



MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT
Citizens' Bond Oversight Committee

Monday, March 20, 2017
3:00 PM – Regular Meeting
Sam Karas Room, Library and Technology Center
Monterey Peninsula College
980 Fremont Street, Monterey, California

MEETING AGENDA

- 1. Call to Order**
- 2. Public Comment**
Members of the audience wishing to address the Citizens' Bond Oversight Committee may do so during the public comment period. Under provisions of the Brown Act, the Committee is prohibited from discussing or taking action on oral requests that are not part of the agenda. Comments are limited to three minutes per person or as determined by the Committee.
- 3. Approval of November 7, 2016 Minutes** ACTION
- 4. Accept Bills and Warrants Report** ACTION
The list of payments from bond funds expended through December 31, 2016 will be reviewed for acceptance by the committee.
- 5. Bond Expenditure Status Report** INFORMATION
The December 31, 2016 bond expenditure status report will be reviewed with the committee.
- 6. Bond Auditors' Reports for 2015-16** INFORMATION
The Independent Auditors' Report of the District's bond funds, for the fiscal year ended June 30, 2016, and the District's Bond Performance Audit Report, for the fiscal year ended June 30, 2016, will be reviewed with the committee.

- | | |
|---|--------------------|
| <p>7. Monterey County Treasurer’s Investment Report
 The bonds issued by the district have been invested with the Monterey County Treasurer’s office. The Treasurer’s Report of Investments for the quarter ending December 30, 2016 provides a review of asset allocation and investment performance.</p> | <p>INFORMATION</p> |
| <p>8. Monterey County Treasury Oversight Committee Compliance Audit for 2014-15
 The committee expressed interest in reviewing the annual compliance audit of the Treasurer’s investment operations. The most recent compliance audit report will be reviewed with the committee.</p> | <p>INFORMATION</p> |
| <p>9. Superintendent/President’s Update</p> | <p>INFORMATION</p> |
| <p>10. Meeting Schedule
 Future meetings of the Committee are scheduled for:</p> <ul style="list-style-type: none"> • Monday, June 12, 2017 • Monday, August 28, 2017 • Monday, November 6, 2017 (Annual Organizational Meeting) | <p>INFORMATION</p> |
| <p>11. Suggestions for Future Agenda Topics and Announcements</p> | <p>INFORMATION</p> |
| <p>12. Adjournment</p> | |

Public records provided to the Committee for the items listed on this agenda may be viewed online at the College’s website <http://www.mpc.edu/about-mpc/campus-information/mpc-bond-measure/citizen-s-bond-oversight-committee/meeting-agenda-minutes>, at the Superintendent/President’s office, Monterey Peninsula College, 980 Fremont Street, Monterey, California during normal business hours, or at the Committee meeting.

Posted: March 15, 2017



MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT
Citizens' Bond Oversight Committee

Monday, November 7, 2016
3:00 PM – Regular Meeting
Sam Karas Room, Library and Technology Center
Monterey Peninsula College
980 Fremont Street
Monterey, California

Meeting Minutes

MEMBERS PRESENT: Mr. Wayne Cruzan, Vice Chair
Mr. Hunter Harvath (arrived at 3:05 PM)
Mr. Birt Johnson, Jr.
Mr. Stephen Lambert
Mr. Rob Lee
Mr. James Panetta, Chair

ABSENT: Mr. Thomas Gaspich
Mr. Rick Heuer
Ms. Sharon Larson

STAFF PRESENT: Ms. Rosemary Barrios, Controller
Dr. Steve Crow, Administrative Services Professional Expert
Ms. Vicki Nakamura, Assistant to the President
Dr. Walter Tribley, Superintendent/President

OTHERS PRESENT: Mr. Michael Carson, Kitchell

1. Call to Order

The regular meeting of the Citizens' Bond Oversight Committee of Monterey Peninsula College was called to order at 3:01 PM by Chair Panetta.

2. Public Comment

There were no public comments.

3. Committee Membership Update

Dr. Tribley reported Mr. Gaspich, Mr. Harvath, Ms. Larson, and Mr. Lee, have agreed to serve another term on the committee. The Governing Board approved their reappointment in October. Dr. Tribley thanked them for their continued service and commitment to the college.

4. Approval of August 29, 2016 Minutes

Motion made by Mr. Johnson, seconded by Mr. Cruzan, to approve the minutes of the August 29, 2016 meeting. Motion carried unanimously.

AYES:	5 MEMBERS:	Cruzan, Lambert, Lee, Johnson, Panetta
NOES:	0 MEMBERS:	None
ABSENT:	4 MEMBERS:	Gaspich, Harvath, Heuer, Larson
ABSTAIN:	0 MEMBERS:	None

5. Facilities Projects Update

Dr. Crow reported the Governing Board recently approved revisions to the bond fund budget to reflect completed projects, rebalancing of budgets, and the transfer of unused funds to newly identified needs. He noted three new projects have been established: the baseball field, infrastructure, and data center network security. Dr. Tribley added the baseball field project is closer to \$3 million in cost. It will be a phased project and the bond will fund the first phase of \$750,000. The project will convert the field from grass to artificial turf, saving \$50,000 a year in watering expense and improving the safety of the facility. Dr. Crow indicated the data center network security project will address vulnerabilities identified in the network system.

Chair Panetta asked where the amounts of \$400,000 for the data center and \$500,000 for the infrastructure project came from. Dr. Crow responded the Director of Information Technology worked with consultants to arrive at the \$400,000 network security project cost. He said the \$500,000 was the remaining balance. Mr. Panetta also asked about the miscellaneous category budgeted at \$74,857. It was explained the miscellaneous category was a holding category. Mr. Johnson confirmed the infrastructure project represents phase IV of repairs.

6. Accept Bills and Warrants Report

Chair Panetta advised the report would be reviewed by page and invited questions. Members had no questions on pages 1-3.

Mr. Johnson noted several projects on the bond expenditure status report were listed as 100% complete, such as the Theater and Humanities projects, and no additional expenditures were recorded on the bills and warrants report. He asked if further expenditures were anticipated on these projects. Dr. Crow responded there will be no further expenditures.

It was moved by Mr. Harvath and seconded by Mr. Johnson to accept the September 30, 2016 bills and warrants report. Motion carried unanimously.

AYES:	6 MEMBERS:	Cruzan, Harvath, Lambert, Lee, Johnson, Panetta
NOES:	0 MEMBERS:	None
ABSENT:	3 MEMBERS:	Gaspich, Heuer, Larson
ABSTAIN:	0 MEMBERS:	None

7. Bond Expenditure Status Report

Per Mr. Johnson's comments under the previous item, it was agreed that projects listed as 100% complete will be moved from the In Process category to the Completed Projects category on the next quarterly report. This change will leave the Arts Complex project (with \$255,295 balance),

furniture/equipment (with \$500,000 balance), general institutional contingency (with \$358,463 balance) and Infrastructure – Phase IV (with \$425,143 balance) as the only projects in the In Process category.

The Future projects category consists of four projects: the Baseball Field, Data Center Network Security, the Music facilities renovation, and the Public Safety Training Center (PSTC) Phase II at Parker Flats. The PSTC project is waiting for a state funding match. Dr. Tribley noted if the state bond initiative fails to pass on the November ballot, the Board will need to determine if the remaining bond funds should be repurposed.

Mr. Harvath asked about the source of interest earnings on bond funds. Dr. Crow explained the bond funds were invested in Monterey County’s investment fund. Mr. Lee asked if there was a certain threshold to reach before a project was moved from the Future category to the In Process category. It was explained that while some of the Future projects have had small amounts expended on design, the projects were not yet under construction, and thus, not considered “in process.”

8. Annual Report for 2015-16

Mr. Johnson commented that some of the projects listed as in process on page 11 of the report should be characterized as completed.

It was moved by Mr. Cruzan and seconded by Mr. Johnson to approve the annual report. Motion carried unanimously. Mr. Cruzan will present the report to the Governing Board in place of Chair Panetta.

YES:	6 MEMBERS:	Cruzan, Harvath, Lambert, Lee, Johnson, Panetta
NOES:	0 MEMBERS:	None
ABSENT:	3 MEMBERS:	Gaspich, Heuer, Larson
ABSTAIN:	0 MEMBERS:	None

9. Superintendent/President’s Update

Dr. Tribley focused his update on the college’s accreditation process. He stated the college completed a self-study and then hosted a site evaluation team in October. The team provided an exit summary to the campus and will be submitting an evaluation report to the Accrediting Commission for Community and Junior Colleges. The college’s self-study and the evaluation team report will be considered by the commission in January. He reviewed the possible outcomes of the accreditation process. Dr. Tribley stated MPC will remain fully accredited, but the college may receive recommendations for improvement that will need to be addressed within a certain period of time. Mr. Harvath asked when the last accreditation was completed. Dr. Tribley said the prior accreditation evaluation was in 2010. The college’s accreditation was reaffirmed, but there were also recommendations received, such as the recommendation regarding student learning outcomes.

10. Officers

Dr. Tribley presented Mr. Panetta with a certificate of appreciation in gratitude for his service as chair of the committee during the past two years. Mr. Panetta remarked he is proud to be a Lobo.

Dr. Tribley announced Mr. Cruzan has agreed to serve as chair for 2017. The floor was opened for nominations for the vice chair position. Mr. Panetta nominated Mr. Harvath, seconded by Mr. Cruzan. Mr. Harvath was elected unanimously.

YES:	6 MEMBERS:	Cruzan, Harvath, Lambert, Lee, Johnson, Panetta
NOES:	0 MEMBERS:	None
ABSENT:	3 MEMBERS:	Gaspich, Heuer, Larson
ABSTAIN:	0 MEMBERS:	None

11. Meeting Schedule

The meeting dates of March 6, June 12, August 28, and November 6 (annual organizational meeting) were proposed for 2017.

Motion was made by Mr. Harvath and seconded by Mr. Cruzan to accept the meeting dates for 2017. Motion carried unanimously.

