

**MONTEREY PENINSULA  
COMMUNITY COLLEGE DISTRICT**

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**ANNUAL FINANCIAL REPORT**

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**JUNE 30, 2009 AND 2008**

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

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# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

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***FINANCIAL SECTION***

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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Monterey Peninsula Community College District  
Monterey, California

We have audited the accompanying basic financial statements of the business-type activities of Monterey Peninsula Community College District (the District) as of and for the years ended June 30, 2009 and 2008, as listed in the Table of Contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 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 basic financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Monterey Peninsula Community College District as of June 30, 2009 and 2008, and the respective changes in financial position and cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in the Notes to the Financial Statements, the accompanying financial statements reflect certain changes required as a result of the implementation of Governmental Accounting Standards Board (GASB) Statement No. 45 for the year ended June 30, 2009.

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 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.

The Management's Discussion and Analysis and the Schedule of Other Postemployment Benefits (OPEB) Funding Progress, as listed in the Table of Contents, is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the District's management. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the table of contents, including the Schedule of Expenditures of Federal Awards, which is required by U.S. Office of Management and Budget 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Additional Supplementary Information on pages 81 through 88 has been presented at the request of District management for purposes of additional analysis. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Vaurinek, Time, Day & Co., LLP.

Rancho Cucamonga, California  
December 18, 2009

### ***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 Financial Position, Statement of Revenues, Expenses, and Changes in Net Assets, 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, 2009. 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 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 Assets 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 Assets 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 System'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 and leases. The District's Total Assets decreased by \$5.5 million, or 2.5 percent, to \$212.6 million, and Total Liabilities decreased by \$5.8 million, or 3.7 percent, to \$148.6 million. This results in Net Assets being increased by \$270 thousand, or 0.4 percent, to \$64.0 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. Numerous projects are in various stages of completion, and a balance of \$82.8 million remains outstanding or unencumbered at year-end.

**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2009 AND 2008**

***STATEMENT OF NET ASSETS***

The Statement of Net Assets 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 Assets, the difference between assets and liabilities, are one way to measure the financial health of the District.

**STATEMENT OF NET ASSETS**

(Amounts in thousands)

	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>			
Current Assets			
Cash and investments	\$ 107,615	\$ 129,542	\$ 32,481
Accounts receivable	2,770	3,410	8,502
Other current assets	64	64	-
Total Current Assets	<u>110,449</u>	<u>133,016</u>	<u>40,983</u>
Noncurrent Assets			
Other current assets	1,602	1,666	-
Capital assets (net)	100,561	83,416	55,662
Total Assets	<u>\$ 212,612</u>	<u>\$ 218,098</u>	<u>\$ 96,645</u>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable and accrued liabilities	\$ 5,538	\$ 10,144	\$ 8,317
Deferred revenue	1,830	1,332	1,131
Amounts held in trust for others	667	568	606
Current portion of long-term obligations	3,214	5,641	4,696
Total Current Liabilities	<u>11,249</u>	<u>17,685</u>	<u>14,750</u>
Long-Term Obligations	<u>137,322</u>	<u>136,643</u>	<u>32,727</u>
Total Liabilities	<u>148,571</u>	<u>154,328</u>	<u>47,477</u>
<b>NET ASSETS</b>			
Invested in capital assets	48,447	45,153	33,491
Restricted	4,220	7,565	6,514
Unrestricted	11,374	11,052	9,163
Total Net Assets	<u>64,041</u>	<u>63,770</u>	<u>49,168</u>
Total Liabilities and Net Assets	<u>\$ 212,612</u>	<u>\$ 218,098</u>	<u>\$ 96,645</u>

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 16 and 17.



# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2009 AND 2008

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### *STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS*

The Statement of Revenues, Expenses, and Changes in Net Assets 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 ASSETS

(Amounts in thousands)

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Operating Revenues			
Tuition and fees, net	\$ 3,234	\$ 2,501	\$ 3,240
Operating Expenses			
Salaries and benefits	38,557	35,436	35,812
Supplies, maintenance, equipment, and other expenses	13,368	8,240	27,231
Depreciation	1,959	932	1,056
Total Operating Expenses	<u>53,884</u>	<u>44,608</u>	<u>64,099</u>
Loss on Operations	<u>(50,650)</u>	<u>(42,107)</u>	<u>(60,859)</u>
Nonoperating Revenues			
State apportionments	22,992	12,697	23,272
Grants and contracts	10,854	8,296	8,465
Property taxes	20,061	28,552	16,932
State revenues	1,071	1,170	1,504
Net interest expense	(6,767)	(484)	(415)
Other nonoperating revenues	2,119	3,960	1,891
Total Nonoperating Revenue	<u>50,330</u>	<u>54,191</u>	<u>51,649</u>
Other Revenues			
State and local capital income	<u>590</u>	<u>2,518</u>	<u>4,112</u>
Net Increase (Decrease) in Net Assets	<u>\$ 270</u>	<u>\$ 14,602</u>	<u>\$ (5,098)</u>

**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2009 AND 2008**

***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)

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Cash Provided by (Used in)			
Operating activities	\$ (48,443)	\$ (42,202)	\$ (47,248)
Noncapital financing activities	49,449	57,186	33,227
Capital financing activities	(23,149)	79,712	(7,325)
Investing activities	216	2,364	2,157
Net Increase (Decrease) in Cash	<u>(21,927)</u>	<u>97,060</u>	<u>(19,189)</u>
Cash, Beginning of Year	129,541	32,481	51,670
Cash, End of Year	<u><u>\$ 107,614</u></u>	<u><u>\$ 129,541</u></u>	<u><u>\$ 32,481</u></u>

***CAPITAL ASSET AND DEBT ADMINISTRATION***

**Capital Assets**

At June 30, 2009, the District had \$100.6 million in a broad range of capital assets, including land, buildings, and furniture and equipment. At June 30, 2008, our net capital assets were \$83.4 million.

**CAPITAL ASSETS**

(Amounts in thousands)

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Land and construction in progress	\$ 39,308	\$ 16,160	\$ 29,271	\$ 26,197
Buildings and improvements	57,712	29,271	-	86,983
Furniture and equipment	3,788	2,943	-	6,731
Subtotal	<u>100,808</u>	<u>48,374</u>	<u>29,271</u>	<u>119,911</u>
Accumulated depreciation	17,392	1,958	-	19,350
	<u><u>\$ 83,416</u></u>	<u><u>\$ 46,416</u></u>	<u><u>\$ 29,271</u></u>	<u><u>\$ 100,561</u></u>

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2009 AND 2008

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### Obligations

At the end of the 2008-2009 fiscal year, the District had \$136.6 million in general obligation bonds outstanding. These bonds are repaid annually in accordance with the obligation requirements through an increase in the assessed property taxes on property within the Monterey Peninsula Community College District boundaries. Other obligations for the District include the lease revenue bonds, capital leases, and compensated absences.

### LONG-TERM OBLIGATIONS

(Amounts in thousands)

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
General obligation bonds	\$ 138,336	\$ 3,293	\$ 5,039	\$ 136,590
Lease revenue bonds	185	-	15	170
Capital leases	2,560	-	417	2,143
Compensated absences	1,202	124	-	1,326
Early retirement	-	35	-	35
Net OPEB obligation	-	1,077	805	272
Total Long-Term Obligations	<u>\$ 142,283</u>	<u>\$ 4,529</u>	<u>\$ 6,276</u>	<u>\$ 140,536</u>

