is a political subdivision of the State, it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14. The District operates under a locally elected five-member Board of Trustees form of government and provides higher education in the County of Monterey. The District currently operates one college campus located in the city of Monterey. 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 GASB Statement No. 39.

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

#### **Financial Reporting Entity**

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Monterey Peninsula Community College District, this includes general operations, food services, bookstores, and student related activities of the District. 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. 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 and the District.

#### **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, No. 38, and No. 39. This presentation provides a comprehensive entity-wide perspective of the District's assets, liabilities, activities, and cash flows and replaces the fund group perspective previously required. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. 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.



# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2010 AND 2009**

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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 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 grants, entitlements, and donations are classified as nonoperating revenue. Federal and State grants received to provide direct grants to students are classified as nonoperating revenues because the District does not generally receive any direct benefit from the grants and are recognized in the fiscal year in which all eligibility requirements are satisfied. Eligibility requirements may include time and/or purpose requirements. 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 student (FTES) attendance. The corresponding apportionment revenue is recognized in the period the FTES are generated.

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

The accounting policies of the District conform to accounting principles generally accepted in the United State of America (US GAAP) as applicable to colleges and universities, as well as those prescribed by the California Community Colleges Chancellor's Office. 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. When applicable, certain prior year amounts have been reclassified to conform to current year presentation. The budgetary and financial accounts of the District are maintained in accordance with the State Chancellor's Office's *Budget and Accounting Manual*.

The financial statements are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, as amended by GASB Statements No. 37, No. 38, and No. 39. 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 Assets - Primary Government
  - Statement of Revenues, Expenses, and Changes in Net Assets - Primary Government
  - Statement of Cash Flows - Primary Government
  - Financial Statements for the Fiduciary Funds including:
    - Statement of Fiduciary Net Assets
    - Statement of Changes in Fiduciary Net Assets
- Notes to the Financial Statements

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

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### **Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be unrestricted cash on hand, demand deposits, and short-term unrestricted 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.

### **Investments**

Investments held at June 30, 2010 and 2009, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in the county investment pool are determined by the program sponsor.

### **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. Management has analyzed these accounts and believes all amounts are fully collectable.

### **Deferred Issuance Costs, Premiums, and Discounts**

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method.

### **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 \$5,000. 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 normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Major outlays for capital improvements are capitalized as construction-in-progress as the projects are constructed.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 25 to 50 years; improvements, 25 to 50 years; equipment, 5 to 10 years; vehicles, 5 to 10 years.

### **Accrued Liabilities and Long-Term Obligations**

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

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

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### 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.

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, credit for unused sick leave is applicable to all classified and academic employees who retire. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full time.

### Deferred Revenue

Deferred 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 deferred revenue is removed from the combined balance sheet and revenue is recognized. Deferred revenues include (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 deferred revenue.

### Net Assets

GASB Statements No. 34 and No. 35 report equity as "Net Assets." Net assets are classified according to imposed restrictions or availability of assets for satisfaction of District obligations according to the following net asset categories:

**Invested in Capital Assets, Net of Related Debt** - Capital Assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

**Restricted - Expendable** - Net assets whose use by the District is subject to externally imposed constraints that can be fulfilled by actions of the District pursuant to those constraints or by the passage of time. Net assets may be restricted for capital projects, debt repayment, and/or educational programs.

**Unrestricted** - Net assets that are not subject to externally imposed constraints. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net assets are designated for economic uncertainties.

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. The entity-wide financial statements report \$5,529,359 of restricted net assets.

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2010 AND 2009**

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### **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.

### **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 the California State Teachers' (CalSTRS) and the California Public Employees Retirement Systems (CalPERS) on behalf of all community colleges in California.

### **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.

### **Property Taxes**

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

The voters of the District passed a General Obligation Bond in 2002 for the acquisition, construction, and remodeling of District capital assets. As a result of the passage of the Bond, property taxes are assessed on the property within the District specifically for the repayment of the debt incurred. The taxes are billed and collected as noted above and remitted to the District when collected.

### **Scholarship Discounts and Allowances**

Student tuition and fee revenue is reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses, and Changes in Net Assets. 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 and discounts have been used to satisfy tuition and fee charges, the District has recorded a scholarship discount and allowance.

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

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### **Federal Financial Assistance Programs**

The District participates in federally funded Pell Grants, FSEOG Grants, Academic Competitiveness Grant, Federal Work-Study, and Federal Family Education Loan 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. These programs are audited in accordance with the Single Audit Act Amendments of 1996, and the U.S. Office of Management and Budget's revised Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the related *Compliance Supplement*. During the year ended June 30, 2010 and 2009, the District distributed \$2,148,003 and \$1,609,133, respectively, in direct lending through the U.S. Department of Education. These amounts have not been included as revenues or expenses within the accompanying financial statements as the amounts were passed directly to qualifying students; however, the amounts are included on the Schedule of Expenditures of Federal Awards.

### **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 Pronouncement**

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Classifications*. The objectives of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this Statement are effective for the financial statements for periods beginning after June 15, 2010. The District does not anticipate a significant impact in reporting.

### **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.

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

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**Investment in County Treasury** - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the 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 investment pool is not registered with the Securities and Exchange Commission as an investment company. Investments made by the Treasurer are regulated by the California Government Code and by the County's investment policy.

### General Authorizations

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

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### Authorized Under Debt Agreements

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

### Summary of Deposits and Investments

Deposits and investments as of June 30, 2010, consist of the following:

	Reported Value
Primary government	\$ 92,801,710
Fiduciary funds	661,022
Total Deposits and Investments	<u>\$ 93,462,732</u>
Cash on hand and in banks	\$ 677,981
Cash in revolving	25,000
Cash with fiscal agent	108,689
Investments	92,651,062
Total Deposits and Investments	<u>\$ 93,462,732</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 manages its exposure to interest rate risk by primarily investing in the County Investment Pool and mutual funds.

**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009**

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity Date</u>
County Investment Pool - Monterey	\$ 92,659,238	226*
Mutual Funds	60,288	**
Total	<u>\$ 92,719,526</u>	

\* Weighted average days to maturity.

\*\* Information not available.

**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. Presented below is the minimum rating required by the California Government Code, the District's investment policy, or debt agreements, and the actual rating for each investment type.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Minimum Legal Rating</u>	<u>Rating June 30, 2010</u>
County Investment Pool - Monterey	\$ 92,659,238	Not required	Not rated
Mutual Funds	60,288	Not required	Not rated
Total	<u>\$ 92,719,526</u>		

**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 for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. 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, 2010, the District's bank balance of \$736,722 and the fiduciary funds balance of \$640,202, totaling \$1,376,924 of which \$876,924 was exposed to custodial credit risk because it was uninsured and collateralized at 110 percent of balance over \$250,000 with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009**

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**NOTE 4 - ACCOUNTS RECEIVABLE**

Accounts receivable for the primary government and fiduciary funds consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

**Primary Government**

	<u>2010</u>	<u>2009</u>
Federal Government		
Categorical aid	\$ 893,469	\$ 527,016
State Government		
Apportionment	4,547,519	165,283
Categorical aid	111,845	79,792
Lottery	443,255	572,238
Other State sources	228,408	547,553
Local Sources		
Interest	43,765	135,773
Other local sources	518,652	690,562
Total	<u>\$ 6,786,913</u>	<u>\$ 2,718,217</u>
Student receivables	<u>\$ 25,682</u>	<u>\$ 8,440</u>

**Fiduciary Funds**

	<u>2010</u>	<u>2009</u>
Other local sources	<u>\$ 43,585</u>	<u>\$ 43,525</u>



# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

### NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	\$ 9,900,000	\$ -	\$ -	\$ 9,900,000
Construction in progress	16,297,290	13,146,575	2,993,287	26,450,578
Total Capital Assets Not Being Depreciated	<u>26,197,290</u>	<u>13,146,575</u>	<u>2,993,287</u>	<u>36,350,578</u>
Capital Assets Being Depreciated				
Land improvements	27,114,706	1,298,420	-	28,413,126
Buildings and improvements	59,868,489	1,851,925	-	61,720,414
Furniture and equipment	6,730,893	113,193	-	6,844,086
Total Capital Assets Being Depreciated	<u>93,714,088</u>	<u>3,263,538</u>	<u>-</u>	<u>96,977,626</u>
Total Capital Assets	<u>119,911,378</u>	<u>16,410,113</u>	<u>2,993,287</u>	<u>133,328,204</u>
Less Accumulated Depreciation				
Land improvements	2,751,890	1,291,577	-	4,043,467
Buildings and improvements	13,443,425	1,164,494	-	14,607,919
Furniture and equipment	3,155,309	504,903	-	3,660,212
Total Accumulated Depreciation	<u>19,350,624</u>	<u>2,960,974</u>	<u>-</u>	<u>22,311,598</u>
Net Capital Assets	<u>\$ 100,560,754</u>	<u>\$ 13,449,139</u>	<u>\$ 2,993,287</u>	<u>\$ 111,016,606</u>

Depreciation expense for the year was \$2,960,974.

