

**MONTEREY PENINSULA
COMMUNITY COLLEGE DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2015

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, and the aggregate remaining fund information of Monterey Peninsula Community College District (the District) as of and for the year ended June 30, 2015, 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, and the aggregate remaining fund information of the District as of June 30, 2015, and the respective changes in financial position and cash flows thereof 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 Notes 2 and 15 to the financial statements, in 2015, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. 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, the Schedule of Other Postemployment Benefits (OPEB) Funding Progress on page 59, the Schedule of the District's Proportionate Share of the Net Pension Liability on page 60, and the Schedule of District Contributions on page 61 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 15, 2015, 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.

Vauinek, Tine, Day & Co., LLP

Rancho Cucamonga, California

December 15, 2015



MONTEREY PENINSULA
COLLEGE

USING THIS ANNUAL REPORT

The Monterey Peninsula Community College District (the District) presents the following discussion and analysis to assist the reader by focusing on significant financial issues, providing an overview of the District's financial activities and condition, to explain changes in the District's financial condition, and to identify challenges of subsequent fiscal years. The report consists of three basic financial statements: the Statement of Net 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, 2015. 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 \$1.4 million, or 0.7 percent, to \$204.8 million, and total liabilities decreased by \$9.9 million, or 5.1 percent, to \$181.8 million. This results in net position being decreased by \$297 thousand, or 1.4 percent, to \$20.3 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 \$9.8 million remains outstanding.

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

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)

	2015	2014 as restated
ASSETS		
Current Assets		
Cash and investments	\$ 35,609	\$ 30,935
Accounts receivable	2,183	6,013
Other current assets	34	215
Total Current Assets	<u>37,826</u>	<u>37,163</u>
Noncurrent Assets		
Capital assets (net)	<u>166,987</u>	<u>169,028</u>
Total Assets	<u>204,813</u>	<u>206,191</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	2,896	3,983
Current year pension contribution	2,237	2,151
Total Deferred Outflows of Resources	<u>5,133</u>	<u>6,134</u>
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 5,699	\$ 7,639
Unearned revenue	2,934	2,184
Current portion of long-term obligations	5,403	5,011
Total Current Liabilities	<u>14,036</u>	<u>14,834</u>
Noncurrent portion of long-term obligations	<u>167,811</u>	<u>176,868</u>
Total Liabilities	<u>181,847</u>	<u>191,702</u>
DEFERRED INFLOWS OF RESOURCES		
Difference between projected and actual earnings on pension plan investments	<u>7,773</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	61,436	62,234
Restricted	7,112	4,610
Unrestricted	(48,222)	(46,221)
Total Net Position	<u>\$ 20,326</u>	<u>\$ 20,623</u>

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

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)

	<u>2015</u>	<u>2014</u>
Operating Revenues		
Tuition and fees, net	\$ 4,587	\$ 5,020
Operating Expenses		
Salaries and benefits	30,061	36,773
Supplies, maintenance, equipment, and other expenses	22,922	16,273
Depreciation	3,617	3,706
Total Operating Expenses	<u>56,600</u>	<u>56,752</u>
Loss on Operations	<u>(52,013)</u>	<u>(51,732)</u>
Nonoperating Revenues		
State apportionments	14,441	15,154
Grants and contracts	14,460	12,777
Property taxes	26,451	20,437
State revenues	1,736	1,347
Net interest expense	(6,353)	(6,213)
Other nonoperating revenues	504	1,643
Total Nonoperating Revenue	<u>51,239</u>	<u>45,145</u>
Other Revenues and Losses		
State and local capital income and losses	<u>477</u>	<u>539</u>
Net Change in Net Position	<u>\$ (297)</u>	<u>\$ (6,048)</u>

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

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	\$ 14,239	\$ 800	\$ 3,704	\$ -	\$ -	\$ 18,743
Academic support	616	67	31	-	-	714
Instructional support services	3,109	2,939	7,764	-	-	13,812
Student services	3,478	533	755	-	-	4,766
Plant operations and maintenance	1,130	164	1,224	-	-	2,518
Ancillary services & auxiliary operations	2,529	457	932	-	-	3,918
Student aid	-	-	-	6,707	-	6,707
Physical property and related acquisitions	-	-	1,805	-	-	1,805
Depreciation	-	-	-	-	3,617	3,617
Total	\$ 25,101	\$ 4,960	\$ 16,215	\$ 6,707	\$ 3,617	\$ 56,600

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

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)

	2015	2014
Cash Provided by (Used in)		
Operating activities	\$ (47,203)	\$ (47,314)
Noncapital financing activities	51,734	47,505
Capital financing activities	26	(16,847)
Investing activities	117	198
Net Change in Cash	4,674	(16,458)
Cash, Beginning of Year	30,935	47,393
Cash, End of Year	<u>\$ 35,609</u>	<u>\$ 30,935</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had \$167.0 million in a broad range of capital assets including land, buildings, and furniture and equipment. At June 30, 2014, our net capital assets were \$169.0 million.

CAPITAL ASSETS

(Amounts in thousands)

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Land and construction in progress	\$ 70,306	\$ 1,467	\$ 45,906	\$ 25,867
Buildings and improvements	127,090	45,912	-	173,002
Furniture and equipment	7,648	108	8	7,748
Subtotal	205,044	47,487	45,914	206,617
Accumulated depreciation	36,016	3,617	3	39,630
	<u>\$ 169,028</u>	<u>\$ 43,870</u>	<u>\$ 45,911</u>	<u>\$ 166,987</u>

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

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

Obligations

At the end of the 2014-2015 fiscal year, the District had \$141.7 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, compensated absences, early retirement, net OPEB obligation, and the aggregate net pension obligation.

LONG-TERM OBLIGATIONS

(Amounts in thousands)

	Balance Beginning of Year as restated	Additions	Deductions	Balance End of Year
General obligation bonds	\$ 143,015	\$ 4,022	\$ 5,388	\$ 141,649
Lease revenue bonds	95	-	15	80
Compensated absences	954	-	32	922
Early retirement	86	85	112	59
Net OPEB obligation	2,326	1,156	895	2,587
Net pension liability	35,403	-	7,486	27,917
Total Long-Term Obligations	<u>\$ 181,879</u>	<u>\$ 5,263</u>	<u>\$ 13,928</u>	<u>\$ 173,214</u>

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 ten (10) 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.