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

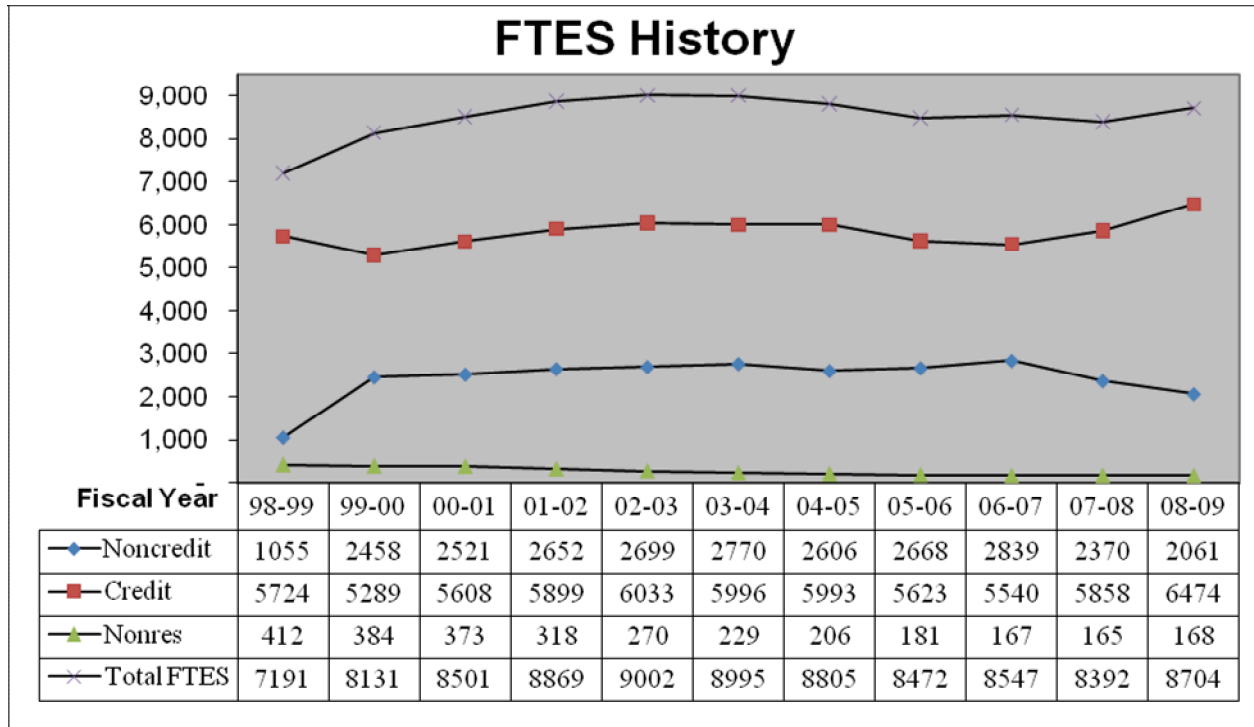
Financial information is maintained by the District in seven (7) governmental funds. Worksheets indicating the amounts from each fund used for the combined financial statements are included as supplemental information in this audited financial report. All funds show positive ending balances, and the District's designated Unrestricted General Fund reserve is 10.5 percent (\$4.2 million) 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 instate credit and non-credit full time equivalent students (FTES). Actual funds are paid through local taxes, student registration fees, and the State. The State dictates the amount the District will receive per instate FTES with non-credit FTES being paid 40 percent less than the credit rate. The total amount paid for instate FTES is limited based on an enrollment cap calculated by the State. The District also receives income from non-resident fees.

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2009 AND 2008

Total FTES has increased over the past 10 years. Declines were reported in 2003-2004 through 2007-2008; however, strategic plans have been implemented to promote enrollment growth in credit FTES and the highest level of credit FTES was reported in 2008-2009. The District received the maximum enrollment income allowed by the State.

