

**MONTEREY PENINSULA
COMMUNITY COLLEGE DISTRICT**

MEASURE I GENERAL OBLIGATION BONDS

INDEPENDENT AUDITORS' REPORT

JUNE 30, 2009



Vavrinek, Trine, Day & Co., LLP

Certified Public Accountants

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

JUNE 30, 2009

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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, 2009, 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, 2009, 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, 2009, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2009, on our consideration of the District's internal control over financial reporting for the Building Fund and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and is important for assessing the results of our audit.

Vavrinek, Trine, Day & Co., LLP.

Rancho Cucamonga, California
December 18, 2009

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

**BALANCE SHEET - MODIFIED ACCRUAL BASIS
JUNE 30, 2009**

	Building Fund
ASSETS	
Investments	\$ 85,716,642
Accounts receivable	123,303
Due from other funds	498,323
Total Assets	<u><u>\$ 86,338,268</u></u>
 LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable and accrued liabilities	<u>\$ 1,215,536</u>
 FUND BALANCE	
Unreserved	
Designated	85,122,732
Total Liabilities and Fund Balance	<u><u>\$ 86,338,268</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, 2009**

	Building Fund
REVENUES	
Local revenues	<u>\$ 198,008</u>
EXPENDITURES	
Supplies and materials	931
Services and operating expenditures	5,686,432
Capital outlay	<u>10,475,401</u>
Total Expenditures	<u>16,162,764</u>
EXCESS OF EXPENDITURES OVER REVENUES	<u>(15,964,756)</u>
FUND BALANCE, BEGINNING OF YEAR	<u>101,087,488</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 85,122,732</u></u>

See the accompanying notes to financial statements.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

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 which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The statement of revenues, expenditures, and changes in fund balance is a statement of financial activities of the Building Fund 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.

Capital Assets and Long-Term Liabilities

The accounting and reporting treatment applied to the capital assets and long-term liabilities associated with the Building Fund are determined by its measurement focus. The Building Fund is accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered a measure of "available spendable resources". Thus, the capital assets and long-term liabilities associated with the Building Fund are accounted for in the basic financial statements of the Monterey Peninsula Community College District.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

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.

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.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

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

Summary of Investments

Investments as of June 30, 2009, consist of the following:

	Reported Value
County Investment Pool - Monterey	<u>\$ 85,716,642</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 manages its exposure to interest rate risk by investing in the County Pool.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

Specific Identification

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:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity Date</u>
County Investment Pool - Monterey	<u>\$ 85,828,813</u>	73 *

* 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. The District's investment in the County Pool is not required to be rated, nor has it been rated as of June 30, 2009.

<u>Investment Type</u>	<u>Fair Value</u>
County Investment Pool - Monterey	<u>\$ 85,828,813</u>

NOTE 4 - ACCOUNTS RECEIVABLE

The accounts receivable at June 30, 2009, in the amount of \$123,303 represents interest earnings of \$89,142 that have yet to be received and miscellaneous receivables of \$34,161. All amounts have been determined by management to be fully collectable.

NOTE 5 - DUE FROM OTHER FUNDS

Due from Capital Outlay Projects Fund	<u>\$ 498,323</u>
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NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The accounts payable and accrued liabilities at June 30, 2009, represent amounts owed to vendors for both ongoing and completed construction projects in the amount of \$1,215,536.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 7 - FUND BALANCE

Fund balance is composed of the following element:

Unreserved	
Designated	<u>\$ 85,122,732</u>

NOTE 8 - COMMITMENTS AND CONTINGENCIES

As of June 30, 2009, 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>
Auto Technology Building	\$ 13,035	2009-2010
New Ed Center Building at Marina	28,899	2010-2011
Furniture and Equipment	4,547	2014-2015
Public Safety Training Center Renovation	1,156,572	2009-2010
New Student Services Building	176,653	2010-2011
Swing Space/Interim Housing	266,865	2014-2015
Infrastructure - Phase III	600,370	2015-2016
General Institutional Bond Management	47,947	TBD
	<u>\$ 2,294,888</u>	

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



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

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

We have audited the accompanying balance sheet and statement of revenues, expenditures and changes in fund balance for the Measure I General Obligation Bonds (the Building Fund) of Monterey Peninsula Community College District (the District) for the year ended June 30, 2009, and have issued our report thereon dated December 18, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Monterey Peninsula Community College District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the Building Fund's financial statements, but not for the purpose of expressing an opinion on the effectiveness of Monterey Peninsula Community College District's internal control over the Building Fund's financial reporting. Accordingly, we do not express an opinion on the effectiveness of Monterey Peninsula Community College District's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's Building Fund's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the Building Fund's financial statements will not be prevented or detected by the District's internal control.