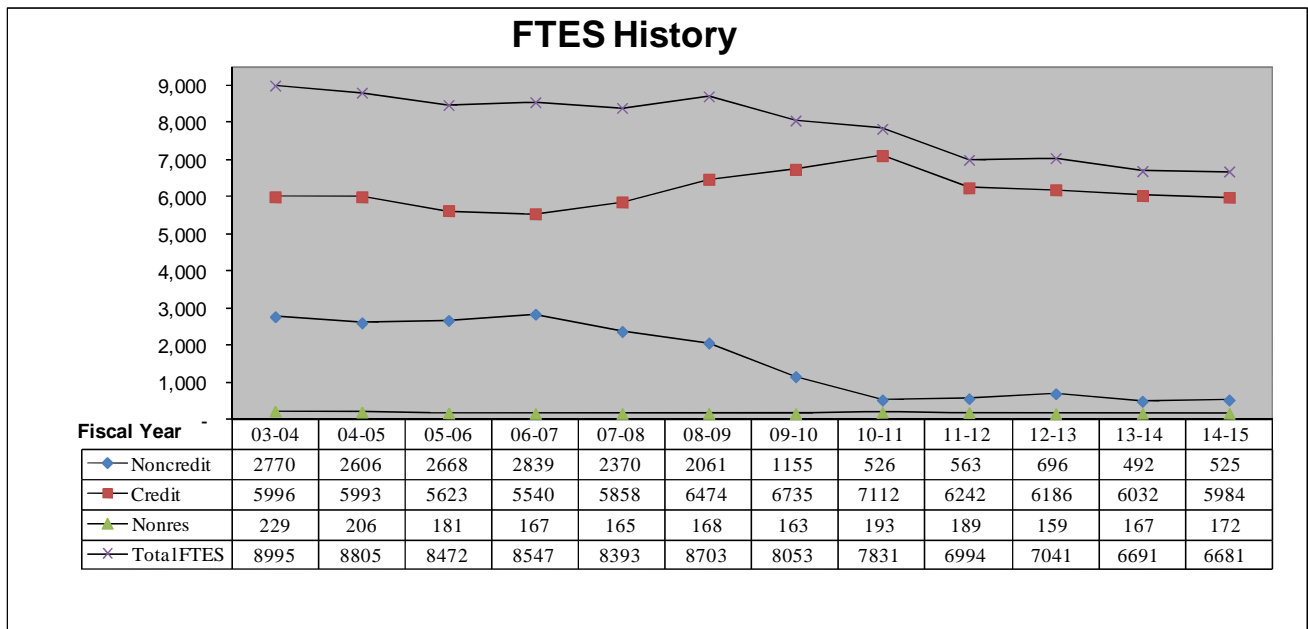
The primary source of income for day-to-day operations is derived from enrollments. Enrollment income is received based on actual in-state credit, enhanced non-credit, and non-credit full-time equivalent students (FTES). Actual funds are paid through local taxes, student registration fees, and the State. 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.

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

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, improve and enhance enrollment and retention rates, increase outreach, advertising and marketing, and create partner with public and private organizations.



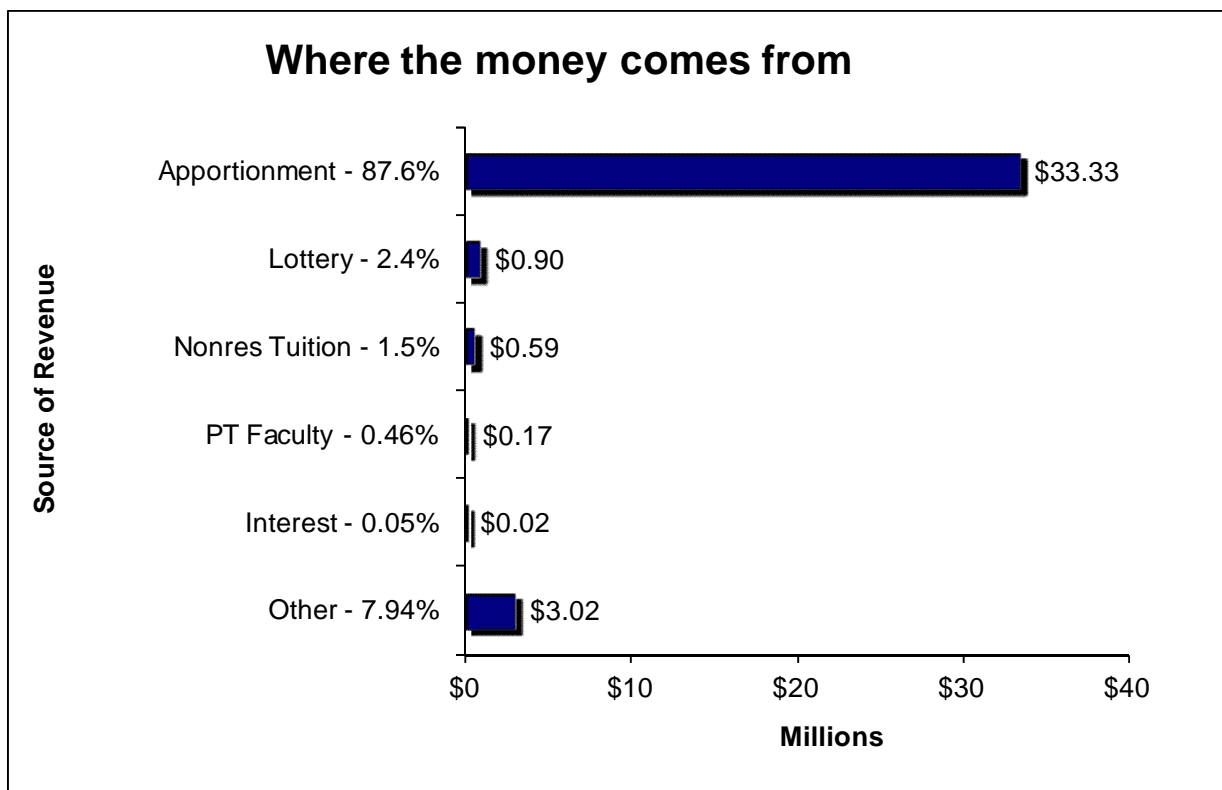
The national and State economies continue to suffer from the repercussions of the "great recession" that started in 2007. High unemployment, declining property values, and the financial sector meltdown have resulted in shrinking revenues at the Federal and State level. The State of California's three 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.

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

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 2015-2016, the State will reduce debt of \$1.2 billion on paying off loans from special funds and past liabilities, the State will repay the remaining \$1 billion in deferrals to schools and community colleges, and the last payment of \$15 billion on Economic Recovery bonds that was borrowed to cover budget deficits as far back as 2002 will be paid.

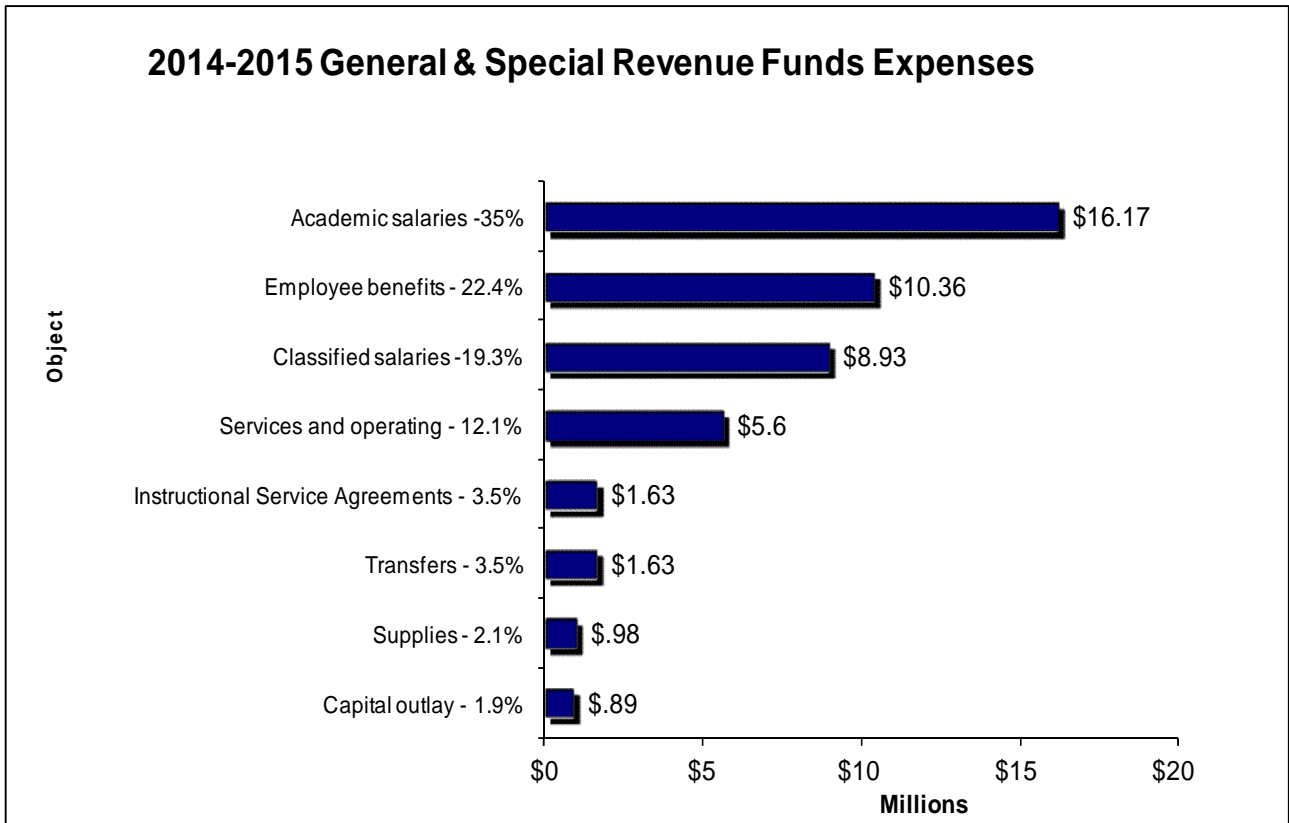


MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

Costs for employees represent 76.7 percent of total expenses in the General and Special Revenue Funds. These expenses include academic and classified salaries, and employee benefits.



