

**MONTEREY PENINSULA  
COMMUNITY COLLEGE DISTRICT**

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**ANNUAL FINANCIAL REPORT**

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**JUNE 30, 2011 AND 2010**

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## TABLE OF CONTENTS JUNE 30, 2011 AND 2010

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### ***FINANCIAL SECTION***

Independent Auditors' Report	2
Management's Discussion and Analysis (Required Supplementary Information)	4
Basic Financial Statements - Primary Government	
Statements of Net Assets	15
Statements of Revenues, Expenses, and Changes in Net Assets	16
Statements of Cash Flows	17
Fiduciary Funds	
Statements of Net Assets	19
Statements of Changes in Net Assets	20
Notes to Financial Statements	21

### ***REQUIRED SUPPLEMENTARY INFORMATION***

Schedule of Other Postemployment Benefits (OPEB) Funding Progress	49
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### ***SUPPLEMENTARY INFORMATION***

District Organization	51
Schedule of Expenditures of Federal Awards	52
Schedule of Expenditures of State Awards	54
Schedule of Workload Measures for State General Apportionment	55
Reconciliation of Annual Financial and Budget Report (CCFS-311) With Audited Financial Statements	56
Reconciliation of Governmental Funds to the Statement of Net Assets	57
Note to Supplementary Information	58

### ***INDEPENDENT AUDITORS' REPORTS***

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	61
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	63
Report on State Compliance	65

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

Summary of Auditors' Results	68
Financial Statement Findings and Recommendations	69
Federal Awards Findings and Questioned Costs	70
State Awards Findings and Questioned Costs	75
Summary Schedule of Prior Audit Findings	79

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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, 2011 and 2010, 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, 2011 and 2010, 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 21, 2011, 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 49 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.

Vallinckx, Tine, Day & Co., LLP.

Rancho Cucamonga, California  
December 21, 2011



MONTEREY PENINSULA  
COLLEGE

**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, 2011. 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 (GASB) Statements No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and No. 35, *Basic Financial Statements - and Management Discussion and Analysis - for Public College and Universities*. These statements allow for the presentation of financial activity and results of operations which focuses on the District 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 decreased by \$1.2 million, or 0.6 percent, to \$211.0 million, and Total Liabilities increased by \$442 thousand, or 0.3 percent, to \$150.2 million. This results in Net Assets being decreased by \$1.6 million, or 2.6 percent, to \$60.9 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 \$19.7 million remains outstanding or unencumbered at year-end.

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION) JUNE 30, 2011 AND 2010

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### 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)

	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and investments	\$ 77,473	\$ 92,802	\$ 106,929
Accounts receivable	7,480	6,812	2,727
Other current assets	64	64	64
Total Current Assets	<u>85,017</u>	<u>99,678</u>	<u>109,720</u>
<b>Noncurrent Assets</b>			
Other current assets	1,474	1,538	1,602
Capital assets (net)	124,538	111,017	100,561
Total Assets	<u>\$ 211,029</u>	<u>\$ 212,233</u>	<u>\$ 211,883</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities	\$ 6,854	\$ 6,851	\$ 5,476
Deferred revenue	1,569	1,796	1,830
Current portion of long-term obligations	3,776	3,321	3,214
Total Current Liabilities	<u>12,199</u>	<u>11,968</u>	<u>10,520</u>
Long-Term Obligations	<u>137,975</u>	<u>137,764</u>	<u>137,322</u>
Total Liabilities	<u>150,174</u>	<u>149,732</u>	<u>147,842</u>
<b>NET ASSETS</b>			
Invested in capital assets	42,317	45,655	48,447
Restricted	6,160	5,530	4,220
Unrestricted	12,378	11,316	11,374
Total Net Assets	<u>60,855</u>	<u>62,501</u>	<u>64,041</u>
Total Liabilities and Net Assets	<u>\$ 211,029</u>	<u>\$ 212,233</u>	<u>\$ 211,883</u>

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION) JUNE 30, 2011 AND 2010

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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.

### *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)

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Operating Revenues			
Tuition and fees, net	\$ 3,962	\$ 3,310	\$ 3,234
Operating Expenses			
Salaries and benefits	37,448	38,812	38,557
Supplies, maintenance, equipment, and other expenses	16,521	13,491	13,368
Depreciation	3,082	2,961	1,959
Total Operating Expenses	<u>57,051</u>	<u>55,264</u>	<u>53,884</u>
Loss on Operations	<u>(53,089)</u>	<u>(51,954)</u>	<u>(50,650)</u>
Nonoperating Revenues			
State apportionments	21,561	20,732	22,992
Grants and contracts	13,358	10,499	10,854
Property taxes	19,833	20,681	20,061
State revenues	1,172	1,020	1,071
Net interest expense	(6,178)	(5,096)	(6,767)
Other nonoperating revenues	1,502	2,347	2,119
Total Nonoperating Revenue	<u>51,248</u>	<u>50,183</u>	<u>50,330</u>
Other Revenues			
State and local capital income	<u>195</u>	<u>231</u>	<u>590</u>
Net Increase (Decrease) in Net Assets	<u>\$ (1,646)</u>	<u>\$ (1,540)</u>	<u>\$ 270</u>



**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)  
JUNE 30, 2011 AND 2010**

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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, 2011:

(Amounts in thousands)

	Salaries and Benefits		Supplies, Material, and	Student Financial Aid	Depreciation	Total
	Instructional	Non - Instructional	Other Expenses and Services			
Instructional activities	\$ 16,133	\$ 3,570	\$ 3,281	\$ -	\$ -	\$ 22,984
Academic support	-	529	13	-	-	542
Instructional support services	411	1,001	112	-	-	1,524
Student services	30	2,173	454	-	-	2,657
Plant operations and maintenance	-	1,643	1,317	-	-	2,960
Planning, policymaking and coordination	3	1,433	417	-	-	1,853
Institutional support services	1	2,713	1,218	-	-	3,932
Community services and economic development	-	552	29	-	-	581
Ancillary services and auxiliary operations	113	7,118	767	-	-	7,998
Student aid	-	-	-	7,991	-	7,991
Physical property and related acquisitions	-	25	921	-	-	946
Unallocated depreciation	-	-	-	-	3,082	3,082
<b>Total</b>	<b>\$ 16,691</b>	<b>\$ 20,757</b>	<b>\$ 8,529</b>	<b>\$ 7,991</b>	<b>\$ 3,082</b>	<b>\$ 57,050</b>

**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)  
JUNE 30, 2011 AND 2010**

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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)

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Cash Provided by (Used in)			
Operating activities	\$ (49,931)	\$ (48,729)	\$ (48,470)
Noncapital financing activities	50,713	45,603	49,420
Capital financing activities	(16,320)	(11,965)	(23,149)
Investing activities	<u>209</u>	<u>964</u>	<u>216</u>
Net Decrease in Cash	(15,329)	(14,127)	(21,983)
Cash, Beginning of Year	<u>92,802</u>	<u>106,929</u>	<u>128,912</u>
Cash, End of Year	<u><u>\$ 77,473</u></u>	<u><u>\$ 92,802</u></u>	<u><u>\$ 106,929</u></u>

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2011, the District had \$124.5 million in a broad range of capital assets, including land, buildings, and furniture and equipment. At June 30, 2010, our net capital assets were \$111.0 million.

**CAPITAL ASSETS**

(Amounts in thousands)

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Land and construction in progress	\$ 36,351	\$ 16,185	\$ 9,017	\$ 43,519
Buildings and improvements	90,133	8,911	-	99,044
Furniture and equipment	<u>6,844</u>	<u>524</u>	<u>-</u>	<u>7,368</u>
Subtotal	133,328	25,620	9,017	149,931
Accumulated depreciation	<u>22,311</u>	<u>3,082</u>	<u>-</u>	<u>25,393</u>
	<u><u>\$ 111,017</u></u>	<u><u>\$ 22,538</u></u>	<u><u>\$ 9,017</u></u>	<u><u>\$ 124,538</u></u>

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION) JUNE 30, 2011 AND 2010

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### Obligations

At the end of the 2010-2011 fiscal year, the District had \$137.9 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	\$ 137,293	\$ 3,739	\$ 3,144	\$ 137,888
Lease revenue bonds	155	-	15	140
Capital leases	1,876	-	121	1,755
Compensated absences	1,196	-	56	1,140
Early retirement	28	-	7	21
Net OPEB obligation	537	1,104	834	807
Total Long-Term Obligations	<u>\$ 141,085</u>	<u>\$ 4,843</u>	<u>\$ 4,177</u>	<u>\$ 141,751</u>

