MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2014

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Monterey Peninsula Community College District
Monterey, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Monterey Peninsula Community College District (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic 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 misstatements, 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 from 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 the 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 policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the District as of June 30, 2014, and the changes in net position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 15 to the financial statements, the District has elected to change its method of accounting for cost of debt issuance as prescribed by GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis on pages 5 through 15 and the Schedule of Other Postemployment Benefits (OPEB) Funding Progress on page 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information listed in the Table of Contents, including the Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying supplementary information, including the Schedule of Expenditures of Federal Awards, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co., LLP.

Rancho Cucamonga, California
December 22, 2014

USING THIS ANNUAL REPORT

The Monterey Peninsula Community College District (the District) presents the following discussion and analysis to assist the reader by focusing on significant financial issues, providing an overview of the District's financial activities and condition, to explain changes in the District's financial condition, and to identify challenges of subsequent fiscal years. The report consists of three basic financial statements: the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows and provides information about the District as a whole. This section of the annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2014. Please read it in conjunction with the District's financial statements, which immediately follow this section. Responsibility for the completeness and accuracy of this information rests with the District management.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

FINANCIAL HIGHLIGHTS

The District's assets are primarily cash, land, and facilities. Liabilities are primarily long-term bonds. The District's total assets decreased by $4.9 million, or 2.3 percent, to $206.2 million, and total liabilities increased by $98 thousand, or 0.1 percent, to $156.3 million. This results in net position being decreased by $6.0 million, or 10.1 percent, to $53.9 million.

In November 2002, a Proposition 39 facility bond was approved by the local voters giving the District $145.0 million to assist in modernization of the existing campus and construct a satellite campus and public safety training facilities on the former Fort Ord properties. The repayment of the bonds will be through a special tax assessment on local property owners. In June 2003, the first series of bonds was sold and proceeds ($40.0 million) were deposited with the County Treasurer. The first series was refinanced in 2006 which generated an additional $4.2 million for projects. The second and third series of bonds were issued in January 2008: $9,004,530 taxable and $95,994,770 tax exempt. Numerous projects are in various stages of completion and a balance of $11.2 million remains outstanding.

STATEMENT OF NET POSITION

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

STATEMENT OF NET POSITION

(Amounts in thousands)

	2014	*2013
ASSETS		
Current Assets		
Cash and investments	$ 30,935	$ 47,393
Accounts receivable	6,013	6,278
Other current assets	215	-
Total Current Assets	37,163	53,671
Noncurrent Assets		
Capital assets (net)	169,028	157,383
Total Assets	206,191	211,054
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	3,983	5,069
Total Assets and Deferred Outflows	$ 210,174	$ 216,123
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	$ 7,639	$ 6,201
Unearned revenue	2,184	1,764
Current portion of long-term obligations	5,011	5,163
Total Current Liabilities	14,834	13,128
Noncurrent portion of long-term obligations	141,465	143,073
Total Liabilities	156,299	156,201
NET POSITION		
Net investment in capital assets	41,118	42,689
Restricted	4,610	7,516
Unrestricted	8,147	9,717
Total Net Position	53,875	59,922
Total Liabilities and Net Position	$ 210,174	$ 216,123

* As restated. See Note 15 for more information.

Cash and investments consist primarily of funds held in the Monterey County Treasury. The changes in our cash position are explained in the Statement of Cash Flows on pages 18 and 19.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

(Amounts in thousands)

	2014	2013
Operating Revenues		
Tuition and fees, net	$ 5,020	$ 4,651
Operating Expenses		
Salaries and benefits	36,773	36,725
Supplies, maintenance, equipment, and other expenses	16,273	16,798
Depreciation	3,706	3,439
Total Operating Expenses	56,752	56,962
Loss on Operations	(51,732)	(52,311)
Nonoperating Revenues		
State apportionments	15,154	14,674
Grants and contracts	12,777	12,275
Property taxes	20,437	22,073
State revenues	1,347	1,148
Net interest expense	(6,213)	(6,050)
Other nonoperating revenues	1,643	2,041
Total Nonoperating Revenue	45,145	46,161
Other Revenues		
State and local capital income	539	1,171
Net Change in Net Position	$ (6,048)	$ (4,979)

In accordance with requirements set forth by the California Community Colleges Chancellor's Office, the District reports operating expenses by object code. Operating expenses by functional classification are as follows:

(Amounts in thousands)

	Salaries	Benefits	Supplies, Material, and Other Expenses and Services	Student Financial Aid	Depreciation	Total
Instructional activities	$ 14,447	$ 1,814	$ 1,462	$ -	$ -	$ 17,723
Academic support	672	34	4	-	-	710
Instructional support services	3,131	8,299	758	-	-	12,188
Student services	3,702	517	501	-	-	4,720
Plant operations and maintenance	1,262	157	554	-	-	1,973
Ancillary services and auxiliary operations	2,291	447	373	-	-	3,111
Student aid	-	-	-	6,737	-	6,737
Physical property and related acquisitions	-	-	5,883	-	-	5,883
Depreciation	-	-	-	-	3,706	3,706
Total	$ 25,505	$ 11,268	$ 9,535	$ 6,737	$ 3,706	$ 56,751

STATEMENT OF CASH FLOWS

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

STATEMENT OF CASH FLOWS

(Amounts in thousands)

	2014	2013
Cash Provided by (Used in)		
Operating activities	$ (47,314)	$ (48,936)
Noncapital financing activities	47,505	49,377
Capital financing activities	(16,847)	(14,538)
Investing activities	198	43
Net Change in Cash	(16,458)	(14,054)
Cash, Beginning of Year	47,393	61,447
Cash, End of Year	$ 30,935	$ 47,393

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had $169.0 million in a broad range of capital assets including land, buildings, and furniture and equipment. At June 30, 2013, our net capital assets were $157.4 million.

CAPITAL ASSETS

(Amounts in thousands)

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Land and construction in progress	$ 59,033	$ 15,321	$ 4,048	$ 70,306
Buildings and improvements	123,041	4,049	-	127,090
Furniture and equipment	7,619	29	-	7,648
Subtotal	189,693	19,399	4,048	205,044
Accumulated depreciation	32,310	3,706	-	36,016
	$ 157,383	$ 15,693	$ 4,048	$ 169,028

We present more detailed information regarding our capital assets in Note 5 of the financial statements.

Obligations

At the end of the 2013-2014 fiscal year, the District had $143.0 million in general obligation bonds outstanding. These bonds are repaid annually in accordance with the obligation requirements through an increase in the assessed property taxes on property within the Monterey Peninsula Community College District boundaries. Other obligations for the District include the lease revenue bonds, capital leases, compensated absences, early retirement, and net OPEB obligation.

LONG-TERM OBLIGATIONS

(Amounts in thousands)

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
General obligation bonds	$ 144,131	$ 4,092	$ 5,208	$ 143,015
Lease revenue bonds	110	-	15	95
Capital leases	1,334	-	1,334	-
Compensated absences	1,093	-	139	954
Early retirement	137	-	51	86
Net OPEB obligation	1,431	1,161	266	2,326
Total Long-Term Obligations	$ 148,236	$ 5,253	$ 7,013	$ 146,476

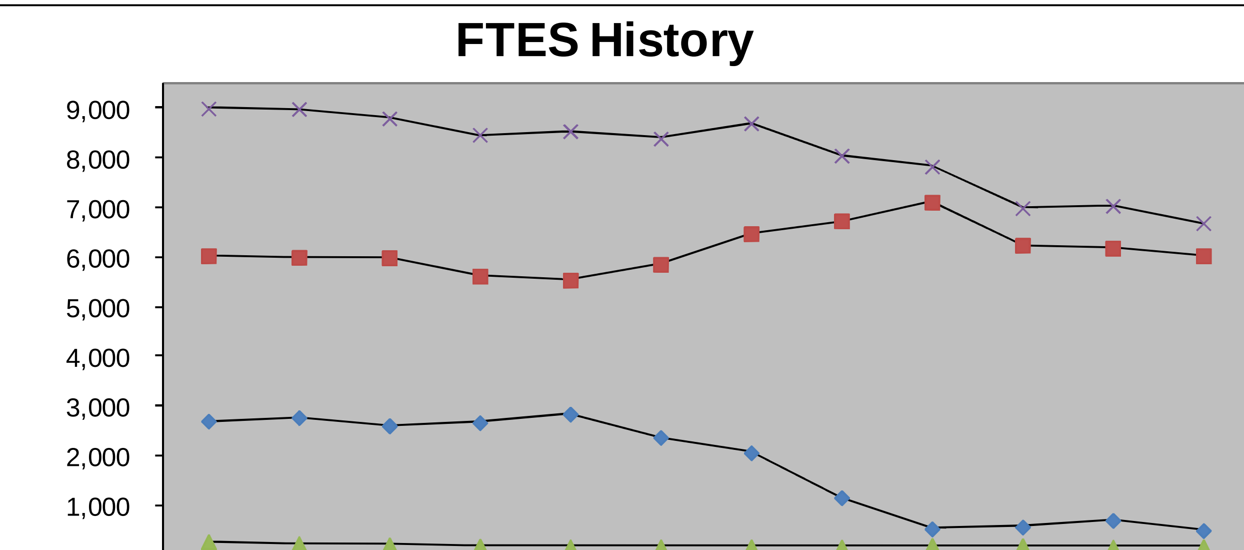
We present more detailed information regarding our long-term obligations in Note 9 of the financial statements.

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

Financial information is maintained by the District in seven (7) governmental funds. All funds show positive ending balances, and the District's designated Unrestricted General Fund reserve is ten percent (10%) of the Unrestricted General Fund budget.