YES:	6 MEMBERS:	Cruzan, Harvath, Lambert, Lee, Johnson, Panetta
NOES:	0 MEMBERS:	None
ABSENT:	3 MEMBERS:	Gaspich, Heuer, Larson
ABSTAIN:	0 MEMBERS:	None

12. Suggestions for Future Agenda Topics and Announcements

Mr. Lee had previously asked about a compliance audit for the Monterey County Treasurer's Investment Fund. Ms. Barrios has confirmed a compliance audit has been completed. Staff will include the most recent compliance audit on the next meeting agenda.

13. Adjournment

Chair Panetta adjourned the meeting at 3:54 PM.

/vn

Monterey Peninsula College Bills & Warrants Report Through December 31, 2016		
Vendor Name	Description of service or purchase	Amount Paid
	<i>Total Expense at September 30, 2016</i>	\$3,540,290.20
<u>Art Complex</u>	No new expense this period.	\$0.00
	To Date Expense through December 31, 2016	<u>\$3,540,290.20</u>
	<i>Total Expense at September 30, 2016</i>	\$23,770.35
<u>Music Building</u>	No new expense this period.	\$0.00
	To Date Expense through December 31, 2016	<u>\$23,770.35</u>
	<i>Total Expense at September 30, 2016</i>	\$5,337,175.28
<u>Furniture/Equipment</u>	No new expense this period.	\$0.00
	To Date Expense through December 31, 2016	<u>\$5,337,175.28</u>
	<i>Total Expense at September 30, 2016</i>	\$5,692,510.21
<u>General Institutional Bond Mgmt.</u>	No new expense this period.	\$0.00
	To Date Expense through December 31, 2016	<u>\$5,692,510.21</u>
	<i>Total Expense at September 30, 2016</i>	\$70,498.52
<u>PSTC Parker Flats</u>	No new expense this period.	\$0.00
	To Date Expense through December 31, 2016	<u>\$70,498.52</u>
	<i>Total Expense at September 30, 2016</i>	\$74,857.00
<u>Infrastructure Phase IV</u>	No new expense this period.	\$0.00
	To Date Expense through December 31, 2016	<u>\$74,857.00</u>

Monterey Peninsula College		
Bills & Warrants Report		
Through December 31, 2016		
		Amount
Vendor Name	Description of service or purchase	Paid
Closed Projects		
Old Library		\$21,279.52
Early Start - Walkway/Safety Improvements		\$225,630.18
Early Start - Telephone System Upgrades		\$599,414.48
Early Start - As Built Drawings		\$209,792.00
Early Start - Roof Repairs		\$480,255.64
Early Start - HVAC Repairs	Social Science/Computer Science buildings.	\$618,538.68
Early Start - Landscaping	Library technology area.	\$438,292.96
Early Start - Vehicles		\$187,070.27
Early Start - Master Signage Plan		\$53,890.42
Early Start - Auto Technology Bldg	HVAC replacement.	\$16,443.00
Drafting Bldg	Furnace replacement.	\$13,974.00
Early Start - New Plant Services Bldg	Costs over state funding for new building.	\$487,574.35
Early Start - Demolition of Old Plant Services Bldg		\$63,521.68
Environmental Impact Report - Campus		\$154,162.67
Business & Computer Science Bldg	Seismic design.	\$7,981.84
Humanities Bldg	Seismic design.	\$16,375.04
International Center Bldg	Blue Prints.	\$14.71
Physical Science Bldg	Architectural Services, for potential elevator replacement.	\$6,986.44
Life Science Bldg	Architectural Services, for potential elevator replacement.	\$7,793.83
Pool/Tennis Courts	Preliminary architectural services.	\$206.00
Physical Education Facility		\$1,488,294.29
PE Field/Track		\$14,848,446.67
Fitness Phase IB		\$899,827.93
College Center Renovation		\$23,608.41
Social Science Renovation		\$863,696.74
Music/Theater Building		\$22,732.50
Family and Consumer Sci		\$67,671.12
Gymnasium Building	Floor/Seismic/Bleachers.	\$877,847.00
Lecture Forum Renovation		\$2,117,203.20
Child Development Center		\$1,029,198.71
Infrastructure/Parking		\$20,886,001.04

Monterey Peninsula College		
Bills & Warrants Report		
Through December 31, 2016		
Vendor Name	Description of service or purchase	Amount Paid
Closed Projects (continued)		
Infrastructure 2		\$2,481,606.93
New Administration/Old Library Building		\$4,712,191.10
Public Safety Training Center Renovation		\$7,478,201.30
Auto Technology Building Renovation		\$958,602.22
Business & Computer Science (includes Math)		\$2,215,417.93
New Student Services Building		\$9,681,388.03
New Education Center at Marina		\$8,159,654.52
PE Phase II (Gym/Locker Room Renovation)		\$3,810,035.95
Pool Renovation (includes Pool Building)		\$2,047,493.00
Student Center Renovation		\$6,157,617.00
Humanities, Bus-Hum, Student Services		\$3,543,043.00
Infrastructure- Phase III		\$6,458,266.00
Life Science /Physical Science		\$10,832,201.00
Swing Space / Interim Housing		\$5,777,350.00
Theater		\$10,382,736.00
	To Date Expense through December 31, 2016	<u>\$131,429,529.30</u>
	Total Payments (closed projects, under construction, and planned projects)	<u>\$146,168,630.86</u>

BOND EXPENDITURE REPORT 12/31/16

Total Budget With Other Funds	Projects	A Total Bond Budget	B Total Bond Prior Year Expenses	C	A-B-C	(B+C)/A	
				2016-2017 Year to Date Bond Payments	Bond Budget Balance	% Bond Cost	% Construction Schedule
	In Process						
\$3,795,585	Arts Complex	\$3,795,585	\$3,540,290	\$0	\$255,295	93%	70%
\$5,685,000	Furniture & Equipment	\$5,837,175	\$5,337,175	\$0	\$500,000	91%	99%
\$358,463	General Contingency	\$358,463	\$0	\$0	\$358,463	0%	0%
\$574,857	Infrastructure - Phase IV	\$574,857	\$74,857	\$0	\$500,000	13%	0%
\$10,413,905	Total in Process	\$10,566,080	\$8,952,322	\$0	\$1,613,758		
	Future						
\$750,000	Baseball Field	\$750,000	\$0	\$0	\$750,000	0%	0%
\$400,000	Data Center Network Security	\$400,000	\$0	\$0	\$400,000	0%	0%
\$1,200,000	Music	\$1,200,000	\$23,770	\$0	\$1,176,230	2%	0%
\$12,000,000	PSTC Parker Flats	\$6,000,000	\$70,500	\$0	\$5,929,500	1%	0%
\$14,350,000	Total Future	\$8,350,000	\$94,270	\$0	\$8,255,730		
	Completed						
\$1,057,576	Early Start/Completed-HVAC Repairs	\$618,539	\$618,539	\$0	\$0	100%	100%
\$2,965,574	Early Start/Completed-New Plant Serv Bldg	\$487,574	\$487,574	\$0	\$0	100%	100%
\$599,414	Early Start/Completed-Telephone System	\$599,414	\$599,414	\$0	(\$0)	100%	100%
\$67,671	Family Consumer Science	\$67,671	\$67,671	\$0	\$0	100%	100%
\$1,517,774	Gym - floor/seismic/bleachers	\$877,847	\$877,847	\$0	\$0	100%	100%
\$2,481,607	Infrastructure - Phase II	\$2,481,607	\$2,481,607	\$0	\$0	100%	100%
\$20,886,001	Infrastructure - Phase I	\$20,886,001	\$20,886,001	\$0	\$0	100%	100%
\$2,117,203	Lecture Forum Renovation	\$2,117,203	\$2,117,203	\$0	\$0	100%	100%
\$7,427,191	New Admin / Old Library Renovation	\$4,712,191	\$4,712,191	\$0	(\$0)	100%	100%
\$5,413,198	New Child Development Center Bldg	\$1,029,198	\$1,029,198	\$0	\$0	100%	100%
\$21,420,211	Other Early start / completed	\$1,950,012	\$1,950,012	\$0	\$0	100%	100%
\$17,336,569	PE Field Track, Fitness Building	\$17,236,569	\$17,236,569	\$0	\$0	100%	100%
\$863,697	Social Science Renovation (inc. Seismic)	\$863,697	\$863,697	\$0	\$0	100%	100%
\$7,478,201	Public Safety Training Center Renov.	\$7,478,201	\$7,478,201	\$0	\$0	100%	100%
\$1,000,000	Auto Technology Building	\$958,602	\$958,602	\$0	(\$0)	100%	100%
\$2,300,000	Business Computer Science	\$2,215,418	\$2,215,418	\$0	\$0	100%	100%
\$8,300,000	New Ed Center Building at Marina	\$8,300,000	\$8,159,654	\$0	\$0	98%	100%
\$9,700,000	New Student Services Building	\$9,700,000	\$9,681,388	\$0	\$0	100%	100%
\$3,830,000	PE Phase II - Gym/Locker Room Renov.	\$3,830,000	\$3,810,036	\$0	\$0	99%	100%
\$2,640,519	Pool Renovation	\$2,640,519	\$2,047,493	\$0	\$0	78%	100%
\$6,157,617	College Center Renovation	\$6,157,617	\$6,157,617	\$0	\$0	100%	100%
\$6,614,000	Humanities, Bus-Hum, Student Services	\$3,543,043	\$3,543,043	\$0	\$0	100%	100%
\$6,458,266	Infrastructure - Phase III	\$6,458,266	\$6,458,266	\$0	\$0	100%	100%
\$10,832,201	Life Science/Physical Science	\$10,832,201	\$10,832,201	\$0	\$0	100%	100%
\$5,800,000	Swing Space / Interim Housing	\$5,777,350	\$5,777,350	\$0	\$0	100%	99%
\$10,382,736	Theater	\$10,382,736	\$10,382,736	\$0	\$0	100%	100%
\$165,647,226	Total Completed	\$132,201,476	\$131,429,529	\$0	(\$1)		
\$190,411,131	Total All Projects	\$151,117,556	\$140,476,121	\$0	\$9,869,487		
	General Institutional-Bond Management		\$5,692,510	\$0			
			\$146,168,631	\$0			
	Total Bond Funds Spent to Date		\$146,168,631				