**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009**

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ 9,900,000	\$ -	\$ -	\$ 9,900,000
Construction in progress	29,407,907	16,160,179	29,270,796	16,297,290
Total Capital Assets Not Being Depreciated	<u>39,307,907</u>	<u>16,160,179</u>	<u>29,270,796</u>	<u>26,197,290</u>
<b>Capital Assets Being Depreciated</b>				
Land improvements	3,769,081	23,345,625	-	27,114,706
Buildings and improvements	53,943,318	5,925,171	-	59,868,489
Furniture and equipment	3,787,579	2,943,314	-	6,730,893
Total Capital Assets Being Depreciated	<u>61,499,978</u>	<u>32,214,110</u>	<u>-</u>	<u>93,714,088</u>
Total Capital Assets	<u>100,807,885</u>	<u>48,374,289</u>	<u>29,270,796</u>	<u>119,911,378</u>
<b>Less Accumulated Depreciation</b>				
Land improvements	2,569,439	182,451	-	2,751,890
Buildings and improvements	12,392,928	1,050,497	-	13,443,425
Furniture and equipment	2,429,343	725,966	-	3,155,309
Total Accumulated Depreciation	<u>17,391,710</u>	<u>1,958,914</u>	<u>-</u>	<u>19,350,624</u>
Net Capital Assets	<u>\$ 83,416,175</u>	<u>\$ 46,415,375</u>	<u>\$ 29,270,796</u>	<u>\$ 100,560,754</u>

Depreciation expense for the year was \$1,958,914.

**NOTE 6 - ACCOUNTS PAYABLE**

Accounts payable for the primary government and fiduciary funds consisted of the following:

**Primary Government**

	2010	2009
Accrued payroll and benefits	\$ 443,504	\$ 466,140
Apportionment	1,232,940	312,813
Student financial aid grants	150,398	59,502
Construction	1,725,246	1,235,267
Other vendor payables	1,392,137	1,328,696
Total	<u>\$ 4,944,225</u>	<u>\$ 3,402,418</u>

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

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### Fiduciary Funds

#### Fiduciary Funds

	2010	2009
Other vendor payables	\$ 95,299	\$ 61,683

### NOTE 7 - DEFERRED REVENUE

Deferred revenue for the District consisted of the following:

	2010	2009
Federal categorical	\$ 91,807	\$ 91,075
State categorical	505,049	864,065
Student fees	1,026,158	578,182
Other local	172,935	296,716
Total	\$ 1,795,949	\$ 1,830,038

### NOTE 8 - INTERFUND TRANSACTIONS

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

Balances owing between funds at year-end were \$1,048,767 and \$1,244,467 for the years ended June 30, 2010 and 2009, respectively. The balances result from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Interfund balances at June 30, 2010 and 2009, have been eliminated within the primary government during the consolidation process for financial statement presentation.

#### 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 between funds of the District have been eliminated in the consolidation process.

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

### NOTE 9 - LONG-TERM OBLIGATIONS

#### Summary

The changes in the District's long-term obligations during the 2010 fiscal year consisted of the following:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year	Due in One Year
<b>Bonds and Notes Payable</b>					
2005 General obligation bonds, Refunding	\$ 28,011,150	\$ 707,147	\$ 2,350,000	\$ 26,368,297	\$ 2,440,000
2002 General obligation bonds, Series B	7,005,030	48,200	320,000	6,733,230	570,000
2002 General obligation bonds, Series C	98,078,805	2,752,525	-	100,831,330	-
Unamortized premium	3,494,812	-	134,416	3,360,396	-
Lease revenue bonds	170,000	-	15,000	155,000	15,000
<b>Total Bonds and Notes Payable</b>	<b>136,759,797</b>	<b>3,507,872</b>	<b>2,819,416</b>	<b>137,448,253</b>	<b>3,025,000</b>
<b>Other Liabilities</b>					
Capital leases	2,143,597	-	267,251	1,876,346	120,773
Compensated absences	1,325,739	-	129,573	1,196,166	168,939
Early retirement plan	35,000	-	7,000	28,000	7,000
Net OPEB obligation	271,728	1,076,962	811,962	536,728	-
<b>Total Other Liabilities</b>	<b>3,776,064</b>	<b>1,076,962</b>	<b>1,215,786</b>	<b>3,637,240</b>	<b>296,712</b>
<b>Total Long-Term Obligations</b>	<b>\$ 140,535,861</b>	<b>\$ 4,584,834</b>	<b>\$ 4,035,202</b>	<b>\$ 141,085,493</b>	<b>\$ 3,321,712</b>

The changes in the District's long-term obligations during the 2009 fiscal year consisted of the following:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year	Due in One Year
<b>Bonds and Notes Payable</b>					
2005 General obligation bonds, Refunding	\$ 29,656,800	\$ 629,350	\$ 2,275,000	\$ 28,011,150	\$ 2,350,000
2002 General obligation bonds, Series B	9,005,370	44,660	2,045,000	7,005,030	320,000
2002 General obligation bonds, Series C	96,044,422	2,619,383	585,000	98,078,805	-
Unamortized premium	3,629,228	-	134,416	3,494,812	-
Lease revenue bonds	185,000	-	15,000	170,000	15,000
<b>Total Bonds and Notes Payable</b>	<b>138,520,820</b>	<b>3,293,393</b>	<b>5,054,416</b>	<b>136,759,797</b>	<b>2,685,000</b>
<b>Other Liabilities</b>					
Capital leases	2,560,450	-	416,853	2,143,597	190,042
Compensated absences	1,202,044	123,695	-	1,325,739	331,434
Early retirement plan	-	35,000	-	35,000	7,000
Net OPEB obligation	-	1,076,962	805,234	271,728	-
<b>Total Other Liabilities</b>	<b>3,762,494</b>	<b>1,235,657</b>	<b>1,222,087</b>	<b>3,776,064</b>	<b>528,476</b>
<b>Total Long-Term Obligations</b>	<b>\$ 142,283,314</b>	<b>\$ 4,529,050</b>	<b>\$ 6,276,503</b>	<b>\$ 140,535,861</b>	<b>\$ 3,213,476</b>

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

### Description of Debt

Payments on the general obligation bonds are to be made by the Bond Interest and Redemption Fund with local property tax collections. The compensated absences will be paid by the fund for which the employee worked. Capital lease payments are made out of the General Unrestricted Fund. Capital lease payments will be paid through 2019. The net OPEB obligation and the early retirement plan will be paid by the General Unrestricted Fund. Payments on the lease revenue bonds are made by the Student Center Fund.

### General Obligation Bonds

#### 2005 General Obligation Refunding Bonds

During December 2005, the District issued the 2005 General Obligation Refunding Bonds in the amount of \$33,304,385. The bonds issued included \$29,305,000 of Current Interest bonds and \$3,999,385 of Capital Appreciation bonds. The Capital Appreciation bonds have a maturing principal balance of \$10,230,000. The current interest bonds mature beginning on August 1, 2006 through August 1, 2020, with interest rates ranging from 3.25 percent to 5.00 percent. The Capital Appreciation bonds mature beginning on August 1, 2012 through August 1, 2015, with yield rates ranging from 4.05 percent to 4.43 percent. At June 30, 2010, the principal balance outstanding (including accreted interest to date) was \$26,368,297.

The bonds are being used to advance refund a portion of the outstanding General Obligation Bonds, Election of 2002, Series A. As the advance refunding has met the requirements of an in substance defeasance which includes a net cost savings to the taxpayers and the District, the debt obligations of the bonds have been removed as long-term obligations of the District.

#### 2002 General Obligation Bonds, Series B and C

During January 2008, the District issued the 2008 General Obligation Bonds, Series B and Series C, of \$104,999,300. The bonds issued included \$52,870,000 of Current Interest bonds and \$52,129,300 of Capital Appreciation bonds. The Capital Appreciation bonds have a maturing principal balance of \$140,680,000. The current interest bonds mature beginning on August 1, 2008 through August 1, 2034, with interest rates ranging from 3.50 percent to 5.35 percent. The Capital Appreciation bonds mature beginning on August 1, 2015 through August 1, 2033, with yield rates ranging from 4.76 percent to 5.17 percent. At June 30, 2010, the principal balance outstanding (including accreted interest to date) was \$107,564,560.

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds		Accreted Interest		Bonds	
				Outstanding July 1, 2009	Issued	Additions	Redeemed	Outstanding June 30, 2010	
2005	08/01/2020	3.25%-5.00%	\$ 33,304,385	\$ 28,011,150	\$ -	\$ 707,147	\$ 2,350,000	\$ 26,368,297	
2008	08/01/2021	3.80%-5.35%	9,004,530	7,005,030	-	48,200	320,000	6,733,230	
2008	08/01/2034	3.50%-5.00%	95,994,770	98,078,805	-	2,752,525	-	100,831,330	
				<u>\$ 133,094,985</u>	<u>\$ -</u>	<u>\$ 3,507,872</u>	<u>\$ 2,670,000</u>	<u>\$ 133,932,857</u>	

**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009**

The general obligation bonds mature through 2021 as follows:

Year Ending June 30,	Principal (Including Accreted Interest to Date)	Accreted Interest	Current Interest to Maturity	Total
2011	\$ 2,440,000	\$ -	\$ 873,230	\$ 3,313,230
2012	2,540,000	-	773,630	3,313,630
2013	2,067,521	572,479	715,330	3,355,330
2014	1,765,708	889,292	707,830	3,362,830
2015	1,571,467	1,083,533	707,830	3,362,830
2016-2020	12,783,601	1,256,399	2,500,350	16,540,350
2021	3,200,000	-	80,000	3,280,000
Total	<u>\$ 26,368,297</u>	<u>\$ 3,801,703</u>	<u>\$ 6,358,200</u>	<u>\$ 36,528,200</u>

The general obligation bonds mature through 2022 as follows:

Year Ending June 30,	Principal (Including Accreted Interest to Date)	Accreted Interest	Current Interest to Maturity	Total
2011	\$ 570,000	\$ -	\$ 256,474	\$ 826,474
2012	845,000	-	227,795	1,072,795
2013	1,145,000	-	186,240	1,331,240
2014	1,500,000	-	128,441	1,628,441
2015	1,815,000	-	52,808	1,867,808
2016-2020	658,230	341,770	53,500	1,053,500
2021-2022	200,000	-	16,050	216,050
Total	<u>\$ 6,733,230</u>	<u>\$ 341,770</u>	<u>\$ 921,308</u>	<u>\$ 7,996,308</u>