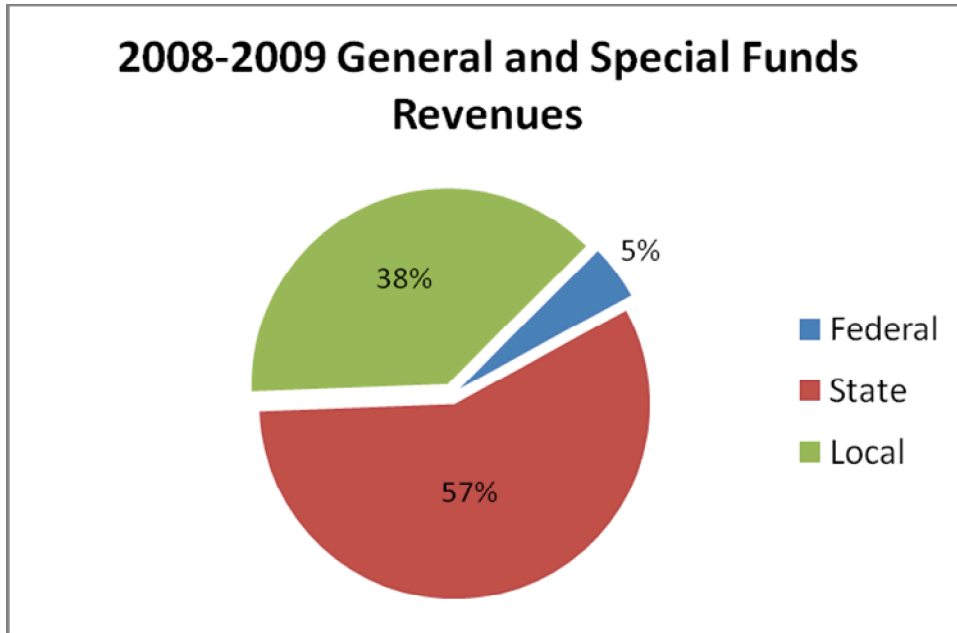


# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2009 AND 2008

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The economy in the State has been down for a number of years and the outlook for the near future is not good. Income from the State accounts for 57 percent (\$28.3 million) of the total income in the General and Special Revenue Funds. All of these funds are impacted by the economics of the State.



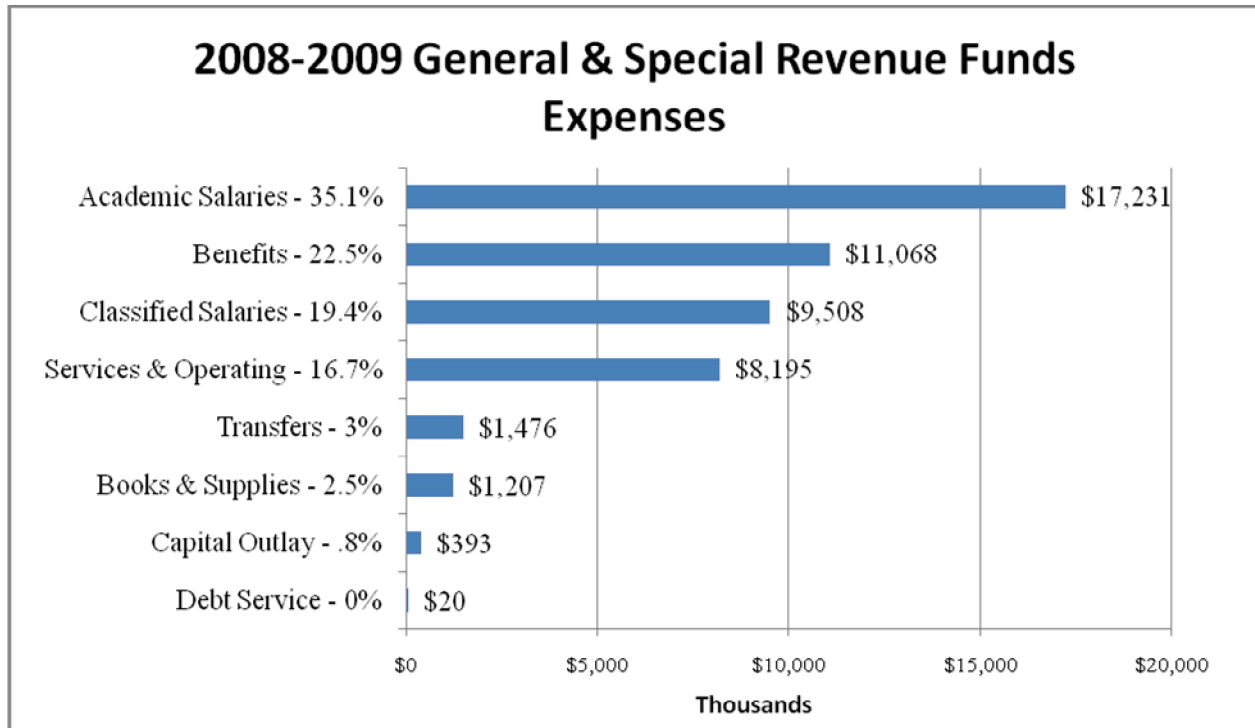
For 2009-2010, State funding for enrollment income has been cut 3.39 percent (\$1.3 million) and categorical funding cut 45.4 percent (\$1.9 million). The State's financial problems are projected to continue into 2010-2011 indicating potential future problems for California community colleges.