**MONTEREY PENINSULA
COMMUNITY COLLEGE DISTRICT**

**MEASURE I GENERAL OBLIGATION BONDS
ELECTION 2002**

FINANCIAL AND PERFORMANCE AUDITS

JUNE 30, 2016

**MONTEREY PENINSULA
COMMUNITY COLLEGE DISTRICT**

**MEASURE I GENERAL OBLIGATION BONDS
ELECTION 2002
FINANCIAL AUDIT**

JUNE 30, 2016

**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT
MEASURE I GENERAL OBLIGATION BONDS
ELECTION 2002**

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JUNE 30, 2016**

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees, Management, and
Citizens' Oversight Committee
Monterey Peninsula Community College District
Monterey, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Monterey Peninsula Community College District's (the District), Measure I General Obligation Bond Funds (Measure I), as of and for the year ended June 30, 2016, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

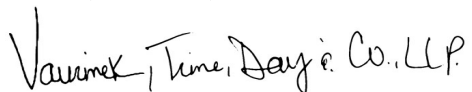
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure I General Obligation Bond Funds (Measure I) of the District at June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Measure I General Obligation Bond Funds (Measure I), and are not intended to present fairly the financial position and changes in financial position of the District in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2016, on our consideration of the District's Measure I General Obligation Bond Funds (Measure I) internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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* in considering the District's Measure I General Obligation Bond Funds (Measure I) internal control over financial reporting and compliance.



Rancho Cucamonga, California
December 16, 2016

**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT
MEASURE I GENERAL OBLIGATION BONDS
ELECTION 2002**

**BALANCE SHEET
JUNE 30, 2016**

ASSETS

Investments	\$ 9,869,488
Accounts receivable	25,506
Due from other funds	<u>30,949</u>
Total Assets	<u><u>\$ 9,925,943</u></u>

FUND BALANCE

Restricted	
Capital projects	<u><u>\$ 9,925,943</u></u>

See the accompanying notes to financial statements.

**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT
MEASURE I GENERAL OBLIGATION BONDS
ELECTION 2002**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2016**

REVENUES

Interest revenues	\$ 93,420
Other local revenues	25,506
Total Revenues	<u>118,926</u>

EXPENDITURES

Services and operating expenditures	13,119
Capital outlay	548
Total Expenditures	<u>13,667</u>

NET CHANGE IN FUND BALANCE	105,259
FUND BALANCE, BEGINNING OF YEAR	<u>9,820,684</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 9,925,943</u></u>

See the accompanying notes to financial statements.

**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT
MEASURE I GENERAL OBLIGATION BONDS
ELECTION 2002**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

The accounting policies of the Measure I General Obligation Bond Funds (Measure I) conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

Financial Reporting Entity

The audited financial statements include only the Measure I General Obligation Bond Funds (Measure I) of Monterey Peninsula Community College District. This Fund was established to account for the receipt of proceeds of general obligation bond issuances and the expenditures of the proceeds under the General Obligation Bonds Election of November 2008. These financial statements are not intended to present fairly the financial position and changes in financial position of the District in compliance with accounting principles generally accepted in the United States of America.

Fund Accounting

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

Basis of Accounting

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

Budgets and Budgetary Accounting

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

**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT
MEASURE I GENERAL OBLIGATION BONDS
ELECTION 2002**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Encumbrances

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

Fund Balance - Measure I General Obligation Bonds

As of June 30, 2016, the fund balance is classified as follows:

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

Use of Estimates

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

Change in Accounting Principles

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The District has implemented the provisions of this Statement as of June 30, 2016.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of State and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT
MEASURE I GENERAL OBLIGATION BONDS
ELECTION 2002**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

This Statement supersedes GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

The District has implemented the provisions of this Statement as of June 30, 2016.

In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant.

If an external investment pool does not meet the criteria established by this Statement, that pool should apply the provisions in paragraph 16 of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended. If an external investment pool meets the criteria in this Statement and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. If an external investment pool does not meet the criteria in this Statement, the pool's participants should measure their investments in that pool at fair value, as provided in paragraph 11 of GASB Statement No. 31, as amended.

This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures, for both the qualifying external investment pools and their participants, include information about any limitations or restrictions on participant withdrawals.

The District has implemented the provisions of this Statement as of June 30, 2016.

NOTE 2 - INVESTMENTS

Policies and Practices

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

**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT
MEASURE I GENERAL OBLIGATION BONDS
ELECTION 2002**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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 accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

General Authorizations

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the Monterey County Investment Pool. The District maintains an investment of \$9,869,488 with the Monterey County Investment Pool, with an average maturity of 491 days.

**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT
MEASURE I GENERAL OBLIGATION BONDS
ELECTION 2002**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the Monterey County Investment Pool is not required to be rated, nor has it been rated as of June 30, 2016.

NOTE 3 - FAIR VALUE MEASUREMENTS

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

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

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

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

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

The District's fair value measurements are as follows at June 30, 2016:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Uncategorized</u>
Monterey County Investment Pool	<u>\$ 9,866,165</u>	<u>\$ 9,866,165</u>

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

**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT
MEASURE I GENERAL OBLIGATION BONDS
ELECTION 2002**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 4 - ACCOUNTS RECEIVABLE

The accounts receivable at June 30, 2016, consists of the following:

Interest	<u><u>\$ 25,506</u></u>
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All amounts have been determined by management to be fully collectible.

NOTE 5 - INTERFUND TRANSACTIONS

Interfund receivable balance at June 30, 2016, consists of the following:

Due from General Fund	<u><u>\$ 30,949</u></u>
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NOTE 6 - FUND BALANCE

Fund balance is composed of the following element:

Restricted Capital projects	<u><u>\$ 9,925,943</u></u>
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NOTE 7 - COMMITMENTS AND CONTINGENCIES

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 Measure I General Obligation Bond Funds (Measure I) at June 30, 2016.

INDEPENDENT AUDITOR'S REPORT



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

To the Board of Trustees, Management, and
Citizens' Oversight Committee
Monterey Peninsula Community College District
Monterey, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the Monterey Peninsula Community College District (the District) Measure I General Obligation Bond Funds (Measure I), as of and for the year ended June 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated December 16, 2016.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Measure I General Obligation Bond Funds (Measure I), and are not intended to present fairly the financial position and changes in financial position of the District in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

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

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

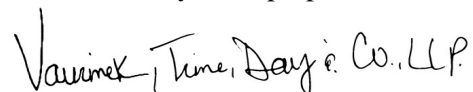
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not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

Compliance and Other Matters

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

Purpose of This Report

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



Rancho Cucamonga, California
December 16, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT
MEASURE I GENERAL OBLIGATION BONDS
ELECTION 2002**

**FINANCIAL STATEMENT FINDINGS
JUNE 30, 2016**

None reported.

**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT
MEASURE I GENERAL OBLIGATION BONDS
ELECTION 2002**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2016**

There were no audit findings reported in the prior year's Financial Statement Findings.

**MONTEREY PENINSULA
COMMUNITY COLLEGE DISTRICT**

**MEASURE I GENERAL OBLIGATION BONDS
ELECTION 2002**

PERFORMANCE AUDIT

JUNE 30, 2016

**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT
MEASURE I GENERAL OBLIGATION BONDS
ELECTION 2002**

**PERFORMANCE AUDIT
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JUNE 30, 2016**

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INDEPENDENT AUDITOR'S REPORT ON PERFORMANCE

To the Board of Trustees, Management, and
Citizens' Oversight Committee
Monterey Peninsula Community College District
Monterey, California

We were engaged to conduct a performance audit of Monterey Peninsula Community College District's (the District) Measure I General Obligation Bond Funds (Measure I) for the year ended June 30, 2016.

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

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

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

The results of our tests indicated that the District expended Measure I General Obligation Bond Funds (Measure I) only for the specific projects approved by the voters, in accordance with Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 16, 2016

**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT
MEASURE I GENERAL OBLIGATION BOND
ELECTION 2002**

**PERFORMANCE AUDIT
JUNE 30, 2016**

AUTHORITY FOR ISSUANCE

The Measure I General Obligation Bond Funds were issued pursuant to the Constitution and laws of the State of California (the State), including the provisions of Chapters 1 and 1.5 of Part 10 of the California *Education Code* and other applicable provisions of law.

The Bonds were authorized to be issued pursuant to a request of the District made by a resolution adopted by the Board of Trustees of the District.

The District received authorization from an election held on November 5, 2002, to issue bonds of the District in an aggregate principal amount not to exceed \$145,000,000 to finance the construction and modernization of certain District property and facilities, the acquisition of equipment, and to pay the costs of issuance associated with the Bonds. The proposition required approval by at least 55 percent of votes cast by eligible voters within the District (the Authorization).

In December 2005, the District issued the 2005 General Obligation Refunding Bonds in the amount of \$33,304,385. The Bonds were used to advance refund a portion of the outstanding Bonds from the first series of the authorized Bonds, Series A. The second and third series of authorized Bonds issued was in January 2008; the District issued Series B in the amount of \$9,004,530 and Series C in the amount of \$95,994,770, respectively.

In April 2013, the District issued the \$33,820,000 2013 General Obligation Refunding Bonds, Series A and B. The bonds have a final maturity to occur on August 1, 2021, with interest rates from .335 to 4.00 percent. The net proceeds of \$36,975,456 (representing the principal amount of \$33,820,000 plus premium on issuance of \$3,155,456) from the issuance were used to advance refund a portion of the District's outstanding 2002 General Obligation Bonds, Series C and to pay the cost of issuance associated with the refunding bonds. In addition, the net proceeds were used to advance refund a portion of the District's outstanding 2005 General Obligation Refunding Bonds and to pay the cost of the issuance associated with the refunding bonds.

