

**MONTEREY PENINSULA
COMMUNITY COLLEGE DISTRICT**

MEASURE I GENERAL OBLIGATION BONDS

INDEPENDENT AUDITORS' REPORT

JUNE 30, 2008



Vavrinek, Trine, Day & Co., LLP

Certified Public Accountants

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

JUNE 30, 2008

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Measure I General Obligation Bonds (the Building Fund) of Monterey Peninsula Community College District (the District) as of June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1 of the Notes to Financial Statements, the financial statements present only the Building Fund and do not purport to, and do not, present fairly the financial position of the District as of June 30, 2008, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Also, as discussed in Note 2 of the Notes to Financial Statements, the Building Fund's financial statements are prepared on the modified accrual basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position - modified accrual basis of the Measure I General Obligation Bonds of Monterey Peninsula Community College District as of June 30, 2008, and the results of its operations - modified accrual basis for the year then ended, in conformity with the basis of accounting described in Note 2.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 22, 2008

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

**BALANCE SHEET - MODIFIED ACCRUAL BASIS
JUNE 30, 2008**

	Building Fund
ASSETS	
Investments	\$ 101,529,526
Accounts receivable	362,128
Due from other funds	1,740,776
Total Assets	<u><u>\$ 103,632,430</u></u>
 LIABILITIES AND FUND EQUITY	
LIABILITIES	
Accounts payable	\$ 2,491,590
Due to other funds	53,352
Total Liabilities	<u>2,544,942</u>
 FUND EQUITY	
Fund balances	
Unreserved	
Designated	101,087,488
Total Fund Equity	<u>101,087,488</u>
Total Liabilities and Fund Equity	<u><u>\$ 103,632,430</u></u>

See the accompanying notes to financial statements.

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

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - MODIFIED ACCRUAL BASIS
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Building Fund</u>
REVENUES	
Local revenues	<u>\$ 1,308,722</u>
EXPENDITURES	
Current	
Supplies and materials	15
Services and operating expenditures	7,894,642
Capital outlay	13,131,561
Total Expenditures	<u>21,026,218</u>
EXCESS OF REVENUES UNDER EXPENDITURES	<u>(19,717,496)</u>
OTHER FINANCING SOURCES (USES)	
Other sources	108,628,528
Other uses	(1,898,813)
Total Other Financing Sources (Uses)	<u>106,729,715</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES	<u>87,012,219</u>
FUND BALANCE, BEGINNING OF YEAR	14,075,269
FUND BALANCE, END OF YEAR	<u>\$ 101,087,488</u>

See the accompanying notes to financial statements.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES

The Measure I General Obligation Bonds (the Building Fund) is a governmental fund of Monterey Peninsula Community College District (the District). This fund is used to account for the activity of the Proposition 39 Measure I General Obligation Bonds approved by the voters of the District. These financial statements present only the Building Fund and do not purport to, and do not, present fairly the financial position of the District and the changes in its financial position in conformity with accounting standards generally accepted in the United States of America.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Financial Statement Presentation

The financial statements of the Building Fund have been prepared on the modified accrual basis of accounting. The statement of activities is a statement of financial activities related to the current reporting period. Using this method, revenues are recognized when they are both measurable and available, and expenses are recognized when goods are received or services are rendered.

Use of Estimates

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

NOTE 3 - INVESTMENTS

Policies and Practices

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

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

Investment in County Treasury

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

General Authorizations

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

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

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

Summary of Investments

Investments as of June 30, 2008, consist of the following:

Investments	<u><u>\$ 101,529,526</u></u>
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Interest Rate Risk

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

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

Investment Type	Fair Value	Maturity Date
County Investment Pool - Monterey	<u><u>\$ 100,920,349</u></u>	146*

* Weighted average days to maturity.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type.

Investment Type	Fair Value	Minimum Legal Rating	Rating June 30, 2008
County Investment Pool - Monterey	<u><u>\$ 100,920,349</u></u>	Not required	Not rated

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 4 - ACCOUNTS RECEIVABLE

The accounts receivable at June 30, 2008, in the amount of \$362,128 represents interest earnings of \$297,916 that have yet to be received and a miscellaneous receivable of \$64,212 for a cancelled warrant. All amounts have been determined by management to be fully collectable.