The primary source of income for day-to-day operations is derived from enrollments. Enrollment income is received based on actual in-state credit, enhanced non-credit, and non-credit full-time equivalent students (FTES). Actual funds are paid through local taxes, student registration fees, and the State. The State sets the amount the District will receive per in-state FTES with non-credit FTES being paid 40 percent (40%) less than credit FTES. The total amount paid for in-state FTES is limited based on an apportionment cap calculated by the State. The District offers a mixture of credit, enhanced non-credit, and non-credit courses to generate FTES toward the apportionment cap.

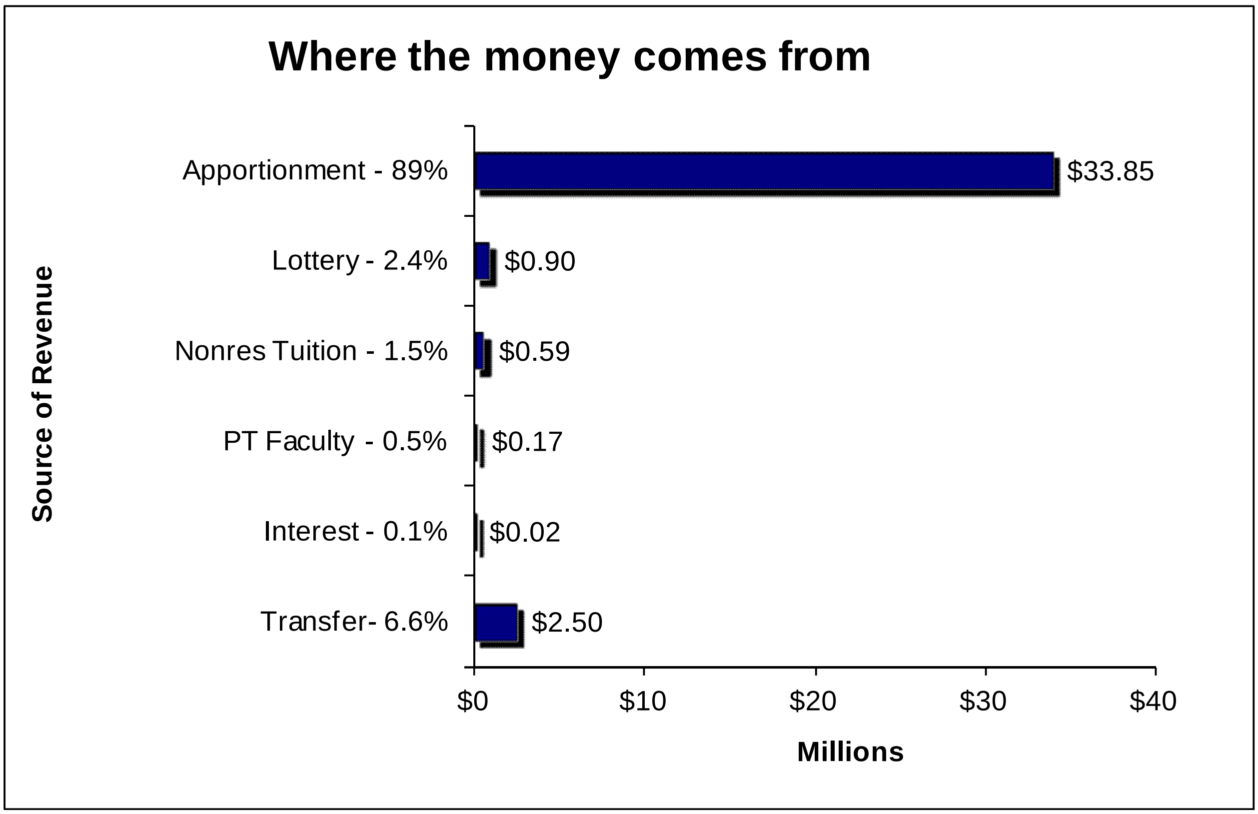
A number of trends have become more prominent in the District's FTES production over the past few years. In 2008-2009, total FTES was 8,703 including non-resident students. At about the same time, the Chancellor's Office began to encourage community colleges to focus course offerings in three credit areas namely transfer courses, basic skills, and career technical education. From 2008-2009 to 2012-2013, Monterey Peninsula Community College (MPC) reduced non-credit FTES production 66 percent. From 2008-2009 to 2011-2012, credit FTES production increased 9 percent to offset revenue loss in the non-credit area. However, credit FTES has declined from 2010-2011 because of a variety of reasons including increased student fees, State workload reduction, the economy, and declining classroom efficiency. Declining enrollments have resulted in declines in revenue. The District's strategy for increasing FTES production include increasing efficiency, offering additional course sections in growth areas, and increasing contracts from Instructional Service Agreements (ISAs).



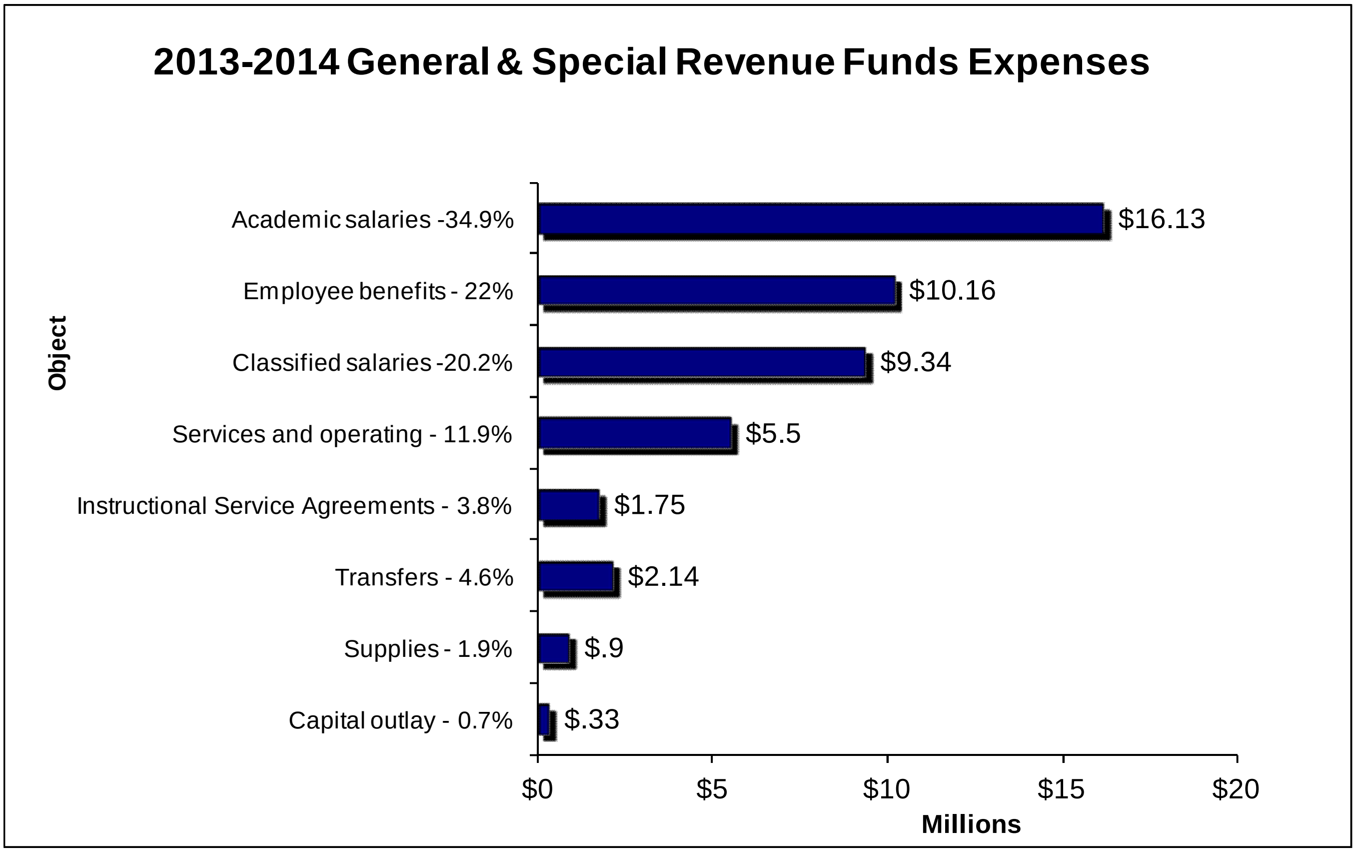
Fiscal Year	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11	11-12	12-13	13-14
Noncredit	2699	2770	2606	2668	2839	2370	2061	1155	526	563	696	492
Credit	6033	5996	5993	5623	5540	5858	6474	6735	7112	6242	6186	6032
Nonres	270	229	206	181	167	165	168	163	193	189	159	167
Total FTES	9002	8995	8805	8472	8547	8393	8703	8053	7831	6994	7041	6691

The national and State economies continue to suffer from the repercussions of the "great recession" that started in 2007. High unemployment, declining property values, and the financial sector meltdown have resulted in shrinking revenues at the Federal and State level. The State of California's three largest revenue sources (personal income tax, sales tax, and corporate tax) have declined sharply during this recessionary period. While some efforts have been made to reduce expenditures, there remains a structural imbalance between revenues and expenses. This has been somewhat mitigated with the passage of Proposition 30 in the November 2012 election. The approval of Proposition 30 results in a temporary increase in taxes (sales and personal income tax) which will result in approximately $6 billion in additional revenues for K-14 education over the next five years. Public education should begin to see a slow restoration of prior year cuts from an improving economy and additional State revenues generated from Proposition 30.