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

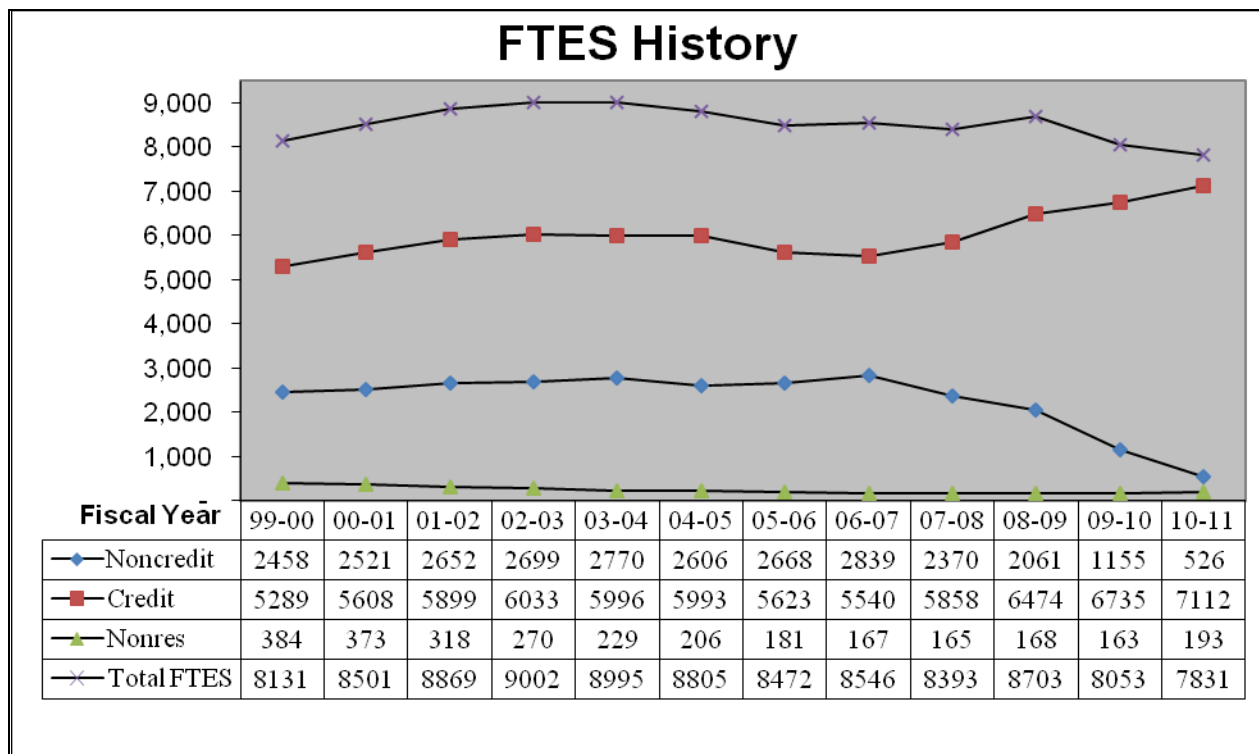
Financial information is maintained by the District in seven (7) governmental funds. Worksheets indicating the amounts from each fund used for the combined financial statements are included as supplemental information in this audited financial report. All funds show positive ending balances, and the District's designated Unrestricted General Fund reserve is 10 percent (\$3.8 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 in-state 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 in-state FTES with non-credit FTES being paid 40 percent less than the credit rate. The total amount paid for in-state 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, 2011 AND 2010**

A number of trends have become more prominent in the District's FTES production over the past few years. Starting in 2008-2009, total FTES peaked at 8,703. At about the same time, the Chancellor's Office began to encourage community colleges to focus course offerings in three credit areas namely transfer courses, basic skills, and career technical education. From 2008-2009 to 2010-2011, the District reduced non-credit FTES production 74.4 percent. During this same period, credit FTES production increased 9.8 percent to offset revenue loss in the non-credit area. While this trend continued into 2010-2011, it should be noted that another contributing factor to reduction of total FTES was the "workload" reduction imposed by the State in 2010-2011. Workload reductions are ongoing. Integral to the District's fiscal strategy is to meet FTE cap to maximize apportionment thereby minimizing unfunded FTE.



# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

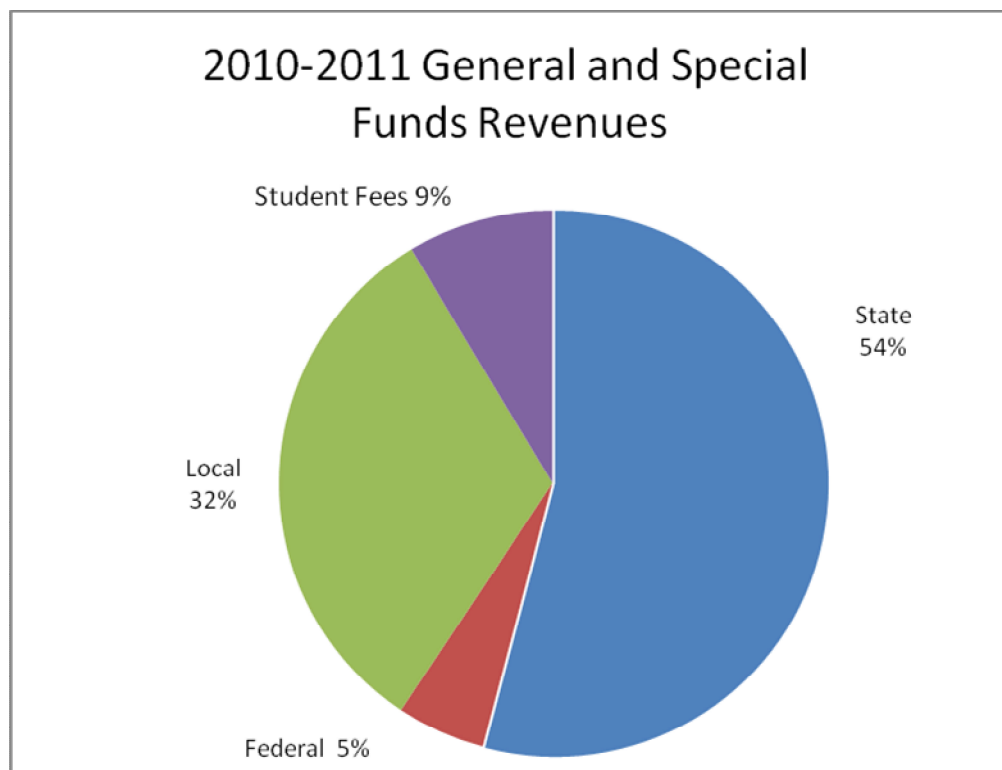
## MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)

**JUNE 30, 2011 AND 2010**

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The national and State economies continue to suffer from the repercussions of the "great recession" that started in 2007. High unemployment, declining property values, and the financial sector meltdown have resulted in shrinking revenues at the Federal and State level. The State of California's three largest revenue sources (personal income tax, sales tax, and corporate tax) have declined sharply during this recessionary period. While some efforts have been made to reduce expenditures, there remains a structural imbalance between revenues and expenses.

In looking at the District's general and special funds revenues, apportionment revenues (State, student fees, and local property taxes) make up the lion's share of revenues. Approximately \$3.3 million of State funding was cut in 2009-2010 and another \$2.9 million was cut in 2010-2011. Student fees have been increased, but not enough to offset the overall cut. Apportionment revenues continue to represent 95 percent of the general fund revenue sources. Going into 2011-2012, the State will likely start with a significant budget deficit in the range \$13.7 billion, although there is discussion about augmenting revenues with a voter approved tax package. Absent revenue augmentation, it is unlikely that California community colleges funding will begin to see restoration until the economy begins to show sustainable improvement.

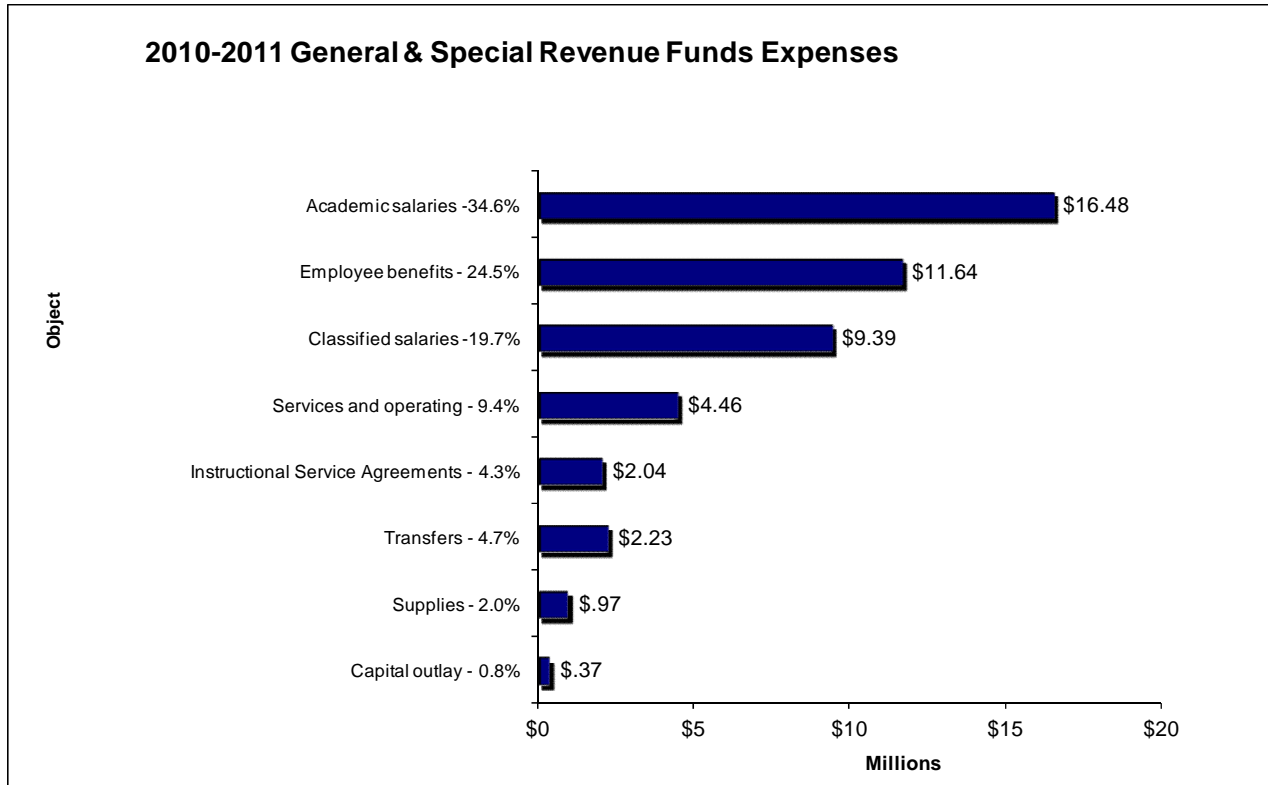


# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION) JUNE 30, 2011 AND 2010