**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009**

The general obligation bonds mature through 2035 as follows:

Year Ending June 30,	Principal (Including Accreted Interest to Date)	Accreted Interest	Current Interest to Maturity	Total
2011	\$ -	\$ -	\$ 2,104,450	\$ 2,104,450
2012	-	-	2,104,450	2,104,450
2013	-	-	2,104,450	2,104,450
2014	-	-	2,104,450	2,104,450
2015	-	-	2,104,450	2,104,450
2016-2020	14,215,000	-	9,294,075	23,509,075
2021-2025	28,063,659	13,811,341	4,944,625	46,819,625
2026-2030	24,029,039	33,465,961	4,211,250	61,706,250
2031-2035	34,523,632	36,416,368	3,720,125	74,660,125
Total	<u>\$ 100,831,330</u>	<u>\$ 83,693,670</u>	<u>\$ 32,692,325</u>	<u>\$ 217,217,325</u>

**Lease Revenue Bonds**

Lease revenue bonds for \$500,000 were issued in 1968 to finance improvements to the student center. The bonds are collateralized by revenue from the bookstore and student center building fees collected at registration. Bond principal matures in the fiscal year 2019; interest rates are variable, with a maximum rate of 7.0 percent per annum. The annual debt service for these bonds is provided by transfers from the Revenue Bond Project Fund to the Debt Service Fund. The principal balance at June 30, 2010, was \$155,000.

Revenue bonds mature as follows:

Year Ending June 30,	Principal	Interest to Maturity	Total
2011	\$ 15,000	\$ 4,425	\$ 19,425
2012	15,000	3,975	18,975
2013	15,000	3,525	18,525
2014	15,000	3,075	18,075
2015	15,000	2,625	17,625
2016-2020	80,000	4,800	84,800
Total	<u>\$ 155,000</u>	<u>\$ 22,425</u>	<u>\$ 177,425</u>

**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009**

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**Capital Leases**

The District has entered into a capital lease arrangement for the following equipment:

Equipment	\$ 2,854,469
Less: Accumulated Depreciation	(713,617)
Total	<u>\$ 2,140,852</u>

Amortization of the leased equipment under capital lease is included with depreciation expense.

The District's liability on lease agreements with options to purchase is summarized below:

Balance, July 1, 2009	\$ 2,597,334
Payments	310,865
Balance, June 30, 2010	<u>\$ 2,286,469</u>

The capital leases have minimum lease payments as follows:

Year Ending <u>June 30,</u>	Principal
2011	\$ 239,783
2012	275,324
2013	275,324
2014	275,324
2015	275,324
2016-2020	945,390
Total	<u>2,286,469</u>
Less: Amount Represent Interest	410,123
Present Value of Minimum Lease Payments	<u>\$ 1,876,346</u>

**Early Retirement Plan**

The District has entered into an agreement to provide certain benefits to employees participating in the early retirement incentive program. The District will pay a total of \$28,000 on behalf of one retiree over the next four years in accordance with the following schedule:

Year Ending <u>June 30,</u>	Principal
2011	\$ 7,000
2012	7,000
2013	7,000
2014	7,000
Total	<u>\$ 28,000</u>



# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

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### Compensated Absences

The long-term portion of compensated absences for the District at June 30, 2010, amounted to \$1,196,166.

### Other Postemployment Benefits Obligation

The District implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, during the year ended June 30, 2009. The District's annual required contribution for the year ended June 30, 2010, was \$1,076,962, and contributions made by the District during the year were \$811,962, which resulted in an increase to the net OPEB obligation of \$265,000. As of June 30, 2010, the net OPEB obligation was \$536,728. See Note 10 for additional information regarding the OPEB obligation and the postemployment benefits plan.

### **NOTE 10 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS OBLIGATION**

The District provides postemployment health care benefits for retired employees in accordance with negotiated contracts with the various bargaining units of the District.

### Plan Description

The Monterey Peninsula Community College District Health Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the Monterey Peninsula Community College District. The Plan provides medical benefits to eligible retirees and their spouses. Membership of the Plan consists of 117 retirees and beneficiaries currently receiving benefits and 272 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. 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 2009-2010, the District contributed \$811,962 to the Plan, all of which was used for current premiums.

### Annual OPEB Cost and Net OPEB Obligation

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 obligation to the Plan:

Annual required contribution	\$ 1,076,962
Contributions made	(811,962)
Increase in net OPEB obligation	265,000
Net OPEB obligation, beginning of year	271,728
Net OPEB obligation, end of year	<u>\$ 536,728</u>

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

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### Trend Information

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

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2009	\$ 1,076,962	\$ 805,234	75%	\$ 271,728
2010	\$ 1,076,962	\$ 811,962	75%	\$ 536,728

### Funding Status and Funding Progress

A schedule of funding progress as of the most recent actuarial valuation is as follows:

Actuarial Accrued Liability (AAL)	\$ 11,082,229
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 11,082,229</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%
Covered Payroll	<u>\$ 23,669,000</u>
UAAL as Percentage of Covered Payroll	<u>47%</u>

The above noted actuarial accrued liability was based on the November 1, 2008, 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 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.

### 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.

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2010 AND 2009**

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In the November 1, 2008, actuarial valuation, the entry age normal method was used. The actuarial assumptions included a five 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. Healthcare cost assumptions include a four percent inflation. The UAAL is being amortized at a level dollar method. The remaining amortization period at July 1, 2010, was 28 years. The actuarial value of assets was not determined in this actuarial valuation.

### **NOTE 11 - RISK MANAGEMENT**

#### **Insurance Coverages**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance for property and liability with coverages of \$1 million, subject to various policy limits ranging from \$1 million to \$250 million and deductibles ranging from \$100,000 to \$250,000 per occurrence. The District also purchases commercial insurance for general liability claims with coverage up to \$1 million per occurrence with excess liability coverage limit of \$20 million, all subject to various deductibles. Employee health coverage benefits are covered by a commercial insurance policy purchased by the District. The District provides health insurance benefits to District employees, their families, and retired employees of the District.

#### **Joint Powers Authority Risk Pools**

During fiscal year ending June 30, 2010, the District contracted with the Bay Area Community College District Joint Powers Authority 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 2010, the District participated in the Northern California Community College Pool, an insurance purchasing pool. The intent of the Pool is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Pool. 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 Pool. Each participant pays its workers' compensation premium based on its individual rate. Participation in the Pool is limited to community college districts that can meet the Pool's selection criteria.

<u>Insurance Program / Company Name</u>	<u>Type of Coverage</u>	<u>Limits</u>
Protected Insurance Programs for Schools	Workers' Compensation	\$ 1,000,000
Bay Area Community College District JPA	Property and Liability	\$ 1,000,000

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

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### *NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS*

Qualified employees are covered under multiple-employer 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).

#### **CalSTRS**

##### **Plan Description**

The District contributes to CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, California 95826.

##### **Funding Policy**

Active members of the Defined Benefit (DB) Plan are required to contribute 8.0 percent of their salary while the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2009-2010 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's total contributions to CalSTRS for the fiscal years ended June 30, 2010, 2009, and 2008, were \$1,244,586, \$1,317,295, and \$1,266,843, respectively, and equal 100 percent of the required contributions for each year. The State of California may make additional direct payments for retirement benefits to the CalSTRS on behalf of all community colleges in the State. The revenue and expenditures associated with these payments, if any, have not been included in these financial statements.

#### **CalPERS**

##### **Plan Description**

The District contributes to the School Employer Pool under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95811.

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

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### **Funding Policy**

Active plan members are required to contribute 7.0 percent of their salary (7.0 percent of monthly salary over \$133.33 if the member participates in Social Security), and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The District's contribution rate to CalPERS for fiscal year 2009-2010 was 9.709 percent of covered payroll. The District's contributions to CalPERS for fiscal years ending June 30, 2010, 2009, and 2008, were \$833,374, \$801,078, and \$761,278, respectively, and equaled 100 percent of the required contributions for each year.

### **On-Behalf Payments**

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS which amounted to \$643,721, \$754,492, and \$716,455 (4.267 percent) of salaries subject to CalSTRS for the years ended June 30, 2010, 2009, and 2008, respectively. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. These amounts have been reflected in the consolidated financial statements as a component of nonoperating revenue and employee benefit expense.

### **Deferred Compensation**

The District offers its employees a CalPERS administered 457 Deferred Compensation Program (the Program). The plan, available to all permanent employees, permits them to defer a portion of pre-tax salary into investment of an individual's own choosing until future years. The deferred compensation is not available to the employees or their beneficiaries until termination, retirement, death, or an unforeseeable emergency. The CalPERS Board controls the investment and administrative functions of the CalPERS 457 Deferred Compensation Program. The Board for the exclusive benefit of participating employees, which adds security, holds the assets in trust.

### **Early Retirement Incentive**

The District has entered into an agreement with the Monterey Peninsula College Teacher's Association (MPCTA) to offer a retirement incentive for MPCTA employees to retire and provide a significant budget savings for the District.

The agreement was eligible to all current full-time MPCTA employees age 65 or older on the date of resignation. The effective date of resignation for purposes of retirement was no earlier than June 6, 2009, and no later than August 19, 2009. The agreement stated the District would pay a sum equal to \$35,000 to each eligible employee. This amount exceeds the cost of purchasing one year of permissive service credit with CalSTRS for all employees who meet the eligibility criteria. The agreement was a one-time offer of which one MPCTA employee elected the early retirement incentive in response to the current budget situation. At June 30, 2010, the outstanding balance was \$28,000.