In looking at MPC's general and special funds revenues, apportionment revenues (State, student fees, and local property taxes) make up the majority share of revenues. Approximately $3.3 million of State funding was cut in 2009-2010 and another $2.9 million was cut in 2011-2012. Over the same period, student fees have been increased from $26 to $46 per unit, but not enough to offset the overall reduction in revenue. State cuts have primarily taken the form of "workload reductions" resulting in lower apportionment and FTES caps. Apportionment revenues continue to represent 90 percent of the General Fund revenue sources. Going into budget year 2014-2015, the State has reduced more than $10 billion of debt by paying down deferrals, paying off Economic Recovery Bonds, and repaying various Special fund loans and funding of $100 million in mandated claims to local governments.



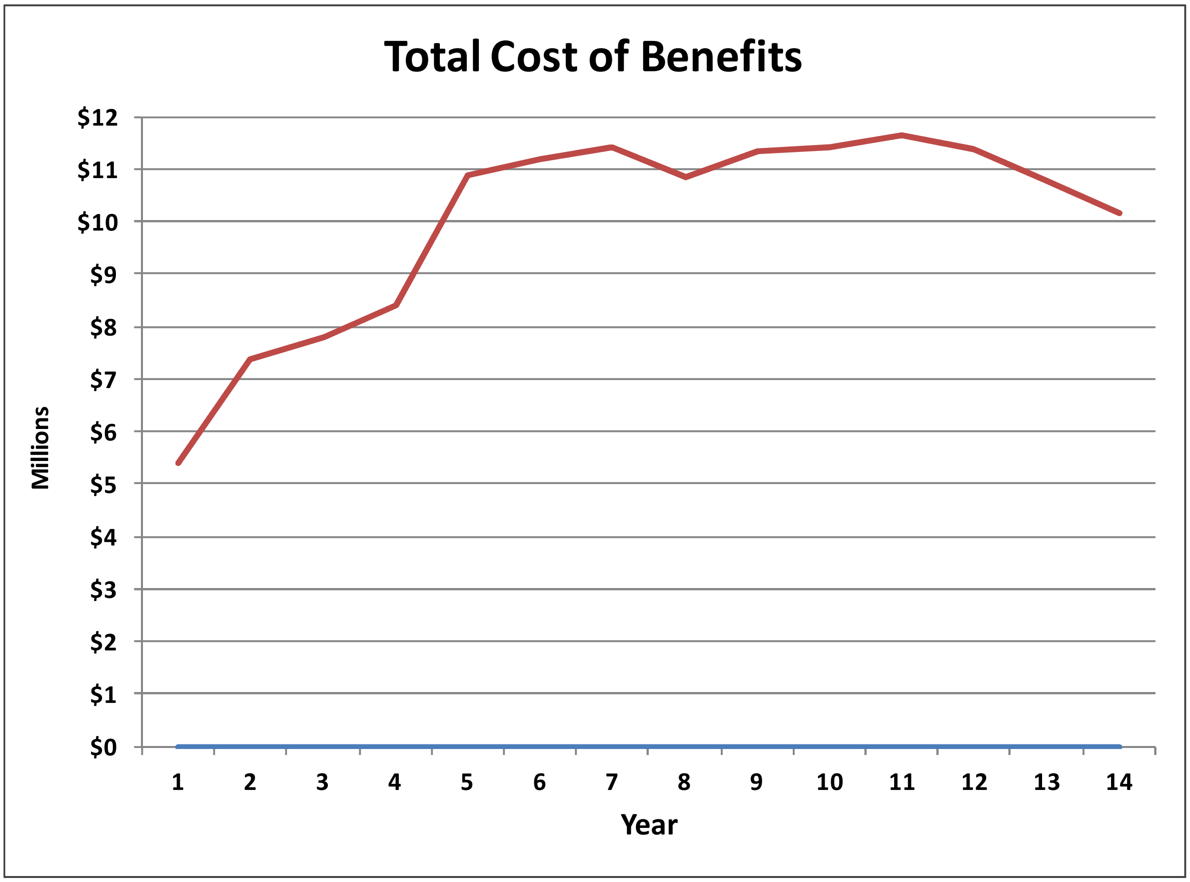
Costs for employees represent 77.1 percent of total expenses in the General and Special Revenue Funds. These expenses include academic and classified salaries, and employee benefits.



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

There were no changes negotiated for step and column increases in fiscal year 2013-2014.

Employee benefit costs represent the second largest expense category for the District and have more than doubled in the past 12 years. The largest portion of benefit costs is for health and welfare, for which the District is self-insured. Stop loss insurance is carried to cover large claims typically associated with catastrophic illnesses; however, increased costs for medical expenses paid by the District have outpaced inflation. The industry trend for annual medical expense increase has been running in the 12 percent + range. In response to this trend, the District has implemented a number of cost containment measures including the adoption of a three phase plan with increased deductible, co-insurance, and Out-of-Pocket Maximum provisions. The District is reviewing claims data every six months to determine whether employee groups move to the next phase of the plan. The three phase plan expired in June 2013. The District HWCCC is currently exploring other options to further reduce expenditures. Medical claims and utilization are cyclical; therefore, the District should anticipate a minimum annual increase of 10 percent to 12 percent just for industry trends going forward.



The District provides medical benefits to retirees and currently has an unfunded actuarial accrued liability of $11.3 million. The current fund balance in the District's Self-Insurance Fund is $2.8 million. In the 2013-2014 fiscal year the District setup separate funds for the Other Postemployment Benefits (OPEB) Fund, that ended with a current fund balance of $3.9 million and Workers' Compensation Fund, that ended with a current fund balance of $770 thousand.

In conclusion, the District continues to have a solid financial base. Reserves are believed to be adequate and the negotiated employee salary and benefit formula tie future increases in compensation with increases in revenue. The large revenue cuts from the State over the past three years have placed the District in a deficit spending mode. While some ongoing reductions have been made, the District continues to experience a structural imbalance between ongoing revenues and ongoing expenses and has utilized reserves and other one-time funds to balance the budget. Even with the recent passage of Proposition 30 and a slowly improving economy, the District should continue to identify means to restore fiscal stability.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Monterey Peninsula Community College District at 980 Fremont Street, Monterey, California 93940-4799.

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET POSITION - PRIMARY GOVERNMENT
JUNE 30, 2014

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 1,827,389
Investments	11,386,674
Investments - restricted	17,721,146
Accounts receivable	5,890,061
Student loans receivable	122,817
Prepaid expenses	215,069
Total Current Assets	37,163,156
NONCURRENT ASSETS	
Nondepreciable capital assets	70,305,574
Depreciable capital assets, net of depreciation	98,722,072
Total Noncurrent Assets	169,027,646
TOTAL ASSETS	206,190,802
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	3,982,802
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	5,837,275
Accrued interest payable	1,265,791
Due to fiduciary funds	138,327
Unearned revenue	2,183,821
Deferred compensation	397,457
Current portion of long-term obligations	5,010,617
Total Current Liabilities	14,833,288
NONCURRENT LIABILITIES	
Noncurrent portion of long-term obligations	141,465,372
TOTAL LIABILITIES	156,298,660
NET POSITION	
Net investment in capital assets	41,118,196
Restricted for:	
Debt service	3,129,433
Capital projects	578,652
Other activities	901,981
Unrestricted	8,146,682
TOTAL NET POSITION	$ 53,874,944

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

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PRIMARY GOVERNMENT FOR THE YEAR ENDED JUNE 30, 2014

OPERATING REVENUES	
Student Tuition and Fees	$ 8,094,681
Less: Scholarship discounts and allowances	(3,074,663)
TOTAL OPERATING REVENUES	5,020,018
OPERATING EXPENSES	
Salaries	25,505,094
Employee benefits	11,267,715
Supplies, materials, and other operating expenses and services	9,535,310
Student financial aid	6,737,586
Depreciation	3,705,741
TOTAL OPERATING EXPENSES	56,751,446
OPERATING LOSS	(51,731,428)
NONOPERATING REVENUES (EXPENSES)	
State apportionments, noncapital	15,153,658
Grants and contracts, noncapital:	
Federal	9,107,059
State	3,669,935
Local property taxes, levied for general purposes	15,519,843
Taxes levied for other specific purposes	4,916,779
State taxes and other revenues	1,346,804
Investment income	191,861
Interest expense on capital related debt	(6,416,209)
Investment income on capital asset-related debt, net	11,721
Other nonoperating revenue	1,643,509
TOTAL NONOPERATING REVENUES (EXPENSES)	45,144,960
LOSS BEFORE OTHER REVENUES	(6,586,468)
OTHER REVENUES	
State revenues, capital	487,042
Local revenues, capital	51,905
TOTAL OTHER REVENUES	538,947
CHANGE IN NET POSITION	(6,047,521)
NET POSITION, BEGINNING OF YEAR	61,332,435
PRIOR PERIOD RESTATEMENT (see Note 15)	(1,409,970)
NET POSITION, END OF YEAR	$ 53,874,944

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

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT
FOR THE YEAR ENDED JUNE 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	$ 5,053,392
Payments to scholarships and grants	(6,737,586)
Payments to vendors for supplies and services	(9,740,148)
Payments to or on behalf of employees	(35,889,725)
Net Cash Flows From Operating Activities	(47,314,067)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State apportionments	14,091,794
Grants and contracts	13,746,917
Property taxes - nondebt related	15,519,843
State taxes and other apportionments	2,254,372
Other nonoperating	1,891,668
Net Cash Flows From Noncapital Financing Activities	47,504,594
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Purchase of capital assets	(14,519,146)
Proceeds from capital debt	4,092,230
State revenue, capital projects	487,042
Local revenue, capital projects	51,905
Property taxes - related to capital debt	4,916,779
Principal paid on capital debt	(6,557,523)
Interest paid on capital debt	(6,416,209)
Interest received on capital asset-related debt	11,721
Deferred charges on refunding	1,086,219
Net Cash Flows From Capital Financing Activities	(16,846,982)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received from investments	198,502
NET CHANGE IN CASH AND CASH EQUIVALENTS	(16,457,953)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	47,393,162
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 30,935,209