In May 2016, the District issued the \$105,348,522 2016 General Obligation Refunding Bonds. The Bonds have a final maturity to occur on August 1, 2033, with interest rates from 1.65 to 4.00 percent. The net proceeds of \$106,531,137 (representing the principal amount of \$105,348,522 plus premium on issuance of \$1,182,615) from the issuance were used to advance refund a portion of the District's outstanding 2002 General Obligation Bonds, Series C and to pay the cost of issuance associated with the refunding bonds.

PURPOSE OF ISSUANCE

The net proceeds of the Bonds issued under the 2002 Authorization will be used for the purposes specified in the District bond proposition submitted at the Election, which include the financing of the construction, and modernization of certain District property and facilities, the acquisition of equipment and to pay the costs of issuance associated with the Bonds.

**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT
MEASURE I GENERAL OBLIGATION BOND
ELECTION 2002**

**PERFORMANCE AUDIT
JUNE 30, 2016**

AUTHORITY FOR THE AUDIT

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

1. Requires that the proceeds from the sale of the bonds be used only for the purposes specified in Article XIII A, Section 1(b)(3)(C) of the California Constitution, and not for any other purpose, including teacher and administrator salaries and other school operating expenses.
2. The community college district must list the specific school facilities projects to be funded in the ballot measure, and must certify that the governing board has evaluated safety, class size reduction, and information technology needs in developing the project list.
3. Requires the community college district to appoint a citizens' oversight committee.
4. Requires the community college district to conduct an annual independent financial audit and performance audit in accordance with the *Government Auditing Standards* issued by the Comptroller General of the United States of the bond proceeds until all of the proceeds have been expended.
5. Requires the community college district to conduct an annual independent performance audit to ensure that the funds have been expended only on the specific projects listed.

OBJECTIVES OF THE AUDIT

1. Determine whether expenditures charged to the Measure I General Obligation Bond Funds have been made in accordance with the Bond project list approved by the voters through the approval of Measure I.
2. Determine whether salary transactions charged to the Measure I General Obligation Bond Funds were in support of Measure I and not for District general administration or operations.

SCOPE OF THE AUDIT

The scope of our performance audit covered the period of July 1, 2015 to June 30, 2016. The population of expenditures tested included all object and project codes associated with the bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other State or local funding sources, other than proceeds of the bonds, were not included within the scope of the audit. Expenditures incurred subsequent to June 30, 2016, were not reviewed or included within the scope of our audit or in this report.

**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT
MEASURE I GENERAL OBLIGATION BOND
ELECTION 2002**

**PERFORMANCE AUDIT
JUNE 30, 2016**

PROCEDURES PERFORMED

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2016, for the Measure I General Obligation Bond Funds (Measure I). Within the fiscal year audited, we obtained the actual invoices and other supporting documentation for a sample of expenditures to ensure compliance with the requirements of Article XIII A, Section 1(b)(3)(C) of the California Constitution and the Measure I as to the approved Bond projects list. We performed the following procedures:

1. Determine District procedures for disbursement of funds related to the voter approved Measure I General Obligation Bonds were applied in accordance with laws and regulations, as well as policies approved by the Board of trustees. This will be accomplished through the inspection of specified documents evidencing certain types of transactions and detailed attributes thereof; including, but not limited to, the specific documents related to bid procedures for contracts and services, invoices for services rendered, and other appropriate documents deemed necessary to provide a basis for the results of our objective.
2. Review the detailed accounting of expenditures to determine if proceeds are being spent on administrative salaries or any other expense that would otherwise be the obligation of the General Fund.
3. From a sample of construction expenditures from the detailed accounting of expenditures, review expenditures to determine if proceeds expended are for specific projects as listed in the voter approved bond language. Expenditures from all projects will be included in the sample.

CONCLUSION

We reviewed construction expenditures totaling 100 percent of all expenditures from the detailed accounting of expenditures. Our sample included transactions totaling \$13,667 of the total expenditures of \$13,667. The results of our tests indicated that, in all significant respects, the District has properly accounted for the expenditures held in the Measure I General Obligation Bond Funds (Measure I) and that such expenditures were made for authorized Bond projects. There were no salaries of administrators charged to the Measure I General Obligation Bond Funds (Measure I) for District general administration or operations. District procedures for disbursement of funds were applied in accordance with laws and regulations, as well as policies approved by the Board of Trustees.

**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT
MEASURE I GENERAL OBLIGATION BOND
ELECTION 2002**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2016**

None reported.

**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT
MEASURE I GENERAL OBLIGATION BOND
ELECTION 2002**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2016**

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



To the Board of Trustees and Management and
Citizens' Bond Oversight Committee
Monterey Peninsula Community College District
Monterey, California

We have audited the financial statements of the Measure I General Obligation Bond Funds (Measure I) of Monterey Peninsula Community College District (the District) for the year ended June 30, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 29, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, the District changed accounting policies related to fair value measurement and the accounting for certain external investment pools by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 72, Fair Value Measurement and Application, and No. 79, Certain External Investment Pools and Pool Participants, for the year ended June 30, 2016. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive estimates affecting the Measure I General Obligation Bond Funds' financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no corrected or uncorrected misstatements.

Disagreements With Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

To the Board of Trustees and Management and
Citizens' Bond Oversight Committee
Monterey Peninsula Community College District
Page 2 of 2

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 16, 2016.

Management Consultations With Other Independent Accountants

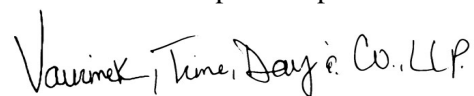
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition to our retention.

Restriction on Use

This information is intended solely for the use of the Board of Trustees, management of the District, and the Citizens' Bond Oversight Committee of the District and is not intended to be, and should not be, used by anyone other than these specified parties.


Rancho Cucamonga, California
December 16, 2016



Monterey County Board of Supervisors

Board Order

168 West Alisal Street,
1st Floor
Salinas, CA 93901
831.755.5066

Upon motion of Supervisor Phillips, seconded by Supervisor Salinas and carried by those members present, the Board of Supervisors hereby:

Received and accepted the Treasurer's Report of Investments for the Quarter Ending December 31, 2016.

PASSED AND ADOPTED on this 24th day of January 2017, by the following vote, to wit:

AYES: Supervisors Alejo, Phillips, Salinas, Parker and Adams

NOES: None

ABSENT: None

I, Gail T. Borkowski, Clerk of the Board of Supervisors of the County of Monterey, State of California, hereby certify that the foregoing is a true copy of an original order of said Board of Supervisors duly made and entered in the minutes thereof of Minute Book 79 for the meeting on January 24, 2017.

Dated: January 25, 2017
File ID: 17-0055

Gail T. Borkowski, Clerk of the Board of Supervisors
County of Monterey, State of California

By Denise Hancock
Deputy



Monterey County

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Board Report

Legistar File Number: 17-0055

January 24, 2017

Introduced: 1/12/2017

Version: 1

Current Status: Agenda Ready

Matter Type: General Agenda Item

Receive and Accept the Treasurer's Report of Investments for the Quarter Ending December 31, 2016.

RECOMMENDATION:

It is recommended that the Board of Supervisors:

Receive and Accept the Treasurer's Report of Investments for the Quarter Ending December 31, 2016.

SUMMARY:

Government Code Section 53646 (b) (1) states the Treasurer may submit a quarterly report of investments. The attached exhibits provide a narrative portfolio review of economic and market conditions that support the investment activity during the October - December period, the investment portfolio position by investment type, a listing of historical Monterey County Treasury Pool yields versus benchmarks, and the investment portfolio by maturity range.

DISCUSSION:

During the October - December quarter, U.S. Treasury yields surged over the previous quarter as well as Treasury yields as of a year ago. The labor market has continued to strengthen and economic activity has been expanding at a moderate pace since mid-year. Job gains have been solid in recent months and the unemployment rate has declined. Inflation has increased somewhat since earlier this year but is still below the Federal Reserve's longer run objective of 2 percent. In view of the realized and expected labor market conditions and inflation, on December 14, 2016 the Federal Reserve's Federal Open Market Committee decided to raise the target range for the federal funds rate to 0.50% - 0.75%. This action continues to support further strengthening in labor market conditions and a return to a 2 percent inflation rate.

On December 31, 2016, the Monterey County investment portfolio contained an amortized book value of \$1,381,798,947 spread among 89 separate securities and funds. The par value of those funds was \$1,382,296,942, with a market value of \$1,384,251,719 or 100.18% of amortized book value. The portfolio's net earned income yield for the period was 1.07%. The portfolio produced an estimated quarterly income of \$ 3,249,517.27 which will be distributed proportionally to all agencies participating in the investment pool. The investment portfolio had a weighted average maturity of 451 days. The County Treasury outperformed most of the portfolio benchmarks due to a consistent investment strategy that uses short term debt to provide liquidity while also taking advantage of higher rates in the one to three year investment range.

The investment portfolio was in compliance with all applicable provisions of state law and the

adopted Investment Policy, and contained sufficient liquidity to meet all projected outflows over the next six months. Market value pricings were obtained through resources such as Bloomberg LLP, Union Bank of California and live-bid pricing of corporate securities.

OTHER AGENCY INVOLVEMENT:

A copy of this report will be distributed to all agencies participating in the County investment pool and the Treasury Oversight Committee. In addition, the report will be published on the County Treasurer's web site. A monthly report of investment transactions is provided to the Board of Supervisors as required by Government Code 53607.

FINANCING:

The investment portfolio contains sufficient liquidity to meet all projected expenditures over the next six months. We estimate that the investment earnings in the General Fund will be consistent with budgeted revenue.