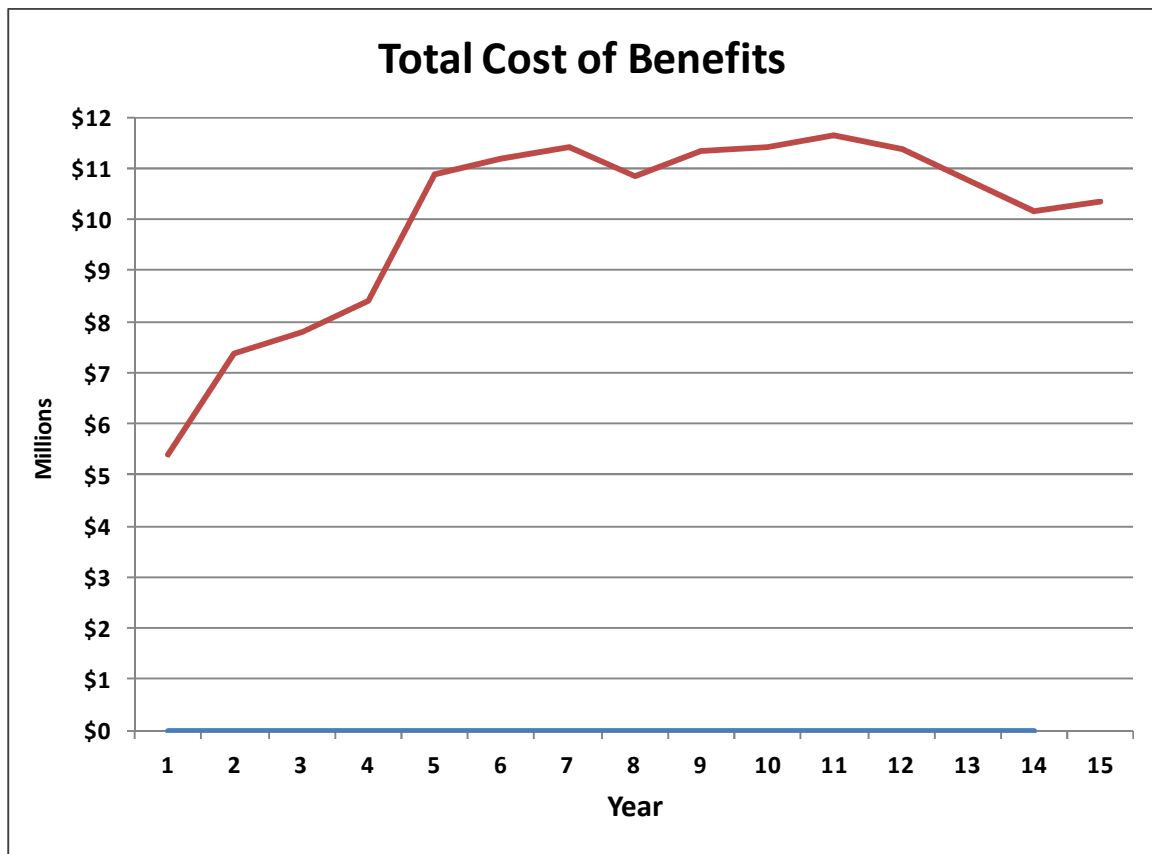
There were no changes negotiated for step and column increases in fiscal year 2014-2015.

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

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 \$3.8 million. The Other Postemployment Benefits (OPEB) Fund ended with a current fund balance of \$4.0 million and Workers' Compensation Fund, ended with a current fund balance of \$124 thousand.

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

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, 2015**

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 541,388
Investments	17,380,271
Investments - restricted	17,686,921
Accounts receivable	2,109,108
Student loans receivable	74,537
Due from fiduciary funds	33,648
Total Current Assets	<u>37,825,873</u>
NONCURRENT ASSETS	
Nondepreciable capital assets	25,866,781
Depreciable capital assets, net of depreciation	141,119,964
Total Noncurrent Assets	<u>166,986,745</u>
TOTAL ASSETS	<u>204,812,618</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	2,896,583
Current year pension contribution	2,236,702
TOTAL DEFERRED OUTFLOW OF RESOURCES	<u>5,133,285</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	4,626,245
Accrued interest payable	934,313
Due to fiduciary funds	138,327
Unearned revenue	2,934,042
Current portion of long-term obligations	5,402,797
Total Current Liabilities	<u>14,035,724</u>
NONCURRENT LIABILITIES	
Aggregate net pension obligation	27,917,330
Noncurrent portion of long-term obligations	139,894,330
Total Noncurrent Liabilities	<u>167,811,660</u>
TOTAL LIABILITIES	<u>181,847,384</u>
DEFERRED INFLOWS OF RESOURCES	
Difference between projected and actual earnings on pension plan investments	7,772,804
NET POSITION	
Net investment in capital assets	61,436,175
Restricted for:	
Debt service	5,997,142
Capital projects	60,953
Other activities	1,054,038
Unrestricted	(48,222,593)
TOTAL NET POSITION	<u>\$ 20,325,715</u>

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, 2015

OPERATING REVENUES	
Student Tuition and Fees	\$ 7,689,313
Less: Scholarship discounts and allowances	(3,102,355)
TOTAL OPERATING REVENUES	<u>4,586,958</u>
OPERATING EXPENSES	
Salaries	25,100,799
Employee benefits	4,959,873
Supplies, materials, and other operating expenses and services	15,673,750
Student financial aid	6,706,968
Equipment, maintenance, and repairs	541,749
Depreciation	3,616,986
TOTAL OPERATING EXPENSES	<u>56,600,125</u>
OPERATING LOSS	<u>(52,013,167)</u>
NONOPERATING REVENUES (EXPENSES)	
State apportionments, noncapital	14,441,246
Grants and contracts, noncapital:	
Federal	9,109,082
State	5,351,158
Local property taxes, levied for general purposes	16,801,680
Taxes levied for other specific purposes	9,649,677
State taxes and other revenues	1,736,242
Investment income	126,890
Interest expense on capital related debt	(6,487,170)
Investment income on capital asset-related debt	6,815
Transfer from agency fund	29,676
Transfer to agency fund	(72,311)
Other nonoperating revenue	546,044
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>51,239,029</u>
LOSS BEFORE OTHER REVENUES AND LOSSES	<u>(774,138)</u>
OTHER REVENUES AND LOSSES	
State revenues, capital	431,577
Local revenues, capital	49,807
Loss on disposal of capital assets	(4,687)
TOTAL OTHER REVENUES AND LOSSES	<u>476,697</u>
CHANGE IN NET POSITION	<u>(297,441)</u>
NET POSITION, BEGINNING OF YEAR AS RESTATED	<u>20,623,156</u>
NET POSITION, END OF YEAR	<u>\$ 20,325,715</u>

