

**MONTEREY PENINSULA  
COMMUNITY COLLEGE DISTRICT**

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

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**JUNE 30, 2011**

**MONTEREY PENINSULA  
COMMUNITY COLLEGE DISTRICT**

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

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**JUNE 30, 2011**

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

**JUNE 30, 2011**

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## INDEPENDENT AUDITORS' REPORT

Governing Board and  
Citizens' Oversight Committee  
Monterey Peninsula Community College District  
Monterey, California

We have audited the accompanying financial statements of the Measure I General Obligation Bonds (the Building Fund) of Monterey Peninsula Community College District (the District) as of June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the District's management. 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1 of the Notes to Financial Statements, the financial statements present only the Building Fund and do not purport to, and do not, present fairly the financial position of the District as of June 30, 2011, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Also, as discussed in Note 1 of the Notes to Financial Statements, the Building Fund's financial statements are prepared on the modified accrual basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position - modified accrual basis of the Measure I General Obligation Bonds of Monterey Peninsula Community College District as of June 30, 2011, and the results of its operations - modified accrual basis for the year then ended, in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2012, on our consideration of the District's internal control over financial reporting for the Building Fund and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Rancho Cucamonga, California  
February 15, 2012

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

**BALANCE SHEET - MODIFIED ACCRUAL BASIS  
JUNE 30, 2011**

**ASSETS**

Investments	\$ 57,649,860
Accounts receivable	6,327
Due from District	101,000
<b>Total Assets</b>	<u><u>\$ 57,757,187</u></u>

**LIABILITIES AND FUND BALANCE**

**LIABILITIES**

Accounts payable	<u>\$ 1,725,791</u>
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**FUND BALANCE**

Unreserved	
Designated	56,031,396
<b>Total Liabilities and Fund Balance</b>	<u><u>\$ 57,757,187</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 - MODIFIED ACCRUAL BASIS  
FOR THE YEAR ENDED JUNE 30, 2011**

**REVENUES**

Local revenues	<u>\$ 166,400</u>
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**EXPENDITURES**

Supplies and materials	2,683
Services and operating expenditures	613,992
Capital outlay	<u>15,886,149</u>
<b>Total Expenditures</b>	<u><u>16,502,824</u></u>

<b>EXCESS OF EXPENDITURES OVER REVENUES</b>	<u>(16,336,424)</u>
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<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>72,367,820</u>
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<b>FUND BALANCE, END OF YEAR</b>	<u><u>\$ 56,031,396</u></u>
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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, 2011**

***NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES***

The accounting policies of Monterey Peninsula Community College District Measure I General Obligation Bonds (the Building Fund) 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. Monterey Peninsula Community College District Building Fund account for the financial transactions in accordance with the policies and procedures of the California Community Colleges Budget and Accounting Manual.

**Financial Reporting Entity**

The financial statements include only the Building Fund of the Monterey Peninsula Community College District used to account for Proposition 39 projects. This fund was established to account for the expenditures of general obligation bonds issued under the Proposition 39 Measure I General Obligation Bonds. These financial statements are not intended to present fairly the financial position and results of operations of Monterey Peninsula Community College District in compliance with accounting principles generally accepted in the United States of America.

**Fund Accounting**

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

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

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

**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.

**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 are liquidated at June 30 since they do not constitute expenditures or liabilities.

**Fund Balance Designations**

Designations of fund balances consist of that portion of the fund balance that has been designated (set aside) by the governing board to provide for specific purposes or uses.

**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.

**New Accounting Pronouncements**

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



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

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

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

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

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

***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, 2011**

**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. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

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

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

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Pool. The District maintains a building fund investment of \$57,649,860 with the Monterey County Investment Pool. The fair value of this investment is approximately \$57,691,064 with an average weighted maturity of 256 days.

**Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the Monterey County Investment Pool is not required to be rated, nor has it been rated as of June 30, 2011.

***NOTE 3 - ACCOUNTS RECEIVABLE***

The accounts receivable in the amount of \$6,327 represents interest earnings that have yet to be received as of June 30, 2011. All amounts have been determined by management to be fully collectable.

***NOTE 4 - INTERFUND TRANSACTIONS***

Due from Capital Outlay Projects Fund	<u>\$ 101,000</u>
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***NOTE 5 - ACCOUNTS PAYABLE***

The accounts payable represents amounts owed to vendors for both ongoing and completed construction projects in the amount of \$1,725,791 as of June 30, 2011.

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

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

**NOTE 6 - FUND BALANCE**

Fund balance is composed of the following element:

Unreserved	
Designated	<u>\$ 56,031,396</u>

**NOTE 7 - COMMITMENTS AND CONTINGENCIES**

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

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

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

**Litigation**

The District is not currently a party to any legal proceedings.