NOTE 5 - DUE FROM OTHER FUNDS

Due from Capital Outlay Projects Fund	<u>\$ 1,740,776</u>
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NOTE 6- ACCOUNTS PAYABLE

The accounts payable and accrued liabilities at June 30, 2008, represent amounts owed to vendors for both ongoing and completed construction projects in the amount of \$2,491,590.

NOTE 7- DUE TO OTHER FUNDS

Due to Capital Outlay Projects Fund	<u>\$ 53,352</u>
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NOTE 8- FUND BALANCE

Fund balance is composed of the following element:

Unreserved	
Designated	<u>\$ 101,087,488</u>

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 9- COMMITMENTS AND CONTINGENCIES

As of June 30, 2008, the District had the following commitments with respect to the unfinished capital projects:

<u>CAPITAL PROJECT</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
New Ed Center Building at Marina	\$ 19,652	2010-2011
New Administrative/Old Library Renovation Furniture and Equipment	2,850,272	2008-2009
Gym - floor/seismic/bleachers	162,965	2013-2014
Public Safety Training Center Renovation	496,733	2008-2009
New Student Services Building	4,239,059	2009-2010
Swing Space/Interim Housing	3,000	2010-2011
Infrastructure - Parking/Phase II (DEF&A)	97,018	2013-2014
College Center Renovation	421,758	2008-2009
Infrastructure - Phase III	14,302	2012-2013
Infrastructure/Parking - Phase I	78,655	2009-2010
Lecture Forum Renovation	433,637	2008-2009
Social Science Renovation (including Seismic)	7,777	2008-2009
PE Field Track, Fitness Building	5,057	2008-2009
General Institutional Bond Management	56,430	2008-2009
	409,127	TBD
	<u>\$ 9,295,442</u>	

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

**MONTEREY PENINSULA
COMMUNITY COLLEGE DISTRICT**

MEASURE I GENERAL OBLIGATION BONDS

AGREED-UPON PROCEDURES PERFORMANCE AUDIT

JUNE 30, 2008



Vavrinek, Trine, Day & Co., LLP

Certified Public Accountants



**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES**

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

We have performed the Agreed-Upon Procedures enumerated in Exhibit A, which were agreed to by the management of Monterey Peninsula Community College District (the District) for the purpose of determining compliance with Measure I General Obligation Bond requirements for the year ended June 30, 2008. The District's management is responsible for maintaining compliance with Proposition 39 requirements. This engagement to perform Agreed-Upon Procedures was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described in Exhibit A either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed and the results are described within this report as Exhibit B.

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion relating to the matters included in the Agreed-Upon Procedures. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the Monterey Peninsula Community College District Governing Board, Independent Citizens' Oversight Committee, and District administrators and is not intended to be and should not be used by anyone other than those specified parties.

Vavrinek, Trine, Day & Co., LLP.

Rancho Cucamonga, California
December 22, 2008

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

**AGREED-UPON PROCEDURES
JUNE 30, 2008**

Our engagement will be designed to perform the following agreed-upon procedures:

1. Verify that District procedures for disbursement of funds related to the voter approved general obligation bonds were applied in accordance with applicable laws and regulations, as well as policies approved by the Monterey Peninsula Community College Board of Trustees. This will be accomplished through the inspection of specified documents evidencing certain types of transactions and detailed attributes thereof, including, but not limited to, the specific documents related to bid procedures for contracts and services, invoices for services rendered, and other appropriate documents deemed necessary to provide a basis for the results of our review.
2. Verify compliance with expenditure allowances related to local bond funding in accordance with approved contracts and planning documents and Bond Initiative documents placed on the Local Election Ballot.
3. Select and test at least 25 percent of total dollar expenditures for the year ended June 30, 2008. Obtain supporting documentation (invoices, purchase orders, receiving documentation, contracts, etc.) and verify that the funds expended complied with the purpose that was specified to the registered voters of the District. Election materials, District resolutions, master plan, and other documents available at the District will be used to determine the purpose of expenditures.
4. Calculate the balance available for expenditure of bond proceeds related to the approved projects within the bond project fund at June 30, 2008. This will include a review of the open contracts, notices of completion and retention balances, and analysis of the work in process.