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, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	\$ 4,553,580
Payments to scholarships and grants	(6,706,968)
Payments to vendors for supplies and services	(14,819,893)
Payments to or on behalf of employees	(30,229,901)
Net Cash Flows From Operating Activities	<u>(47,203,182)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State apportionments	18,809,913
Grants and contracts	14,460,240
Property taxes - nondebt related	16,801,680
State taxes and other apportionments	1,810,025
Other nonoperating	(147,818)
Net Cash Flows From Noncapital Financing Activities	<u>51,734,040</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Purchase of capital assets	(3,330,402)
Proceeds from capital debt	4,022,446
State revenue, capital projects	431,577
Local revenue, capital projects	49,807
Property taxes - related to capital debt	9,649,677
Principal paid on capital debt	(5,403,076)
Interest paid on capital debt	(6,487,170)
Interest received on capital asset-related debt	6,815
Deferred charges on refunding	1,086,219
Net Cash Flows From Capital Financing Activities	<u>25,893</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received from investments	<u>116,620</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	4,673,371
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>30,935,209</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 35,608,580</u>

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

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

**STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2015**

**RECONCILIATION OF NET OPERATING LOSS TO NET
CASH FLOWS FROM OPERATING ACTIVITIES**

Operating Loss	<u>\$ (52,013,167)</u>
Adjustments to Reconcile Operating Loss to Net Cash Flows	
From Operating Activities:	
Depreciation expense	3,616,986
Changes in Operating Assets, Deferred Outflows, Liabilities, and Deferred Inflows:	
Receivables, net	48,280
Prepaid expenses	181,421
Accounts payable and accrued liabilities	538,600
Accrued interest payable	(331,478)
Deferred compensation	(397,457)
Unearned revenue	750,221
Compensated absences	(32,280)
Early retirement incentive	(26,160)
Other postemployment benefits	260,208
Current year pension contributions	(85,258)
Deferred inflow of resources related to the net pension liability	7,772,804
Aggregate net pension liability	<u>(7,485,902)</u>
Total Adjustments	<u>4,809,985</u>
Net Cash Flows From Operating Activities	<u><u>\$ (47,203,182)</u></u>

**CASH AND CASH EQUIVALENTS CONSIST OF
THE FOLLOWING:**

Cash in banks	\$ 541,388
Investment in county treasury	35,067,192
Total Cash and Cash Equivalents	<u><u>\$ 35,608,580</u></u>

NON CASH TRANSACTIONS

On behalf payments for benefits	<u><u>\$ 769,390</u></u>
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The accompanying notes are an integral part of these financial statements.

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET POSITION JUNE 30, 2015

	<u>Trust</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 464,691	\$ 403,152
Investments	64,176	-
Accounts receivable	17,261	69,613
Due from primary government	-	138,327
Total Assets	<u>546,128</u>	<u>\$ 611,092</u>
LIABILITIES		
Accounts payable	21,005	\$ 19,882
Due to primary government	-	33,648
Unearned revenue	1,043	-
Due to student groups	373,322	557,562
Total Liabilities	<u>395,370</u>	<u>\$ 611,092</u>
NET POSITION		
Unreserved	150,758	
Total Net Position	<u>\$ 150,758</u>	

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, 2015**

	Trust
ADDITIONS	
State revenues	\$ 445,681
Local revenues	<u>675,347</u>
Total Additions	<u><u>1,121,028</u></u>
DEDUCTIONS	
Services and operating expenditures	<u>1,074,717</u>
Change in Net Position	46,311
Net Position - Beginning	<u>104,447</u>
Net Position - Ending	<u><u>\$ 150,758</u></u>

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

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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. 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB Statements No. 34 and No. 35 as amended by GASB Statements No. 37, No. 38, and No. 39. This presentation provides a comprehensive entity-wide perspective of the District's assets, liabilities, activities, and cash flows and replaces the fund group perspective previously required. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. 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.

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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, 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.

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments held at June 30, 2015, 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.

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.

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for the deferred charges on the refunding of general obligation bonds and current year pension contributions.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for the difference between projected and actual earnings on pension plan investments specific to the net pension liability.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (the Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value.

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.

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

Noncurrent Liabilities

Noncurrent liabilities include bonds and notes payable, compensated absences, early retirement plan, net OPEB obligations, and the aggregate net pension obligation 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 \$7,112,133 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.

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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*.

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 Primary Government and Fiduciary Funds' financial statements, respectively.

Change in Accounting Principles

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.

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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 nonemployer 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, nonemployer 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 and 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.

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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 nonemployer entity has a legal requirement to make contributions directly to a pension plan.

The District has implemented the Provisions of this Statement for the year ended June 30, 2015.

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 District has implemented the Provisions of this Statement for the year ended June 30, 2015.

As the result of implementing GASB Statement No. 68, the District has restated the beginning net position in the government-wide Statement of Net Position, effectively decreasing net position as of July 1, 2014, by \$33,251,788. The decrease results from recognizing the net pension liability, net of related deferred outflows of resources. The restatement does not include deferred inflows of resources, as this information was not available.

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

New Accounting Pronouncements

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

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of State and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans and pensions that are within their respective scopes.

The requirements of this Statement extend the approach to accounting and financial reporting established in Statement No. 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement No. 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement No. 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

This Statement also clarifies the application of certain provisions of Statements No. 67 and No. 68 with regard to the following issues:

- Information that is required to be presented as notes to the ten-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported.
- Accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities for defined benefit pensions.
- Timing of employer recognition of revenue for the support of nonemployer contributing entities not in a special funding situation.

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of State and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities.

The scope of this Statement includes OPEB plans—defined benefit and defined contribution—administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. The primary objective of this Statement is to improve accounting and financial reporting by State and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by State and local governmental employers about financial support for OPEB 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 all postemployment benefits (pensions and OPEB) 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 Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of State and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to 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 defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017. Early implementation is encouraged.

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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

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

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Earlier implementation is permitted.

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.

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

General Authorizations

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

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

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.

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Summary of Deposits and Investments

Deposits and investments as of June 30, 2015, consist of the following:

	Reported Value
Primary government	\$ 35,608,580
Fiduciary funds	932,019
Total Deposits and Investments	<u>\$ 36,540,599</u>
Cash on hand and in banks	\$ 1,384,231
Cash in revolving	25,000
Investments	35,131,368
Total Deposits and Investments	<u>\$ 36,540,599</u>

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District 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:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Days to Maturity</u>
Monterey County Investment Pool	\$ 35,066,071	422
Mutual Funds	64,176	N/A
Total	<u>\$ 35,130,247</u>	

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 Monterey County Investment Pool and the mutual funds are not required to be rated, nor have been rated as of June 30, 2015.

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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, 2015, the District's bank balance of \$1,181,940 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.