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Costs for employees represent 79 percent (\$37.5 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)*

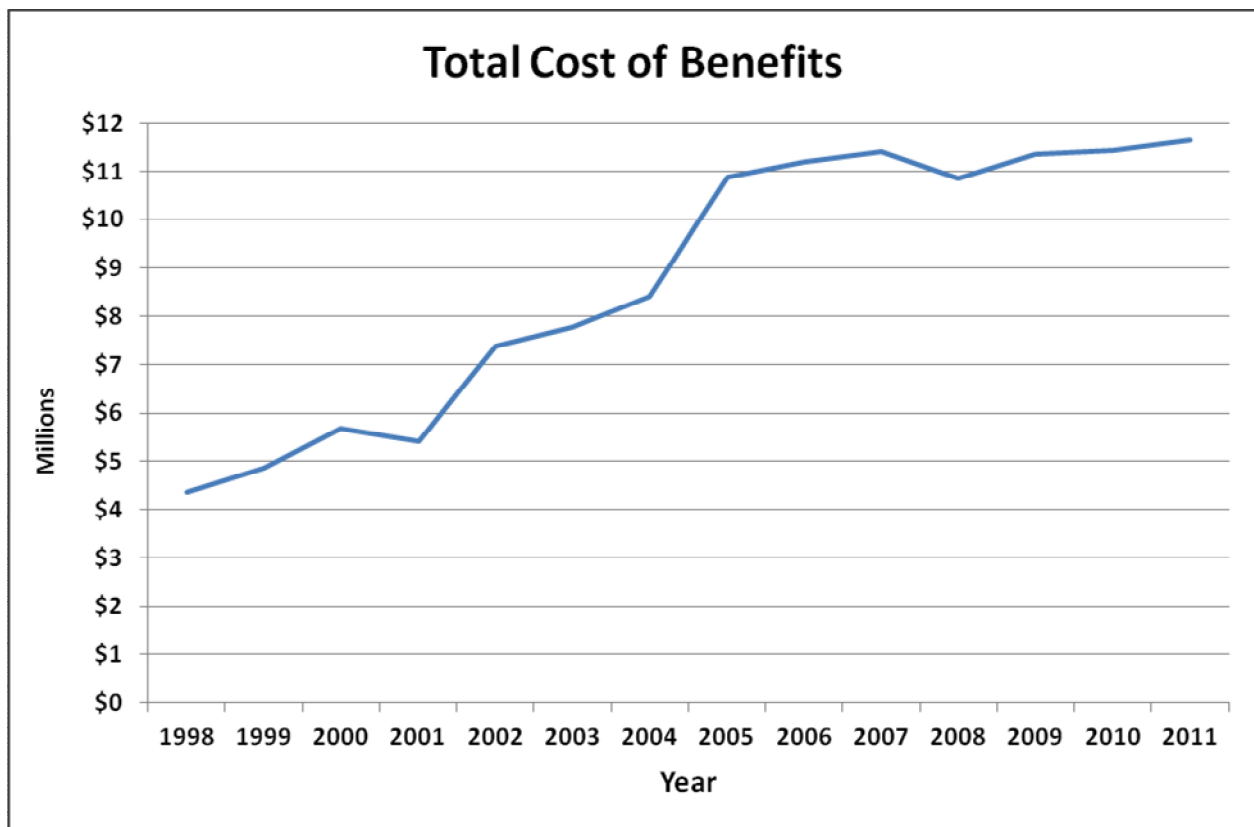
The District's labor contracts for both the academic and classified employee groups provide employees with the same percentage increase for salaries and benefits as the District receives for instate enrollment growth income. Funding for the 2010-2011 fiscal year was cut by the State, therefore, there were no salary increases stipulated under the contracts in the current year.

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION) JUNE 30, 2011 AND 2010

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Employee benefit costs represent the second largest expense category for the District and have more than doubled in the past ten 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 large claims typically associated with catastrophic illnesses; however, increased costs for medical expenses paid by the District have outpaced inflation. The industry trend for annual medical expense increase has been running in the 12 percent + range. In response to this trend, the District has implemented a number of cost containment measures including the adoption of a three phase plan with increased deductible, co-insurance, and Out of Pocket Maximum provisions. The District is reviewing claims data every six months to determine whether employee groups move to the next phase of the plan. Additional cost containment measures are being pursued in the labor negotiation process.



The District provides medical 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 \$8.7 million of which a portion 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 revenue. Although the State may have future problems balancing its budget, which could adversely affect community colleges and the District, the current level of reserves, the compensation formula, and the adopted three phase health plan should mitigate any negative impacts.

# **MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION) JUNE 30, 2011 AND 2010**

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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, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 630,830	\$ 210,936
Investments	12,515,298	12,631,582
Investments - restricted	64,327,338	79,959,192
Accounts receivable	7,449,362	6,786,913
Student loans receivable	30,202	25,682
Deferred cost on issuance - current portion	64,089	64,089
<b>Total Current Assets</b>	<u>85,017,119</u>	<u>99,678,394</u>
<b>NONCURRENT ASSETS</b>		
Deferred cost on issuance - noncurrent portion	1,474,059	1,538,148
Nondepreciable capital assets	43,518,934	36,350,578
Depreciable capital assets, net of depreciation	81,019,110	74,666,028
<b>Total Noncurrent Assets</b>	<u>126,012,103</u>	<u>112,554,754</u>
<b>TOTAL ASSETS</b>	<u>211,029,222</u>	<u>212,233,148</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	5,092,730	4,944,225
Accrued interest payable	1,323,532	1,373,810
Deferred revenue	1,568,867	1,795,949
Deferred compensation	438,489	438,742
Claims liability	-	94,286
Compensated absences payable - current portion	162,844	168,939
Bonds and notes payable - current portion	3,400,000	3,025,000
Lease obligations - current portion	206,255	120,773
Other long-term obligations - current portion	7,000	7,000
<b>Total Current Liabilities</b>	<u>12,199,717</u>	<u>11,968,724</u>
<b>NONCURRENT LIABILITIES</b>		
Compensated absences payable - noncurrent portion	977,543	1,027,227
Bonds and notes payable - noncurrent portion	134,627,653	134,423,253
Lease obligations - noncurrent portion	1,549,318	1,755,573
Other long-term obligations - noncurrent portion	820,335	557,728
<b>Total Noncurrent Liabilities</b>	<u>137,974,849</u>	<u>137,763,781</u>
<b>TOTAL LIABILITIES</b>	<u>150,174,566</u>	<u>149,732,505</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	42,317,362	45,655,064
Restricted for:		
Debt service	4,620,843	4,315,640
Capital projects	1,105,005	856,907
Other activities	433,134	356,812
Unrestricted	12,378,312	11,316,220
<b>TOTAL NET ASSETS</b>	<u>\$ 60,854,656</u>	<u>\$ 62,500,643</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, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b>OPERATING REVENUES</b>		
Student Tuition and Fees	\$ 5,422,453	\$ 4,683,679
Less: Scholarship discounts and allowances	(1,460,793)	(1,373,598)
Net tuition and fees	<u>3,961,660</u>	<u>3,310,081</u>
<b>TOTAL OPERATING REVENUES</b>	<u>3,961,660</u>	<u>3,310,081</u>
<b>OPERATING EXPENSES</b>		
Salaries	25,859,951	25,862,545
Employee benefits	11,587,799	12,949,852
Supplies, materials, and other operating expenses and services	8,529,767	8,578,943
Student financial aid	7,991,186	4,911,561
Depreciation	3,081,759	2,960,974
<b>TOTAL OPERATING EXPENSES</b>	<u>57,050,462</u>	<u>55,263,875</u>
<b>OPERATING LOSS</b>	<u>(53,088,802)</u>	<u>(51,953,794)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State apportionments, noncapital	21,560,660	20,732,205
Grants and contracts, noncapital:		
Federal	10,512,794	7,443,818
State	2,845,707	3,055,121
Local property taxes, levied for general purposes	13,909,980	14,467,435
Taxes levied for other specific purposes	5,922,707	6,213,861
State taxes and other revenues	1,172,111	1,020,035
Investment income	184,073	871,763
Interest expense on capital related debt	(6,911,712)	(6,780,354)
Investment income on capital asset-related debt, net	549,578	812,673
Other nonoperating revenue	1,502,377	2,346,650
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>51,248,275</u>	<u>50,183,207</u>
<b>LOSS BEFORE OTHER REVENUES</b>	<u>(1,840,527)</u>	<u>(1,770,587)</u>
<b>OTHER REVENUES</b>		
State revenues, capital	-	162,851
Local revenues, capital	194,540	67,661
<b>TOTAL OTHER REVENUES</b>	<u>194,540</u>	<u>230,512</u>
<b>CHANGE IN NET ASSETS</b>	<u>(1,645,987)</u>	<u>(1,540,075)</u>
<b>NET ASSETS, BEGINNING OF YEAR</b>	62,500,643	64,040,718
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 60,854,656</u>	<u>\$ 62,500,643</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, 2011 AND 2010**