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

Governing Board and  
Citizens' Oversight Committee  
Monterey Peninsula Community College District  
Monterey, California

We have audited the accompanying financial statements of the Measure I General Obligation Bonds (the Building Fund) of Monterey Peninsula Community College District (the District) as of and for the year ended June 30, 2011, and have issued our report thereon dated February 15, 2012. 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.

**Internal Control Over Financial Reporting**

The management of Monterey Peninsula Community College District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's Building Fund (Measure I) internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's Building Fund (Measure I) internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's Building Fund (Measure I) internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's Building Fund (Measure I) 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*.

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

*Vanina Trime, CPA*

Rancho Cucamonga, California  
February 15, 2012

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

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

**FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS  
JUNE 30, 2011**

None reported.



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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2011**

None reported.

**MONTEREY PENINSULA  
COMMUNITY COLLEGE DISTRICT**

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

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**JUNE 30, 2011**

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

**PERFORMANCE AUDIT  
JUNE 30, 2011**

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**INDEPENDENT AUDITORS' REPORT  
ON PERFORMANCE AUDIT**

Governing Board 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 (the District) Proposition 39 Measure I General Obligation Bond Funds (the Building Fund) for the year ended June 30, 2011.

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 control in order to determine if the internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39 and outlined in Article 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 Proposition 39 Measure I General Obligation Bond Funds 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  
February 15, 2012

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

**PERFORMANCE AUDIT  
JUNE 30, 2011**

***AUTHORITY FOR ISSUANCE***

The Measure I 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 Governing Board of the District.

The District received authorization at 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.

***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.

***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.

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

**PERFORMANCE AUDIT  
JUNE 30, 2011**

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 Building Fund have been made in accordance with the Bond project list approved by the voters through the approval of the Measure I.
2. Determine whether salary transactions charged to the Building Fund 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, 2010 to June 30, 2011. 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, 2011, were not reviewed or included within the scope of our audit or in this report.

***PROCEDURES PERFORMED***

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2011, for the Building Fund (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. We reviewed the procedures for disbursement of funds related to the voter approved general obligation bond to determine if procedures were applied in accordance with laws and regulations, as well as policies approved by the Governing Board.

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

**PERFORMANCE AUDIT  
JUNE 30, 2011**

2. We reviewed construction expenditures totaling 52 percent of all expenditures from the detailed accounting of expenditures to determine if proceeds expended are for specific projects as listed in the voter approved bond language. Our sample included transactions totaling \$8,561,749 of the total expenditures of \$16,502,824.
3. We selected a total of 52 percent of actual expenditures incurred through the Measure I Building Fund, and verified that expenditures were charged to the appropriate object code classification within the general ledger.
4. We verified that a separate building fund of the District has been established to account for the receipt of bond proceeds and expenditure of the funds for the period of July 1, 2010 through June 30, 2011.
5. We noted no salary transactions charged to the Measure I Building Fund.
6. We analyzed the balance of Measure I Bond Funds available at June 30, 2011.

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

**PERFORMANCE AUDIT  
JUNE 30, 2011**

**GENERAL OBLIGATION BOND FUND - ALL SERIES**

**REVENUES AND OTHER FINANCING SOURCES**

2003-2004	Proceeds from sale of bonds	\$ 40,000,000
2003-2004	Interest income earned and paid	485,875
2004-2005	Interest income earned and paid	799,782
2005-2006	Interest income earned and paid	1,529,143
2005-2006	Proceeds from refunding of bonds	4,240,051
2006-2007	Interest income earned and paid	1,441,914
2007-2008	Proceeds from new issuances	108,628,528
2007-2008	Interest income earned and paid	1,308,722
2008-2009	Interest income earned and paid	198,008
2009-2010	Interest income earned and paid	621,134
2010-2011	Interest income earned and paid	166,400
		<u>159,419,557</u>

**EXPENSES AND OTHER FINANCING USES**

2003-2004	Expenses	1,318,754
2004-2005	Expenses	2,815,133
2005-2006	Expenses	9,574,342
2006-2007	Expenses	20,713,267
2007-2008	Expenses	22,925,031
2008-2009	Expenses	16,162,764
2009-2010	Expenses	13,376,046
2010-2011	Expenses	16,502,824
		<u>103,388,161</u>

Net Fund Balance at June 30, 2011	<u>\$ 56,031,396</u>
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**CONCLUSION**

The results of our tests indicated that, in all significant respects, Monterey Peninsula Community College District has properly accounted for the expenditures held in the Building Fund (Measure I), and that such expenditures were made for authorized Bond projects. There were no salaries of administrators charged to the Bond Funds for District general administration or operations.



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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2011**

None reported.

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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2011**

None reported.