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

STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2014

RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES	
Operating Loss	$ (51,731,428)
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities:	
Depreciation expense	3,705,741
Changes in Operating Assets and Liabilities:	
Receivables, net	(58,378)
Prepaid expenses	(215,069)
Accounts payable and accrued liabilities	312,751
Accrued interest payable	181,096
Deferred compensation	(231)
Unearned revenue	(213,572)
Compensated absences	(139,111)
Early retirement incentive	(51,125)
Other postemployment benefits	895,259
Total Adjustments	4,417,361
Net Cash Flows From Operating Activities	$ (47,314,067)
CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:	
Cash in banks	$ 1,718,700
Cash with fiscal agent	108,689
Investment in county treasury	29,107,820
Total Cash and Cash Equivalents	$ 30,935,209
NON CASH TRANSACTIONS	
On behalf payments for benefits	$ 756,225

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

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2014

ASSETS		
Cash and cash equivalents	$	711,400
Investments		60,650
Accounts receivable		49,464
Due from primary government funds		138,327
Total Assets		959,841
LIABILITIES		
Accounts payable		178,454
Unearned revenue		82
Due to student groups		676,820
Total Liabilities		855,356
NET POSITION		
Unreserved		104,485
Total Net Position	$	104,485

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

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014

ADDITIONS	
State revenues	$ 340,685
Local revenues	1,148,638
Total Additions	1,489,323
DEDUCTIONS	
Books and supplies	417,404
Services and operating expenditures	964,608
Total Deductions	1,382,012
OTHER FINANCING USES	
Other uses	(98,292)
Change in Net Position	9,019
Net Position - Beginning	95,466
Net Position - Ending	$ 104,485

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

NOTE 1 - ORGANIZATION

The Monterey Peninsula Community College District (the District) is a political subdivision of the State of California and is a comprehensive, public, two-year institution offering educational services to the local residents of the surrounding area. The District consists of one community college located in Monterey, California. While the District is a political subdivision of the State, it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14. The District operates under a locally elected five-member Board of Trustees form of government and provides higher education in the County of Monterey. The District currently operates one college campus located in the city of Monterey. While the District is a political subdivision of the State of California, it is legally separate and is independent of other State and local governments, and it is not a component unit of the State in accordance with the provisions of GASB Statement No. 61.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Monterey Peninsula Community College District, this includes general operations, food services, bookstores, and student related activities of the District. The District has considered all potential component units in determining how to define the reporting entity using criteria set forth in accounting principles generally accepted in the United States of America. The basic criteria for including a component unit are (1) the economic resources held or received by the other entity are entirely or almost entirely for the direct benefit of the District, (2) the District is entitled to, or has the ability to otherwise access, a majority of the economic resources held or received by the other entity, and (3) the other entity's resources to which the District is entitled or has the ability to otherwise access are significant to the District. If any of these criteria are not met, the final criterion for including a component unit is whether the other entity is closely related to, or financially integrated, with the District. The District identified no component units. The three components used to determine the presentation are: providing a "direct benefit", the "environment and ability to access/influence reporting", and the "significance" criterion. As defined by accounting principles generally accepted in the United States of America and established by the Governmental Accounting Standards Board, the financial reporting entity consists of the primary government and the District.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB Statements No. 34 and No. 35 as amended by GASB Statements No. 37 and No. 38. This presentation provides a comprehensive entity-wide perspective of the District's assets, liabilities, activities, and cash flows and replaces the fund group perspective previously required. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. The significant accounting policies followed by the District in preparing these financial statements are in accordance with accounting principles generally accepted in the United States of America as prescribed by GASB. Additionally, the District's policies comply with the California Community Colleges Chancellor's Office *Budget and Accounting Manual*. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All material intra-agency and intra-fund transactions have been eliminated.

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are classified as operating revenues. These transactions are recorded on the accrual basis when the exchange takes place. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, operating revenues consist primarily of student fees and auxiliary activities through the bookstore and cafeteria.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, certain Federal and State grants, entitlements, and donations. Property tax revenue is recognized in the fiscal year received. State apportionment revenue is earned based upon criteria set forth from the Community Colleges Chancellor's Office and includes reporting of full-time equivalent students (FTES) attendance. The corresponding apportionment revenue is recognized in the period the FTES are generated. Revenue from Federal and State grants and entitlements are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements may include time and/or purpose requirements.

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

The District reports are based on all applicable GASB pronouncements, as well as applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements. The District has not elected to apply FASB pronouncements after that date.

The financial statements are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, as amended by GASB Statements No. 37, No. 38, and No. 39. The business-type activities model followed by the District requires the following components of the District's financial statements:

- Management's Discussion and Analysis
- Basic Financial Statements for the District as a whole including:
  - Statement of Net Position - Primary Government
  - Statement of Revenues, Expenses, and Changes in Net Position - Primary Government
  - Statement of Cash Flows - Primary Government
  - Financial Statements for the Fiduciary Funds including:
    - Statement of Fiduciary Net Position
    - Statement of Changes in Fiduciary Net Position
- Notes to the Financial Statements

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be unrestricted cash on hand, demand deposits, and short-term unrestricted investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include unrestricted cash with county treasury balances for purposes of the Statement of Cash Flows.

Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments held at June 30, 2014, are stated at fair value. Fair value is estimated based on quoted market prices at year-end. Short-term investments have an original maturity date greater than three months, but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

Restricted Assets

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

Accounts Receivable

Accounts receivable include amounts due from the Federal, State and/or local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of California. Management has analyzed these accounts and believes all amounts are fully collectable.

Prepaid Expenses

Prepaid expenses represent payments made to vendors and others for services that will benefit periods beyond June 30.

Capital Assets and Depreciation

Capital assets are long-lived assets of the District as a whole and include land, construction in progress, buildings, leasehold improvements, and equipment. The District maintains an initial unit cost capitalization threshold of $5,000 and an estimated useful life greater than one year. Assets are recorded at historical cost, or estimated historical cost, when purchased or constructed. The District does not possess any infrastructure. Donated capital assets are recorded at estimated fair market value at the date of donation. Improvements to buildings and land that significantly increase the value or extend the useful life of the asset are capitalized; the costs of routine maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are charged as an operating expense in the year in which the expense was incurred. Major outlays for capital improvements are capitalized as construction in progress as the projects are constructed.

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

Accrued Liabilities and Long-Term Obligations

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

Debt Issuance Costs, Premiums, and Discounts

Debt premiums and discounts, as well as issuance costs related to prepaid insurance costs, are amortized over the life of the bonds using the straight-line method.

Deferred Charge on Refunding

Deferred charge on refunding is amortized using the straight-line method over the remaining life of the new debt.

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the entity-wide financial statements. The amounts have been recorded in the fund from which the employees, who have accumulated the leave, are paid.

Sick leave is accumulated without limit for each employee based upon negotiated contracts. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, retirement credit for unused sick leave is applicable to all classified and academic employees who retire. Retirement credit for unused sick leave is applicable to all academic employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full time.

Unearned Revenue

Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized. Unearned revenue includes (1) amounts received for tuition and fees prior to the end of the fiscal year that are related to the subsequent fiscal year, and (2) amounts received from Federal and State grants received before the eligibility requirements are met are recorded as unearned revenue.

Noncurrent Liabilities

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

Net Position

GASB Statements No. 34 and No. 35 report equity as "Net Position" and represent the difference between assets and liabilities. The net position is classified according to imposed restrictions or availability of assets for satisfaction of District obligations according to the following net asset categories:

> **Net Investment in Capital Assets** consists of capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. To the extent debt has been incurred, but not yet expended for capital assets, such accounts are not included as a component of net investment in capital assets.
>
> **Restricted**: Net position is reported as restricted when there are limitations imposed on their use, either through enabling legislation adopted by the District, or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.
>
> **Unrestricted**: Net position that is not subject to externally imposed constraints. Unrestricted net position may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net position is designated for special purposes.

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed. The entity-wide financial statements report $4,610,066 of restricted net position.

State Apportionments

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

Property Taxes

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

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

Board of Governors Grants (BOGG) and Fee Waivers

Student tuition and fee revenue is reported net of allowances and fee waivers approved by the Board of Governors through BOGG fee waivers in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship discounts and allowances represent the difference between stated charges for enrollment fees and the amount that is paid by students or third parties making payments on the students' behalf. To the extent that fee waivers have been used to satisfy tuition and fee charges, the District has recorded a scholarship discount and allowance.

Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, SEOG Grants, and Federal Work-Study programs, as well as other programs funded by the Federal government. Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to students in the form of reduced tuition. These programs are audited in accordance with the Single Audit Act Amendments of 1996, and the U.S. Office of Management and Budget's revised Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the related *Compliance Supplement*.

On Behalf Payments

GASB Statement No. 24 requires direct on behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees for another legally separate entity be recognized as revenues and expenditures by the employer entity. The State of California makes direct on behalf payments to the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) on behalf of all community colleges in California.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Interfund Activity

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

Change in Accounting Principles

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities.* This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement No. 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. Prior to the issuance of this Statement, only two such pronouncements have been issued. Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, requires the reporting of a deferred outflow of resources or a deferred inflow of resources for the changes in fair value of hedging derivative instruments, and Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, requires a deferred inflow of resources to be reported by a transferor government in a qualifying service concession arrangement. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement No. 4. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

The District has implemented the provisions of this Statement for the year ended June 30, 2014.