	<u>Primary Government</u>
Federal Government	
Categorical aid	\$ 828,760
State Government	
Categorical aid	55,413
Lottery	591,391
Local Sources	
Interest	44,668
Other local sources	588,876
Total	<u>\$ 2,109,108</u>
Student receivables	<u>\$ 74,537</u>
	<u>Fiduciary Funds</u>
Other local sources	<u>\$ 86,874</u>

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015, 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	60,405,574	1,466,788	45,905,581	15,966,781
Total Capital Assets Not Being Depreciated	<u>70,305,574</u>	<u>1,466,788</u>	<u>45,905,581</u>	<u>25,866,781</u>
Capital Assets Being Depreciated				
Land improvements	29,021,320	-	-	29,021,320
Buildings and improvements	98,068,609	45,911,513	-	143,980,122
Furniture and equipment	7,647,988	108,052	7,500	7,748,540
Total Capital Assets Being Depreciated	<u>134,737,917</u>	<u>46,019,565</u>	<u>7,500</u>	<u>180,749,982</u>
Total Capital Assets	<u>205,043,491</u>	<u>47,486,353</u>	<u>45,913,081</u>	<u>206,616,763</u>
Less Accumulated Depreciation				
Land improvements	9,453,809	1,328,750	-	10,782,559
Buildings and improvements	20,597,102	1,884,711	-	22,481,813
Furniture and equipment	5,964,934	403,525	2,813	6,365,646
Total Accumulated Depreciation	<u>36,015,845</u>	<u>3,616,986</u>	<u>2,813</u>	<u>39,630,018</u>
Net Capital Assets	<u>\$ 169,027,646</u>	<u>\$ 43,869,367</u>	<u>\$ 45,910,268</u>	<u>\$ 166,986,745</u>

Depreciation expense for the year was \$3,616,986.

Interest expense on capital related debt for the year ended June 30, 2015, was \$6,551,369. Of this amount, \$64,199 was capitalized.

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 6 - ACCOUNTS PAYABLE

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

	<u>Primary Government</u>
Accrued payroll and benefits	\$ 434,483
Apportionment	2,225,525
Student financial aid grants	74,781
Construction	1,309
Community Hospital of Monterey Peninsula	568,127
Other vendor payables	1,322,020
Total	<u>\$ 4,626,245</u>
	<u>Fiduciary Funds</u>
Student financial aid grants	\$ 17,662
Other vendor payables	23,225
Total	<u>\$ 40,887</u>

NOTE 7 - UNEARNED REVENUE

Unearned revenue for the District consisted of the following:

	<u>Primary Government</u>
Federal categorical	\$ 118,738
State categorical	1,127,512
Student fees	664,797
Other local	1,022,995
Total	<u>\$ 2,934,042</u>
	<u>Fiduciary Funds</u>
Other local	\$ 1,043

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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, 2015, the amounts owed between the primary government and the fiduciary funds were \$33,648 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. During the 2015 fiscal year, the amount transferred to the primary government from the fiduciary funds amounted to \$29,676. The amount transferred to the fiduciary funds from the primary government amount to \$72,311.

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the 2015 fiscal year consisted of the following:

	Balance Beginning of Year as restated	Additions	Deductions	Balance End of Year	Due in One Year
Bonds and Notes Payable					
2005 General obligation refunding bonds	\$ 4,733,865	\$ 425,835	\$ 2,655,000	\$ 2,504,700	\$ 2,655,000
2002 General obligation bonds, Series B	2,907,200	70,490	1,815,000	1,162,690	1,000,000
2002 General obligation bonds, Series C	96,557,347	3,526,121	-	100,083,468	1,220,000
Unamortized premium	2,822,732	-	134,416	2,688,316	-
2013 General obligation refunding bonds, Series A	18,950,000	-	95,000	18,855,000	95,000
Unamortized premium	2,713,730	-	378,660	2,335,070	-
2013 General obligation refunding bonds, Series B	14,330,000	-	310,000	14,020,000	315,000
Lease revenue bonds	95,000	-	15,000	80,000	20,000
Total Bonds and Notes Payable	143,109,874	4,022,446	5,403,076	141,729,244	5,305,000
Other Liabilities					
Compensated absences	954,251	-	32,280	921,971	50,000
Early retirement plan	85,396	85,792	111,952	59,236	47,797
Net OPEB obligation	2,326,468	1,155,968	895,760	2,586,676	-
Aggregate net pension obligation	35,403,232	-	7,485,902	27,917,330	-
Total Other Liabilities	38,769,347	1,241,760	8,525,894	31,485,213	97,797
Total Long-Term Obligations	\$ 181,879,221	\$ 5,264,206	\$ 13,928,970	\$ 173,214,457	\$ 5,402,797

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 and aggregate net pension obligation 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.

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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, 2015, the principal balance outstanding (including accreted interest to date) was \$2,504,700.

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, 2015, the principal balance outstanding (including accreted interest to date) was \$101,246,158. Unamortized premium received on issuance of the bonds amounted to \$2,688,316 as of June 30, 2015.

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, 2015, the principal balance outstanding was \$32,875,000. Unamortized premium received on issuance of the bonds amounted to \$2,335,070 as of June 30, 2015.

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds		Accreted Interest		Bonds Outstanding June 30, 2015
				Outstanding July 1, 2014	Issued	Additions	Redeemed	
2005	08/01/2015	3.25%-5.00%	\$ 33,304,385	\$ 4,733,865	\$ -	\$ 425,835	\$ 2,655,000	\$ 2,504,700
2008	08/01/2021	3.80%-5.35%	9,004,530	2,907,200	-	70,490	1,815,000	1,162,690
2008	08/01/2034	3.50%-5.00%	95,994,770	96,557,347	-	3,526,121	-	100,083,468
2013	08/01/2021	1.50%-4.00%	19,235,000	18,950,000	-	-	95,000	18,855,000
2013	08/01/2020	0.335%-2.289%	14,585,000	14,330,000	-	-	310,000	14,020,000
				<u>\$ 137,478,412</u>	<u>\$ -</u>	<u>\$ 4,022,446</u>	<u>\$ 4,875,000</u>	<u>\$ 136,625,858</u>

The general obligation bonds mature through 2016 as follows:

Year Ending June 30,	Principal (Including Accreted Interest to Date)	Accreted Interest	Total
2016	<u>\$ 2,504,700</u>	<u>\$ 150,300</u>	<u>\$ 2,655,000</u>

The general obligation bonds mature through 2022 as follows:

Year Ending June 30,	Principal (Including Accreted Interest to Date)	Accreted Interest	Current Interest to Maturity	Total
2016	\$ 962,690	\$ 37,310	\$ 10,700	\$ 1,010,700
2017	-	-	10,700	10,700
2018	-	-	10,700	10,700
2019	-	-	10,700	10,700
2020	-	-	10,700	10,700
2021-2022	200,000	-	16,050	216,050
Total	<u>\$ 1,162,690</u>	<u>\$ 37,310</u>	<u>\$ 69,550</u>	<u>\$ 1,269,550</u>

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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
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	-	-	842,250	842,250
2021-2025	19,386,516	9,703,484	4,211,250	33,301,250
2026-2030	30,808,484	26,686,516	4,211,250	61,706,250
2031-2035	39,643,468	31,296,532	3,720,125	74,660,125
Total	<u>\$ 100,083,468</u>	<u>\$ 67,686,532</u>	<u>\$ 17,436,525</u>	<u>\$ 185,206,525</u>

The general obligation bonds mature through 2022 as follows:

Year Ending June 30,	Principal	Current Interest to Maturity	Total
2016	\$ 95,000	\$ 708,900	\$ 803,900
2017	400,000	699,475	1,099,475
2018	420,000	685,175	1,105,175
2019	425,000	675,688	1,100,688
2020	4,405,000	598,450	5,003,450
2021-2022	13,110,000	589,800	13,699,800
Total	<u>\$ 18,855,000</u>	<u>\$ 3,957,488</u>	<u>\$ 22,812,488</u>

The general obligation bonds mature through 2021 as follows:

Year Ending June 30,	Principal	Current Interest to Maturity	Total
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	2,780,000	93,120	2,873,120
2021	2,830,000	32,389	2,862,389
Total	<u>\$ 14,020,000</u>	<u>\$ 907,099</u>	<u>\$ 14,927,099</u>

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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, 2015, was \$80,000.