	<b>2011</b>	<b>2010</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and fees	\$ 3,799,554	\$ 3,740,815
Payments to scholarships and grants	(7,991,186)	(4,911,561)
Payments to vendors for supplies and services	(8,571,244)	(8,852,082)
Payments to or on behalf of employees	(37,167,880)	(38,706,606)
<b>Net Cash Flows From Operating Activities</b>	<b>(49,930,756)</b>	<b>(48,729,434)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State apportionments	20,803,223	17,270,096
Grants and contracts	13,327,296	9,774,202
Property taxes - nondebt related	13,909,980	14,467,435
State taxes and other apportionments	1,364,929	1,436,109
Other nonoperating	1,307,872	2,655,403
<b>Net Cash Flows From Noncapital Financing Activities</b>	<b>50,713,300</b>	<b>45,603,245</b>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
Purchase of capital assets	(16,598,027)	(12,926,847)
Proceeds from capital debt	3,738,816	3,507,872
State revenue, capital projects	-	230,512
Local revenue, capital projects	194,540	-
Property taxes - related to capital debt	5,922,707	6,213,861
Principal paid on capital debt	(3,280,189)	(3,086,667)
Interest paid on capital debt	(6,911,712)	(6,780,354)
Interest received on capital asset-related debt	549,578	812,673
Deferred cost on issuance	64,089	64,089
<b>Net Cash Flows From Capital Financing Activities</b>	<b>(16,320,198)</b>	<b>(11,964,861)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received from investments	209,410	963,771
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(15,328,244)</b>	<b>(14,127,279)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>92,801,710</b>	<b>106,928,989</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 77,473,466</b>	<b>\$ 92,801,710</b>

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, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b>RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating Loss	\$ (53,088,802)	\$ (51,953,794)
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities:		
Depreciation expense	3,081,759	2,960,974
Changes in Operating Assets and Liabilities:		
Receivables, net	(4,520)	(17,242)
Accounts payable and accrued liabilities	(72,093)	(124,537)
Accrued interest payable	(50,278)	(42,165)
Deferred compensation	(253)	(5,292)
Deferred revenue	(3,397)	324,195
Compensated absences	(55,779)	(129,573)
Early retirement incentive	(7,000)	(7,000)
Other postemployment benefits	269,607	265,000
Total Adjustments	<u>3,158,046</u>	<u>3,224,360</u>
<b>Net Cash Flows From Operating Activities</b>	<u>\$ (49,930,756)</u>	<u>\$ (48,729,434)</u>
 <b>CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:</b>		
Cash in banks	\$ 522,141	\$ 102,247
Cash with fiscal agent	108,689	108,689
Investment in county treasury	76,842,636	92,590,774
<b>Total Cash and Cash Equivalents</b>	<u>\$ 77,473,466</u>	<u>\$ 92,801,710</u>
 <b>NON CASH TRANSACTIONS</b>		
On behalf payments for benefits	<u>\$ 640,291</u>	<u>\$ 643,721</u>

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

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## STATEMENTS OF FIDUCIARY NET ASSETS JUNE 30, 2011 AND 2010

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	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 716,131	\$ 600,734
Investments	41,297	60,288
Accounts receivable	58,301	43,585
<b>Total Assets</b>	<u>815,729</u>	<u>704,607</u>
 <b>LIABILITIES</b>		
Accounts payable	189,868	95,299
Deferred revenue	85,546	-
Due to student groups	51,762	74,402
<b>Total Liabilities</b>	<u>327,176</u>	<u>169,701</u>
 <b>NET ASSETS</b>		
Unreserved	488,553	534,906
<b>Total Net Assets</b>	<u>\$ 488,553</u>	<u>\$ 534,906</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, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<b>ADDITIONS</b>		
Federal revenues	\$ -	\$ 2,148,003
State revenues	213,427	196,978
Local revenues	1,232,232	1,104,880
<b>Total Additions</b>	<u>1,445,659</u>	<u>3,449,861</u>
<b>DEDUCTIONS</b>		
Books and supplies	627,803	452,840
Services and operating expenditures	888,428	716,524
<b>Total Deductions</b>	<u>1,516,231</u>	<u>1,169,364</u>
<b>OTHER FINANCING USES</b>		
Other uses	-	(2,338,975)
<b>Change in Net Assets</b>	(46,353)	(13,919)
<b>Net Assets - Beginning</b>	534,906	548,825
<b>Net Assets - Ending</b>	<u>\$ 488,553</u>	<u>\$ 534,906</u>

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

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

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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, 2011 AND 2010**

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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 Federal and State grants, entitlements, and donations. Property tax revenue is recognized in the fiscal year received. State apportionment revenue is earned based upon criteria set forth from the Community Colleges Chancellor's Office and includes reporting of full-time equivalent student (FTES) attendance. The corresponding apportionment revenue is recognized in the period the FTES are generated. Revenue from Federal and State grants and entitlements are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements may include time and/or purpose requirements.

Operating expenses are 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, 2011 AND 2010

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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, 2011 and 2010, 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.

### **Restricted Assets**

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets are classified on the Statement of Net Assets because their use is limited by enabling legislation, applicable bond covenants, and other laws of other governments. Also, resources have been set aside to satisfy certain requirements of the bonded debt issuance and to fund certain capital asset projects.

### **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.

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 AND 2010

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### **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 routine maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are charged as an operating expense in the year in which the expense was incurred. Major outlays for capital improvements are capitalized as construction-in-progress as the projects are constructed.

Depreciation of capital assets is computed and recorded 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.

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

### **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.

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 AND 2010

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### Noncurrent Liabilities

Noncurrent liabilities include bonds and notes payable, compensated absences, claims payable, capital lease obligations, and OPEB obligations with maturities greater than one year.

### Net Assets

GASB Statements No. 34 and No. 35 report equity as "Net Assets" and represent the difference between assets and liabilities. 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 \$6,158,982 of restricted net assets.

### State Apportionments

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

### Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. The 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 certain District property. 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.

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 AND 2010

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### **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.

### **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 years ended June 30, 2011 and 2010, the District distributed \$2,172,521 and \$2,148,003, respectively, in direct lending through the U.S. Department of Education. For June 30, 2011, these amounts have been included as revenues or expenses within the accompanying financial statements as the amounts were passed directly to qualifying students. The amounts are also included on the Schedule of Expenditures of Federal Awards.

### **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.

### **Interfund Activity**

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

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 AND 2010

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### **New Accounting Pronouncements**

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of GASB Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements.

This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, this Statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination.

This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. For component units that currently are blended based on the "substantively the same governing body" criterion, it additionally requires that (1) the primary government and the component unit have a financial benefit or burden relationship, or (2) management (below the level of the elected officials) of the primary government have operational responsibility (as defined in paragraph 8a) for the activities of the component unit. New criteria also are added to require blending of component units whose total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government. The blending provisions are amended to clarify that funds of a blended component unit have the same financial reporting requirements as a fund of the primary government. Lastly, additional reporting guidance is provided for blending a component unit if the primary government is a business-type activity that uses a single column presentation for financial reporting.

This Statement also clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. Early implementation is encouraged.

### **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.

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 AND 2010

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### NOTE 3 - DEPOSITS AND INVESTMENTS

#### Policies and Practices

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

**Investment in County Treasury** - 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:

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

**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010**

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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, 2011, consist of the following:

	Reported Value
Primary government	\$ 77,473,466
Fiduciary funds	757,428
Total Deposits and Investments	<u>\$ 78,230,894</u>
Cash on hand and in banks	\$ 1,213,272
Cash in revolving	25,000
Cash with fiscal agent	108,689
Investments	76,883,933
Total Deposits and Investments	<u>\$ 78,230,894</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 Monterey County Investment Pool and mutual funds.

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>Average Days to Maturity</u>
Monterey County Investment Pool	\$ 76,897,557	256 days
Mutual Funds	41,297	*
Total	<u>\$ 76,938,854</u>	

\* Information not available.

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 AND 2010

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### 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, 2011</u>
Monterey County Investment Pool	\$ 76,897,557	Not required	Not rated
Mutual Funds	41,297	Not required	Not rated
Total	<u>\$ 76,938,854</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, 2011, the District's bank balance of \$1,109,972 and the fiduciary funds balance of \$756,583, totaling \$1,866,555 of which \$1,286,863 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, 2011 AND 2010**

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2011, 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	26,450,578	16,185,213	9,016,857	33,618,934
Total Capital Assets Not Being Depreciated	<u>36,350,578</u>	<u>16,185,213</u>	<u>9,016,857</u>	<u>43,518,934</u>
<b>Capital Assets Being Depreciated</b>				
Land improvements	28,413,126	-	-	28,413,126
Buildings and improvements	61,720,414	8,911,183	-	70,631,597
Furniture and equipment	6,844,086	523,658	-	7,367,744
Total Capital Assets Being Depreciated	<u>96,977,626</u>	<u>9,434,841</u>	<u>-</u>	<u>106,412,467</u>
Total Capital Assets	<u>133,328,204</u>	<u>25,620,054</u>	<u>9,016,857</u>	<u>149,931,401</u>
<b>Less Accumulated Depreciation</b>				
Land improvements	4,043,467	1,363,264	-	5,406,731
Buildings and improvements	14,607,919	1,199,387	-	15,807,306
Furniture and equipment	3,660,212	519,108	-	4,179,320
Total Accumulated Depreciation	<u>22,311,598</u>	<u>3,081,759</u>	<u>-</u>	<u>25,393,357</u>
Net Capital Assets	<u>\$ 111,016,606</u>	<u>\$ 22,538,295</u>	<u>\$ 9,016,857</u>	<u>\$ 124,538,044</u>

Depreciation expense for the year was \$3,081,759.