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2009 AND 2008

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Costs for employees represent 77 percent (\$37.8 million) of Total Expenses in the General and Special Revenue Funds. These expenses include academic and classified salaries, and employee benefits.



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

The District's labor contracts with both the academic and classified employees provide employees with the same percentage increase for salaries and benefits as the District receives for instate enrollment income. The formula results in a predictable total compensation model balanced with new revenues.

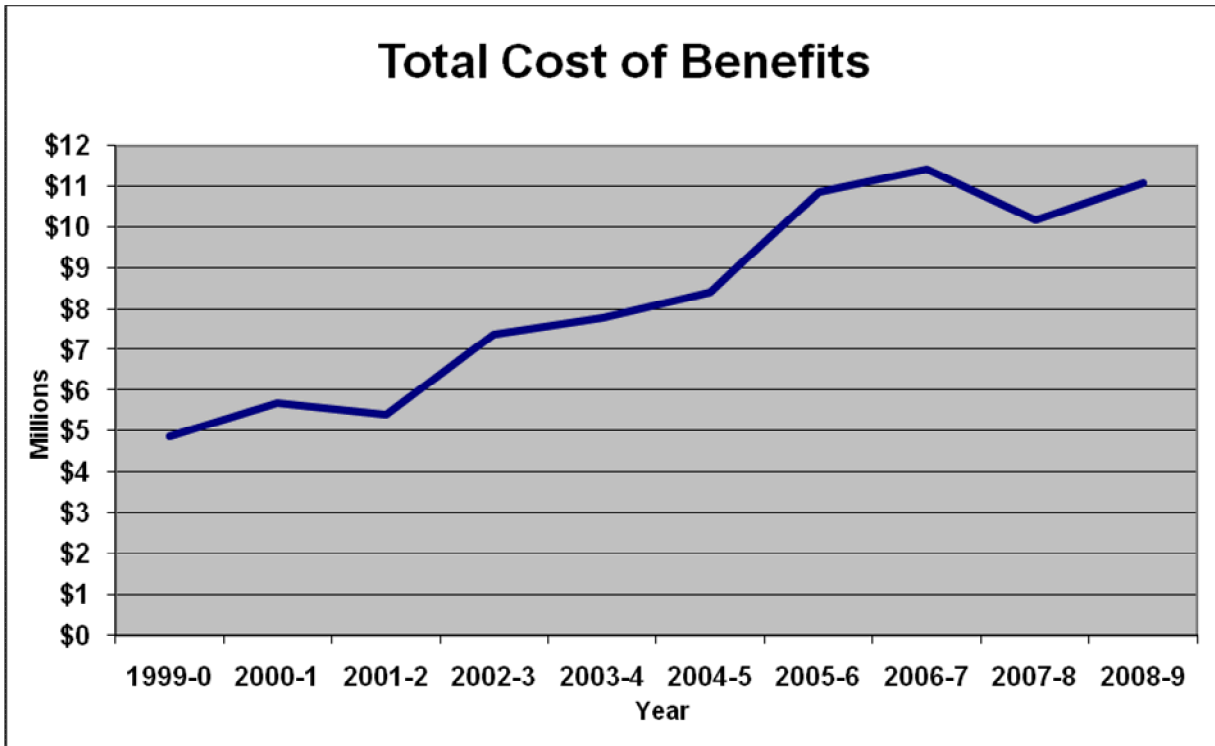
# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2009 AND 2008

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Employee benefit costs represent the second largest expense category for the District and have more than doubled over the past 10 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 catastrophic illnesses; however, increased costs for medical expenses paid by the District have outpaced normal inflation. The District has implemented a number of cost containment measures over the past several years which have helped contain expenses. Additional cost containment measures are being pursued in the labor negotiation process.



The District provides benefits to retirees and currently has an unfunded actuarial accrued liability of \$11.1 million. The current fund balance in the District's Self Insurance Fund is \$8.5 million of which \$3 million has been designated as a retiree health benefit reserve.

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 revenues. Credit enrollments are increasing and strategic plans have been developed to promote future growth. Although the State may have future problems balancing its budget which could adversely affect the District, the current level of reserves, the compensation formula, and future enrollment growth should help offset any negative impact.