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

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### *NOTE 13 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES*

The District is a member of the Bay Area Community College District (BACCD), the Schools Excess Liability Fund (SELF), the Northern California Community College Pool (NCCCCP), and the Community College Insurance Group (CCIG) Joint Powers Authority. The District pays annual premiums for its property and liability, health, workers' compensation, dental, and vision coverage. The relationship between the District and the JPAs are 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.

During the year ended June 30, 2010, the District made payments of \$234,233, \$660,007, and \$384,157 to BACCD, NCCCCP, and CCIG, respectively.

### *NOTE 14 - 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, 2010.

#### **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, 2010.

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

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### Construction Commitments

As of June 30, 2010, the District had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECTS	Remaining Construction Commitments	Estimated Year of Completions
Auto Technology Building	\$ 117,098	2010-2011
New Ed Center Building at Marina	3,218,381	2010-2011
Business Computer Science	1,420,245	2010-2011
Furniture and Equipment	14,038	2014-2015
New Student Services Building	3,205,925	2010-2011
Infrastructure - Phase III	84,595	2015-2016
General Institutional Bond Management	86,260	TBD
	<u>\$ 8,146,542</u>	

The projects are funded through a combination of general obligation bonds and capital project apportionments from the California State Chancellor's Office.

### Deferral of State Apportionments

The State legislature had not enacted a budget as of June 30, 2010. The State budget was adopted on October 8, 2010. As a result, certain apportionments owed to the Community College District System and the Monterey Peninsula Community College District for funding of FTES, categorical programs, and construction reimbursements which are attributable to the 2009-2010 fiscal year have been deferred to the 2010-2011 fiscal year. The total amount of funding deferred into the 2010-2011 fiscal year was \$4,547,519. As of July 16, 2010, this amount has been received. These deferrals of apportionment are considered permanent with future funding also being subject to deferral into future years.

### Fiscal Issues Relating to State-Wide Funding Reductions

The State of California economy is continuing through a three-year recessionary economy. The California Community College system is reliant on the State of California to appropriate the funding necessary to provide for the educational services and student support programs that are mandated for the Colleges. In addition to the reductions in funding due to the economic environment, the State of California has failed to pass a budget in a timely manner during the past two years. The budget for the 2010-2011 fiscal year was adopted on October 8, 2010; fully 99 days beyond the July 1 requirements. As a result of the delay in the budget adoption, cash payments to community colleges in general, and the Monterey Peninsula Community College District specifically, were suspended for the period between July 2010 and October 2010. For Monterey Peninsula Community College District, this is approximately \$9.6 million.

The District has implemented budgetary reductions to counter the reductions in apportionment and program funding and has issued short-term borrowings to cover the cash shortfalls. However, continued reductions and deferral of cash payments will ultimately impact the District's ability to meet the educational program goals.

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***REQUIRED SUPPLEMENTARY INFORMATION***

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**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING  
PROGRESS  
FOR THE YEAR ENDED JUNE 30, 2010**

<b>Schedule of Funding Progress</b>						
<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) - Entry Age Normal (b)</b>	<b>Unfunded AAL (UAAL) (b - a)</b>	<b>Funded Ratio (a / b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b - a) / c)</b>
November 1, 2008	\$ -	\$ 11,082,229	\$ 11,082,229	0%	\$ 23,669,000	47%

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***SUPPLEMENTARY INFORMATION***

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# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## DISTRICT ORGANIZATION JUNE 30, 2010

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The Monterey Peninsula Community College District was established in 1961. The District provides higher education to communities within Monterey County. The District currently operates one campus located in Monterey. There were no changes to the District's boundaries during the 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.

### BOARD OF TRUSTEES

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Mr. Lynn Davis	Chair	2011
Dr. Loren Steck	Vice Chair	2011
Mr. Charles Brown	Member	2013
Mr. Charlie Page	Member	2012
Dr. Margaret-Anne Coppernoll	Member	2013
Mr. Michael Dickey	Student Trustee	2010

### ADMINISTRATION

Dr. Douglas Garrison	Superintendent/President
Mr. Joseph Bissell <sup>[1]</sup>	Vice President, Business and Administrative Services
Dr. John Gonzalez	Vice President, Academic Affairs
Mr. Carsbia Anderson	Vice President, Student Services

<sup>[1]</sup> Mr. Stephen Ma, Vice President, Business and Administrative Services as of September 7, 2010.

See accompanying note to supplementary information.

**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2010**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Identify Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<b>HIGHER EDUCATION ACT</b>			
Student Financial Assistance Cluster			
Federal Supplement Education Opportunity Grant (FSEOG)	84.007		\$ 93,785
Federal Family Education Loans (FFEL)	84.032		2,148,003
Federal Work Study Program (FWS)	84.033		123,287
Federal Pell Grants (PELL)	84.063		4,767,240
Federal Pell Administrative	84.063		7,641
Academic Competitiveness Grant (ACG)	84.375		42,752
Subtotal Student Financial Assistance Cluster			<u>7,182,708</u>
TRIO Cluster			
Student Support Services Program	84.042A		271,320
Upward Bound Program	84.047A		352,155
Upward Bound - Math and Science	84.047M		336,730
Subtotal TRIO Cluster			<u>960,205</u>
<b>INDIVIDUALS AND DISABILITIES EDUCATION ACT</b>			
Passed through the California Department of Rehabilitation Workability	84.126A	27311	99,780
<b>PERKINS CAREER TECHNICAL EDUCATION ACT</b>			
Passed through from California Community College Chancellor's Office			
Career and Technical Education, Title I, Part C	84.048	[1]	124,542
Title II - Technical Preparation	84.243	[1]	56,779
Passed through from Cabrillo Community College District			
Collaborative Program Development in Green Technology and CTE Resource	84.243	[1]	14,600
Passed through from Peralta Community College District			
Title II - Technical Preparation	84.243	[1]	676
<b>AMERICAN RECOVERY AND REINVESTMENT ACT</b>			
Passed through from California Community College Chancellor's Office			
ARRA - State Fiscal Stabilization Fund	84.394	[1]	220,943
Total U.S. Department of Education			<u>8,660,233</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Forest Reserve	10.665		1,967
Passed through from California Department of Education (CDE)			
Child and Adult Care Food Program	10.558	[1]	32,933
Total U.S. Department of Agriculture			<u>34,900</u>

[1] Pass-Through Identify Number not available.

See accompanying note to supplementary information.

**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2010**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Identify Number	Federal Expenditures
U.S. DEPARTMENT OF COMMERCE			
NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION (NOAA)			
Professional Certification Program for Oceanographers	11.478		\$ 39,807
Total U.S. Department of Commerce			<u>39,807</u>
U.S. DEPARTMENT OF DEFENSE			
OFFICE OF NAVAL RESEARCH - DEPARTMENT OF THE NAVY NATIONAL OCEANOGRAPHIC PARTNERSHIP PROGRAM (NOPP) BASIC AND APPLIED SCIENTIFIC RESEARCH			
Understanding and Predicting Changes in the Workforce for Oceanic Sciences, Technology, and Operations	12.300		21,523
Total U.S. Department of Defense			<u>21,523</u>
U.S. DEPARTMENT OF INTERIOR			
OFFICE OF MINERALS MANAGEMENT SERVICE			
Passed through from Louisiana State University			
Gulf Serpent: Establishing a Deepwater Plankton Observation Chancellor Using Industrial ROV	15.422	23662.000	11,047
Total U.S. Department of Interior			<u>11,047</u>
NATIONAL SCIENCE FOUNDATION			
Marine Technician Mentoring and Internship Program	47.050		50,619
Marine Advanced Technology Education (MATE) ROV Competitions:			
Providing Pathways to the Ocean STEM Workforce	47.076		264,501
Marine Advanced Technology Education Resource Center	47.076		410,463
Passed through from the University of Colorado Denver			
IPY: Polar Hydrobot Simulator	47.076	FY10.542.012	20,172
Passed through from the Woods Hole Oceanographic Institution			
Center for Ocean Sciences Education Excellence - Network Ocean World (NOW)	47.050	A 100584	24,661
Total National Science Foundation			<u>770,416</u>
U.S. DEPARTMENT OF VETERANS AFFAIRS			
Veterans Education	64.000		1,435

[1] Pass-Through Identify Number not available.

See accompanying note to supplementary information.

**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2010**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Identify Number	Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through from California Community College Chancellor's Office Temporary Assistance for Needy Families (TANF)	93.558	[1]	\$ 31,560
Passed through from The Regents of the University of California Baccalaureate Bridge to Biomedical Sciences Program	93.589	NoS0182765	10,480
Passed through from the Yosemite Community College District, Child Development Training Consortium Child Development Consortium	93.596	09-10 - 3969	<u>10,458</u>
Total U.S. Department of Health and Human Services			<u>52,498</u>
Total Expenditures of Federal Awards			<u><u>\$ 9,591,859</u></u>

[1] Pass-Through Identify Number not available.

See accompanying note to supplementary information.