Revenue bonds mature as follows:

Year Ending June 30,	Principal	Interest to Maturity	Total
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	<u>\$ 80,000</u>	<u>\$ 4,800</u>	<u>\$ 84,800</u>

Early Retirement Plan

The District has entered into an agreement to provide certain benefits to employees participating in the early retirement incentive program. The District will pay a total of \$59,236 on behalf of retirees over the next two years in accordance with the following schedule:

Year Ending June 30,	Principal
2016	\$ 47,797
2017	11,439
Total	<u>\$ 59,236</u>

Compensated Absences

The long-term portion of compensated absences for the District at June 30, 2015, amounted to \$921,971.

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2015, was \$1,160,728, and contributions made by the District during the year were \$895,760. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$104,691 and \$(109,451), respectively, which resulted in an increase to the net OPEB obligation of \$260,208. As of June 30, 2015, the net OPEB obligation was \$2,586,676. See Note 10 for additional information regarding the OPEB obligation and the postemployment benefits plan.

Aggregate Net Pension Obligation

As of June 30, 2015, the aggregate net pension obligation was \$27,917,330. See Note 11 for additional information.

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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.

Contribution Information

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 2014-2015, the District contributed \$895,760 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	104,691
Adjustment to annual required contribution	<u>(109,451)</u>
Annual OPEB cost (expense)	1,155,968
Contributions made	<u>(895,760)</u>
Increase in net OPEB obligation	260,208
Net OPEB obligation, beginning of year	<u>2,326,468</u>
Net OPEB obligation, end of year	<u><u>\$ 2,586,676</u></u>

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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
2013	\$ 1,065,590	\$ 671,851	63%	\$ 1,431,209
2014	1,161,377	266,118	23%	2,326,468
2015	1,155,968	895,760	77%	2,586,676

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)	<u>\$ 11,216,214</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%
Covered Payroll	<u>N/A</u>
UAAL as Percentage of Covered Payroll	<u>N/A</u>

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.

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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, 2015, was 24 years. The actuarial value of assets was not determined in this actuarial valuation as there were none.

NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of CalSTRS and classified employees are members of CalPERS.

The District implemented GASB Statements No. 68 and No. 71 for the fiscal year ended June 30, 2015. As a result, the District reported its proportionate share of the net pension liabilities, pension expense, and deferred inflow of resources for each of the above plans and a deferred outflow of resources for each of the above plans as follows:

<u>Pension Plan</u>	<u>Proportionate Share of Net Pension Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Proportionate Share of Deferred Inflows of Resources</u>	<u>Proportionate Share of Pension Expense</u>
CalSTRS	\$ 18,691,915	\$ 1,288,241	\$ 4,602,848	\$ 1,613,716
CalPERS	9,225,415	948,461	3,169,956	819,951
Total	<u>\$ 27,917,330</u>	<u>\$ 2,236,702</u>	<u>\$ 7,772,804</u>	<u>\$ 2,433,667</u>

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers' Retirement Plan (STRP) administered by CalSTRS. STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2013, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Benefits Provided

The STRP provides retirement, disability, and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the State is the sponsor of the STRP and obligor of the trust. In addition, the State is both an employer and nonemployer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2015, are summarized as follows:

	<u>STRP Defined Benefit Program</u>	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	8.15%	8.15%
Required employer contribution rate	8.88%	8.88%
Required State contribution rate	5.95%	5.95%

Contributions

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2015, are presented above, and the District's total contributions were \$1,288,241.

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:	
District's proportionate share of net pension liability	\$ 18,691,915
State's proportionate share of net pension liability associated with the District	11,286,985
Total	<u>\$ 29,978,900</u>

The net pension liability was measured as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts and the State, actuarially determined. At June 30, 2015, the District's proportion was 0.0320 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$1,613,716. In addition, the District recognized revenue and pension expense of \$974,431 for support provided by the State. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,288,241	\$ -
Difference between projected and actual earnings on pension plan investments	-	4,602,848
Total	<u>\$ 1,288,241</u>	<u>\$ 4,602,848</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

The deferred inflows of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2016	\$ 1,150,712
2017	1,150,712
2018	1,150,712
2019	1,150,712
Total	<u>\$ 4,602,848</u>

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary investment practice, a best estimate range was determined assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independent from year to year to develop expected percentile for the long-term distribution of annualized returns. The assumed asset allocation is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	47%	4.50%
Private equity	12%	6.20%
Real estate	15%	4.35%
Inflation sensitive	5%	3.20%
Fixed income	20%	0.20%
Cash/liquidity	1%	0.00%

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Discount Rate

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments, and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.60%)	\$ 29,135,807
Current discount rate (7.60%)	18,691,915
1% increase (8.60%)	9,983,607

California Public Employees' Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2013, annual actuarial valuation report, Schools Pool Actuarial Valuation, 2013. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at:
<https://www.calpers.ca.gov/page/forms-publications>.

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or age 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2015, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	6.000%
Required employer contribution rate	11.771%	11.771%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2015, are presented above, and the total District contributions were \$948,461.

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2015, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$9,225,415. The net pension liability was measured as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts, actuarially determined. At June 30, 2015, the District's proportion was 0.0813 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$819,951. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 948,461	\$ -
Difference between projected and actual earnings on pension plan investments	-	3,169,956
Total	<u>\$ 948,461</u>	<u>\$ 3,169,956</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

The deferred inflows of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2016	\$ 792,489
2017	792,489
2018	792,489
2019	792,489
Total	<u>\$ 3,169,956</u>

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.50%
Investment rate of return	7.50%
Consumer price inflation	2.75%
Wage growth	3.00%

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations, as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	5.25%
Global fixed income	19%	0.99%
Private equity	12%	6.83%
Real estate	11%	4.50%
Inflation sensitive	6%	0.45%
Infrastructure and Forestland	3%	4.50%
Liquidity	2%	-0.55%

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.50%)	\$ 16,183,483
Current discount rate (7.50%)	9,225,415
1% increase (8.50%)	3,411,247

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 year ended June 30, 2015, which amounted to \$769,390 (5.679 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 year ended June 30, 2015. 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.

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 12 - 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, 2015, 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 2014-2015, the District participated in the Northern California Community College Pool, an insurance purchasing pool. The intent of the Pool is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Pool. The workers' compensation experience of the participating districts is calculated as one experience, and a common premium rate is applied to all districts in the Pool. Each participant pays its workers' compensation premium based on its individual rate. Participation in the Pool is limited to community college districts that can meet the Pool's selection criteria.

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

NOTE 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.

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

During the year ended June 30, 2015, the District made payments of \$3,360, \$264,613, and \$362,922, 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, 2015.

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, 2015.

NOTE 15 - RESTATEMENT OF PRIOR YEAR NET POSITION

The District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, in the current year. As a result, the effect on the current fiscal year is as follows:

Primary Government	
Net Position - Beginning	\$ 53,874,944
Inclusion of net pension liability from the adoption of GASB Statement No. 68	(35,403,232)
Inclusion of deferred outflows of resources from the adoption of GASB Statement No. 68	2,151,444
Net Position - Beginning, as restated	<u>\$ 20,623,156</u>

REQUIRED SUPPLEMENTARY INFORMATION

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING
PROGRESS
FOR THE YEAR ENDED JUNE 30, 2015**

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

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2015**

CalSTRS

District's proportion of the net pension liability	<u>0.0320%</u>
District's proportionate share of the net pension liability	\$ 18,691,915
State's proportionate share of the net pension liability associated with the District	11,286,985
Total	<u>\$ 29,978,900</u>
District's covered - employee payroll	<u>\$ 14,503,338</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>128.88%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>77%</u>

CalPERS

District's proportion of the net pension liability	<u>0.0813%</u>
District's proportionate share of the net pension liability	<u>\$ 9,225,415</u>
District's covered - employee payroll	<u>\$ 8,531,836</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>108.13%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>83%</u>

Note : In the future, as data become available, ten years of information will be presented.