As the result of implementing GASB Statement No. 65, the District has restated the beginning net position in the government-wide Statement of Net Position, effectively decreasing net position as of July 1, 2013, by $1,409,970. The decrease results from no longer deferring and amortizing bond issuance costs.

New Accounting Pronouncements

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by State and local governments for pensions. It also improves information provided by State and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of State and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable.

- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.

- Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement:

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans—pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement).

- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans—pension plans in which plan assets are pooled for investment purposes, but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.

- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans—pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a non-employer entity has a legal requirement to make contributions directly to a pension plan.

This Statement is effective for fiscal years beginning after June 15, 2014. Early implementation is encouraged.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a State or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement No. 68 requires a State or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a State or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement No. 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, Statement No. 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a State or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement No. 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of *all* deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement No. 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68.

NOTE 3 - DEPOSITS AND INVESTMENTS

Policies and Practices

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

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section (ECS) 41001). The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis. The County investment pool is not registered with the Securities and Exchange Commission as an investment company. Investments made by the Treasurer are regulated by the California Government Code and by the County's investment policy.

General Authorizations

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

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

Authorized Under Debt Agreements

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

Summary of Deposits and Investments

Deposits and investments as of June 30, 2014, consist of the following:

	Reported Value
Primary government	$ 30,935,209
Fiduciary funds	772,050
Total Deposits and Investments	$ 31,707,259
Cash on hand and in banks	$ 2,405,100
Cash in revolving	25,000
Cash with fiscal agent	108,689
Investments	29,168,470
Total Deposits and Investments	$ 31,707,259

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 primarily investing in the Monterey County Investment Pool and mutual funds.

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

Investment Type	Fair Value	Weighted Average Days to Maturity
Monterey County Investment Pool	$ 29,082,912	461
Mutual Funds	60,650	N/A
Total	$ 29,143,562	

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 investments in the County pool and the mutual funds are not required to be rated and have not been rated as of June 30, 2014.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2014, the District's bank balance of $2,228,721 was exposed to custodial credit risk because it was uninsured but collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

NOTE 4 - ACCOUNTS RECEIVABLE

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

	Primary Government
Federal Government	
Categorical aid	$ 470,050
State Government	
Apportionment	4,368,667
Categorical aid	146,810
Lottery	573,777
Local Sources	
Interest	34,398
Other local sources	296,359
Total	$ 5,890,061
Student receivables	$ 122,817

	Fiduciary Funds
Other local sources	$ 49,464

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	$ 9,900,000	$ -	$ -	$ 9,900,000
Construction in progress	49,132,667	15,321,387	4,048,480	60,405,574
Total Capital Assets Not Being Depreciated	59,032,667	15,321,387	4,048,480	70,305,574
Capital Assets Being Depreciated				
Land improvements	29,021,320	-	-	29,021,320
Buildings and improvements	94,020,129	4,048,480	-	98,068,609
Furniture and equipment	7,619,113	28,875	-	7,647,988
Total Capital Assets Being Depreciated	130,660,562	4,077,355	-	134,737,917
Total Capital Assets	189,693,229	19,398,742	4,048,480	205,043,491
Less Accumulated Depreciation				
Land improvements	8,125,056	1,328,753	-	9,453,809
Buildings and improvements	18,753,090	1,844,012	-	20,597,102
Furniture and equipment	5,431,958	532,976	-	5,964,934
Total Accumulated Depreciation	32,310,104	3,705,741	-	36,015,845
Net Capital Assets	$ 157,383,125	$ 15,693,001	$ 4,048,480	$ 169,027,646

Depreciation expense for the year was $3,705,741.

Interest expense on capital related debt for the year ended June 30, 2014, was $7,009,138. Of this amount, $592,929 was capitalized.

NOTE 6 - ACCOUNTS PAYABLE

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

	Primary Government
Accrued payroll and benefits	$ 609,667
Apportionment	1,863,919
Student financial aid grants	111,674
Construction	1,750,939
Community Hospital of Monterey Peninsula	578,539
Other vendor payables	922,537
Total	$ 5,837,275

	Fiduciary Funds
Other vendor payables	$ 178,454

NOTE 7 - UNEARNED REVENUE

Unearned revenue for the District consisted of the following:

	Primary Government
Federal categorical	$ 114,066
State categorical	617,645
Other State	243,125
Student fees	746,455
Other local	462,530
Total	$ 2,183,821

	Fiduciary Funds
Other local	$ 82

NOTE 8 - INTERFUND TRANSACTIONS

Interfund Receivables and Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund activity within the primary government and fiduciary funds has been eliminated respectively in the consolidation process of the basic financial statements. Balances owing between the primary government and the fiduciary funds are not eliminated in the consolidation process. As of June 30, 2014, the amounts owed between the primary government and the fiduciary funds were $0 and $138,327, respectively.

Interfund Operating Transfers

Operating transfers between funds of the District are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Operating transfers within the funds of the District have been eliminated in the consolidation process. Transfers between the primary government and the fiduciary funds are not eliminated in the consolidation process. As of June 30, 2014, there were no interfund operating transfers between the primary government and the fiduciary funds.

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the 2014 fiscal year consisted of the following:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year	Due in One Year
Bonds and Notes Payable					
2005 General obligation refunding bonds	$ 6,717,814	$ 671,051	$ 2,655,000	$ 4,733,865	$ 2,655,000
2002 General obligation bonds, Series B	4,341,880	65,320	1,500,000	2,907,200	1,815,000
2002 General obligation bonds, Series C	93,201,488	3,355,859	-	96,557,347	-
Unamortized premium	2,957,148	-	134,416	2,822,732	-
2013 General obligation refunding bonds, Series A	19,235,000	-	285,000	18,950,000	95,000
Unamortized premium	3,092,390	-	378,660	2,713,730	-
2013 General obligation refunding bonds, Series B	14,585,000	-	255,000	14,330,000	310,000
Lease revenue bonds	110,000	-	15,000	95,000	15,000
Total Bonds and Notes Payable	144,240,720	4,092,230	5,223,076	143,109,874	4,890,000
Other Liabilities					
Capital leases	1,334,447	-	1,334,447	-	-
Compensated absences	1,093,362	-	139,111	954,251	70,000
Early retirement plan	136,521	-	51,125	85,396	50,617
Net OPEB obligation	1,431,209	1,161,377	266,118	2,326,468	-
Total Other Liabilities	3,995,539	1,161,377	1,790,801	3,366,115	120,617
Total Long-Term Obligations	$ 148,236,259	$ 5,253,607	$ 7,013,877	$ 146,475,989	$ 5,010,617

Description of Debt

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

General Obligation Bonds

2005 General Obligation Refunding Bonds

During December 2005, the District issued the 2005 General Obligation Refunding Bonds in the amount of $33,304,385. The bonds issued included $29,305,000 of Current Interest bonds and $3,999,385 of Capital Appreciation bonds. The Capital Appreciation bonds have a maturing principal balance of $10,230,000. The Current Interest bonds mature beginning on August 1, 2006 through August 1, 2020, with interest rates ranging from 3.25 percent to 5.00 percent. The Capital Appreciation bonds mature beginning on August 1, 2012 through August 1, 2015, with yield rates ranging from 4.05 percent to 4.43 percent. At June 30, 2014, the principal balance outstanding (including accreted interest to date) was $4,733,865.

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

2002 General Obligation Bonds, Series B and C

During January 2008, the District issued the 2008 General Obligation Bonds, Series B and Series C, of $104,999,300. The bonds issued included $52,870,000 of Current Interest bonds and $52,129,300 of Capital Appreciation bonds. The Capital Appreciation bonds have a maturing principal balance of $140,680,000. The Current Interest bonds mature beginning on August 1, 2008 through August 1, 2034, with interest rates ranging from 3.50 percent to 5.35 percent. The Capital Appreciation bonds mature beginning on August 1, 2015 through August 1, 2033, with yield rates ranging from 4.76 percent to 5.17 percent. At June 30, 2014, the principal balance outstanding (including accreted interest to date) was $99,464,547. Unamortized premium received on issuance of the bonds amounted to $2,822,732 as of June 30, 2014.

2013 General Obligation Refunding Bonds, Series A and B

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. Amounts paid to the refunded bond escrow agent in excess of outstanding debt at the time of payment are recorded as deferred charges on refunding on the Statement of Net Position and are amortized to interest expense over the life of the liability. The refunding resulted in an economic gain of $1,310,546 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 1.367 percent. At June 30, 2014, the principal balance outstanding was $33,280,000. Unamortized premium received on issuance of the bonds amounted to $2,713,730 as of June 30, 2014.