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 AND 2010

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, 2011 AND 2010**

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**NOTE 6 - ACCOUNTS PAYABLE**

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

	<u>Primary Government</u>	
	<u>2011</u>	<u>2010</u>
Accrued payroll and benefits	\$ 516,546	\$ 443,504
Apportionment	1,354,082	1,232,940
Student financial aid grants	120,646	150,398
Construction	1,730,416	1,725,246
Other vendor payables	1,371,040	1,392,137
Total	<u>\$ 5,092,730</u>	<u>\$ 4,944,225</u>

	<u>Fiduciary Funds</u>	
	<u>2011</u>	<u>2010</u>
Other vendor payables	<u>\$ 189,868</u>	<u>\$ 95,299</u>

**NOTE 7 - DEFERRED REVENUE**

Deferred revenue for the District consisted of the following:

	<u>Primary Government</u>	
	<u>2011</u>	<u>2010</u>
Federal categorical	\$ 76,017	\$ 91,807
State categorical	297,154	505,049
Student fees	868,572	1,026,158
Other local	327,124	172,935
Total	<u>\$ 1,568,867</u>	<u>\$ 1,795,949</u>

	<u>Fiduciary Funds</u>	
	<u>2011</u>	<u>2010</u>
Other local	<u>\$ 85,546</u>	<u>\$ -</u>

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 AND 2010

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### *NOTE 8 - INTERFUND TRANSACTIONS*

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

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund activity within the governmental funds and fiduciary funds has been eliminated respectively in the consolidation process of the basic financial statements. Balances owing between the primary government and the fiduciary funds are not eliminated in the consolidation process. As of June 30, 2011, there were no interfund receivable and payable balances between the primary government and the fiduciary funds.

#### **Interfund Operating Transfers**

Operating transfers between funds of the District are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Operating transfers within the funds of the District have been eliminated in the consolidation process. Transfers between the primary government and the fiduciary funds are not eliminated in the consolidation process. As of June 30, 2011, there were no interfund operating transfers between the primary government and the fiduciary funds.

**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010**

**NOTE 9 - LONG-TERM OBLIGATIONS**

**Summary**

The changes in the District's long-term obligations during the 2011 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	\$ 26,368,297	\$ 794,543	\$2,440,000	\$ 24,722,840	\$ 2,540,000
2002 General obligation bonds, Series B	6,733,230	52,000	570,000	6,215,230	845,000
2002 General obligation bonds, Series C	100,831,330	2,892,273	-	103,723,603	-
Unamortized premium	3,360,396	-	134,416	3,225,980	-
Lease revenue bonds	155,000	-	15,000	140,000	15,000
Total Bonds and Notes Payable	<u>137,448,253</u>	<u>3,738,816</u>	<u>3,159,416</u>	<u>138,027,653</u>	<u>3,400,000</u>
<b>Other Liabilities</b>					
Capital leases	1,876,346	-	120,773	1,755,573	206,255
Compensated absences	1,196,166	-	55,779	1,140,387	162,844
Early retirement plan	28,000	-	7,000	21,000	7,000
Net OPEB obligation	536,728	1,103,876	834,269	806,335	-
Total Other Liabilities	<u>3,637,240</u>	<u>1,103,876</u>	<u>1,017,821</u>	<u>3,723,295</u>	<u>376,099</u>
Total Long-Term Obligations	<u>\$141,085,493</u>	<u>\$4,842,692</u>	<u>\$4,177,237</u>	<u>\$ 141,750,948</u>	<u>\$ 3,776,099</u>

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
Total Bonds and Notes Payable	<u>136,759,797</u>	<u>3,507,872</u>	<u>2,819,416</u>	<u>137,448,253</u>	<u>3,025,000</u>
<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	-
Total Other Liabilities	<u>3,776,064</u>	<u>1,076,962</u>	<u>1,215,786</u>	<u>3,637,240</u>	<u>296,712</u>
Total Long-Term Obligations	<u>\$140,535,861</u>	<u>\$4,584,834</u>	<u>\$4,035,202</u>	<u>\$ 141,085,493</u>	<u>\$ 3,321,712</u>

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 AND 2010

### 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, 2011, the principal balance outstanding (including accreted interest to date) was \$24,722,840.

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, 2011, the principal balance outstanding (including accreted interest to date) was \$109,938,833.

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds		Accreted Interest		Bonds
				Outstanding July 1, 2010	Issued	Additions	Redeemed	Outstanding June 30, 2011
2005	08/01/2020	3.25%-5.00%	\$33,304,385	\$ 26,368,297	\$ -	\$ 794,543	\$2,440,000	\$ 24,722,840
2008	08/01/2021	3.80%-5.35%	9,004,530	6,733,230	-	52,000	570,000	6,215,230
2008	08/01/2034	3.50%-5.00%	95,994,770	100,831,330	-	2,892,273	-	103,723,603
				<u>\$ 133,932,857</u>	<u>\$ -</u>	<u>\$ 3,738,816</u>	<u>\$ 3,010,000</u>	<u>\$ 134,661,673</u>

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 AND 2010

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
2012	\$ 2,540,000	\$ -	\$ 773,630	\$ 3,313,630
2013	2,276,716	363,284	715,330	3,355,330
2014	1,983,949	671,051	707,830	3,362,830
2015	1,765,707	889,293	707,830	3,362,830
2016	1,571,468	1,083,532	707,830	3,362,830
2017-2021	14,585,000	-	1,872,520	16,457,520
Total	<u>\$ 24,722,840</u>	<u>\$ 3,007,160</u>	<u>\$ 5,484,970</u>	<u>\$ 33,214,970</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
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	710,230	289,770	10,700	1,010,700
2017-2021	-	-	53,500	53,500
2022	200,000	-	5,350	205,350
Total	<u>\$ 6,215,230</u>	<u>\$ 289,770</u>	<u>\$ 664,834</u>	<u>\$ 7,169,834</u>

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
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	1,220,000	-	2,080,050	3,300,050
2017-2021	17,505,000	-	8,582,775	26,087,775
2022-2026	29,498,158	18,416,842	4,418,125	52,333,125
2027-2031	24,903,168	35,061,832	4,211,250	64,176,250
2032-2035	30,597,277	27,322,723	2,877,875	60,797,875
Total	<u>\$ 103,723,603</u>	<u>\$ 80,801,397</u>	<u>\$ 30,587,875</u>	<u>\$ 215,112,875</u>



**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010**

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**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, 2011, was \$140,000.

Revenue bonds mature as follows:

Year Ending June 30,	Principal	Interest to Maturity	Total
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	20,000	2,100	22,100
2017-2019	60,000	2,700	62,700
Total	<u>\$ 140,000</u>	<u>\$ 18,000</u>	<u>\$ 158,000</u>

**Capital Leases**

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

Equipment	\$ 2,854,469
Less: Accumulated Depreciation	<u>(951,490)</u>
Total	<u>\$ 1,902,979</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, 2010	\$ 2,286,469
Payments	<u>239,783</u>
Balance, June 30, 2011	<u>\$ 2,046,686</u>

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 AND 2010

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The capital leases have minimum lease payments as follows:

Year Ending June 30,	Principal
2012	\$ 275,324
2013	275,324
2014	275,324
2015	275,324
2016	275,324
2017-2019	670,066
Total	2,046,686
Less: Amount Represent Interest	(291,113)
Present Value of Minimum Lease Payments	<u>\$ 1,755,573</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 \$21,000 on behalf of one retiree over the next three years in accordance with the following schedule:

Year Ending June 30,	Principal
2012	\$ 7,000
2013	7,000
2014	7,000
Total	<u>\$ 21,000</u>

### Compensated Absences

The long-term portion of compensated absences for the District at June 30, 2011, amounted to \$1,140,387.

### Other Postemployment Benefits Obligation

The District's annual required contribution for the year ended June 30, 2011, was \$1,076,962, and contributions made by the District during the year were \$811,978. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$26,914 and \$(22,291), respectively, which resulted in an increase to the net OPEB obligation of \$269,607. As of June 30, 2011, the net OPEB obligation was \$806,335. See Note 10 for additional information regarding the OPEB obligation and the postemployment benefits plan.

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

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### **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 2010-2011, the District contributed \$811,978 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
Interest on net OPEB obligation	26,914
Adjustment to annual required contribution	(22,291)
Annual OPEB cost (expense)	<u>1,081,585</u>
Contributions made	<u>(811,978)</u>
Increase in net OPEB obligation	269,607
Net OPEB obligation, beginning of year	536,728
Net OPEB obligation, end of year	<u><u>\$ 806,335</u></u>

#### **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 three years is as follows:

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 AND 2010

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
2011	1,081,585	811,978	75%	806,335

### 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.

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 June 30, 2011, was 27 years. The actuarial value of assets was not determined in this actuarial valuation.

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 AND 2010

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### *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, 2011, 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 2010-2011, 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

### *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).

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

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### 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 2010-2011 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, 2011, 2010, and 2009, were \$1,237,966, \$1,244,586, and \$1,317,295, 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.

#### 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 2010-2011 was 10.707 percent of covered payroll. The District's contributions to CalPERS for fiscal years ending June 30, 2011, 2010, and 2009, were \$1,459,793, \$833,374, \$801,078, respectively, and equaled 100 percent of the required contributions for each year.

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 AND 2010

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### **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 \$640,291, \$643,721, \$754,492, (4.267 percent) of salaries subject to CalSTRS for the years ended June 30, 2011, 2010, and 2009, 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, 2011, the outstanding balance was \$21,000.

### ***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 (NCCCP), 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.

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 AND 2010

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During the year ended June 30, 2011, the District made payments of \$254,431, \$569,677, and \$380,209 to BACCD, NCCCP, 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, 2011.