Prepared by: Susanne King, Treasury Manager, x5490

Approved by: Mary A. Zeeb, Treasurer-Tax Collector, x5015

Attachments:

Exhibit A - Investment Portfolio Review 12.31.16

Exhibit B - Portfolio Management Report 12.31.16

Exhibit C - Monterey County Historical Yields vs. Benchmarks

Exhibit D - Aging Report 01.01.17

cc:

County Administrative Office

County Counsel

Auditor-Controller - Internal Audit Section

All depositors

Treasury Oversight Committee

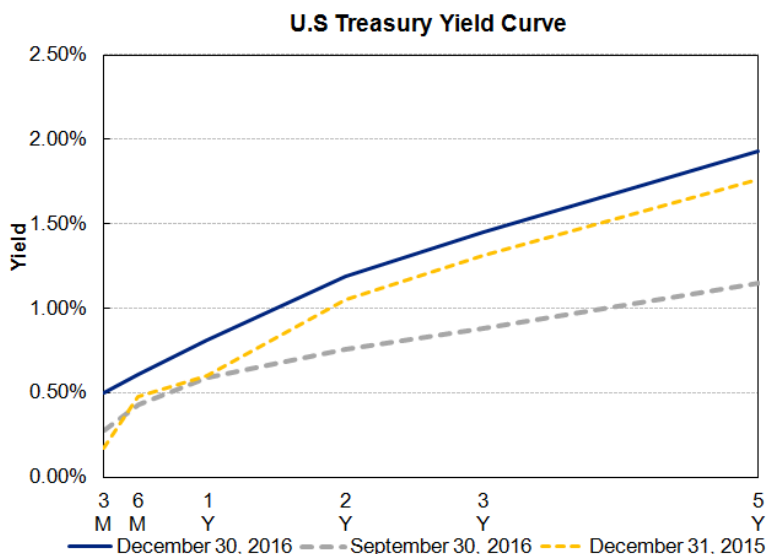
Exhibit A Investment Portfolio Review Quarter Ending December 31, 2016

OVERVIEW October 1, 2016 – December 31, 2016

During the October - September quarter yields on U.S. Treasuries surged over the previous quarter, as well as the yields as of a year ago. Information received since the Federal Reserve’s Federal Open Market Committee (FOMC) met in November indicates that the labor market has continued to strengthen and that economic activity has been expanding at a moderate pace since mid-year. Job gains have been solid in recent months and the unemployment rate has declined. Inflation has increased somewhat since earlier this year but is still below the FOMC’s 2 percent longer-run objective, partly reflecting earlier declines in energy prices and in prices on non-energy imports. In view of realized and expected labor market conditions and inflation, on December 14, 2016 the Committee decided to raise the target range for the federal funds rate to 0.50% - 0.75%. This action continues to support further strengthening in labor market conditions and a return to a 2 percent inflation rate.

U.S. TREASURY YIELD CURVE

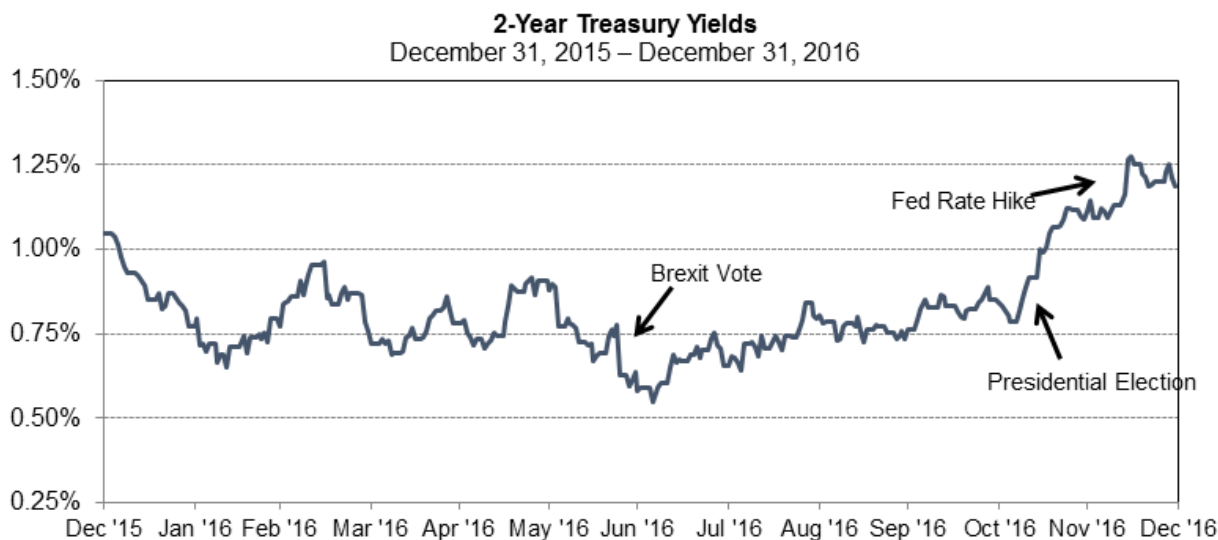
- Treasury rates have surged following the U.S. elections, with the longer end rising substantially over higher inflation expectations from the President-elect’s proposed fiscal policies.
- As a result, the yield curve has risen significantly, even when compared to a year ago.



Yield Curve History

	12/31/15	09/30/16	12/31/16
1-Mo.	0.13	0.19	0.42
3-Mo.	0.17	0.28	0.50
6-Mo.	0.48	0.43	0.61
1-Yr.	0.60	0.59	0.81
2-Yr.	1.05	0.76	1.19
3-Yr.	1.31	0.88	1.45
5-Yr.	1.76	1.15	1.93
7-Yr.	2.09	1.42	2.25
10-Yr.	2.27	1.60	2.45
30-Yr.	3.02	2.32	3.07

Source: Bloomberg.



Source: Bloomberg

The County Treasury continues to outperform most of its portfolio benchmarks this quarter. Our investment strategy positions short term debt to provide liquidity and continues to take advantage of available higher yields on US Treasuries, commercial paper, notes and negotiable CDs as well as maintaining federal agencies with attractive rates. The following indicators reflect key aspects of the County’s investment portfolio in light of the above noted conditions:

1. Market Access – During the quarter, the majority of County investment purchases were in the area of U.S. Treasuries. Additional investment purchases involved Federal Agencies, Commercial Paper and a CD. The Treasurer continues to keep a higher level of liquid assets reflecting the need to maintain levels of available cash to ensure the ability to meet all cash flow needs.
2. Diversification - The Monterey County Treasurer’s portfolio consists of 89 separate fixed income investments, all of which are authorized by the State of California Government Code 53601.

The portfolio asset spread is detailed in the table below:

Portfolio Asset Composition					
Corporate Notes	Negotiable CDs	Overnight Liquid Assets	US Treasuries	Federal Agencies	Commercial Paper
13.1%	8.4%	18.9%	23.3%	28.9%	7.4%

• Total may not equal 100% due to rounding

3. Credit Risk – Approximately 86.9% of the investment portfolio is comprised of U.S. Treasuries, Federal Agency securities, Negotiable CDs and other liquid funds. All assets have an investment grade rating. U.S. Treasuries are not specifically rated, but are

considered the safest of all investments. All corporate debt (13.1%) is rated in the higher levels of investment grade and all federal agency securities have AA ratings, or are guaranteed by the U.S. Treasury. The credit quality of the County’s portfolio continues to be high.

The portfolio credit composition is detailed in the table below:

Portfolio Credit Composition										
AAA	AAAm	AA+	AA	AA-	A+	A	A-1+ (Short-Term)	A-1 (Short-Term)	Aaf/S1+ (CalTrust)	Not Rated (LAIF/MMF)
1%	7%	53%	2%	8%	1%	4%	2%	10%	8%	4%

4. Liquidity Risk – Liquidity risk, as measured by the ability of the County’s Treasury to meet withdrawal demands on invested assets, was managed during the October to December quarter. The portfolio’s average weighted maturity was 451 days, and the County maintained \$261M (19%) in overnight investments to provide immediate liquidity. In addition, the County maintained \$279M (20%) in securities with maturities under a year to provide enhanced liquidity.

PORTFOLIO CHARACTERISTICS

	<u>September 30, 2016</u>	<u>December 31, 2016</u>
Total Assets	\$1,118,029,849.61	\$1,381,798,946.89
Market Value	\$1,120,520,653.12	\$1,384,251,718.73
Days to Maturity	491	451
Yield	1.54%	1.07%
Estimated Earnings	\$4,530,360.12	\$3,249,517.27

FUTURE STRATEGY

The Treasurer has 59% of the portfolio invested in the 1-3 year maturity range to take advantage of the higher yields offered in that part of the yield curve. We will continue to run the portfolio to manage safety and liquidity while maximizing the rate of return.

Exhibit B

Monterey County Portfolio Management Portfolio Details - Investments December 31, 2016