# **MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2009 AND 2008**

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### ***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**

**STATEMENTS OF NET ASSETS  
JUNE 30, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,037,577	\$ 2,142,588
Investments	106,576,974	127,398,792
Accounts receivable	2,761,742	3,406,324
Student loans receivable	8,440	3,700
Deferred cost on issuance - current portion	64,089	64,089
<b>Total Current Assets</b>	<u>110,448,822</u>	<u>133,015,493</u>
<b>NONCURRENT ASSETS</b>		
Deferred cost on issuance - noncurrent portion	1,602,237	1,666,326
Nondepreciable capital assets	26,197,290	39,307,907
Depreciable capital assets, net of depreciation	74,363,464	44,108,268
<b>Total Noncurrent Assets</b>	<u>102,162,991</u>	<u>85,082,501</u>
<b>TOTAL ASSETS</b>	<u>212,611,813</u>	<u>218,097,994</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	3,464,101	7,930,497
Accrued interest payable	1,415,975	1,530,413
Deferred revenue	1,830,038	1,331,853
Deferred compensation	444,034	417,514
Claims liability	213,682	265,774
Amounts held in custody on behalf of others	667,404	568,275
Compensated absences payable - current portion	331,434	303,519
Bonds and notes payable - current portion	2,685,000	4,920,000
Lease obligations - current portion	190,042	416,853
Other long-term liabilities - current portion	7,000	-
<b>Total Current Liabilities</b>	<u>11,248,710</u>	<u>17,684,698</u>
<b>NONCURRENT LIABILITIES</b>		
Compensated absences payable - noncurrent portion	994,305	898,525
Bonds and notes payable - noncurrent portion	134,074,797	133,600,820
Lease obligations - noncurrent portion	1,953,555	2,143,597
Other long-term liabilities - noncurrent portion	299,728	-
<b>Total Noncurrent Liabilities</b>	<u>137,322,385</u>	<u>136,642,942</u>
<b>TOTAL LIABILITIES</b>	<u>148,571,095</u>	<u>154,327,640</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	48,446,418	45,152,808
Restricted for:		
Debt service	3,290,513	6,111,207
Capital projects	661,961	1,261,946
Other activities	267,913	191,884
Unrestricted	11,373,913	11,052,509
<b>TOTAL NET ASSETS</b>	<u>\$ 64,040,718</u>	<u>\$ 63,770,354</u>

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

**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT**

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
<b>OPERATING REVENUES</b>		
Student Tuition and Fees	\$ 4,183,523	\$ 3,327,295
Less: Scholarship discounts and allowances	(949,355)	(825,950)
Net tuition and fees	<u>3,234,168</u>	<u>2,501,345</u>
<b>TOTAL OPERATING REVENUES</b>	<u>3,234,168</u>	<u>2,501,345</u>
<b>OPERATING EXPENSES</b>		
Salaries	26,774,276	25,562,367
Employee benefits	11,783,027	9,873,975
Supplies, materials, and other operating expenses and services	9,020,549	6,169,016
Student financial aid	4,347,408	2,071,067
Depreciation	<u>1,958,914</u>	<u>931,967</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>53,884,174</u>	<u>44,608,392</u>
<b>OPERATING LOSS</b>	<u>(50,650,006)</u>	<u>(42,107,047)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State apportionments, noncapital	22,992,384	12,697,061
Grants and Contracts, noncapital:		
Federal	6,638,905	4,170,902
State	4,215,009	4,124,494
Local property taxes, levied for general purposes	14,411,277	23,090,670
Taxes levied for other specific purposes	5,649,736	5,461,595
State taxes and other revenues	1,071,247	1,169,537
Investment income	2,376,664	2,331,216
Loss on investment	(2,455,013)	-
Interest expense on capital related debt	(6,682,545)	(2,957,804)
Investment income on capital asset-related debt, net	(6,636)	142,753
Other nonoperating revenue	<u>2,119,002</u>	<u>3,960,370</u>
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>50,330,030</u>	<u>54,190,794</u>
<b>INCOME (LOSS) BEFORE OTHER REVENUES</b>	<u>(319,976)</u>	<u>12,083,747</u>
<b>OTHER REVENUES</b>		
State revenues, capital	547,553	2,363,917
Local revenues, capital	<u>42,787</u>	<u>154,321</u>
<b>TOTAL INCOME BEFORE OTHER REVENUES AND EXPENSES</b>	<u>590,340</u>	<u>2,518,238</u>
<b>CHANGE IN NET ASSETS</b>	270,364	14,601,985
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>63,770,354</u>	<u>49,168,369</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 64,040,718</u>	<u>\$ 63,770,354</u>