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2015**

CalSTRS

Contractually required contribution	\$ 1,288,241
Contributions in relation to the contractually required contribution	<u>1,288,241</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 14,514,036</u>
Contributions as a percentage of covered - employee payroll	<u>8.88%</u>

CalPERS

Contractually required contribution	\$ 948,461
Contributions in relation to the contractually required contribution	<u>948,461</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 8,057,640</u>
Contributions as a percentage of covered - employee payroll	<u>11.77%</u>

Note : In the future, as data become available, ten years of information will be presented.

SUPPLEMENTARY INFORMATION

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION

JUNE 30, 2015

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

BOARD OF TRUSTEES

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Mr. Rick Johnson	Chair	2017
Dr. Loren Steck	Vice Chair	2015
Dr. Margaret-Anne Coppernoll	Member	2017
Ms. Marilyn Dunn Gustafson	Member	2015
Mr. Charles Brown	Member	2015
Mr. Stephen Lambert	Student Trustee	2016

ADMINISTRATION

Dr. Walter Tribley	Superintendent/President
Vacant	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, 2015**

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 Supplemental Education Opportunity Grant (FSEOG)	84.007		\$ 103,305
Federal Work Study Program (FWS)	84.033		133,006
Federal Pell Grants	84.063		5,580,378
Federal Pell Administrative	84.063		7,625
Federal Direct Student Loans	84.268		1,020,395
Subtotal Student Financial Assistance Cluster			<u>6,844,709</u>
TRIO Cluster			
Student Support Services Program	84.042A		285,895
Upward Bound Program	84.047A		336,177
Upward Bound - Math and Science	84.047M		350,172
Subtotal TRIO Cluster			<u>972,244</u>
Passed through from California Community Colleges Chancellor's Office:			
Career and Technical Education, Title I-C	84.048	14-C01-033	130,072
CTE Transitions	84.048A	14-112-460	42,460
Total U.S. Department of Education			<u>7,989,485</u>
U.S. DEPARTMENT OF AGRICULTURE			
Forest Reserve	10.665		2,169
Passed through from California Department of Education (CDE):			
Child and Adult Care Food Program	10.558	04130-CACFP -27-CC-IC	28,403
Total U.S. Department of Agriculture			<u>30,572</u>
NATIONAL SCIENCE FOUNDATION			
Marine Technology Mentoring and Internship Program on Oceanographic Research Vessels **			
	47.076		82,922
Marine Advanced Technology Education Resource Center (MATE) **			
	47.076		406,051
MATE ROV Competitions: Providing Pathways to the Ocean STEM Workforce **			
	47.076		478,005
I-CORP: A Comprehensive Underwater Robotics Learning Package **			
	47.076		50,000
Passed through from San Mateo Community College District Creating Alternative Learning Strategies for Transfer Engineering Programs **			
	47.076	1430789	24,427
Total National Science Foundation			<u>1,041,405</u>

* 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 FEDERAL AWARDS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2015**

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	64.116		<u>\$ 2,637</u>
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	*	29,986
Passed through from Yosemite Community College District, Child Development Training Consortium			
Child Development Training Consortium	93.575	14-15-3969	10,817
Passed through from Chabot-Las Positas Community College District California Early Childhood Mentor Program	93.575	CN140097	4,141
Passed through from California Department of Education (CDE): Child Development - California State Preschool Program	93.575	15136	36,031
Passed through from Regents of the University of California Baccalaureate Bridge to the Biomedical Sciences Program **	93.859	S0184268	<u>5,257</u>
Total U.S. Department of Health and Human Services			<u>86,232</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 9,150,331</u></u>

* 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, 2015**

PROGRAM	Program Entitlements		
	Current Year	Prior Year	Total Entitlement
STATE CATEGORICAL AID PROGRAMS			
Assessment, Remediation, and Retention for Associate Degree Nursing	\$ 57,000	\$ -	\$ 57,000
Basic Skills	90,000	172,995	262,995
Block Grant - 1515/69	-	61,575	61,575
Block Grant - Student Services	65,164	13,731	78,895
Board Financial Assistance Program (BFAP) (SFAA)	251,293	-	251,293
CalWORKS	168,856	-	168,856
CARE	91,413	-	91,413
Children's Center	177,436	-	177,436
CTE Enhancement Fund	237,735	-	237,735
Disabled Student Programs and Service (DSPS)	626,661	-	626,661
Enrollment Growth	135,287	-	135,287
Extended Opportunity Programs and Service (EOPS)	662,633	-	662,633
First 5 Workforce Development Incentive Project	109,486	-	109,486
Instructional Equipment	268,507	-	268,507
Instructional Materials - One-Time Fund	-	7,951	7,951
Library Instructional Materials Block Grant	68,000	1,927	69,927
Song-Brown Nursing Education	40,000	-	40,000
Staff Diversity	5,111	316	5,427
Student Support & Success Program - Credit	1,359,896	267,014	1,626,910
Student Support & Success Program - Equity	330,590	-	330,590
Student Support & Success Program - Non-credit	60,573	-	60,573
Workforce Ecom AB 86 Adult Ed	184,270	92,135	276,405

See accompanying note to supplementary information.

Program Revenues				
Cash Received	Accounts Receivable	Unearned Revenue	Total Revenue	Program Expenditures
\$ 57,000	\$ -	\$ -	\$ 57,000	\$ 57,000
262,995	-	90,000	172,995	172,995
61,575	-	8,944	52,631	52,631
72,672	-	441	72,231	72,231
251,293	-	-	251,293	251,293
168,856	-	-	168,856	168,856
91,413	-	-	91,413	91,413
166,704	10,732	-	177,436	177,436
95,094	-	70,975	24,119	24,119
626,661	-	-	626,661	626,661
135,287	-	-	135,287	135,287
662,633	-	-	662,633	662,633
70,347	34,681	-	105,028	105,028
268,507	-	-	268,507	268,507
7,951	-	4,556	3,395	3,395
69,926	-	-	69,926	69,926
30,000	10,000	-	40,000	40,000
5,426	-	1,321	4,105	4,105
1,626,910	-	594,553	1,032,357	1,032,357
330,590	-	322,820	7,770	7,770
60,573	-	1,296	59,277	59,277
165,843	-	32,606	133,237	133,237
<u>\$ 5,288,256</u>	<u>\$ 55,413</u>	<u>\$ 1,127,512</u>	<u>\$ 4,216,157</u>	<u>\$ 4,216,157</u>

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL
 APPORTIONMENT ANNUAL (ACTUAL) ATTENDANCE
 FOR THE YEAR ENDED JUNE 30, 2015**

CATEGORIES	**(Revised)/ Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2014 only)			
1. Noncredit*	54.63	-	54.63
2. Credit	195.02	-	195.02
B. Summer Intersession (Summer 2015 - Prior to July 1, 2015)			
1. Noncredit*	-	-	-
2. Credit	314.91	-	314.91
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	3,637.50	-	3,637.50
(b) Daily Census Contact Hours	203.51	-	203.51
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit*	470.29	-	470.29
(b) Credit	1,097.57	-	1,097.57
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	429.18	-	429.18
(b) Daily Census Contact Hours	106.18	-	106.18
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	6,508.79	-	6,508.79
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)	246.62	-	246.62
H. Basic Skills Courses and Immigrant Education			
1. Noncredit*	227.12	-	227.12
2. Credit	246.13	-	246.13
<u>CCFS-320 Addendum</u>			
CDCP Noncredit FTES	128.14	-	128.14
Centers FTES			
1. Noncredit*	46.25	-	46.25
2. Credit	510.71	-	510.71