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Moody's	S&P	YTM	Maturity Date
Money Market Accts - GC 53601(k)(2)												
SYS11672	11672	BlackRock			0.00	0.00	0.00	0.337			0.337	
SYS11830	11830	Federated		07/01/2016	0.00	0.00	0.00	0.101	Aaa	AAA	0.101	
SYS11578	11578	Fidelity Investments			23,200,000.00	23,200,000.00	23,200,000.00	0.363	Aaa	AAA	0.363	
Subtotal and Average			45,835,869.57		23,200,000.00	23,200,000.00	23,200,000.00				0.363	
State Pool - GC 16429.1												
SYS11361	11361	LAIF			55,600,000.00	55,600,000.00	55,600,000.00	0.603			0.603	
Subtotal and Average			29,567,391.30		55,600,000.00	55,600,000.00	55,600,000.00				0.603	
CALTRUST/CAMP - GC 53601(p)												
SYS11801	11801	CalTrust			110,000,000.00	110,000,000.00	110,000,000.00	0.875	Aaa	AAA	0.875	
SYS10379	10379	Calif. Asset Mgmt			71,600,000.00	71,600,000.00	71,600,000.00	0.702		AAA	0.702	
SYS11961	11961	Calif. Asset Mgmt			0.00	0.00	0.00	0.658		AAA	0.658	
Subtotal and Average			215,727,660.12		181,600,000.00	181,600,000.00	181,600,000.00				0.807	
SWEEP ACCOUNT-MORG STNLY												
SYS12041	12041	Morgan Stanley			351,942.00	351,942.00	351,942.00	0.360			0.360	
Subtotal and Average			650,968.82		351,942.00	351,942.00	351,942.00				0.360	
Medium Term Notes - GC 53601(k)												
0258M0DP1	12088	American Express Credit		06/27/2016	10,000,000.00	10,204,100.00	10,150,052.48	2.250	A2	A-	1.660	08/15/2019
037833BQ2	12066	Apple Inc Corp Notes		02/23/2016	6,000,000.00	6,067,980.00	5,999,271.16	1.700	Aa1	AA+	1.706	02/22/2019
084664BS9	12031	Berkshire Hathaway Finance		04/24/2015	10,000,000.00	10,034,100.00	10,032,297.44	1.600	Aa2	AA	0.724	05/15/2017
084670BX5	12098	Berkshire Hathaway Finance		08/15/2016	2,415,000.00	2,413,695.90	2,414,764.94	1.150	Aa2	AA	1.156	08/15/2018
166764AE0	12049	Chevron Corp. Global		11/25/2015	8,175,000.00	8,247,021.75	8,198,545.23	1.718	Aa1	AA	1.519	06/24/2018
17275RBG6	12104	Cisco Systems Inc Corp		09/20/2016	9,000,000.00	9,007,830.00	8,990,944.25	1.400	A1		1.438	09/20/2019
172967KS9	12085	Citibank		06/09/2016	3,840,000.00	3,869,222.40	3,838,377.37	2.050	Baa1	A-	2.068	06/07/2019
25468PDH6	12064	The Walt Disney Copr		01/08/2016	2,710,000.00	2,741,300.50	2,707,555.53	1.650	A2	A	1.696	01/08/2019
369604BC6	12010	General Electric		01/23/2015	10,000,000.00	10,482,000.00	10,374,175.22	5.250	Aa	AA	1.150	12/06/2017
38141GVT8	12074	Goldman Sachs		04/25/2016	1,415,000.00	1,424,423.90	1,411,962.31	2.000	A3	BBB+	2.096	04/25/2019
38141GVT8	12075	Goldman Sachs		04/26/2016	7,210,000.00	7,258,018.60	7,206,433.36	2.000	A3	BBB+	2.022	04/25/2019
02665WBA8	12068	American Honda Finance		02/23/2016	3,780,000.00	3,812,167.80	3,779,459.80	1.700	A1	A+	1.707	02/22/2019
02665WBE0	12091	American Honda Finance		07/12/2016	2,500,000.00	2,485,350.00	2,497,891.20	1.200	A1	A+	1.234	07/12/2019
459200JE2	12067	IBM Corp Notes		02/19/2016	20,000,000.00	20,288,000.00	19,993,990.41	1.800			1.812	05/17/2019

Portfolio INVT
AP

Exhibit B

Monterey County Portfolio Management Portfolio Details - Investments December 31, 2016

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Moody's	S&P	YTM	Maturity Date
Medium Term Notes - GC 53601(k)												
24422ETE9	12063	John Deere Captital Corp		01/08/2016	8,300,000.00	8,436,784.00	8,299,664.77	1.950	A2	A	1.952	01/08/2019
46625HQU7	12081	JP Morgan Chase		05/26/2016	10,000,000.00	10,056,300.00	10,013,008.37	1.850	A3	A	1.789	03/22/2019
594918BN3	12095	MICROSOFT CORP		08/08/2016	6,500,000.00	6,479,265.00	6,494,191.47	1.100	Aaa	AAA	1.135	08/08/2019
713448DE5	12070	Pepsico Inc Corp Note		02/24/2016	3,850,000.00	3,875,564.00	3,849,201.46	1.500	A1	A	1.510	02/22/2019
717081DU4	12083	PFIZER INC		06/03/2016	10,000,000.00	10,059,300.00	9,990,795.56	1.450	A1	AA	1.489	06/03/2019
89233P5S1	11839	Toyota Motor Corporation		02/29/2012	5,000,000.00	5,010,750.00	5,000,688.05	2.050	Aa	AA	1.580	01/12/2017
89236TCA1	12009	Toyota Motor Corporation		01/16/2015	10,000,000.00	10,037,500.00	10,017,101.86	1.450	Aa	AA	1.280	01/12/2018
89233P6S0	12018	Toyota Motor Corporation		03/30/2015	10,000,000.00	10,008,900.00	10,010,717.79	1.250	Aaa	AA	1.107	10/05/2017
94974BFG0	12021	Wells Fargo & Company		04/07/2015	10,000,000.00	10,012,700.00	10,034,309.31	1.500	Aaa	AA	1.164	01/16/2018
94974BFU9	12089	Wells Fargo & Company		06/27/2016	10,000,000.00	10,138,500.00	10,144,503.94	2.125	A2	A	1.483	04/22/2019
Subtotal and Average			182,796,423.37		180,695,000.00	182,450,773.85	181,449,903.28				1.493	
Negotiable CDs - GC 53601(i)												
13606AM70	12093	Canadian Imperial Bank NY		07/29/2016	20,000,000.00	20,014,000.00	20,000,000.00	1.100	P-1	A-1	1.100	02/23/2017
40428AR58	12047	HSBC Securites		11/18/2015	14,000,000.00	14,000,000.00	14,000,000.00	1.540	Aa2	AA-	1.540	11/17/2017
65558LWA6	12109	Nordea Bank Finland NY		12/05/2016	17,500,000.00	17,500,000.00	17,500,000.00	1.760	Aa3	AA-	1.760	11/30/2018
78009NZZ2	12072	Royal Bank of Canada		03/15/2016	18,000,000.00	18,000,000.00	18,000,000.00	1.700	Aa3	AA-	1.700	03/09/2018
83050FBG5	12046	Skandinaviska Enskilada Banken		11/17/2015	14,000,000.00	14,000,000.00	14,000,000.00	1.480	Aa3	A+	1.501	11/16/2017
86958DH54	12048	Svenska Handelsbanken NY		11/24/2015	14,000,000.00	14,007,000.00	14,000,000.00	1.375			1.204	08/24/2017
89113E5E2	12073	Toronto Dominion Bank		03/16/2016	18,000,000.00	18,000,000.00	18,000,000.00	1.720	Aa1	AA-	1.744	03/14/2018
Subtotal and Average			103,135,869.57		115,500,000.00	115,521,000.00	115,500,000.00				1.508	
Commercial Paper Disc.- GC 53601(h)												
06366GQH5	12086	Bank of Montreal Chicago		06/24/2016	20,000,000.00	19,891,800.00	19,957,407.49	1.022	P-1	A-1	1.044	03/17/2017
06538BSG9	12106	Bank of Tokyo-MITS		11/16/2016	10,000,000.00	9,953,125.00	9,953,125.00	1.250	P-1	A-1	1.258	05/16/2017
06538BSG9	12108	Bank of Tokyo-MITS		11/28/2016	2,000,000.00	1,990,850.00	1,990,850.00	1.220	P-1	A-1	1.227	05/16/2017
09659BTG5	12107	BNP Paribas NY		11/18/2016	20,000,000.00	19,886,566.67	19,886,566.67	1.230	P-1	A-1	1.248	06/16/2017
22533TQ66	12102	Credit Agricole CIB NY		09/07/2016	20,000,000.00	19,899,000.00	19,956,622.22	1.220	P-1	A-1	1.227	03/06/2017
21687AUA9	12105	Cooperatieve Rabobank USA		11/01/2016	10,000,000.00	9,941,944.45	9,941,944.45	1.100	P-1	A-1	1.119	07/10/2017
4497WONQ7	12092	ING		07/29/2016	20,000,000.00	19,986,327.77	19,986,327.77	1.070	P-1	A-1	1.076	01/24/2017
Subtotal and Average			116,152,467.01		102,000,000.00	101,549,613.89	101,672,843.60				1.158	
Fed Agcy Coupon Sec - GC 53601(f)												
3133EEFE5	12008	Federal Farm Credit Bank		01/12/2015	10,000,000.00	10,043,400.00	10,014,195.45	1.125	Aaa	AA	0.975	12/18/2017
3133EEMA5	12011	Federal Farm Credit Bank		01/30/2015	10,000,000.00	10,136,700.00	10,005,730.28	1.500	Aaa	AA	1.480	12/30/2019

Portfolio INVT
AP

Exhibit B

Monterey County Portfolio Management Portfolio Details - Investments December 31, 2016