#### **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, 2011.

#### **Construction Commitments**

As of June 30, 2011, the District had the following commitments with respect to the unfinished capital projects:

<u>CAPITAL PROJECTS</u>	<u>Remaining Construction Commitments</u>	<u>Estimated Year of Completions</u>
New Ed Center Building at Marina	\$ 605,038	2011-2012
Furniture and Equipment	14,038	2014-2015
New Student Services Building	503,766	2011-2012
Human/Bus-Hum/Old Student Center	5,228,761	2013-2014
Theater	8,807,757	2012-2013
Life and Physical Science	9,284,402	2013-2014
Infrastructure - Phase III	1,167,970	2015-2016
PE Phase II - Gym Locker Room Renovation	4,946,625	2012-2013
Swing Space/Interim Housing	725,454	2014-2015
General Institutional Bond Management	247,000	Ongoing
	<u>\$ 31,530,811</u>	

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



# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 AND 2010

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### **Deferral of State Apportionments**

As a result of the State of California economy, certain apportionments owed to the District for funding of FTES, categorical programs, and construction reimbursements which are attributable to the 2010-2011 fiscal year have been deferred to the 2011-2012 fiscal year. The total amount of funding deferred into the 2011-2012 fiscal year was \$5,426,098. These deferrals of apportionment are considered permanent with future funding also being subject to deferral into future years. As of the audit report date, the District had received all of the deferrals owed to them by the State.

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

The State of California economy is continuing through a 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. Current year appropriation have now been deferred to a subsequent period, creating significant cash flow management issues for California community colleges in addition to requiring substantial budget reductions.

The District has implemented budgetary reductions to counter the reductions in apportionment and program funding. However, continued reductions and deferral of cash payments will ultimately impact the District's ability to meet the goals for educational services.

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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, 2011**

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<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, 2011

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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>
Dr. Loren Steck	Chair	2015
Mr. Charles Brown	Vice Chair	2013
Dr. Margaret-Anne Coppernoll	Member	2013
Ms. Marilyn Gustafson	Member	2015
Mr. Rick Johnson	Member	2015
Mr. Daniel Cervantes	Student Trustee	2012

### ADMINISTRATION

Dr. Douglas Garrison	Superintendent/President
Mr. Stephen Ma	Vice President, Business and Administrative Services
Dr. Celine Pinet	Vice President, Academic Affairs
Mr. Carsbia Anderson	Vice President, Student Services

See accompanying note to supplementary information.

**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2011**

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 EDUCATIONAL ACT</b>			
Student Financial Assistance Cluster			
Federal Supplement Education Opportunity Grant (FSEOG)	84.007		\$ 88,144
Federal Work Study Program (FWS)	84.033		147,494
Federal Pell Grants	84.063		5,678,871
Federal Pell Administrative	84.063		9,270
Federal Direct Student Loans	84.268		2,172,521
Academic Competitiveness Grant (ACG)	84.375		46,039
Subtotal Student Financial Assistance Cluster			8,142,339
TRIO Cluster			
Student Support Services Program	84.042A		294,064
Upward Bound Program	84.047A		365,723
Upward Bound - Math and Science	84.047M		326,233
Subtotal TRIO Cluster			986,020
Pass through the California Department of Rehabilitation:			
Workability III	84.126A	27311	103,323
<b>PERKINS CAREER TECHNICAL EDUCATION ACT</b>			
Pass through from the Peralta Community College District:			
Title II - Technical Preparation	84.243	*	1,185
Pass through from the Cabrillo Community College District:			
Collaborative Program Development in Green Technologies and CTE Resource Support	84.243	*	400
Pass through from California Community College Chancellor's Office:			
Career and Technical Education, Title I-C	84.048	*	133,171
Title II - Technical Preparation	84.243	*	67,797
ARRA: State Fiscal Stabilization Fund	84.394	*	25,086
Total U.S. Department of Education			9,459,321
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Forest Reserve	10.665		1,772
Pass through California Department of Education (CDE):			
Child and Adult Care Food Program	10.558	*	27,003
Total U.S. Department of Agriculture			28,775
<b>U.S. DEPARTMENT OF DEFENSE</b>			
<b>OFFICE OF NAVAL RESEARCH - DEPARTMENT OF THE NAVY</b>			
<b>NATIONAL OCEANOGRAPHIC PARTNERSHIP PROGRAM (NOPP)</b>			
<b>BASIC AND APPLIED SCIENTIFIC RESEARCH</b>			
Understanding and Predicting Changes in the Workforce for			
Oceanic Sciences, Technology, and Operations	12.300		25,053
Total U.S Department of Defense			25,053

\* 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, 2011**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Identify Number	Federal Expenditures
<b>U.S. DEPARTMENT OF INTERIOR</b>			
Pass through from Louisiana State University			
Gulf SERPENT: Establishing a Deepwater Plankton Observation System Using Industrial ROV	15.422	23662	\$ 1,605
Total U.S. Department of Interior			<u>1,605</u>
<b>NATIONAL SCIENCE FOUNDATION</b>			
Marine Advanced Technology Education Resource Center **	47.076		426,079
MATE ROV Competitions: Providing Pathways to the Ocean STEM Workforce **	47.076		371,177
Pass through the University Corporation at Monterey Bay			
Monterey Bay Advanced Networking Education Consortium **	47.076	5027501B	25,304
Subtotal National Science Foundation CFDA 47.076			<u>822,560</u>
Marine Technology Mentoring and Internship Program on Oceanographic Research Vessels **	47.050		95,174
Pass through from the Woods Hole Oceanographic Institution			
Center for Ocean Sciences Education Excellence - Network Ocean World (NOW) **	47.050	A100584	8,844
Subtotal National Science Foundation CFDA 47.050			<u>104,018</u>
Total National Science Foundation			<u>926,578</u>
<b>U.S. DEPARTMENT OF VETERANS AFFAIRS</b>			
Veterans Education	64.000		<u>2,135</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Pass through from California Community College Chancellor's Office:			
Temporary Assistance for Needy Families (TANF)	93.558	*	32,430
Pass through from the Yosemite Community College District,			
Child Development Training Consortium			
Child Development Training Consortium	93.575	10-11 - 3969	10,996
Pass through from the California Early Childhood Mentor Program			
Early Child Program	93.575	*	1,000
Pass through from the California Department of Education (CDE):			
Facilities Renovation and Repair	93.575	CRPM-0066	2,525
ARRA: Infant Toddler Child Care Resource Program	93.713	CCAP-0055	406
Pass through from The Regents of the University of California			
Baccalaureate Bridget to the Biomedical Sciences Program	93.859	NoS0182765	10,633
Total U.S. Department of Health and Human Services			<u>57,990</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 10,501,457</u>

\* Pass-Through Identify Number not available.

\*\* Research and Development grant.

See accompanying note to supplementary information.

**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2011**

PROGRAM	Program Entitlements		
	Current Year	Prior Year	Total Entitlement
<b>STATE CATEGORICAL AID PROGRAMS</b>			
Articulation Grant	\$ -	\$ 142	\$ 142
Basic Skills - 10/11	90,000	-	90,000
Basic Skills - 09/10	-	92,784	92,784
Basic Skills - 08/09	-	145,055	145,055
Board Financial Assistance Program (BFAP) (SFAA)	220,978	-	220,978
Career Tech - One-Time fund	-	57	57
CalWORKS	125,833	-	125,833
CARE	89,761	4,828	94,589
Children's Center	34,440	-	34,440
Child Development Instructional Material	-	-	-
Child Development Pre-School Grant	214,190	-	214,190
Closed Captioning	-	20,394	20,394
Disabled Student Programs and Service (DSPS)	524,223	33,087	557,310
Nursing Education	131,156	-	131,156
Extended Opportunity Programs and Service (EOPS)	537,101	36,477	573,578
Fire Training	59,265	27,332	86,597
First 5	11,447	6,886	18,333
Health Initiative	-	32	32
Instructional Block - Match Require - Student Service	-	15,453	15,453
Instructional Block - Match Require - Library	33,500	-	33,500
Instructional Block - Match Require - Instructional	-	30,140	30,140
Instructional Materials - One-Time Fund	-	45,111	45,111
Lottery	155,960	-	155,960
Matriculation Credit	246,368	28,573	274,941
Matriculation Non-credit	99,978	6,340	106,318
Multicultural Center	16,000	-	16,000
RHOCC	4,381	-	4,381
Staff Development	-	319	319
Staff Diversity	5,597	3,936	9,533
Cal Grants B - C	206,030	-	206,030

See accompanying note to supplementary information.



Program Revenues

Cash Received	Accounts Receivable	Accounts Payable	Deferred Revenue	Total Revenue	Program Expenditures
\$ 142	\$ -	\$ 8	\$ -	\$ 134	\$ 134
90,000	-	-	90,000	-	-
92,784	-	-	92,784	-	-
145,055	508	-	-	145,563	145,563
220,978	-	-	2,138	218,840	218,840
57	-	-	-	57	57
125,833	-	-	-	125,833	125,833
94,589	-	4,828	-	89,761	89,761
34,440	-	-	-	34,440	34,440
22	-	-	-	22	22
214,190	-	-	-	214,190	214,190
20,394	-	-	20,394	-	-
557,310	-	-	-	557,310	557,310
110,171	20,985	-	-	131,156	131,156
573,583	-	5,414	-	568,169	568,169
86,598	-	-	15,556	71,042	71,042
18,333	-	-	-	18,333	18,333
32	-	-	-	32	32
15,453	-	-	11,875	3,578	3,578
33,500	-	-	19,669	13,831	13,831
30,140	-	-	30,140	-	-
45,111	-	-	11,611	33,500	33,500
155,960	-	-	-	155,960	155,960
274,941	-	-	-	274,941	274,941
106,318	-	-	-	106,318	106,318
16,000	-	-	145	15,855	15,855
4,381	-	-	-	4,381	4,381
319	-	-	319	-	-
9,533	-	-	2,523	7,010	7,010
206,030	-	-	-	206,030	206,030
<u>\$ 3,282,197</u>	<u>\$ 21,493</u>	<u>\$ 10,250</u>	<u>\$ 297,154</u>	<u>\$ 2,996,286</u>	<u>\$ 2,996,286</u>