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

**AGREED-UPON PROCEDURES
JUNE 30, 2008**

Agreed-Upon Procedure (1)

Procedure

Verify that District procedures for disbursement of funds related to the voter approved general obligation bonds were applied in accordance with applicable laws and regulations, as well as policies approved by the Monterey Peninsula Community College Board of Trustees. This will be accomplished through the inspection of specified documents evidencing certain types of transactions and detailed attributes thereof, including, but not limited to, the specific documents related to bid procedures for contracts and services, invoices for services rendered, and other appropriate documents deemed necessary to provide a basis for the results of our review.

Results

The results of our procedures noted no exceptions in the procedures for disbursement of funds related to voter approved general obligation bonds as described to us.

Agreed-Upon Procedure (2)

Procedure

Verify compliance with expenditure allowances related to local bond funding in accordance with approved contracts and planning documents and Bond Initiative documents placed on the Local Election Ballot.

Results

The results of our procedures noted no exceptions in compliance with expenditure allowances related to local bond funding.

Agreed-Upon Procedure (3)

Procedure

Select and test at least 25 percent of total dollar expenditures for the year ended June 30, 2008. Obtain supporting documentation (invoices, purchase orders, receiving documentation, contracts, etc.) and verify that the funds expended complied with the purpose that was specified to the registered voters of the District. Election materials, District resolutions, master plan, and other documents available at the District will be used to determine the purpose of expenditures.

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

**AGREED-UPON PROCEDURES
JUNE 30, 2008**

Results

We selected a total of 32 percent of all expenditures charged to the Measure I General Obligation Bond for the 2007-2008 fiscal year. All expenditures tested complied with the purpose that was specified to the registered voters of the District.

Agreed-Upon Procedure (4)

Procedure

Calculate the balance available for expenditure of bond proceeds related to the approved projects within the bond project fund at June 30, 2008. This will include a review of the open contracts, notices of completion and retention balances, and analysis of the work in process

Results

Financial Summary

General Obligation Bond Fund

1. REVENUES AND OTHER FINANCING SOURCES		Building Fund
2003-2004	Proceeds from sale of bonds	<u>\$ 40,000,000</u>
2003-2004	Interest income earned and paid	485,875
2004-2005	Interest income earned and paid	799,782
2005-2006	Interest income earned and paid	1,529,143
2005-2006	Proceeds from refunding of bonds	4,240,051
2006-2007	Interest income earned and paid	1,441,914
2007-2008	Proceeds from new issuances	108,628,528
2007-2008	Interest income earned and paid	1,308,722
	Subtotal	<u>158,434,015</u>
2. EXPENSES AND OTHER FINANCING USES		
2003-2004	Expenses	1,318,754
2004-2005	Expenses	2,815,133
2005-2006	Expenses	9,574,342
2006-2007	Expenses	20,713,267
2007-2008	Expenses	22,925,031
	Subtotal	<u>57,346,527</u>
Net Fund Balance at June 30, 2008		<u><u>\$ 101,087,488</u></u>

3. Available unspent funds as of June 30, 2008, were \$101,087,488.

As stated in the District's audited financial statements as of June 30, 2008, the total expenditures and other outgo to date from the Measure I Building Fund were \$22,925,031 for fiscal year 2007-2008, totaling \$57,346,527 to date. Bond proceeds received for fiscal year 2007-2008 were \$108,628,528 and total \$152,868,579 to date. Interest revenue earned during the current fiscal year of \$1,308,722, provide \$101,087,488 from initial issuance and the partial refunding for future expenditures. As a result of our procedures, there were adjustments to the District's financial records of \$22,042.