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

Compliance and Other Matters

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

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

Vaurinek, Tine, Day & Co., LLP.

Rancho Cucamonga, California
December 18, 2009

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

**FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
JUNE 30, 2009**

There were no findings related to the financial audit of the Bond Funds for the year ended June 30, 2009.

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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2009**

There were no findings related to the financial audit of the Bond Funds for the year ended June 30, 2008.

**MONTEREY PENINSULA
COMMUNITY COLLEGE DISTRICT**

MEASURE I GENERAL OBLIGATION BONDS

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

JUNE 30, 2009



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, 2009. 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 of those procedures are described within this report as Exhibit B.

We were not engaged to, and did not, conduct 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 18, 2009

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

**AGREED-UPON PROCEDURES
JUNE 30, 2009**

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 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 for the 2008-2009 fiscal year within the Measure I Bond Initiative placed on the Local Election Ballot held on November 5, 2002.
3. Verify appropriateness of Bond expenditures for the 2008-2009 fiscal year to the object code classification within the general ledger.
4. Analyze the balance of Measure I Bond Funds available at June 30, 2009, for future expenditures.

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

**AGREED-UPON PROCEDURES
JUNE 30, 2009**

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 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

We included 35 percent of all expenditures charged to the Measure I Bond Funds for the 2008-2009 fiscal year in our examination. Based upon our examination of actual invoices and purchase orders, there were no exceptions noted in the District's procedures related to the disbursement of Measure I Bond Funds. The District used formal bid procedures for those contracts over the construction bid level requirements and informal bid procedures for those contracts below the construction bid level to select contractors for the various projects in accordance with Education Code requirements and District policy. Budgets for specific projects have been approved and monitored in accordance with Board requirements.

Agreed-Upon Procedure (2)

Procedure

Verify compliance with expenditure allowances for the 2008-2009 fiscal year within the Measure I Bond Initiative placed on the Local Election Ballot held on November 5, 2002.

Results

We noted no exceptions in the expenditures tested of the Measure I Bond Funds. The District has not charged on-going expenditures that are the responsibility of the District to the Measure I Bond Fund, nor has any administrative or indirect cost been charged to the Measure I Bond Fund.

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

**AGREED-UPON PROCEDURES
JUNE 30, 2009**

Agreed-Upon Procedure (3)

Procedure

Verify appropriateness of Bond expenditures for the 2008-2009 fiscal year to the object code classification within the general ledger.

Results

For Bond expenditures incurred for the 2008-2009 fiscal year, we verified the appropriateness of the expenditures to the object code classification within the general ledger to ensure proper classification and coding. There were no exceptions noted. The expenditures reflected within the general ledger object code classifications were proper and in accordance with provisions of the *Budget and Accounting Manual* issued by the California Community College Chancellor's Office.

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

**AGREED-UPON PROCEDURES
JUNE 30, 2009**

Agreed-Upon Procedure (4)

Procedure

Analyze the balance of Measure I Bond Funds available at June 30, 2009, for future expenditures.

Results

Financial Summary

General Obligation Bond Fund

		<u>Building Fund</u>
1. REVENUES AND OTHER FINANCING SOURCES		
2003-2004	Proceeds from sale of bonds	\$ 40,000,000
2003-2004	Interest income earned and paid	485,875
2004-2005	Interest income earned and paid	799,782
2005-2006	Interest income earned and paid	1,529,143
2005-2006	Proceeds from refunding of bonds	4,240,051
2006-2007	Interest income earned and paid	1,441,914
2007-2008	Proceeds from new issuances	108,628,528
2007-2008	Interest income earned and paid	1,308,722
2008-2009	Interest income earned and paid	198,008
	Subtotal	<u>158,632,023</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
2008-2009	Expenses	16,162,764
	Subtotal	<u>73,509,291</u>
Net Fund Balance at June 30, 2009		<u><u>\$ 85,122,732</u></u>

3. Available unspent funds as of June 30, 2009, were \$ 85,122,732.

As stated in the District's audited financial statements as of June 30, 2009, the total expenditures and other outgo from the Measure I Building Fund were \$16,162,764 for fiscal year 2008-2009, totaling \$73,509,291 to date. Bond proceeds in the amount of \$152,868,579, and additional earnings to date of \$5,763,444 for interest, provide \$85,122,732 from initial issuance available for future expenditures.