**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2010**

PROGRAM	Program Entitlements		
	Current Year	Prior Year	Total Entitlement
<b>STATE CATEGORICAL AID PROGRAMS</b>			
Articulation Grant	\$ -	\$ 2,738	\$ 2,738
Basic Skills - 09/10	92,784	-	92,784
Basic Skills - 08/09	-	149,402	149,402
Basic Skills - 07/08	-	112,809	112,809
Board Financial Assistance Program (BFAP)	222,047	1,951	223,998
Cal Grants B - Financial Aid	177,795	-	177,795
Cal Grants C - Financial Aid	7,200	-	7,200
Career Tech - One Time Fund	-	284	284
<b>Cal-WORKS</b>	<b>115,648</b>	<b>-</b>	<b>115,648</b>
CARE	63,517	16,677	80,194
Children's Center	34,807	3,458	38,265
Child Development Instructional Material	500	-	500
Child Development Pre-School Grant	215,524	-	215,524
CIS Education/Business	-	319	319
Closed Captioning	-	20,394	20,394
Disabled Student Programs and Service (DSPS)	509,153	23,051	532,204
Enrollment Growth	160,843	-	160,843
Extended Opportunity Programs and Service (EOPS)	554,408	70,101	624,509
Fire Training	81,897	15,708	97,605
First 5	6,886	-	6,886
Health Initiative	6,000	-	6,000
Instructional Block - Match Require - Student Service	-	26,839	26,839
Instructional Block - Match Require - Library	-	266	266
Instructional Block - Match Require - Instructional	-	97,946	97,946
Instructional Equipment - One Time Fund	-	180,721	180,721
Matriculation Credit	246,375	54,688	301,063
Matriculation Non-Credit	99,974	90,677	190,651
Staff Development	-	954	954
Staff Diversity	5,597	4,154	9,751
Telecommunication and Technology Infrastructure Program			
- Library	-	6,470	6,470
<b>Total State Programs</b>			

See accompanying note to supplementary information.

Program Revenues				
Cash	Accounts	Deferred	Total	Program
Received	Receivable	Revenue	Revenue	Expenditures
	(Payable)			
\$ 2,738	\$ -	\$ 142	\$ 2,596	\$ 2,596
92,784	-	92,784	-	-
149,402	-	145,055	4,347	4,347
112,809	-	-	112,809	112,809
222,047	-	6,305	215,742	215,742
177,795	-	-	177,795	177,795
7,200	-	-	7,200	7,200
284	-	57	227	227
115,648	-	-	115,648	115,648
63,517	-	4,828	58,689	58,689
38,265	-	-	38,265	38,265
125	375	21	479	479
159,143	56,381	-	215,524	215,524
319	-	-	319	319
20,394	(20,394)	-	-	-
577,827	-	33,087	544,740	544,740
140,171	48,203	-	188,374	188,374
554,408	-	36,477	517,931	517,931
79,338	-	27,332	52,006	52,006
-	6,886	6,886	-	-
6,000	-	32	5,968	5,968
26,839	-	15,453	11,386	11,386
26,473	-	22,171	4,302	4,302
97,946	-	30,140	67,806	67,806
180,721	-	45,111	135,610	135,610
246,375	-	28,573	217,802	217,802
99,974	-	6,340	93,634	93,634
954	-	319	635	635
9,751	-	3,936	5,815	5,815
6,470	-	-	6,470	6,470
<u>\$ 3,215,717</u>	<u>\$ 91,451</u>	<u>\$ 505,049</u>	<u>\$ 2,802,119</u>	<u>\$ 2,802,119</u>



MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL  
 APPORTIONMENT - ANNUAL (ACTUAL) ATTENDANCE  
 AS OF JUNE 30, 2010

	*(Revised) Reported Data	Audit Adjustments	Revised Audited Data
<b>CATEGORIES</b>			
<b><u>Full-Time Equivalent Student (FTES)</u></b>			
<b>A. Summer intersession (Summer 2009 only)</b>			
1. Noncredit	248	-	248
2. Credit	441	-	441
<b>B. Summer Intersession (Summer 2010-Prior to July 1, 2010)</b>			
1. Noncredit	-	-	-
2. Credit	269	-	269
<b>C. Primary Terms (Exclusive of Summer Intersession)</b>			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	4,142	-	4,142
(b) Daily Census Contact Hours	178	-	178
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	907	-	907
(b) Credit	1,339	-	1,339
3. Alternative Attendance Accounting Procedure			
(a) Weekly Census Contact Hours	238	-	238
(b) Daily Census Contact Hours	126	-	126
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
<b>D. Total FTES</b>	<u>7,888</u>	<u>-</u>	<u>7,888</u>
<b>H. Basic Skills courses and Immigrant Education (FTES)</b>			
1. Noncredit	223	-	223
2. Credit	262	-	262
	<u>485</u>	<u>-</u>	<u>485</u>
<b>Comprehensive Center FTES</b>			
1. Noncredit			8
2. Credit			334
Total Comprehensive Center FTES			<u>342</u>

\* Annual report revised on October 1, 2010.

See accompanying note to supplementary information.

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

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Summarized below are the fund balance reconciliations between the Annual Financial and Budget Report (CCFS-311) and the fund financial statements.

	<u>Bond Interest and Redemption</u>	<u>Capital Outlay</u>
June 30, 2010, Annual Financial and Budget Report (CCFS-311) Reported Fund Balance	\$ 4,702,636	\$ 849,652
Adjustments and Reclassifications increasing (decreasing) fund balance:		
Investments	936,927	-
Deferred revenue	-	7,255
Audited Fund Balance	<u>\$ 5,639,563</u>	<u>\$ 856,907</u>

See accompanying note to supplementary information.

**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT**

**RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEETS TO THE  
STATEMENT OF NET ASSETS  
JUNE 30, 2010**

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

**Total Fund Balance and Retained Earnings**

General Fund	\$ 4,268,758
Special Revenue Funds	356,812
Debt Service Fund	5,689,450
Capital Projects Fund	73,224,727
Self Insurance Fund	8,757,453
Student Financial Aid Fund	5,176

<b>Total Fund Balance and Retained Earnings</b>	<b>\$ 92,302,376</b>
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

The cost of capital assets is	133,328,204	
Accumulated depreciation is	(22,311,598)	111,016,606

Governmental funds report cost of issuance associated with the issuance of debt when the debt is first issued, whereas the amounts are deferred and amortized in the statement of activities.

Cost of issuance at year end amounted to :	1,602,237
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In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.

(1,373,810)

Long-term obligations at year end consist of:

General obligation and lease revenue bonds	137,448,253	
Early retirement	28,000	
Other postemployment benefits (OPEB)	536,728	
Capital leases	1,876,346	
Compensated absences (vacations)	1,196,166	
Less compensated absences already recorded in funds	(38,727)	(141,046,766)

<b>Total Net Assets</b>	<b>\$ 62,500,643</b>
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See accompanying note to supplementary information.

**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT**

**NOTE TO SUPPLEMENTARY INFORMATION  
JUNE 30, 2010**

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**NOTE 1 - PURPOSE OF SCHEDULES**

**District Organization**

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

**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 the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 statement of revenues, expenses, and changes in net assets and the related expenditures reported on the schedule of expenditures of Federal awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2010.

<u>Description</u>	<u>Amount</u>
Total Federal Revenues From the Statement of Revenues, Expenses, and Changes in Net Assets:	\$ 7,443,818
Total Federal Revenues From the Statement of Changes in Net Assets of Fiduciary Funds:	2,148,003
Revenue recognition principles in various programs	38
Total Schedule of Expenditures of Federal Awards	<u>\$ 9,591,859</u>

**Subrecipients**

Of the Federal expenditures presented in the schedule, the District provided Federal awards to subrecipients as follows:

<u>Federal Grantor/Pass-Through Grantor/Program</u>	<u>CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
<b>NATIONAL SCIENCE FOUNDATION</b>		
MATE ROV Competitions: Providing Pathways to the Ocean STEM Workforce		
Washington State University	47.046	<u>\$ 46,142</u>

**Schedule of Expenditures of State Awards**

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

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION

JUNE 30, 2010

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

Full-Time Equivalent Students (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.

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

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

### **Reconciliation of the Governmental Fund Balance Sheets to the Statement of Net Assets**

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

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***INDEPENDENT AUDITORS' REPORTS***

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

Board of Trustees  
Monterey Peninsula Community College District  
Monterey, California

We have audited the basic financial statements of Monterey Peninsula Community College District (the District) for the years ended June 30, 2010 and 2009, and have issued our report thereon dated December 23, 2010. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audits, we considered Monterey Peninsula Community College District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Monterey Peninsula Community College District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Monterey Peninsula Community College District's internal control over financial reporting.

*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 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Monterey Peninsula 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 audits 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*.

This report is intended solely for the information and use of the Board of Trustees, District Management, the California Community Colleges Chancellor's Office, and the District's Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vauvimek, Time, Day & Co., LLP.

Rancho Cucamonga, California  
December 23, 2010





**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT  
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Trustees  
Monterey Peninsula Community College District  
Monterey, California

**Compliance**

We have audited the compliance of Monterey Peninsula Community College District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2010. Monterey Peninsula Community College District's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of Monterey Peninsula Community College District's management. Our responsibility is to express an opinion on Monterey Peninsula Community College District's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Monterey Peninsula 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. Our audit does not provide a legal determination of Monterey Peninsula Community College District's compliance with those requirements.

In our opinion, Monterey Peninsula Community College District complied, in all material respects, with the 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, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2010-1.

## Internal Control Over Compliance

The management of Monterey Peninsula Community College District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered Monterey Peninsula Community College District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Monterey Peninsula 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as item 2010-1. *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.

Monterey Peninsula Community College District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Monterey Peninsula Community College District's response and, accordingly, we express no opinion.

This report is intended solely for the information and use of the Board of Trustees, District Management, the California Community Colleges Chancellor's Office, and the District's Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vauimerk, Time, Day & Co., LLP.