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2013	Issued	Accreted Interest Additions	Redeemed	Bonds Outstanding June 30, 2014
2005	08/01/2015	3.25%-5.00%	$ 33,304,385	$ 6,717,814	$ -	$ 671,051	$ 2,655,000	$ 4,733,865
2008	08/01/2021	3.80%-5.35%	9,004,530	4,341,880	-	65,320	1,500,000	2,907,200
2008	08/01/2034	3.50%-5.00%	95,994,770	93,201,488	-	3,355,859	-	96,557,347
2013	08/01/2021	1.50%-4.00%	19,235,000	19,235,000	-	-	285,000	18,950,000
2013	08/01/2020	0.335%-2.289%	14,585,000	14,585,000	-	-	255,000	14,330,000
				$ 138,081,182	$ -	$ 4,092,230	$ 4,695,000	$ 137,478,412

The general obligation bonds mature through 2016 as follows:

Year Ending June 30,	Principal (Including Accreted Interest to Date)	Accreted Interest	Total
2015	$ 2,504,700	$ 150,300	$ 2,655,000
2016	2,229,165	425,835	2,655,000
Total	$ 4,733,865	$ 576,135	$ 5,310,000

The general obligation bonds mature through 2022 as follows:

Year Ending June 30,	Principal (Including Accreted Interest to Date)	Accreted Interest	Current Interest to Maturity	Total
2015	$ 1,815,000	$ -	$ 52,808	$ 1,867,808
2016	892,200	107,800	10,700	1,010,700
2017	-	-	10,700	10,700
2018	-	-	10,700	10,700
2019	-	-	10,700	10,700
2020-2022	200,000	-	26,750	226,750
Total	$ 2,907,200	$ 107,800	$ 122,358	$ 3,137,358

The general obligation bonds mature through 2035 as follows:

Year Ending June 30,	Principal (Including Accreted Interest to Date)	Accreted Interest	Current Interest to Maturity	Total
2015	$ -	$ -	$ 1,286,550	$ 1,286,550
2016	1,220,000	-	1,262,150	2,482,150
2017	2,575,000	-	1,186,250	3,761,250
2018	3,000,000	-	1,074,750	4,074,750
2019	3,450,000	-	928,500	4,378,500
2020-2024	12,388,082	6,586,918	4,211,250	23,186,250
2025-2029	29,700,466	25,424,534	4,211,250	59,336,250
2030-2034	28,778,799	39,201,201	4,176,250	72,156,250
2035	15,445,000	-	386,125	15,831,125
Total	$ 96,557,347	$ 71,212,653	$ 18,723,075	$ 186,493,075

The general obligation bonds mature through 2022 as follows:

Year Ending June 30,	Principal	Current Interest to Maturity	Total
2015	$ 95,000	$ 711,275	$ 806,275
2016	95,000	708,900	803,900
2017	400,000	699,475	1,099,475
2018	420,000	685,715	1,105,715
2019	425,000	675,688	1,100,688
2020-2022	17,515,000	1,188,250	18,703,250
Total	$ 18,950,000	$ 4,669,303	$ 23,619,303

The general obligation bonds mature through 2021 as follows:

Year Ending June 30,	Principal	Current Interest to Maturity	Total
2015	$ 310,000	$ 234,000	$ 544,000
2016	315,000	232,342	547,342
2017	2,670,000	218,240	2,888,240
2018	2,690,000	186,421	2,876,421
2019	2,735,000	144,587	2,879,587
2020-2021	5,610,000	125,509	5,735,509
Total	$ 14,330,000	$ 1,141,099	$ 15,471,099

Lease Revenue Bonds

Lease revenue bonds for $500,000 were issued in 1968 to finance improvements to the student center. The bonds are collateralized by revenue from the bookstore and student center building fees collected at registration. Bond principal matures in the fiscal year 2019; interest rates are variable, with a maximum rate of 7.0 percent per annum. The annual debt service for these bonds is provided by transfers from the Revenue Bond Project Fund to the Debt Service Fund. The principal balance at June 30, 2014, was $95,000.

Revenue bonds mature as follows:

Year Ending June 30,	Principal	Interest to Maturity	Total
2015	$ 15,000	$ 2,625	$ 17,625
2016	20,000	2,100	22,100
2017	20,000	1,500	21,500
2018	20,000	900	20,900
2019	20,000	300	20,300
Total	$ 95,000	$ 7,425	$ 102,425

Early Retirement Plan

The District has entered into an agreement to provide certain benefits to employees participating in the early retirement incentive program. The District will pay a total of $85,396 on behalf of retirees over the next two years in accordance with the following schedule:

Year Ending June 30,	Principal
2015	$ 50,617
2016	34,779
Total	$ 85,396

Compensated Absences

The long-term portion of compensated absences for the District at June 30, 2014, amounted to $954,251.

Other Postemployment Benefits Obligation

The District's annual required contribution for the year ended June 30, 2014, was $1,160,728, and contributions made by the District during the year were $266,118. Interest on the net OPEB obligation and adjustments to the annual required contribution were $67,982 and $(67,333), respectively, which resulted in an increase to the net OPEB obligation of $895,259. As of June 30, 2014, the net OPEB obligation was $2,326,468. See Note 10 for additional information regarding the OPEB obligation and the postemployment benefits plan.

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

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

Plan Description

The Monterey Peninsula Community College District Health Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the Monterey Peninsula Community College District. The Plan provides medical benefits to eligible retirees and their spouses. Membership of the Plan consists of 117 retirees and beneficiaries currently receiving benefits and 235 active Plan members.

Funding Policy

The contribution requirements of Plan members and the District are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to prefund benefits as determined annually through agreements between the District and the bargaining units. For fiscal year 2013-2014, the District contributed $266,118 to the Plan, all of which was used for current premiums.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the payments of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding costs) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	$ 1,160,728
Interest on net OPEB obligation	67,982
Adjustment to annual required contribution	(67,333)
Annual OPEB cost (expense)	1,161,377
Contributions made	(266,118)
Increase in net OPEB obligation	895,259
Net OPEB obligation, beginning of year	1,431,209
Net OPEB obligation, end of year	$ 2,326,468

Trend Information

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

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2012	$ 1,064,608	$ 833,473	78%	$ 1,037,470
2013	1,065,590	671,851	63%	1,431,209
2014	1,161,377	266,118	23%	2,326,468

Funding Status and Funding Progress

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

Actuarial Accrued Liability (AAL)	$ 11,216,214
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	$ 11,216,214
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%
Covered Payroll	N/A
UAAL as Percentage of Covered Payroll	N/A

The above noted actuarial accrued liability was based on the December 1, 2013, actuarial valuation. Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Other Postemployment Benefits Funding Progress, presented as required supplementary information, follows the notes to the financial statements and presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial values of assets, consistent with the long-term perspective of the calculations.

In the December 1, 2013, actuarial valuation, the entry age normal method was used. The actuarial assumptions included a 4.75 percent investment rate of return (net of administrative expenses), based on the Plan being funded in an irrevocable employee benefit trust fund invested in a long-term fixed income portfolio. Healthcare cost assumptions include a four percent inflation. The UAAL is being amortized at a level dollar method. The remaining amortization period at June 30, 2014, was 25 years. The actuarial value of assets was not determined in this actuarial valuation as there were none.

NOTE 11 - RISK MANAGEMENT

Insurance Coverages

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

Joint Powers Authority Risk Pools

During fiscal year ended June 30, 2014, the District contracted with the Bay Area Community College District Joint Powers Authority for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2013-2014, the District participated in the Northern California Community College Pool, an insurance purchasing pool. The intent of the Pool is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Pool. The workers' compensation experience of the participating districts is calculated as one experience, and a common premium rate is applied to all districts in the Pool. Each participant pays its workers' compensation premium based on its individual rate. Participation in the Pool is limited to community college districts that can meet the Pool's selection criteria.

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

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

CalSTRS

Plan Description

The District contributes to CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to beneficiaries. As a result of the Public Employee Pension Reform Act of 2013 (PEPRA), changes have been made to the defined benefit pension plan effective January 1, 2013. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 100 Waterfront Place, West Sacramento, CA 95605.

Funding Policy

Due to the implementation of the PEPRA, new members must pay at least 50 percent of the normal costs of the plan, which can fluctuate from year to year. For 2013-2014, the required contribution rate for new members is 8.0 percent. "Classic" plan members are also required to contribute 8.0 percent of their salary. The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2013-2014 was 8.25 percent of covered payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ended June 30, 2014, 2013, and 2012, were $1,196,528, $1,117,709, and $1,118,703, respectively, and equal 100 percent of the required contributions for each year.

CalPERS

Plan Description

The District contributes to the School Employer Pool under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to plan members and beneficiaries. As a result of the PEPRA, changes have been made to the defined benefit pension plan effective January 1, 2013. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95811.

Funding Policy

As a result of the implementation of the PEPRA, new members must pay at least 50 percent of the normal costs of the plan, which can fluctuate from year to year. For 2013-2014, the normal cost is 11.85 percent, which rounds to a 6.0 percent contribution rate. "Classic" plan members continue to contribute 7.0 percent. The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2013-2014 was 11.442 percent of covered payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for fiscal years ending June 30, 2014, 2013, and 2012, were $976,216, $1,529,127, and $1,466,472, respectively, and equaled 100 percent of the required contributions for each year.

On Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal years ended June 30, 2014, 2013, and 2012, which amounted to $756,225, $776,619, and $732,427, respectively, (5.541 percent) of salaries subject to CalSTRS. Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. No contributions were made for CalPERS for the years ended June 30, 2014, 2013, and 2012. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. These amounts have been reflected in the basic financial statements as a component of nonoperating revenue and employee benefit expense.

Deferred Compensation

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

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

The District is a member of the Bay Area Community College District (BACCD), the Schools Excess Liability Fund (SELF), the Northern California Community College Pool (NCCCP), and the Alameda County Schools Insurance Group (ACSIG) Joint Powers Authority. The District pays annual premiums for its property and liability, health, workers' compensation, dental, and vision coverage. The relationship between the District and the JPAs are such that they are not component units of the District for financial reporting purposes.

The JPAs have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, transactions between the JPAs and the District are included in these statements. Audited financial statements are available from the respective entities.

During the year ended June 30, 2014, the District made payments of $287,282, $416,882, and $384,837, to BACCD, NCCCP, and ACSIG, respectively.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2014.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2014.

Construction Commitments

Capital Project	Remaining Construction Commitment	Estimated Year of Completion
Humanities and Business Building	$ 19,349	2014-2015
Life and Physical Science Building	6,389	2014-2015
Pool and Tennis Courts Renovation	13,677	2014-2015
Arts Complex	491,966	2014-2015
Student Center	374,535	2014-2015
	$ 905,916	

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

NOTE 15 - RESTATEMENT OF PRIOR YEAR NET POSITION

The District's prior year beginning net position has been restated as of June 30, 2014.