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

**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT**

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008**

	<b>2009</b>	<b>2008</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and fees	\$ 3,331,673	\$ 2,605,878
Payments to scholarships and grants	(4,347,408)	(2,071,067)
Payments to vendors for supplies and services	(9,460,580)	(7,333,393)
Payments to or on behalf of employees	(38,065,503)	(35,365,943)
Other operating receipts	99,129	(37,411)
<b>Net Cash Flows From Operating Activities</b>	<b>(48,442,689)</b>	<b>(42,201,936)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State apportionments	20,239,849	17,745,261
Federal grants and contracts	6,091,952	4,482,814
State and local grants and contracts	5,079,074	4,124,494
Property taxes - nondebt related	14,411,277	23,090,670
State taxes and other apportionments	1,713,646	3,950,827
Other nonoperating	1,913,010	3,792,079
<b>Net Cash Flows From Noncapital Financing Activities</b>	<b>49,448,808</b>	<b>57,186,145</b>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
Purchase of capital assets	(20,585,778)	(28,557,116)
Proceeds from capital debt	3,293,393	109,239,134
State revenue, capital projects	547,553	2,363,917
Local revenue, capital projects	42,787	154,321
Property taxes - related to capital debt	5,649,736	5,461,595
Principal paid on capital debt	(5,471,269)	(4,404,019)
Interest paid on capital debt	(6,682,545)	(2,957,804)
Interest received on capital asset-related debt	(6,636)	142,753
Deferred cost on issuance	64,089	(1,730,415)
<b>Net Cash Flows From Capital Financing Activities</b>	<b>(23,148,670)</b>	<b>79,712,366</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Loss on investments	(2,455,013)	-
Interest received from investments	2,670,735	2,364,153
<b>Net Cash Flows From Investing Activities</b>	<b>215,722</b>	<b>2,364,153</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(21,926,829)</b>	<b>97,060,728</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>129,541,380</b>	<b>32,480,652</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 107,614,551</b>	<b>\$ 129,541,380</b>

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

**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT**

**STATEMENTS OF CASH FLOWS, CONTINUED  
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
<b>RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating Loss	\$ (50,650,006)	\$ (42,107,047)
Adjustments to Reconcile Operating Loss to Net Cash Flows from Operating Activities:		
Depreciation expense	1,958,914	931,967
Changes in Operating Assets and Liabilities:		
Receivables, net	(4,740)	44,142
Accounts payable and accrued liabilities	(448,951)	(2,231,357)
Accrued interest payable	(114,438)	1,010,119
Deferred compensation	26,520	19,687
Deferred revenue	260,460	142,688
Funds held for others	99,129	(37,411)
Compensated absences	123,695	25,276
Early retirement incentive	35,000	-
Other postemployment benefits	271,728	-
Total Adjustments	<u>2,207,317</u>	<u>(94,889)</u>
<b>Net Cash Flows From Operating Activities</b>	<u>\$ (48,442,689)</u>	<u>\$ (42,201,936)</u>
 <b>CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:</b>		
Cash in banks	\$ 928,888	\$ 2,042,588
Cash with fiscal agent	108,689	100,000
Investment in county treasury	106,576,974	127,398,792
<b>Total Cash and Cash Equivalents</b>	<u>\$ 107,614,551</u>	<u>\$ 129,541,380</u>
 <b>NON CASH TRANSACTIONS</b>		
On behalf payments for benefits	<u>\$ 754,492</u>	<u>\$ 716,455</u>

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

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009 AND 2008

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### *NOTE 1 - ORGANIZATION*

The Monterey Peninsula Community College District (the District) is a political subdivision of the State of California and provides 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. 39.