Rancho Cucamonga, California  
December 23, 2010



## REPORT ON STATE COMPLIANCE

Board of Trustees  
Monterey Peninsula Community College District  
Monterey, California

We have audited the compliance of Monterey Peninsula Community College District (the District) with the types of compliance requirements described in Section 400 of the California State Chancellor's Office's *California Community College District Audit Manual (CDAM)* that are applicable to community colleges in the State of California. The specific requirements are described below.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America and the standards for financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements with State laws and regulations have occurred. An audit includes examining, on a test basis, evidence about Monterey Peninsula 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. Our audit does not provide a legal determination of Monterey Peninsula Community College District's compliance with those requirements.

### General Directive

Section 424: MIS Implementation - State General Apportionment Funding System

### Administration

Section 435: Open Enrollment

Section 437: Student Fees - Instructional Materials and Health Fees

### Apportionments

Section 423: Apportionment of Instructional Service Agreements/Contracts

Section 425: Residency Determination for Credit Courses

Section 427: Concurrent Enrollment of K-12 Students in Community College Credit Courses

Section 432: Enrollment Fee

Section 426: Students Actively Enrolled

## **Fiscal Operations**

Section 421: Salaries of Classroom Instructors (50% Law)

Section 431: Gann Limit Calculation

## **Student Services**

Section 428: Use of Matriculation Funds

Section 433: CalWORKs - Use of State and Federal TANF Funding

## **Facilities**

Section 434: Scheduled Maintenance Program

In our opinion, Monterey Peninsula Community College District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2010.

This report is intended solely for the information of the Board of Trustees, District Management, the California Community Colleges Chancellor's Office, the California Department of Finance, and the California Department of Education, and is not intended to be and should not be used by anyone other than these specified parties.

*Vaurmel, Time, Day & Co., LLP.*

Rancho Cucamonga, California  
December 23, 2010

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

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**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT**

**SUMMARY OF AUDITORS' RESULTS  
FOR THE YEAR ENDED JUNE 30, 2010**

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**FINANCIAL STATEMENTS**

Type of auditors' report issued:	<u>Unqualified</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>
Noncompliance 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>Yes</u>
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	<u>Yes</u>
Identification of major programs:	

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.007; 84.032; 84.033; <u>84.063; and 84.375</u>	<u>Student Financial Assistance Cluster (includes ARRA)</u>
84.042A; 84.047A; and <u>84.047M</u>	<u>TRIO Cluster</u>
<u>84.394 (ARRA)</u>	<u>ARRA State Fiscal Stabilization Fund</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u>No</u>

**STATE AWARDS**

Internal control over State 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 State programs:	<u>Unqualified</u>

**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT**

**FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED JUNE 30, 2010**

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None reported.

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

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The following findings represent significant deficiencies and/or instances of noncompliance including questioned costs that are required to be reported by OMB Circular A-133.

### **2010-1 Finding - Return to Title IV funds not timely.**

**Program:** Student Financial Assistance Cluster  
**CFDA No.** 84.007, 84.032, 84.033, 84.063, 84.375  
**Award Year:** 2009-2010  
**Compliance Requirement:** Special Tests and Provisions

#### **Federal Program Affected**

Student Financial Assistance Cluster - U.S. Department of Education (DOE), Federal Pell Grant Program (CFDA No. 84.063)

#### **Criteria**

34 CFR 668.22(j)

The auditee is required to "return the amount of Title IV funds for which it is responsible under paragraph (g) as soon as possible but no later than 45 days after the date of the institution's determination that the student withdrew..."

#### **Condition**

During our testing of the return to Title IV procedures, we noted the District did not return funds within the 45 day limitation. In our sample, we noted that for all of the students tested, the District's portion of the return to Title IV funds were not returned by the District within the 45 day requirement. It was noted that funds returned ranged between forty-seven (47) and seventy-one (71) days.

#### **Questioned Costs**

None noted.

#### **Isolated Instance or Systemic**

Systemic - We noted all returns of Title IV funds selected were not returned in a timely manner. We noted each return of Title IV was not returned within 45 days of becoming aware that the student had dropped, deposits or transfers were not made into the Federal funds accounts, electronic transfers were initiated, or check were issued.

#### **Effect**

Without proper controls in place, the District could continue to be out of compliance with Title IV requirements. Noncompliance with the applicable Federal regulations could result in questioned costs related to the student financial aid program.



# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

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### **Recommendation**

Monterey Peninsula College should strengthen its controls over ensuring return of Title IV funds are returned in a timely manner, but no later than 45 days (or within 30 days for students that never began attendance) the District becomes aware that the student had dropped.

### **District Response**

The Financial Aid Office and the Fiscal Services Office have put together an internal procedure to resolve this finding.

The Fiscal Services Office will work closely with the Financial Aid Office to make timely return of funds to the Department of Education, no later than the 45 days once the District becomes aware that the student has dropped the course.

**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2010**

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None reported.

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2010

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Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of audit findings and questioned costs.

### *FEDERAL AWARD FINDINGS*

#### **2009-1 Finding - Return of Title IV funds not timely**

**Program:** Student Financial Assistance Cluster

**CFDA No.** 84.007, 84.032, 84.033, 84.063, and 84.375

**Award Year:** 2008-2009

**Compliance Requirement:** Special Tests and Provisions

#### **Federal Programs Affected**

Student Financial Assistance Cluster - U.S. Department of Education (DOE), Federal Supplemental Education Opportunity Grant (FSEOG) (CFDA No. 84.007), Federal Family Educational Loans (CFDA No. 84.032), Federal Work Study Program (CFDA No. 84.033), Federal Pell Grant Program (CFDA No. 84.063), and Academic Competitiveness Grant (ACG) (CFDA No. 84.375)

#### **Criteria**

34 CFR 668.22(j)

The auditee is required to "return the amount of Title IV funds for which it is responsible under paragraph (g) as soon as possible but no later than 45 days after the date of the institution's determination that the student withdrew..."

#### **Condition**

During our testing of the return to Title IV procedures, we noted the District did not return funds within the 45 day limitation. In our sample, we noted that for all of the students tested the District's portion of the return to Title IV funds were not returned by the District within the 45 day requirement. It was noted that funds returned ranged between sixty (60) and two hundred nineteen (219) days.

#### **Questioned Costs**

None noted.

#### **Isolated Instance or Systemic**

Systemic - The auditor noted ten (10) return of Title IV funds were not returned in a timely manner. The auditor noted each return of Title IV was not returned within 45 days of becoming aware that the student had dropped, deposits or transfers were not made into the Federal funds accounts, electronic transfers were initiated, or checks were issued.

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2010

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### Effect

Without proper controls in place, the District could continue to be out of compliance with Title IV requirements. Non-compliance with the applicable Federal regulations could result in questioned costs related to the student financial aid program.

### Recommendation

The District should strengthen its controls over ensuring return of Title IV funds are returned in a timely manner, but no later than 45 days (or within 30 days for students that never began attendance) the District becomes aware that the student had dropped.

### Current Status

Not implemented. See financial statement finding 2010-1.

### 2009-2 Finding - Reporting of Pell Disbursements

**Program:** Student Financial Assistance Cluster  
**CFDA No.:** 84.007, 84.032, 84.033, 84.063, and 84.375  
**Award Year:** 2008-2009  
**Compliance Requirement:** Reporting

### Federal Programs Affected

Student Financial Assistance Cluster - U.S. Department of Education (DOE), Federal Pell Grant Program (CFDA No. 84.063)

### Criteria

*Title 34 – Education, Part 690 – Federal Pell Grant Program – Subpart G – Administration of Grant Payments, Section 690.83 Submission of reports:*

- (a)(3) An institution that does not comply with the requirements of this paragraph may receive a payment or reduction in accountability only as provided in paragraph (d) of this section.
- (b)(1) An institution shall report to the Secretary any change in the amount of a grant for which a student qualifies including any related Payment Data changes by submitting to the Secretary the student's Payment Data that discloses the basis and result of the change in award for each student. The institution shall submit the student's Payment Data reporting any change to the Secretary by the reporting deadlines published by the Secretary in the Federal Register.
  - (2) An institution shall submit, in accordance with deadline dates established by the Secretary, through publication in the Federal Register, other reports and information the Secretary requires and shall comply with the procedures the Secretary finds necessary to ensure that the reports are correct.

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2010

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- (3) An institution that timely submits, and has accepted by the Secretary, the Payment Data for a student in accordance with this section shall report a reduction in the amount of a Federal Pell Grant award that the student received when it determines that an overpayment has occurred, unless that overpayment is one for which the institution is not liable under §690.79(a).
- (c) In accordance with 34 CFR 668.84, the Secretary may impose a fine on the institution if the institution fails to comply with the requirements specified in paragraphs (a) or (b) of this section.
- (d)(1) Notwithstanding paragraphs (a) or (b) of this section, if an institution demonstrates to the satisfaction of the Secretary that the institution has provided Federal Pell Grants in accordance with this part but has not received credit or payment for those grants, the institution may receive payment or a reduction in accountability for those grants in accordance with paragraphs (d)(4) and either (d)(2) or (d)(3) of this section.
- (2) The institution must demonstrate that it qualifies for a credit or payment by means of a finding contained in an audit report of an award year that was the first audit of that award year and that was conducted after December 31, 1988 and timely submitted to the Secretary under 34 CFR 668.23(c). (3) An institution that timely submits the Payment Data for a student in accordance with paragraph (a) of this section but does not timely submit to the Secretary, or have accepted by the Secretary, the Payment Data necessary to document the full amount of the award to which the student is entitled, may receive a payment or reduction in accountability in the full amount of that award, if:
  - (i) A program review demonstrates to the satisfaction of the Secretary that the student was eligible to receive an amount greater than that reported in the student's Payment Data timely submitted to, and accepted by, the Secretary; and
  - (ii) The institution seeks an adjustment to reflect an underpayment for that award that is at least \$10.