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

** Annual report revised as of November 4, 2015.

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, 2015**

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Audited Data	Reported Data	Audit Adjustments	Audited Data
<u>Academic Salaries</u>							
Instructional Salaries							
Contract or Regular	1100	\$ 6,417,857	\$ -	\$ 6,417,857	\$ 6,421,109	\$ -	\$ 6,421,109
Other	1300	4,993,752	-	4,993,752	5,035,486	-	5,035,486
Total Instructional Salaries		11,411,609	-	11,411,609	11,456,595	-	11,456,595
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	2,399,107	-	2,399,107
Other	1400	-	-	-	206,910	-	206,910
Total Noninstructional Salaries		-	-	-	2,606,017	-	2,606,017
Total Academic Salaries		11,411,609	-	11,411,609	14,062,612	-	14,062,612
<u>Classified Salaries</u>							
Noninstructional Salaries							
Regular Status	2100	-	-	-	5,301,121	-	5,301,121
Other	2300	-	-	-	320,170	-	320,170
Total Noninstructional Salaries		-	-	-	5,621,291	-	5,621,291
Instructional Aides							
Regular Status	2200	626,187	-	626,187	746,128	-	746,128
Other	2400	446,876	-	446,876	486,844	-	486,844
Total Instructional Aides		1,073,063	-	1,073,063	1,232,972	-	1,232,972
Total Classified Salaries		1,073,063	-	1,073,063	6,854,263	-	6,854,263
Employee Benefits	3000	1,672,359	-	1,672,359	3,631,183	-	3,631,183
Supplies and Material	4000	-	-	-	340,705	-	340,705
Other Operating Expenses	5000	2,192,721	-	2,192,721	4,992,841	-	4,992,841
Equipment Replacement	6420	-	-	-	11,106	-	11,106
Total Expenditures Prior to Exclusions		16,349,752	-	16,349,752	29,892,710	-	29,892,710

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, 2015**

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Audited Data	Reported Data	Audit Adjustments	Audited Data
<u>Exclusions</u>							
Activities to Exclude							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
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	-	-	-	607,158	-	607,158
Lottery Expenditures							
Academic Salaries	1000	598,106	-	598,106	598,106	-	598,106
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, 2015**

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		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	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay							
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		598,106	-	598,106	1,405,264	-	1,405,264
Total for ECS 84362, 50 Percent Law		\$ 15,751,646	\$ -	\$ 15,751,646	\$ 28,487,446	\$ -	\$ 28,487,446
Percent of CEE (Instructional Salary Cost/Total CEE)		55.29%		55.29%	100.00%		100.00%
50% of Current Expense of Education					\$ 14,243,723		\$ 14,243,723

See accompanying note to supplementary information.

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT (CCFS-311) WITH AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2015.

See accompanying note to supplementary information.

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

**PROPOSITION 30 EDUCATION PROTECTION ACT (EPA) EXPENDITURE REPORT
FOR THE YEAR ENDED JUNE 30, 2015**

Activity Classification	Object Code				Unrestricted
EPA Proceeds:	8630				\$ 5,807,566
Activity Classification	Activity Code	Salaries and Benefits (Obj 1000-3000)	Operating Expenses (Obj 4000-5000)	Capital Outlay (Obj 6000)	Total
Instructional Activities	1000-5900	\$ 5,807,566	-	-	\$ 5,807,566
Total Expenditures for EPA		\$ 5,807,566	-	-	\$ 5,807,566
Revenues Less Expenditures					\$ -

See accompanying note to supplementary information.

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

**NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2015**

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	47.076	\$ 35,944

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.

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

**NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2015**

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:		\$ 9,109,082
Federal Supplemental Education Opportunity Grant (FSEOG)	84.007	17,940
Federal Pell Grants	84.063	34,865
Federal Direct Student Loans	84.268	(2,113)
Temporary Assistance for Needy Families (TANF)	93.558	(9,443)
Total Schedule of Expenditures of Federal Awards		\$ 9,150,331

INDEPENDENT AUDITOR'S REPORTS



**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, and the aggregate remaining fund information of Monterey Peninsula Community College District (the District) as of and for the year ended June 30, 2015, 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 15, 2015.

Emphasis of Matter - Change in Accounting Principles

As discussed in Notes 2 and 15 to the financial statements, in 2015, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. 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.

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*.

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.

Vauinek, Tine, Day & Co., LLP

Rancho Cucamonga, California
December 15, 2015



**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 the 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, 2015. 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.

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, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2015-001. Our opinion on each major Federal program is not modified with respect to these matters.

The District's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 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 in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance as described in the accompanying Schedule of Findings and Questioned Costs as item 2015-001 that we consider to be a significant deficiency.

The District's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Vauirex, Time, Day & Co., LLP.

Rancho Cucamonga, California

December 15, 2015



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 August 2014 that could have a direct and material effect on each of the District's programs as noted below for the year ended June 30, 2015.

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 August 2014.

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, 2015.

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 440 Intersession Extension Programs
- 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 did not receive funding for Proposition 39 Clean Energy Projects; therefore, the compliance tests within this section were not applicable.

The District does not offer an Intersession Extension Program; therefore, the compliance tests within this section were not applicable.

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

The District did not receive any funding for Proposition 1D State Bond Funded Projects; therefore, the compliance tests within this section were not applicable.


Rancho Cucamonga, California
December 15, 2015

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

**SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2015**

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>Yes</u>
Type of auditor's report issued on compliance for major Federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	<u>Yes</u>

Identification of major Federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.007, 84.033, 84.063, 84.268	<u>Student Financial Assistance Cluster</u>
47.076	<u>Marine Technology Mentoring and Internship Program on Oceanographic Research Vessels; Marine Advanced Technology Education Resource Center (MATE); MATE ROV Competitions: Providing Pathways to the Ocean STEM Workforce; I-CORP: A Comprehensive Underwater Robotics Learning Package; Creating Alternative Learning Strategies for Transfer Engineering Programs.</u>

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

STATE AWARDS

Type of auditor's report issued on compliance for State programs:	<u>Unmodified</u>
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MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

**FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2015**

None reported.

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

The following finding represents a significant deficiency and/or instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

2015-001 SPECIAL TESTS AND PROVISIONS - RETURN TO TITLE IV

Federal Program Affected

Program Name: Student Financial Assistance Cluster
CFDA Numbers: 84.007, 84.033, 84.063, and 84.268
Direct funded by U.S. Department of Education
Federal Agency: U.S. Department of Education

Criteria or Specific Requirement

OMB Circular A-133 *Compliance Supplement*, 34 CFR Section 668.173(b):
Return of Title IV funds are required to be deposited or transferred into the Student Financial Assistance (SFA) account or electronic funds transfer initiated to ED as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew. Returns by check are late if the check is issued more than 45 days after the institution determined the student withdrew, or the date on the cancelled check shows the check was endorsed more than 60 days after the date the institution determined that the student withdrew.

Condition

Significant Deficiency - The District's portion of the Return to Title IV funds were not returned within the 45 day requirement.

Questioned Costs

No questioned costs. The District did return the funds; however, they were not returned within the 45 day requirement.

Context

The total population of Return to Title IV students was 39. There were four of the eight students tested where the District's portion of the Return to Title IV funds was not returned within the 45 day requirement.

Effect

Without proper monitoring of Title IV returns, the District risk noncompliance with the above referenced criteria.

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

Cause

The District did not follow the policies and procedures to monitor the Return to Title IV funds in a timely manner.

Recommendation

It is recommended that the District implement procedures to ensure that the Return to Title IV funds occurs within 45 days from the date the District determines the student withdrew from all classes.

Management's Response and Corrective Action Plan

The District does have an internal process and procedures that are being followed for the return of Title IV funds. Due to staff shortages during the 2014-2015 fiscal year, there were some delays of the funds being returned. The District will review the process and procedures to assure that there is timely return of the funds going forward into the 2015-2016 fiscal year.

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

None reported.

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015**

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 Findings and Questioned Costs.

Financial Statement Findings

None reported.

Federal Awards Findings

None reported.

State Awards Findings

None reported.