The District adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, in the current fiscal year. As a result, deferring and amortizing bond issuance costs is no longer allowed. The effect on the current fiscal year is as follows:

Primary Government	
Net Position - Beginning	$ 61,332,435
Restatement of deferred cost of issuance for implementation of GASB Statement No. 65	(1,409,970)
Net Position - Beginning, as Restated	$ 59,922,465

REQUIRED SUPPLEMENTARY INFORMATION

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age Normal (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
November 1, 2008	$ -	$ 11,082,229	$ 11,082,229	0%	N/A	N/A
December 1, 2011	-	11,281,610	11,281,610	0%	N/A	N/A
December 1, 2013	-	11,216,214	11,216,214	0%	N/A	N/A

SUPPLEMENTARY INFORMATION

DISTRICT ORGANIZATION
JUNE 30, 2014

The Monterey Peninsula Community College District was established in 1961. The District provides higher education to communities within Monterey County. The District currently operates one campus located in Monterey. There were no changes to the District's boundaries during the year. The District's college is accredited by the Accrediting Commission for Community and Junior Colleges, Western Association of Schools and Colleges, which is one of six regional associations that accredit public and private schools, colleges, and universities in the United States.

BOARD OF TRUSTEES

MEMBER	OFFICE	TERM EXPIRES
Mr. Charles Brown	Chair	2017
Dr. Loren Steck	Vice Chair	2015
Dr. Margaret-Anne Coppernoll	Member	2017
Ms. Marilynn Dunn Gustafson	Member	2015
Mr. Rick Johnson	Member	2015
Mr. Maury Vasquez	Student Trustee	2015

ADMINISTRATION

Dr. Walter Tribley	Superintendent/President
Mr. C. Earl Davis	Interim Vice President, Administrative Services
Mr. Michael Gilmartin	Interim Vice President, Academic Affairs
Mr. Laurence Walker	Interim Vice President, Student Services

See accompanying note to supplementary information.

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Student Financial Assistance Cluster			
Federal Supplement Education Opportunity Grant (FSEOG)	84.007		$ 93,351
Federal Work Study Program (FWS)	84.033		124,145
Federal Pell Grants	84.063		5,231,005
Federal Pell Administrative	84.063		1,133
Federal Direct Student Loans	84.268		1,412,752
Subtotal Student Financial Assistance Cluster			6,862,386
TRIO Cluster			
Student Support Services Program	84.042A		311,861
Upward Bound Program	84.047A		348,606
Upward Bound - Math and Science	84.047M		293,003
Subtotal TRIO Cluster			953,470
Passed through from California Department of Rehabilitation:			
Workability III	84.126A	28545	12,938
Passed through from California Community Colleges Chancellor's Office:			
Career and Technical Education, Title I-C	84.048	13-C01-033	132,026
CTE Transitions	84.048	13-112-460	43,206
Total U.S. Department of Education			8,004,026
U.S. DEPARTMENT OF AGRICULTURE			
Passed through from California Department of Education (CDE):			
Child and Adult Care Food Program	10.558	*	31,058
Total U.S. Department of Agriculture			31,058
NATIONAL SCIENCE FOUNDATION			
Marine Advanced Technology Education Resource Center (MATE) **	47.076		463,600
MATE ROV Competitions: Providing Pathways to the Ocean STEM Workforce **	47.076		386,082
Marine Technology Mentoring and Internship Program on Oceanographic Research Vessels **	47.050		104,431
Total National Science Foundation			954,113

* Pass-Through Entity Identifying Number not available.
** Research and Development grant.

See accompanying note to supplementary information.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2014

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF VETERANS AFFAIRS			
Veterans Education	64.000		$ 4,684
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through from California Community Colleges Chancellor's Office:			
Temporary Assistance for Needy Families (TANF)	93.558	*	35,934
Passed through from Yosemite Community College District, Child Development Training Consortium			
Child Development Training Consortium	93.575	13-14-3969	10,305
Passed through from Chabot-Las Positas Community College District			
California Early Childhood Mentor Program	93.575	CN130165	1,844
Passed through from California Department of Education (CDE):			
Child Development - California State Preschool Program	93.575	15136	10,696
Child Development - California State Preschool Program	93.596	13609	22,423
Passed through from Regents of the University of California			
Baccalaureate Bridge to the Biomedical Sciences Program	93.859	S0182765	16,333
Total U.S. Department of Health and Human Services			97,535
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 9,091,416

* Pass-Through Entity Identifying Number not available.
** Research and Development grant.

See accompanying note to supplementary information.

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

	Program Entitlements		
PROGRAM	Current Year	Prior Year	Total Entitlement
STATE CATEGORICAL AID PROGRAMS			
Basic Skills - 13/14	$ 90,000	$ -	$ 90,000
Basic Skills - 12/13	-	90,000	90,000
Basic Skills - 11/12	-	69,390	69,390
Block Grant - 1510/69	68,000	-	68,000
Block Grant - 1515/69	34,205	-	34,205
Block Grant - 2025/69	7,508	-	7,508
Board Financial Assistance Program (BFAP) (SFAA)	238,135	-	238,135
CalWORKS	183,313	-	183,313
CARE	91,413	-	91,413
Child Development Pre-School Grant	137,446	-	137,446
Disabled Student Programs and Service (DSPS)	476,686	-	476,686
Enrollment Growth	255,200	-	255,200
Extended Opportunity Programs and Service (EOPS)	662,633	-	662,633
First 5	102,025	-	102,025
Instructional Block - Match Require - Student Service	-	11,875	11,875
Instructional Block - Match Require - Instructional	-	30,140	30,140
Instructional Materials - One-Time Fund	-	11,611	11,611
Lottery	242,994	-	242,994
Student Success Credit	740,163	-	740,163
Student Success Non-Credit	86,584	-	86,584
Staff Diversity	5,354	215	5,569
Workforce Ecom AB 86 Adult Ed	92,135	-	92,135

See accompanying note to supplementary information.

Program Revenues				
Cash Received	Accounts Receivable	Unearned Revenue	Total Revenue	Program Expenditures
$ 90,000	$ -	$ 90,000	$ -	$ -
90,000	-	82,995	7,005	7,005
69,390	-	-	69,390	69,390
68,000	-	1,927	66,073	66,073
34,205	-	34,205	-	-
7,508	-	7,508	-	-
238,135	-	-	238,135	238,135
183,313	-	-	183,313	183,313
91,413	-	-	91,413	91,413
137,446	-	-	137,446	137,446
476,686	-	-	476,686	476,686
142,548	112,652	-	255,200	255,200
662,633	-	-	662,633	662,633
67,867	34,158	-	102,025	102,025
11,875	-	6,223	5,652	5,652
30,140	-	27,371	2,769	2,769
11,611	-	7,951	3,660	3,660
4,668	238,326	-	242,994	242,994
740,163	-	267,014	473,149	473,149
86,584	-	-	86,584	86,584
5,569	-	316	5,253	5,253
92,135	-	92,135	-	-
$ 3,341,889	$ 385,136	$ 617,645	$ 3,109,380	$ 3,109,380

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT ANNUAL (ACTUAL) ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2014

CATEGORIES	Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2013 only)			
1. Noncredit*	59.28	-	59.28
2. Credit	288.41	-	288.41
B. Summer Intersession (Summer 2014 - Prior to July 1, 2014)			
1. Noncredit*	1.12	-	1.12
2. Credit	338.48	-	338.48
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	3,719.75	-	3,719.75
(b) Daily Census Contact Hours	253.13	-	253.13
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit*	428.90	-	428.90
(b) Credit	984.66	-	984.66
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	337.60	-	337.60
(b) Daily Census Contact Hours	110.00	-	110.00
(c) Noncredit Independent Study/Distance Education Courses	2.46	-	2.46
D. Total FTES	6,523.79	-	6,523.79
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)	245.95	-	245.95
H. Basic Skills Courses and Immigrant Education			
1. Noncredit*	216.26	-	216.26
2. Credit	222.59	-	222.59
CCFS-320 Addendum			
CDCP Noncredit FTES	110.54	-	110.54
Centers FTES			
1. Noncredit*	48.87	-	48.87
2. Credit	551.97	-	551.97

* Including Career Development and College Preparation (CDCP) FTES.

See accompanying note to supplementary information.

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION
FOR THE YEAR ENDED JUNE 30, 2014

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Audited Data	Reported Data	Audit Adjustments	Audited Data
Academic Salaries							
Instructional Salaries							
Contract or Regular	1100	$ 6,159,925	$ -	$ 6,159,925	$ 6,159,925	$ -	$ 6,159,925
Other	1300	5,310,015	-	5,310,015	5,338,386	-	5,338,386
Total Instructional Salaries		11,469,940	-	11,469,940	11,498,311	-	11,498,311
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	2,607,858	-	2,607,858
Other	1400	-	-	-	268,247	-	268,247
Total Noninstructional Salaries		-	-	-	2,876,105	-	2,876,105
Total Academic Salaries		11,469,940	-	11,469,940	14,374,416	-	14,374,416
Classified Salaries							
Noninstructional Salaries							
Regular Status	2100	-	-	-	5,529,761	-	5,529,761
Other	2300	-	-	-	379,966	-	379,966
Total Noninstructional Salaries		-	-	-	5,909,727	-	5,909,727
Instructional Aides							
Regular Status	2200	706,249	-	706,249	857,012	-	857,012
Other	2400	535,161	-	535,161	574,480	-	574,480
Total Instructional Aides		1,241,410	-	1,241,410	1,431,492	-	1,431,492
Total Classified Salaries		1,241,410	-	1,241,410	7,341,219	-	7,341,219
Employee Benefits	3000	1,643,381	-	1,643,381	3,955,035	-	3,955,035
Supplies and Material	4000	-	-	-	394,980	-	394,980
Other Operating Expenses	5000	2,300,935	-	2,300,935	5,015,300	-	5,015,300
Equipment Replacement	6420	-	-	-	29,349	-	29,349
Total Expenditures Prior to Exclusions		16,655,666	-	16,655,666	31,110,299	-	31,110,299

See accompanying note to supplementary information.