### Condition

During procedures performed over reporting, we identified problems in reporting of data to the Department of Education through the Common Origination and Disbursement (COD). In our sample of forty (40) Federal Pell disbursements, we noted ten (10) Pell origination records per COD did not agree to origination records noted on the District's Financial Aid Management System (FAMS). In each disbursement record, we noted the disbursement dates did not agree. The disbursement date discrepancies between the two systems ranged from one day to 45 days.

### Questioned Costs

None noted.

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2010

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### Isolated Instance or Systemic

Systemic - we noted ten (10) Pell origination record per COD did not agree to originations records noted on the District's FAMS. No other verification was accomplished for compliance.

### Effect

Without the proper controls in place, data reported to the Department of Education could be inaccurate.

### Recommendation

The District should strengthen its controls over reporting to ensure information is accurate. Further, the District should review its process of submitting data to ensure information reported to the Department of Education is timely and accurate.

### Current Status

Implemented.

### 2009-3 Finding - Compensation for Personnel Services

**Program:** TRIO Cluster

**CFDA No.:** 84.042, 84.047

**Award Year:** 2008-2009

**Compliance Requirement:** Allowable Cost/Cost Principles

### Federal Programs Affected

U.S. Department of Education, Higher Education Act, TRIO Cluster, Student Support Services (CFDA No. 84.042), and Upward Bound (CFDA No. 84.047)

### Criteria

OMB Circular A-21, Cost Principles for Educational Institutions, Part J, General Provisions for Selected Items of Cost, No. 10, Compensation for Personnel Services.

- c. (1) Plan Confirmation: Under this method, the distribution of salaries and wages of professorial and professional staff applicable to sponsored agreements is based on budgeted, planned, or assigned work activity, updates to reflect any significant changes in work distribution. A plan confirmation system used for salaries and wages charged directly or indirectly to sponsored agreements will meet the following standards:
  - (a) A system of budgeted, planned, or assigned work activity will be incorporated into the official records of the institution and encompass both sponsored and all other activities on an integrated basis. The system may include the use of subsidiary records.

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2010

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- (b) The system will reasonably reflect only the activity for which the employee is compensated by the institution (compensation for incidental work described in subsection a need not be included). Practices vary among institutions and within institutions as to the activity constituting a full workload. Hence, the system will reflect categories of activities expressed as a percentage distribution of total activities.
- (c) The system will reflect activity applicable to each sponsored agreement and to each category needed to identify indirect and the function to which they are allocable.
- (d) The system will provide for modification of an individual's salary or salary distribution commensurate with a significant change in the employee's work activity. Short-term (such as one or two months) fluctuation between workload categories need not be considered as long as the distribution of salaries and wages is reasonable over the longer term, such as an academic period. Whenever it is apparent that a significant change in work activity that is directly or indirectly charged to sponsored agreements will occur or has occurred, the change will be documented over the signature of a responsible official an entered into system.
- (e) At least annually, a statement will be signed by the employee, principal investigator, or responsible official(s) using suitable means of verification that the work was performed, stating that salaries and wages charged to sponsored agreements as direct charges and to indirect cost are reasonable in relation to work performed.
- (f) The system will provide for independent internal evaluation to ensure the system's integrity and compliance with the above standards.

### **Condition**

In our sample of payroll transactions, we noted no supporting documentation was maintained for individuals that were charged to the TRIO Cluster program in accordance with OMB Circular A-21 cost requirements. Personal activity reports or adequate documentation were not prepared to reflect or support the amount of charges that were charged to the program. The auditors noted no documentation was obtained to support charges to TRIO Cluster of Federal programs.

During our testing procedures performed over the District's policies and procedures regarding compensation for personnel services, we noted that the District used the planned confirmation method for charging salaries to the TRIO program for employees. We also noted that the District's methods did not include an after the fact statement/confirmation from all employee or supervisor using suitable means of verification that payroll originally planned and charged to the program was reasonable in relation to the work actually performed. We noted in our sample of payroll transactions no accounting documentation, which would include an after the fact statement/confirmation the District employees work reflects that of the TRIO program(s) was maintained for individuals that were charged to the TRIO Cluster program in accordance with OMB Circular A-21 cost principals.

### **Questioned Costs**

Approximately \$121,000 of compensation of personnel costs.

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2010

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### **Isolated Instance or Systemic**

Systemic - written guidance provided by cost allocation OMB Circulars over appropriate methodologies for allocation of time spent within a specific Federal program was not followed. Documentation requirements for the allocation were not maintained.

### **Effect**

By not performing any certifications that the employees worked solely on that program for the period covered by the certification and/or supported by personnel activity reports or equivalent documentation which is an independent internal evaluation to ensure the system's integrity, the District may not be in compliance with allowable cost principles and applicable OMB cost circulars.

### **Recommendation**

The District should review the requirements of the OMB Circular A-21, *Cost Principles for Education Institutions*, and develop specific written procedures that will provide documentation requirements for the allocation of salary and benefit costs to the program. Employee salaries that are charged to Federal programs must be supported by an independent internal evaluation such as periodic certifications that the employees worked solely on that program for the period covered by the certification and/or supported by personnel activity reports or equivalent documentation to ensure the salaries being charged to the various Federal programs are reasonable in relation to the work that is actually being performed. Various methodologies have been approved are available to substantiate the allocation of employee salaries, such as time study sampling, to help ensure that salaries are being allocation appropriately.

### **Current Status**

Implemented.



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***ADDITIONAL SUPPLEMENTARY INFORMATION***

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MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

GOVERNMENTAL FUNDS

BALANCE SHEETS

JUNE 30, 2010

	<u>Special Revenue Funds</u>			
	<u>General</u>	<u>Child Development</u>	<u>Student Center</u>	<u>Parking</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 170,905	\$ 1,201	\$ 6,650	\$ 27,961
Investments	3,643,137	(949)	315,547	334,589
Accounts receivable	5,943,850	76,204	23,267	13,080
Student loans receivable	25,682	-	-	-
Due from other funds	27,564	-	-	-
<b>Total Assets</b>	<u>\$ 9,811,138</u>	<u>\$ 76,456</u>	<u>\$ 345,464</u>	<u>\$ 375,630</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 2,881,885	\$ 11,203	\$ 13,217	\$ 7,436
Due to other funds	839,203	22,535	2,681	948
Deferred compensation	438,742	-	-	-
Deferred revenue	1,382,550	42,718	34,535	305,465
<b>Total Liabilities</b>	<u>5,542,380</u>	<u>76,456</u>	<u>50,433</u>	<u>313,849</u>
<b>FUND BALANCES</b>				
Unreserved				
Designated	4,268,758	-	295,031	61,781
<b>Total Fund Balances</b>	<u>4,268,758</u>	<u>-</u>	<u>295,031</u>	<u>61,781</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 9,811,138</u>	<u>\$ 76,456</u>	<u>\$ 345,464</u>	<u>\$ 375,630</u>

See accompanying note to additional supplementary information.

<u>Debt Service Funds</u>		<u>Capital Project Funds</u>		<u>Total Governmental Funds (Memorandum Only)</u>
<u>Bond Interest and Redemption</u>	<u>Debt Service</u>	<u>Capital Outlay</u>	<u>Building Fund</u>	
\$ -	\$ -	\$ 18,786	\$ 69	\$ 225,572
5,639,563	105,503	335,376	73,878,750	84,251,516
-	141	235,061	24,285	6,315,888
-	-	-	-	25,682
-	-	489,203	182,000	698,767
<u>\$ 5,639,563</u>	<u>\$ 105,644</u>	<u>\$ 1,078,426</u>	<u>\$ 74,085,104</u>	<u>\$ 91,517,425</u>
\$ -	\$ 55,757	\$ 7,963	\$ 1,717,284	\$ 4,694,745
-	-	183,400	-	1,048,767
-	-	-	-	438,742
-	-	30,156	-	1,795,424
<u>-</u>	<u>55,757</u>	<u>221,519</u>	<u>1,717,284</u>	<u>7,977,678</u>
<u>5,639,563</u>	<u>49,887</u>	<u>856,907</u>	<u>72,367,820</u>	<u>83,539,747</u>
<u>5,639,563</u>	<u>49,887</u>	<u>856,907</u>	<u>72,367,820</u>	<u>83,539,747</u>
<u>\$ 5,639,563</u>	<u>\$ 105,644</u>	<u>\$ 1,078,426</u>	<u>\$ 74,085,104</u>	<u>\$ 91,517,425</u>

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

GOVERNMENTAL FUNDS  
 STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE  
 FOR THE YEAR ENDED JUNE 30, 2010

	Special Revenue Funds			
	General	Child Development	Student Center	Parking
<b>REVENUES</b>				
Federal revenues	\$ 2,507,146	\$ 32,933	\$ -	\$ -
State revenues	24,526,091	254,268	-	-
Local revenues	17,999,770	62,655	297,486	387,227
<b>Total Revenues</b>	<u>45,033,007</u>	<u>349,856</u>	<u>297,486</u>	<u>387,227</u>
<b>EXPENDITURES</b>				
Current Expenditures				
Academic salaries	16,487,630	-	-	-
Classified salaries	8,767,535	430,468	19,098	164,814
Employee benefits	4,583,972	103,804	5,374	40,353
Books and supplies	997,309	23,242	847	15,061
Services and operating expenditures	6,300,670	11,729	150,141	63,066
Capital outlay	317,180	-	1,980	13,757
Debt service - principal	-	-	15,000	-
Debt service - interest and other	-	-	4,875	-
<b>Total Expenditures</b>	<u>37,454,296</u>	<u>569,243</u>	<u>197,315</u>	<u>297,051</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>7,578,711</u>	<u>(219,387)</u>	<u>100,171</u>	<u>90,176</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	67,050	418,902	-	-
Operating transfers out	(7,384,855)	(199,515)	(11,272)	(90,176)
Other sources	-	-	-	-
Other uses	(175,136)	-	-	-
<b>Total Other Financing Sources (U</b>	<u>(7,492,941)</u>	<u>219,387</u>	<u>(11,272)</u>	<u>(90,176)</u>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	85,770	-	88,899	-
<b>FUND BALANCE, BEGINNING OF YEAR</b>	4,182,988	-	206,132	61,781
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 4,268,758</u>	<u>\$ -</u>	<u>\$ 295,031</u>	<u>\$ 61,781</u>

See accompanying note to additional supplementary information.