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Moody's	S&P	YTM	Maturity Date
Fed Agcy Coupon Sec - GC 53601(f)												
3133EELZ1	12012	Federal Farm Credit Bank		02/02/2015	10,000,000.00	10,021,400.00	10,013,475.46	1.000	Aaa	AA	0.890	03/29/2018
3133EETE0	12020	Federal Farm Credit Bank		04/01/2015	10,000,000.00	10,049,900.00	10,022,707.73	1.125	Aaa	AA	0.932	03/12/2018
313378A43	11925	Federal Home Loan Bank		05/02/2013	10,000,000.00	10,081,500.00	10,071,880.48	1.375	Aaa	AA	0.758	03/09/2018
313383A68	11928	Federal Home Loan Bank		06/13/2013	10,000,000.00	10,000,300.00	10,000,000.00	1.080	Aaa	AA	1.080	06/13/2018
313378QK0	11966	Federal Home Loan Bank		04/04/2014	10,000,000.00	10,220,800.00	10,011,844.26	1.875	Aaa	AA	1.818	03/08/2019
3130A4Q70	12032	Federal Home Loan Bank		04/23/2015	10,000,000.00	10,022,000.00	10,016,381.39	1.000	Aaa	AA+	0.811	11/17/2017
3130A8BD4	12082	Federal Home Loan Bank		05/27/2016	32,000,000.00	32,122,880.00	31,944,826.38	0.875	Aaa	AA+	0.992	06/29/2018
3130A8DB6	12084	Federal Home Loan Bank		06/03/2016	16,935,000.00	17,005,280.25	16,929,234.70	1.125	Aaa	AA+	1.139	06/21/2019
3130A8DB6	12090	Federal Home Loan Bank		07/12/2016	26,000,000.00	26,107,900.00	26,208,019.64	1.125	Aaa	AA+	0.797	06/21/2019
3130A8PK3	12097	Federal Home Loan Bank		08/15/2016	18,000,000.00	17,929,800.00	17,935,054.38	0.625	Aaa	AA+	0.853	08/07/2018
3130A8BD4	12099	Federal Home Loan Bank		08/15/2016	15,250,000.00	15,308,560.00	15,252,685.27	0.875	Aaa	AA+	0.863	06/29/2018
3130A9AE1	12101	Federal Home Loan Bank		08/29/2016	17,500,000.00	17,492,300.00	17,489,637.82	0.875	Aaa	AA+	0.909	10/01/2018
3137EADL0	11987	Federal Home Loan Mtg Corp		08/25/2014	10,000,000.00	10,031,200.00	9,992,623.99	1.000	Aaa	AA	1.101	09/29/2017
3137EADZ9	12100	Federal Home Loan Mtg Corp		08/29/2016	17,500,000.00	17,577,700.00	17,566,612.47	1.125	Aaa	AA+	0.956	04/15/2019
3137EAD7	12103	Federal Home Loan Mtg Corp		09/16/2016	10,150,000.00	10,145,331.00	10,146,249.81	0.875	Aaa	AA+	0.896	10/12/2018
3137EAE1	12114	Federal Home Loan Mtg Corp		12/19/2016	20,000,000.00	19,658,267.10	19,658,267.10	0.875	Aaa	AA+	1.561	07/19/2019
3135G0XA6	11924	Federal National Mtg Assn		05/21/2013	10,000,000.00	10,000,900.00	10,000,000.00	1.030	Aaa	AA	1.030	05/21/2018
3135G0XK4	11927	Federal National Mtg Assn		05/30/2013	10,000,000.00	9,995,600.00	10,000,000.00	1.050	Aaa	AA	1.050	05/25/2018
3135G0WJ8	11929	Federal National Mtg Assn		05/28/2013	10,000,000.00	10,008,900.00	9,977,049.64	0.875	Aaa	AA	1.045	05/21/2018
3136FTS67	12013	Federal National Mtg Assn		02/03/2015	10,000,000.00	10,171,500.00	10,113,961.75	1.700	Aaa	AA	1.157	02/27/2019
3135G0YM9	12033	Federal National Mtg Assn		04/23/2015	10,000,000.00	10,204,000.00	10,136,812.82	1.875	Aaa	AA+	1.060	09/18/2018
3135G0RT2	12039	Federal National Mtg Assn		10/22/2015	10,000,000.00	10,014,900.00	10,014,848.20	0.875	Aaa	AA+	0.720	12/20/2017
3135G0TG8	12040	Federal National Mtg Assn		10/22/2015	10,000,000.00	10,013,400.00	10,013,601.82	0.875	Aaa	AA+	0.750	02/08/2018
3135G0J53	12069	Federal National Mtg Assn		02/23/2016	21,150,000.00	21,180,033.00	21,114,281.30	1.000	Aaa	AA+	1.080	02/26/2019
3135G0N33	12094	Federal National Mtg Assn		08/08/2016	18,675,000.00	18,602,354.25	18,637,280.85	0.875	Aaa	AA+	0.954	08/02/2019
3135G0J53	12096	Federal National Mtg Assn		08/09/2016	7,900,000.00	7,911,218.00	7,916,224.29	1.000	Aaa	AA+	0.903	02/26/2019
3135G0P49	12112	Federal National Mtg Assn		12/19/2016	20,000,000.00	19,717,936.84	19,717,936.84	1.000	Aaa	AA+	1.544	08/28/2019
Subtotal and Average			381,706,864.39		401,060,000.00	401,775,960.44	400,921,424.12				1.043	
US Treasury Note-GC 53601(b)												
912828A34	12042B	U.S. Treasury		11/10/2015	5,290,000.00	5,338,773.80	5,290,000.00	1.250	Aaa	AA	1.250	11/30/2018
912828VE7	12045	U.S. Treasury		11/16/2015	17,000,000.00	17,067,150.00	16,984,505.21	1.000	Aaa	AA+	1.066	05/31/2018
912828A34	12052	U.S. Treasury		11/25/2015	10,000,000.00	10,092,200.00	10,001,485.87	1.250	Aaa	AA	1.242	11/30/2018
912828WD8	12056	U.S. Treasury		12/22/2015	40,000,000.00	40,362,400.00	40,009,997.61	1.250	Aaa	AA+	1.236	10/31/2018
912828VE7	12062	U.S. Treasury		12/22/2015	20,000,000.00	20,079,000.00	19,953,940.45	1.000	Aaa	AA+	1.166	05/31/2018

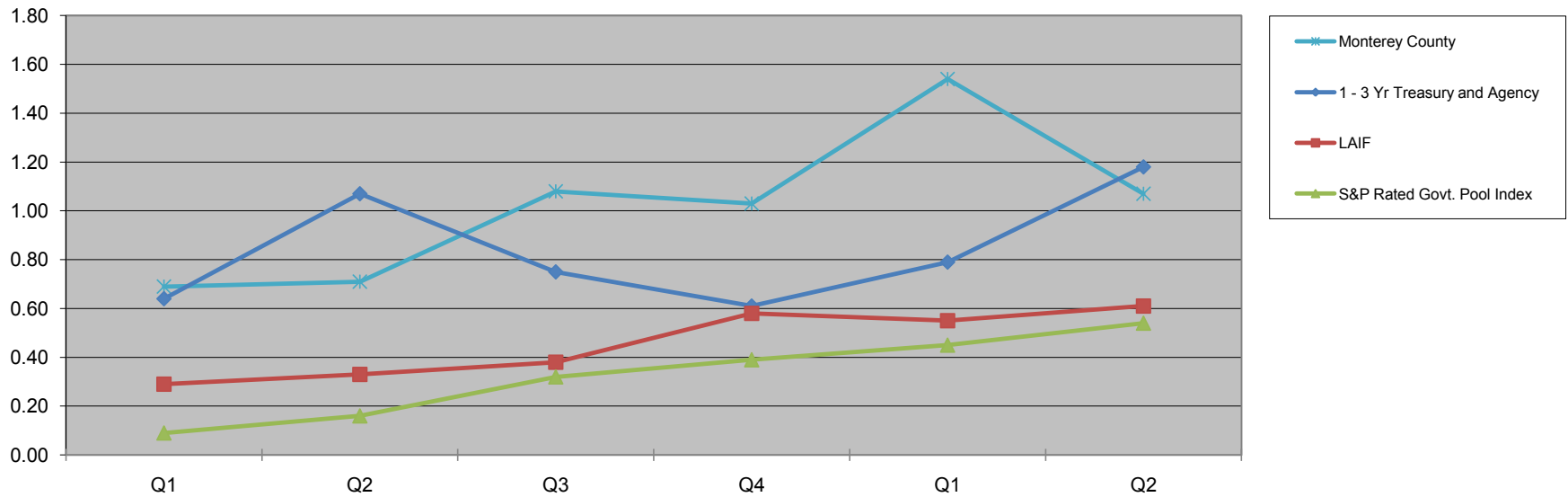
Portfolio INVT
AP

Exhibit B

Monterey County Portfolio Management Portfolio Details - Investments December 31, 2016

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Moody's	S&P	YTM	Maturity Date
US Treasury Note-GC 53601(b)												
912828TG5	12110	U.S. Treasury		12/19/2016	20,000,000.00	19,974,979.07	19,974,979.07	0.500	Aaa		0.716	07/31/2017
912828TM2	12111	U.S. Treasury		12/19/2016	20,000,000.00	19,981,464.46	19,981,464.46	0.625	Aaa		0.766	08/31/2017
912828S68	12113	U.S. Treasury		12/19/2016	20,000,000.00	19,859,422.75	19,859,422.75	0.750	Aaa		1.200	07/31/2018
912828RE2	12115	U.S. Treasury		12/19/2016	20,000,000.00	20,093,314.01	20,093,314.01	1.500	Aaa		1.215	08/31/2018
912828H52	12116	U.S. Treasury		12/21/2016	25,000,000.00	24,740,815.50	24,740,815.50	1.250	Aaa		1.596	01/31/2020
912828T42	12117	U.S. Treasury		12/21/2016	25,000,000.00	24,800,323.11	24,800,323.11	0.750	Aaa		1.214	09/30/2018
912828UJ7	12118	U.S. Treasury		12/21/2016	25,000,000.00	24,973,397.09	24,973,397.09	0.875	Aaa	AA	0.974	01/31/2018
912828SD3	12119	U.S. Treasury		12/21/2016	25,000,000.00	24,974,971.63	24,974,971.63	1.250	Aaa		1.299	01/31/2019
912828UR9	12120	U.S. Treasury		12/23/2016	50,000,000.00	49,864,217.13	49,864,217.13	0.750	Aaa		0.986	02/28/2018
Subtotal and Average			132,320,644.90		322,290,000.00	322,202,428.55	321,502,833.89				1.130	
Total and Average			1,207,894,159.04		1,382,296,942.00	1,384,251,718.73	1,381,798,946.89				1.109	

Exhibit C Monterey County Historical Yields vs. Benchmarks



Quarterly Yield	FY 15/16				FY 16/17			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Monterey County	0.69	0.71	1.08	1.03	1.54	1.07		
1 - 3 Yr Treasury and Agency	0.64	1.07	0.75	0.61	0.79	1.18		
LAIF	0.29	0.33	0.38	0.58	0.55	0.61		
S&P Rated Govt. Pool Index	0.09	0.16	0.32	0.39	0.45	0.54		