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION, CONTINUED FOR THE YEAR ENDED JUNE 30, 2014

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Audited Data	Reported Data	Audit Adjustments	Audited Data
Exclusions							
Activities to Exclude							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	$ 50,620	$ -	$ 50,620	$ 50,620	$ -	$ 50,620
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	-	-	-
Objects to Exclude							
Rents and Leases	5060	-	-	-	517,020	-	517,020
Lottery Expenditures							-
Academic Salaries	1000	713,313	-	713,313	713,313	-	713,313
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	-	-	-	-	-	-
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, and Periodicals	4200	-	-	-	-	-	-
Instructional Supplies and Materials	4300	-	-	-	-	-	-
Noninstructional Supplies and Materials	4400	-	-	-	200,000	-	200,000
Total Supplies and Materials		-	-	-	200,000	-	200,000

See accompanying note to supplementary information.

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2014

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Audited Data	Reported Data	Audit Adjustments	Audited Data
Other Operating Expenses and Services	5000	$ -	$ -	$ -	$ -	$ -	$ -
Capital Outlay	6000						
Library Books	6300	-	-	-	-	-	-
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	6,084	-	6,084
Equipment - Replacement	6420	-	-	-	37,652	-	37,652
Total Equipment		-	-	-	43,736	-	43,736
Total Capital Outlay					43,736	-	43,736
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		763,933	-	763,933	1,524,689	-	1,524,689
Total for ECS 84362, 50 Percent Law		$ 15,891,733	$ -	$ 15,891,733	$ 29,585,610	$ -	$29,585,610
Percent of CEE (Instructional Salary Cost/Total CEE)		53.71%		53.71%	100.00%		100.00%
50% of Current Expense of Education					$ 14,792,805		$14,792,805

See accompanying note to supplementary information.

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2014.

See accompanying note to supplementary information.

PROPOSITION 30 EDUCATION PROTECTION ACT (EPA) EXPENDITURE REPORT
FOR THE YEAR ENDED JUNE 30, 2014

Activity Classification	**Object Code**				**Unrestricted**
EPA Proceeds:	8630				$ 5,100,234
Activity Classification	**Activity Code**	**Salaries and Benefits (Obj 1000-3000)**	**Operating Expenses (Obj 4000-5000)**	**Capital Outlay (Obj 6000)**	**Total**
Instructional Activities	1000-5900	$ 5,100,234	-	-	$ 5,100,234
Total Expenditures for EPA		$ 5,100,234	-	-	$ 5,100,234
Revenues Less Expenditures					$ -

See accompanying note to supplementary information.

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Total Fund Balances and Retained Earnings		
General Fund	$ 3,885,950	
Special Revenue Funds	901,981	
Debt Service Fund	4,395,224	
Capital Projects Fund	11,796,274	
Self Insurance Fund	7,543,381	
Student Financial Aid Fund	32,849	
Total Fund Balances and Retained Earnings		**$ 28,555,659**
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is:	205,043,491	
Accumulated depreciation is:	(36,015,845)	169,027,646
Governmental funds report deferred charges associated with the issuance of debt when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Revenues, Expenses, and Changes in Net position.		
Deferred charge on refunding at year end amounted to:		3,982,802
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.		(1,265,791)
Long-term obligations at year-end consist of:		
General obligation and lease revenue bonds	143,109,874	
Early retirement	85,396	
Other postemployment benefits (OPEB)	2,326,468	
Compensated absences (vacations)	954,251	
Less early retirement already recorded in funds	(50,617)	(146,425,372)
Total Net Position		**$ 53,874,944**

See accompanying note to supplementary information.

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2014

NOTE 1 - PURPOSE OF SCHEDULES

District Organization

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

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Subrecipients

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

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Amount Provided to Subrecipients
NATIONAL SCIENCE FOUNDATION		
MATE ROV Competitions: Providing Pathways to the Ocean STEM Workforce		
Washington State University	47.046	$ 35,994
Oregon State University	47.046	3,000
UWM Office of Water Education Outreach	47.046	3,000
Nauticus Foundation	47.046	6,665
The Alliance to Promote Technology Edu	47.046	5,450
Puget Sound MTS	47.046	2,539
International Student Athlete Academy	47.046	3,350
John G. Shedd Aquarium	47.046	3,000
New England Regional	47.046	6,640
		$ 69,638

Schedule of Expenditures of State Awards

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

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

FTES is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds, including restricted categorical funding, are made to community college districts. This schedule provides information regarding the annual attendance measurements of students throughout the District.

Reconciliation of *Education Code* Section 84362 (50 Percent Law) Calculation

ECS 84362 requires the District to expend a minimum of 50 percent of the unrestricted General Fund monies on salaries of classroom instructors. This is reported annually to the State Chancellor's Office. This schedule provides a reconciliation of the amount reported to the State Chancellor's Office and the impact of any audit adjustments and/or corrections noted during the audit.

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

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

Proposition 30 Education Protection Act (EPA) Expenditure Report

This schedule provides the District's summary of receipts and uses of the monies received through the EPA.

Reconciliation of Governmental Funds to the Statement of Net Position

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

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

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

Description	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenses, and Changes in Net Position - Primary Government:		$ 9,107,059
Various Programs	N/A	(15,643)
Total Schedule of Expenditures of Federal Awards		$ 9,091,416

INDEPENDENT AUDITOR'S REPORTS

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

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

Board of Trustees
Monterey Peninsula Community College District
Monterey, California

We have audited, 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, the basic financial statements of the business-type activities of Monterey Peninsula Community College District (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 22, 2014.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 15 to the financial statements, the District has elected to change its method of accounting for cost of debt issuance as prescribed by GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. 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 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 internal control. Accordingly, we do not express an opinion on the effectiveness of the District's 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 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.

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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 financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the District in a separate letter dated December 22, 2014.

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 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 internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vavrinek, Trine, Day & Co., LLP.

Rancho Cucamonga, California
December 22, 2014

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Board of Trustees
Monterey Peninsula Community College District
Monterey, California

Report on Compliance for Each Major Federal Program

We have audited Monterey Peninsula Community College District's (the District) compliance with the types of compliance requirements described in OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the year ended June 30, 2014. The District's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of the District's compliance.

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Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Vavrinek, Trine, Day & Co., LLP.

Rancho Cucamonga, California
December 22, 2014

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

VALUE THE DIFFERENCE

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees
Monterey Peninsula Community College District
Monterey, California

Report on State Compliance

We have audited Monterey Peninsula Community College District's (the District) compliance with the types of compliance requirements as identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in December 2013 that could have a direct and material effect on each of the District's programs as noted below for the year ended June 30, 2014.

Management's Responsibility

Management is responsible for compliance with the requirements identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in December 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the standards and procedures identified in the California Community Colleges Chancellor's Office *District Audit Manual*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the applicable programs noted below. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

Unmodified Opinion for Each of the Programs

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the programs noted below that were audited for the year ended June 30, 2014.

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In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with State laws and regulations applicable to the following:

Section 421	Salaries of Classroom Instructors (50 Percent Law)
Section 423	Apportionment for Instructional Service Agreements/Contracts
Section 424	State General Apportionment Funding System
Section 425	Residency Determination for Credit Courses
Section 426	Students Actively Enrolled
Section 427	Concurrent Enrollment of K-12 Students in Community College Credit Courses
Section 430	Schedule Maintenance Program
Section 431	Gann Limit Calculation
Section 435	Open Enrollment
Section 438	Student Fees – Health Fees and Use of Health Fee Funds
Section 439	Proposition 39 Clean Energy
Section 474	Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE)
Section 475	Disabled Student Programs and Services (DSPS)
Section 479	To Be Arranged (TBA) Hours
Section 490	Proposition 1D State Bond Funded Projects
Section 491	Proposition 30 Education Protection Account Funds

The District reports no attendance within classes subject to the TBA Hours; therefore, the compliance tests within this section were not applicable.

Vavrinek, Trine, Day & Co., LLP.

Rancho Cucamonga, California
December 22, 2014

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2014

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Type of auditor's report issued on compliance for major Federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	No

Identification of major Federal programs:

CFDA Numbers	Name of Federal Program or Cluster
84.007, 84.033, 84.063, and 84.268	Student Financial Assistance Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$ 300,000
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

Type of auditor's report issued on compliance for State programs:	Unmodified

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2014

None reported.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

None reported.

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

None reported.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2014

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's Schedule of Audit Findings and Questioned Costs.

State Awards Findings

2013-1 Proposition 30 Education Protection Account Funds

Criteria or Specific Requirement

According to the Accounting Advisory meeting held by the California Community Colleges Chancellor's Office, districts are required to hold an open session public meeting for the adoption of the budget plan to expend Education Protection Account (EPA) funds.

Condition

The District did not meet the State requirements for holding an open session public meeting to adopt a plan to expend EPA resources.

Questioned Costs

There are no questioned costs associated with this finding. There were no questioned expenses during testing.

Recommendation

The District should implement a control procedure for future receipt of funds that require an open public session to ensure that compliance requirements are met.

Current Status

Implemented.