<b>Debt Service Funds</b>		<b>Capital Project Funds</b>		<b>Total Governmental Funds (Memorandum Only)</b>
<b>Bond Interest and Redemption</b>	<b>Debt Service</b>	<b>Capital Outlay</b>	<b>Building Fund</b>	
\$ -	\$ -	\$ -	\$ -	\$ 2,540,079
27,002	-	162,851	-	24,970,212
6,924,742	101,792	72,653	621,134	26,467,459
<u>6,951,744</u>	<u>101,792</u>	<u>235,504</u>	<u>621,134</u>	<u>53,977,750</u>
-	-	-	-	16,487,630
-	-	-	-	9,381,915
-	-	-	-	4,733,503
-	-	5,614	997	1,043,070
-	-	62,760	2,496,651	9,085,017
-	-	414,979	10,878,398	11,626,294
2,670,000	267,251	-	-	2,952,251
3,344,817	99,371	-	-	3,449,063
<u>6,014,817</u>	<u>366,622</u>	<u>483,353</u>	<u>13,376,046</u>	<u>58,758,743</u>
936,927	(264,830)	(247,849)	(12,754,912)	(4,780,993)
-	68,831	442,795	-	997,578
-	-	-	-	(7,685,818)
-	242,034	-	-	242,034
-	-	-	-	(175,136)
<u>-</u>	<u>310,865</u>	<u>442,795</u>	<u>-</u>	<u>(6,621,342)</u>
936,927	46,035	194,946	(12,754,912)	(11,402,335)
4,702,636	3,852	661,961	85,122,732	94,942,082
<u>\$ 5,639,563</u>	<u>\$ 49,887</u>	<u>\$ 856,907</u>	<u>\$ 72,367,820</u>	<u>\$ 83,539,747</u>

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## PROPRIETARY FUND BALANCE SHEET JUNE 30, 2010

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	<u>Self Insurance</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 163,347
Investments	8,339,258
Accounts receivable	137,468
Due from other funds	350,000
<b>Total Assets</b>	<u><u>\$ 8,990,073</u></u>
<b>LIABILITIES AND FUND EQUITY</b>	
<b>LIABILITIES</b>	
Accounts payable	\$ 137,809
Deferred revenue	525
Claim liabilities	94,286
<b>Total Liabilities</b>	<u>232,620</u>
<b>FUND EQUITY</b>	
Retained earnings	<u>8,757,453</u>
<b>Total Liabilities and Fund Equity</b>	<u><u>\$ 8,990,073</u></u>

See accompanying note to additional supplementary information.

**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT**

**PROPRIETARY FUND  
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN  
RETAINED EARNINGS  
FOR THE YEAR ENDED JUNE 30, 2010**

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	<u>Self Insurance</u>
<b>OPERATING REVENUES</b>	
Other local revenues	\$ 586,640
<b>OPERATING EXPENSES</b>	
Employee benefits	7,144,494
Books and supplies	1,368
Services and other operating expenditures	795
<b>Total Operating Expenses</b>	<u>7,146,657</u>
<b>Operating Loss</b>	<u>(6,560,017)</u>
<b>NONOPERATING REVENUES</b>	
Interest income	150,153
Operating transfers in	6,688,240
<b>Total Nonoperating Revenues</b>	<u>6,838,393</u>
<b>NET INCOME</b>	278,376
<b>RETAINED EARNINGS, BEGINNING OF YEAR</b>	<u>8,479,077</u>
<b>RETAINED EARNINGS, END OF YEAR</b>	<u>\$ 8,757,453</u>

See accompanying note to additional supplementary information.

**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT**

**PROPRIETARY FUND  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2010**

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	<b>Self Insurance</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from user charges	\$ 514,376
Cash payments for insurance claims	(7,358,176)
Cash payments for other operating expenses	(82,241)
Net Cash Flows from Operating Activities	<u>(6,926,041)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest income	381,275
Transfers in	6,688,240
Net Cash Flows from Investing Activities	<u>7,069,515</u>
Net change in cash and cash equivalents	143,474
Cash and cash equivalents - Beginning	8,359,131
Cash and cash equivalents - Ending	<u>\$ 8,502,605</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Operating loss	\$ (6,560,017)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Changes in assets and liabilities:	
Increase in due from other funds	(72,264)
Decrease in accounts payable	(80,078)
Decrease in claims liabilities	(213,682)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>\$ (6,926,041)</u>

See accompanying note to additional supplementary information.



MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

**FIDUCIARY FUNDS  
BALANCE SHEETS  
JUNE 30, 2010**

	<b>Associated Students Trust</b>	<b>Student Financial Aid</b>	<b>Scholarships and Loans</b>	<b>Trust</b>	<b>Gentrain</b>	<b>Total</b>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 70,261	\$ (177,983)	\$ 246,623	\$ 237,059	\$ 46,791	\$ 422,751
Investments	-	-	60,288	-	-	60,288
Accounts receivable	4,141	333,557	12,040	25,568	1,836	377,142
<b>Total Assets</b>	<b>\$ 74,402</b>	<b>\$ 155,574</b>	<b>\$ 318,951</b>	<b>\$ 262,627</b>	<b>\$ 48,627</b>	<b>\$ 860,181</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ -	\$ 150,398	\$ 9,850	\$ 81,673	\$ 3,776	\$ 245,697
Due to student groups	74,402	-	-	-	-	74,402
<b>Total Liabilities</b>	<b>74,402</b>	<b>150,398</b>	<b>9,850</b>	<b>81,673</b>	<b>3,776</b>	<b>320,099</b>
<b>FUND BALANCES</b>						
Unreserved						
Designated	-	5,176	309,101	180,954	44,851	540,082
<b>Total Fund Balances</b>	<b>-</b>	<b>5,176</b>	<b>309,101</b>	<b>180,954</b>	<b>44,851</b>	<b>540,082</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 74,402</b>	<b>\$ 155,574</b>	<b>\$ 318,951</b>	<b>\$ 262,627</b>	<b>\$ 48,627</b>	<b>\$ 860,181</b>

See accompanying note to additional supplementary information.

**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT**

**FIDUCIARY FUNDS  
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2010**

	<b>Associated Students Trust</b>	<b>Student Financial Aid</b>	<b>Scholarships and Loans</b>	<b>Trust</b>	<b>Gentrain</b>	<b>Total</b>
<b>REVENUES</b>						
Federal revenues	\$ -	\$ 4,903,739	\$ 2,148,003	\$ -	\$ -	\$ 7,051,742
State revenues	-	-	196,978	-	-	196,978
Local revenues	112,994	117	403,813	484,877	103,196	1,104,997
<b>Total Revenues</b>	<u>112,994</u>	<u>4,903,856</u>	<u>2,748,794</u>	<u>484,877</u>	<u>103,196</u>	<u>8,353,717</u>
<b>EXPENDITURES</b>						
Current Expenditures						
Books and supplies	-	-	-	452,840	-	452,840
Services and operating expenditures	157,553	-	445,290	-	113,681	716,524
<b>Total Expenditures</b>	<u>157,553</u>	<u>-</u>	<u>445,290</u>	<u>452,840</u>	<u>113,681</u>	<u>1,169,364</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>						
	<u>(44,559)</u>	<u>4,903,856</u>	<u>2,303,504</u>	<u>32,037</u>	<u>(10,485)</u>	<u>7,184,353</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Other sources	44,559	-	-	-	-	44,559
Other uses	-	(4,911,561)	(2,338,975)	-	-	(7,250,536)
<b>Total Other Financing Sources (Uses)</b>	<u>44,559</u>	<u>(4,911,561)</u>	<u>(2,338,975)</u>	<u>-</u>	<u>-</u>	<u>(7,205,977)</u>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>						
	<u>-</u>	<u>(7,705)</u>	<u>(35,471)</u>	<u>32,037</u>	<u>(10,485)</u>	<u>(21,624)</u>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>-</u>	<u>12,881</u>	<u>344,572</u>	<u>148,917</u>	<u>55,336</u>	<u>561,706</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ -</u>	<u>\$ 5,176</u>	<u>\$ 309,101</u>	<u>\$ 180,954</u>	<u>\$ 44,851</u>	<u>\$ 540,082</u>

See accompanying note to additional supplementary information.

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## NOTE TO ADDITIONAL SUPPLEMENTARY INFORMATION JUNE 30, 2010

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### *NOTE 1 - PURPOSE OF SCHEDULES*

#### **Fund Financial Statements**

The accompanying financial statements report the governmental, proprietary, and fiduciary fund activities of Monterey Peninsula Community College District. The governmental and fiduciary funds are presented on the modified accrual basis of accounting, while proprietary funds operate on a full accrual basis. Therefore, some amounts presented in these financial statements may differ from amounts presented in, or used in, the preparation of the basic financial statements. This information is not a required component of the financial statements in accordance with GASB Statements No. 34 and No. 35 and is presented at the request of District management.