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL  
 APPORTIONMENT  
 AS OF JUNE 30, 2011

CATEGORIES	Reported Data	Audit Adjustments	Audited Data
<b>Full-Time Equivalent Student (FTES)</b>			
<b>A. Summer intersession (Summer 2010 only)</b>			
1. Noncredit	64	-	64
2. Credit	541	-	541
<b>B. Summer Intersession (Summer 2011-Prior to July 1, 2011)</b>			
1. Noncredit	-	-	-
2. Credit	456	-	456
<b>C. Primary Terms (Exclusive of Summer Intersession)</b>			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	4,216	-	4,216
(b) Daily Census Contact Hours	197	-	197
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	506	-	506
(b) Credit	1,338	-	1,338
3. Alternative Attendance Accounting Procedure			
(a) Weekly Census Contact Hours	244	-	244
(b) Daily Census Contact Hours	119	-	119
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
<b>D. Total FTES</b>	<u>7,681</u>	<u>-</u>	<u>7,681</u>
<b>H. Basic Skills courses and Immigrant Education (FTES)</b>			
1. Noncredit	260	-	260
2. Credit	233	-	233
	<u>493</u>	<u>-</u>	<u>493</u>
<b>Comprehensive Center FTES</b>			
1. Noncredit			47
2. Credit			442
Total Comprehensive Center FTES			<u>489</u>

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, 2011**

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

	<u>Bond Interest and Redemption</u>
June 30, 2010, Annual Financial and Budget Report (CCFS-311) Reported Fund Balance	\$ 4,702,636
Adjustments and Reclassifications Increasing Fund Balance:	
Investments	<u>1,191,030</u>
June 30, 2011, Audited Financial Statements	<u><u>\$ 5,893,666</u></u>

See accompanying note to supplementary information.

**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT**

**RECONCILIATION OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET ASSETS  
JUNE 30, 2011**

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

**Total Fund Balances and Retained Earnings**

General Fund	\$ 3,763,830
Special Revenue Funds	433,134
Debt Service Fund	5,944,375
Capital Projects Fund	57,136,401
Self Insurance Fund	10,526,412
Student Financial Aid Fund	16,984

<b>Total Fund Balances and Retained Earnings</b>	<b>\$ 77,821,136</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	149,931,401	
Accumulated depreciation is	(25,393,357)	124,538,044

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 Revenues, Expenses, and Changes in Net Assets.

Cost of issuance at year end amounted to :	1,538,148
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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.

(1,323,532)

Long-term obligations at year-end consist of:

General obligation and lease revenue bonds	138,027,653	
Early retirement	21,000	
Other postemployment benefits (OPEB)	806,335	
Capital leases	1,755,573	
Compensated absences (vacations)	1,140,387	
Less compensated absences already recorded in funds	(31,808)	(141,719,140)
<b>Total Net Assets</b>	<b>\$ 60,854,656</b>	

See accompanying note to supplementary information.

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2011

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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.

#### **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.

#### **Schedule of Workload Measures for State General Apportionment**

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 Governmental Funds 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.

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2011

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### Reconciliation of Expenditures of Grant Activity With the District's Schedule of Expenditures of Federal Awards

The following is a list of the grants and the differences between the District's accounting records and the Schedule of Expenditures of Federal Awards:

Description	Amount
Total Federal Revenues From the Statement of Revenues, Expenses, and Changes in Net Assets - Primary Government:	\$ 10,512,794
Federal Supplement Education Opportunity Grant (FSEOG)	(1,875)
Federal Pell Grants	(7,681)
Academic Competitiveness Grant (ACG)	(1,781)
Total Schedule of Expenditures of Federal Awards	<u>\$ 10,501,457</u>

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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, 2011, and have issued our report thereon dated December 21, 2011. 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**

The management of Monterey Peninsula Community College District is responsible for establishing and maintaining effective 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting as item 2011-1. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



## 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*.

Monterey Peninsula Community College District's response to the findings 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, express no opinion on the response.

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.

Vaurine K. Tine, CPA, CFP, LLC.

Rancho Cucamonga, California  
December 21, 2011



**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 Monterey Peninsula Community College District's (the District) compliance 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 Monterey Peninsula Community College District's major Federal programs for the year ended June 30, 2011. 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 could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2011. 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 items 2011-2 through 2011-4.

## 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 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 items 2011-2 through 2011-4. *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 responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Monterey Peninsula Community College District's responses and, accordingly, we express no opinion on the responses.

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.

*Vallinck, Time, Dajic Co., LLP.*

Rancho Cucamonga, California  
December 21, 2011



REPORT ON STATE COMPLIANCE

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), as of and for the year ended June 30, 2011, and have issued our report thereon dated December 21, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States 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 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 financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Compliance with the requirements of laws, regulations, contracts, and grants listed below is the responsibility of Monterey Peninsula Community College District's management. In connection with the audit referred to above, we selected and tested transactions and records to determine the Monterey Peninsula Community College District's compliance with the State laws and regulations applicable to the following items:

- Section 421 Salaries of Classroom Instructors: 50 Percent Law
- Section 423 Apportionment for Instructional Service Agreements/Contracts
- Section 424 State General Apportionment Required Data Elements
- Section 425 Residency Determination for Credit Courses
- Section 426 Students Actively Enrolled
- Section 427 Concurrent Enrollment of K-12 Students in Community College Credit Courses
- Section 431 Gann Limit Calculation
- Section 432 Enrollment Fee
- Section 433 CalWORKS – Use of State and Federal TANF Funding
- Section 435 Open Enrollment
- Section 437 Student Fee – Instructional Materials and Health Fees
- Section 473 Economic and Workforce Development (EWD)
- Section 474 Extended Opportunity Programs and Services (EOPS)
- Section 475 Disabled Student Programs and Services (DSPS)
- Section 477 Cooperative Agencies Resources for Education (CARE)
- Section 478 Preference for Veterans and Qualified Spouses for Federally Funded Qualified Training Programs
- Section 479 To Be Arranged (TBA) Hours

Based on our audit, we found that for the items tested, the Monterey Peninsula Community College District complied with the State laws and regulations referred to above, except as described in the Schedule of State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs as items 2011-5 through 2011-8. Our audit does not provide a legal determination on Monterey Peninsula Community College District's compliance with the State laws and regulations referred to above.

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

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.

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

Rancho Cucamonga, California  
December 21, 2011

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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, 2011**

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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?	<u>Yes</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?	<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, 84.033, 84.063, 84.268, and 84.375	<u>Student Financial Assistance Cluster</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?	<u>Yes</u>

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2011

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The following findings represent significant deficiencies, and/or instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

### 2011-1 CAPITAL ASSETS

#### Criteria or Specific Requirement

Accounting principles generally accepted in the United States of America and best accounting practices require a system of internal control over capital assets that will provide for both the safekeeping of District-owned assets and the proper recordkeeping of the assets' net book values.

#### Condition

The accounting for capital assets and the related valuations has primarily been completed only at year-end. The review and analysis of purchases, disposals, and other changes in the capital asset accounts has a significant impact on the financial statements as a whole and has not been completed in a timely manner at year-end. There is a risk that construction projects are not accounted for properly, or that equipment purchased during the year is not added to the depreciable capital asset listing.

#### Questioned Costs

None noted.

#### Recommendation

The District Business Office should establish a procedure to ensure timely reporting. This update should include a reconciliation of all construction accounts and equipment expense accounts to ensure all items meeting the threshold for capitalization are met. The District must maintain the Excel file, or purchase a capital asset software module, to maintain the calculation of depreciation for all capital assets.

#### District Response

Fiscal Services will establish an internal procedure for updating the capital asset excel spreadsheet of those items that would be capitalized on a more timely basis throughout the fiscal year.

Fiscal Services will work closely with the construction management personnel during the fiscal year to assure that construction project information is received in a timely manner in order to put together the year-end capital asset report for the annual audit.



# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

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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.

### 2011-2 RETURN OF TITLE IV

**Program:** Student Financial Assistance Cluster  
**CFDA Nos.** 84.007, 84.033, 84.063, 84.268, and 84.375  
**Award Year:** 2010-2011  
**Compliance Requirement:** Special Tests and Provisions  
**Questioned Costs:** None noted

#### Federal Program Affected

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

#### Criteria or Specific Requirement

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 requirement. In our sample we noted that for three of the students tested the District's portion of the return to Title IV funds were not returned within the 45 day requirement. It was noted that funds returned ranged between ninety-three (93) and one-hundred-four (104) days after the determination was made. These discrepancies were noted in the Fall Semester 2010, which was before the District implemented the new procedures from the prior year audit finding.

#### Questioned Costs

None noted. The District did return the funds; however, they were not returned within the 45-day requirement.

#### Context

We noted three returns of Title IV funds selected were not returned in a timely manner. It was noted each return of Title IV funds were 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 not initiated, nor were any checks issued.

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

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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.

### **Cause**

The College has not implemented policies and procedures to monitor the Return of Title IV funds.

### **Recommendation**

Monterey Peninsula College should strengthen its controls over ensuring the 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 has dropped.

### **District Response**

The findings above were for Fall Semester 2010, by Spring Semester 2011 the District implemented procedures in which return to Title IV was done on a weekly basis and the return of money was done on a weekly basis.