The S&P Index yields are obtained from Bloomberg

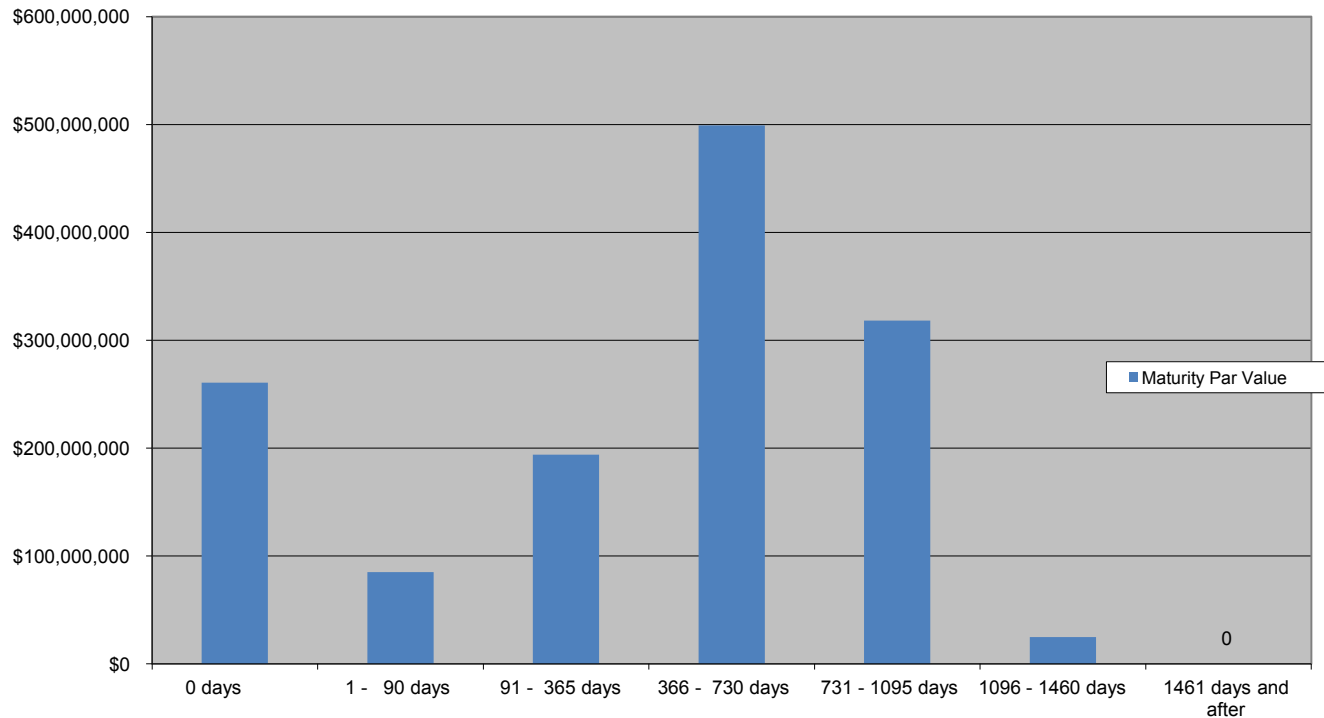
The 1-3 Yr Treasury and Agency yields are obtained from the B of A Merrill Lynch Global Bond Indices/Bloomberg



Exhibit D Monterey County Aging Report By Maturity Date As of January 1, 2017

				Maturity Par Value	Percent of Portfolio	Current Book Value	Current Market Value
Aging Interval:	0 days	(01/01/2017 - 01/01/2017)	8 Maturities	260,751,942.00	18.86%	260,751,942.00	260,751,942.00
Aging Interval:	1 - 90 days	(01/02/2017 - 04/01/2017)	5 Maturities	85,000,000.00	6.15%	84,901,045.53	84,801,877.77
Aging Interval:	91 - 365 days	(04/02/2017 - 01/01/2018)	16 Maturities	194,000,000.00	14.04%	194,184,169.13	194,372,429.65
Aging Interval:	366 - 730 days	(01/02/2018 - 01/01/2019)	31 Maturities	499,280,000.00	36.12%	498,999,306.18	500,115,886.54
Aging Interval:	731 - 1095 days	(01/02/2019 - 01/01/2020)	28 Maturities	318,265,000.00	23.02%	318,221,668.55	319,468,767.27
Aging Interval:	1096 - 1460 days	(01/02/2020 - 12/31/2020)	1 Maturities	25,000,000.00	1.81%	24,740,815.50	24,740,815.50
Aging Interval:	1461 days and after	(01/01/2021 -)	0 Maturities	0.00	0.00%	0.00	0.00
Total for 89 Investments				1,382,296,942.00	100.00	1,381,798,946.89	1,384,251,718.73

Investments within the Aging Period



**COUNTY OF MONTEREY
TREASURY OVERSIGHT COMMITTEE
COMPLIANCE AUDIT
FOR THE YEAR ENDED JUNE 30, 2015**

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COUNTY OF MONTEREY

Treasury Oversight Committee
 For the Fiscal Year Ended June 30, 2015

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INDEPENDENT ACCOUNTANT'S REPORT

Members of the Treasury
Oversight Committee
County of Monterey
Salinas, California

We have examined the County of Monterey's compliance with the Treasury Oversight Committee provisions contained in Sections 27130-27137 of the California Government Code for the year ended June 30, 2015. The County Treasury's management is responsible for the compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination. We did not audit, verify or confirm the existence of the investments as this was not within the scope of this engagement and is normally included as part of the County's annual financial audit. Rather, the sole purpose of this audit was to determine compliance with the requirements specified in the Government Code Sections.

Our examination was made in accordance with standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about Treasury management's compliance and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on compliance with specified requirements.

In our opinion, the County of Monterey is in compliance, in all material respects, with the articles of Sections 27130-27137 of the Government Code for the year ending June 30, 2015. We have included on the following pages our discussion and observations regarding the oversight provided.

This report is intended only for the information of the Treasury's management, Treasury Oversight Committee, the Board of Supervisors, and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads 'Gallina LLP'.

Roseville, California
December 16, 2016

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COUNTY OF MONTEREY

Treasury Oversight Committee
For the Year Ended June 30, 2015

COMMITTEE MEMBERS

<u>Member</u>	<u>Organization Representing</u>
Mary Zeeb	County Treasurer-Tax Collector
Gary Bousum	Superintendent of Schools
Rick Blanckmeister	County School District
Suha Kilic, Chair	County Special Districts
Bruce Adams	Public Member
Dewayne Woods	County Budget Director

COUNTY OF MONTEREY

Treasury Oversight Committee
For the Year Ended June 30, 2015

Background and General

In 1995, the California legislature passed provisions requiring each county and city to establish an oversight committee of from 3 to 11 members representing various organizations (the pool of organizations was also specified in the legislation). The purpose of this committee was to oversee the policies that guide the investment of public funds. The committee was not to impinge on the day-to-day operations of the County Treasurer, but rather to review and monitor the Treasurer's investment policy and reporting.

Certain statutory changes were enacted by the California legislature effective January 1, 2005. Government Code § 27131 now makes the Treasury Oversight Committee optional, although the Legislature encourages the continuation of the Oversight Committee. The County of Monterey elected to dissolve the Treasury Oversight Committee on August 16, 2005. In fiscal year 2008/2009, the County of Monterey reversed its decision and re-established the Treasury Oversight Committee on November 4, 2008.

Other statutory changes also include the removal of the mandatory filing of the County's annual investment policy and the County's quarterly investment report with the Treasury Oversight Committee. Instead, the County's annual investment policy should be submitted to the County Board of Supervisors and the quarterly investment reports should be submitted to the County's Administrative Office, Auditor-Controller or Board of Supervisors.

Compliance Audit Requirement

The oversight legislation included many specific requirements such as the required contents of the Treasurer's Investment Policy. Government Code § 27134 requires an annual audit to determine compliance with the provisions. This audit serves to comply with that requirement.

Committee Operation

Meeting was held during the fiscal year on August 22, 2014. As of the last meeting, the Oversight Committee voted to hold meetings on an annual rather than quarterly basis. We reviewed the minutes and believe that the meetings were properly conducted in order to provide oversight.

Investment Policy Statement Requirement

Government Code § 27133 requires the County Treasurer to annually prepare an investment policy statement even if there were no policy changes. The Statement is reviewed by the Oversight Committee and submitted to the Board of Supervisors for approval. We noted that this was properly done and a policy updated as of June 30, 2015 was on hand and was used for purposes of this audit. It was submitted to and approved by the County's Board of Supervisors.

COUNTY OF MONTEREY

Treasury Oversight Committee
 For the Year Ended June 30, 2015

Investment Policy Review

We reviewed the requirement specified in Government Code § 27133, items a-h. We believe the policy addressed all the required provisions as follows:

<u>Requirement</u>	<u>Policy Section</u>	<u>Deemed Compliant</u>
a) Authorized securities	8.0, Appendix A	yes
Maximum percentage by type	8.0, Appendix A	yes
b) Maximum terms	12.0, Appendix A	yes
c) Criteria for selection of brokers	7.0	yes
Prohibition of political donations	7.1	yes
d) Limits on gifts	6.1	yes
e) Reporting to Oversight Committee	16.0	yes
f) Calculation of treasurer's costs (GC § 27013)	17.0	yes
g) Voluntary depositors	2.2	yes
h) Requests for withdrawal	11.0	yes

As shown above, we believe the policy adopted contained all the provisions specified in the oversight legislation.

Compliance to Policy

We reviewed the County's actual practices during 2014-2015 to determine compliance to the investment policy. We verified the maximum percentages by category of investment. All categories of investments were within the maximum allowed percentage at year end. We also verified that maximums for single issuers and maximum term limits specified in the policy were not exceeded at year end. There were no exceptions noted.

Reporting

We reviewed the quarterly reports which were submitted to the Board of Supervisors and to the Committee to verify that they contained the information specified in the law. They appeared to be complete with all the required information. In addition, we believe the graphs and additional information beyond what is required assists the user's understanding of the investments in the Treasury.

Interest Apportionment

The interest earned on the pooled investments is apportioned by the Auditor-Controller's office each quarter. These apportionments are made based on the average daily balances of each fund for the quarter. We reviewed the methodology used to apportion the Treasurer's costs that were charged against the interest before the balance was apportioned. We believe the apportionment process is properly functioning to equitably distribute the investment earnings to the fund participants.

COUNTY OF MONTEREY

Treasury Oversight Committee
For the Year Ended June 30, 2015

Conclusion

The investments at June 30, 2015 appear to be in compliance with the County's investment policy. We believe the Treasury Oversight Committee functioned during 2014-2015 as was intended by the oversight legislation. It is our opinion that oversight was properly provided.