## **2011-3 COD REPORTING**

**Program:** Student Financial Assistance Cluster

**CFDA Nos.** 84.007, 84.033, 84.063, 84.268, and 84.375

**Award Year:** 2010-2011

**Compliance Requirement:** Reporting and Special Tests and Provisions

**Questioned Costs:** None noted

### **Federal Programs Affected**

Student Financial Assistance Cluster - U.S. Department of Education (ED), Federal Pell Grant Program (CFDA No. 84.063) and Federal Direct Student Loans (CFDA No. 84.268)

### **Criteria or Specific Requirement**

34 CFR Section 690.83: Submission of reports, Disbursements To or On Behalf of Students A-133  
Compliance Supplement: Student Financial Assistance Cluster:

For Pell and Direct Loan disbursements, the disbursement date and amount in the Common Origination and Disbursement files must agree to the disbursement date and amount in students' accounts or to the amount and date the funds were otherwise made available to students.

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

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### **Condition**

During our review of the requirements for disbursement to or on behalf of students processed at the District, it was observed that disbursement dates and amounts reported in the Common Origination and Disbursement (COD) files did not match the District's financial records.

### **Questioned Costs**

None noted.

### **Context**

The condition was identified as a result of reviewing the District's compliance requirements for disbursements to or on behalf of students.

### **Effect**

The District is not in compliance with the Federal requirements described in the A-133 Compliance Supplement.

The District can potentially face future financial sanctions or penalties from ED if the District fails to take corrective actions to remedy the condition identified.

### **Cause**

The District has not implemented policies and procedures to ensure compliance with Federal requirements regarding disbursement to or on behalf of students.

### **Recommendation**

It is recommended that the District implement procedures to ensure that the disbursement date and amount match between the COD files and the students' account records.

### **District Response**

The disbursement dates on the Direct Loan did correspond to the disbursement dates in COD. What did not agree were the disbursement dates for Pell grant and the disbursement dates in COD. The day we reconcile Pell grant and transmit to COD is the day that COD takes as our disbursement date. There is no mechanism in our automated system or in COD to allow us to correct the disbursement date after it is transmitted. We have contacted our software company and they are going to program the adjustment. This cannot happen until next year.

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

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### 2011-4 DIRECT LOAN RECONCILIATION

**Program:** Student Financial Assistance Cluster  
**CFDA Nos.** 84.007, 84.033, 84.063, 84.268, and 84.375  
**Award Year:** 2010-2011  
**Compliance Requirement:** Special Tests and Provisions  
**Questioned Costs:** None noted

#### **Federal Program Affected**

Student Financial Assistance Cluster - U.S. Department of Education (ED), Federal Direct Student Loans (CFDA No. 84.268)

#### **Criteria**

34 CFR Sections 685.102(b), 685.301, and 3003.

Borrower Data Transmission and Reconciliation (Direct Loan): A-133 Compliance Supplement;  
Student Financial Assistance Cluster

Institutions must report all loan disbursements and submit required records to the Direct Loan Servicing System (DLSS) via the Common Origination and Disbursement (COD) within 30 days of disbursement. Each month, the COD provides institutions with a School Account Statement (SAS) data file which consists of a Cash Summary, a Cash Detail, and Loan Detail Records. The institution is required to reconcile these files to the institution's financial records.

#### **Condition**

During our review of the requirements for the Direct Loan process at the District, it was observed the District is not reconciling the SAS data files to the financial records on a monthly basis.

#### **Questioned Costs**

None noted.

#### **Context**

The condition was identified as a result of reviewing the District's compliance requirements for Direct Loans.

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

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### **Effect**

Without proper monitoring of Direct Loan disbursements, the District risks noncompliance with 34 CFR Sections 685.102(b), 685.301, and 303.

The District can potentially face future financial sanctions or penalties from the ED if the District fails to take corrective actions to remedy the condition identified.

### **Cause**

The District has not implemented policies and procedures to ensure that reconciliations of the SAS data files to the financial records are being performed on a monthly basis. This is the first fiscal year that the District has offered Direct Loans.

### **Recommendation**

It is recommended that the District implement procedures to ensure that the SAS data file and the Loan Detail records per the COD are reconciled to the colleges' financial records.

### **District Response**

The District was reconciling monthly but was not using the Federal Form and could not prove that the reconciliation was being done. We changed immediately to using the SAS Report and have proof of reconciliation.

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

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The following findings represent instances of noncompliance and/or questioned costs relating to State program laws and regulations.

### **2011-5 421 - SALARIES OF CLASSROOM INSTRUCTORS: 50 PERCENT LAW**

#### **Criteria or Specific Requirement**

*Education Code* Section 84362 requires that a minimum of 50 percent of the District's Current Expense of Education (CEE) be expended during each fiscal year for "Salaries of Classroom Instructors." Salaries of classroom instructors, as prescribed in California Code of Regulations (CCR), Title 5, Section 59204, means (1) "that portion of salaries paid for purposes of instruction of students by full-time and part-time instructors employed by a district; and (2) all salaries paid to classified district employees who are (a) assigned the basic title of "Instructional Aide" or other appropriate title designated by the governing board that denotes that the employees' duties include instructional tasks, and (b) employed to assist instructors in the performance of their duties, in the supervision of students, and in the performance of instructional tasks." An employee shall be deemed to be under the supervision of an instructor for the purpose of *Education Code* Section 84362 if the employee performs duties under the general direction of an instructor.

#### **Condition**

The District does not appear to have a clear process in place to allocate salaries and benefits for instructors that are on reassigned time for administrative purposes from salaries of classroom instructors.

#### **Questioned Costs**

None noted. The District made the appropriate corrections before the books were closed, and the calculation was completed properly.

#### **Recommendation**

The District should review and implement procedures in order to ensure that reassigned time is allocated correctly, and excluded from salaries of classroom instructors.

#### **District Response**

In order to more accurately determine the correct budget categories and amounts of faculty release time needed for those faculty who are assigned administrative duties, the District will implement a procedure whereby the Fiscal Services Department will contact Academic Affairs prior to the end of each primary term. At this time, any changes that have occurred in assignments will be communicated. This information will include updated descriptions of the assignments, hours, names of faculty, and any other pertinent data related to the assignments. The Fiscal Services Department will then use this information to make any necessary budgetary changes to the adopted budget to accommodate for the current situation.

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

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### 2011-6 423 - APPORTIONMENT FOR INSTRUCTIONAL SERVICE AGREEMENTS/CONTRACTS

#### **Criteria or Specific Requirement**

*California Education Code* Section 84752, *California Code of Regulations (CCR)* Title 5 Section 58058, and *California Community College State Chancellor's Office Legal Advisory* 04-01.5; *Instructional Service Agreements*, dated March 18, 2004; and the related *Contract Guide to Instructional Service Agreements between College Districts and Public Agencies*.

#### **Condition**

Instructors have been used who are not employees of the District. When an instructor is not an employee of the District, a contract must be used to define the conditions of the instruction and determine minimum qualifications of the instructor. A written agreement or contract with each instructor conducting instruction was not obtained.

In addition, we were unable to obtain source documentation that verified students attended and completed the courses to support the hours claimed for State apportionment purposes.

#### **Questioned Costs**

Unknown at this time.

#### **Recommendation**

The District should closely monitor and review the procedures used for instructional service agreements and ensure all instructors have a written agreement or contract with the District. In addition, the District should review classes to ensure they meet the minimum conditions of instruction and maintain the retention of attendance records as a source documentation of completed coursework.

#### **District Response**

The District has reviewed the procedures used for instructional service agreements. The issue of not having a written agreement or contract on file was the result of last minute instructor changes in the courses in question. The District had a contract with the instructor who actually taught the course but that instructor's name did not appear in the college's system because the necessary course alteration changing the instructor name was not completed. The District will implement a procedure whereby all instructors who at any time are assigned to teach an instructional services course, whether they end up teaching the course or not, will be required to have a contract. This will insure that all instructors who appear in the college's system will have contracts.

The District will review all instructional service courses to ensure that they meet minimum conditions of instruction. The appropriate attendance records as source documentation of completed coursework shall be retained for the legally mandated period of time.

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

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### 2011-7 424 - STATE GENERAL APPORTIONMENT REQUIRED DATA ELEMENTS

#### Criteria or Specific Requirement

Each District governing board is required to adopt procedures to document all course enrollment, attendance, and disenrollment as required by California Code of Regulations (CCR), Title 5, Sections 58020-58024. Pursuant to Title 5 Section 58030, these procedures shall include rules for retention of support documentation that would enable independent determination of the accuracy of data submitted by the District as a basis for state support. Such procedures must be structured to provide for internal controls.

#### Condition

The District has policies and procedures in place that documents the above criteria. However, the Board of Trustees has not adopted a formal policy.

#### Questioned Costs

None noted.

#### Recommendation

The District should ensure that the Board of Trustees adopt policies that document all course enrollment, attendance, disenrollment, and records retention.

#### District Response

The District does have written procedures to document all course enrollment, attendance, disenrollment, and record retention; however, the District does not have adopted board policies in these areas. The District will initiate the development of specific board policies to address these areas.

### 2011-8 424 - STATE GENERAL APPORTIONMENT REQUIRED DATA ELEMENTS

#### Criteria or Specific Requirement

The actual hours of attendance commonly referred to as positive attendance is based on an actual count of enrolled students present at each class meeting.

#### Condition

While reviewing the actual hours of attendance, it was noted that the District does not have a control in place in the Santa Rosa system to limit the amount of contact hours claimed over the maximum contact hours for the course.



# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

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### **Questioned Costs**

Unknown at this time. However, we noted approximately 50-100 contact hours were over reported on the CCFS-320 attendance report.

### **Recommendation**

The District should ensure not to claim more than the maximum contact hours allowed for each course.

### **District Response**

The District will implement necessary programming changes between Time Keeper software and SIS to insure that excessive hours are not transferred into SIS.

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2011

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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*

#### **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.

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2011

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### **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.

### **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.

### **Current Status**

Partially implemented. See current year finding 2011-2.