### **Financial Reporting Entity**

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

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009 AND 2008

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### *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. 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.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, certain grants, entitlements, and donations are classified as nonoperating revenue. Federal and State grants received to provide direct grants to students are classified as nonoperating revenues because the District does not generally receive any direct benefit from the grants and are recognized in the fiscal year in which all eligibility requirements are satisfied. Eligibility requirements may include time and/or purpose requirements. Property tax revenue is recognized in the fiscal year received. State apportionment revenue is earned based upon criteria set forth from the Community Colleges System's Office and includes reporting of full-time equivalent student (FTES) attendance. The corresponding apportionment revenue is recognized in the period the FTES are generated.

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

The accounting policies of the District conform to accounting principles generally accepted in the United State of America (US GAAP) as applicable to colleges and universities, as well as those prescribed by the California Community Colleges System's Office. 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. When applicable, certain prior year amounts have been reclassified to conform to current year presentation. The budgetary and financial accounts of the District are maintained in accordance with the State System's Office's *Budget and Accounting Manual*.

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009 AND 2008

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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 and No. 38. 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 Assets
  - Statement of Revenues, Expenses, and Changes in Net Assets
  - Statement of Cash Flows
- Notes to the Financial Statements

### **Cash and Cash Equivalents**

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

### **Investments**

Investments held at June 30, 2009 and 2008, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in the county investment pool are determined by the program sponsor.

### **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.

### **Deferred Issuance Costs, Premiums, and Discounts**

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method.

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009 AND 2008

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### **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. 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 normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. 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.

### **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, credit for unused sick leave is applicable to all classified and academic employees who retire. Credit for unused sick leave is applicable to all certificated 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.

### **Deferred Revenue**

Deferred 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 deferred revenue is removed from the combined balance sheet and revenue is recognized. Deferred revenues include (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 deferred revenue.



# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009 AND 2008

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### Net Assets

GASB Statements No. 34 and No. 35 report equity as "Net Assets." Net assets are classified according to imposed restrictions or availability of assets for satisfaction of District obligations according to the following net asset categories:

**Invested in Capital Assets, Net of Related Debt** - Capital Assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

**Restricted - Expendable** - Net assets whose use by the District is subject to externally imposed constraints that can be fulfilled by actions of the District pursuant to those constraints or by the passage of time. Net assets may be restricted for capital projects, debt repayment, and/or educational programs.

**Unrestricted** - Net assets that are not subject to externally imposed constraints. Unrestricted net assets 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 assets are designated for economic uncertainties.

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed. The entity-wide financial statements report \$4,220,387 of restricted net assets.

### 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.

### On-Behalf Payments

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

### Estimates

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

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009 AND 2008

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### Property Taxes

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

The voters of the District passed a General Obligation Bond in 2002 for the acquisition, construction, and remodeling of District capital assets. 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 billed and collected as noted above and remitted to the District when collected. The property tax revenue received for the repayment of the bonds for the years ended June 30, 2009 and 2008, was \$5,649,736 and \$5,461,595, respectively.

### Scholarship Discounts and Allowances

Student tuition and fee revenue is reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses, and Changes in Net Assets. 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 and discounts 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, FSEOG Grants, Academic Competitiveness Grant, Federal Work-Study, and Federal Family Education Loan 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. 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*. During the year ended June 30, 2009 and 2008, the District distributed \$1,609,133 and \$946,949, respectively, in direct lending through the U.S. Department of Education. These amounts have not been included as revenues or expenses within the accompanying financial statements as the amounts were passed directly to qualifying students; however, the amounts are included on the Schedule of Expenditures of Federal Awards.

### Interfund Activity

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

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009 AND 2008

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### Changes in Accounting Principles

In July 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. This Statement requires local governmental employers who provide other postemployment benefits (OPEB) as part of the total compensation offered to employees to recognize the expense and related liabilities (assets) in the entity-wide financial statements of net assets and activities. This Statement established standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of State and local government employers.

This Statement provided for prospective implementation – that is that employers set the beginning OPEB obligation at zero as of the beginning of the initial year. The District has implemented the provision of the Statement for the fiscal year ended June 30, 2009. The District had an annual required contribution of \$1,076,962 for the year June 30, 2009, made a contribution of \$805,234 which resulted in a net OPEB obligation of \$271,728.

### New Accounting Pronouncement

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Classifications*. The objectives of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this Statement are effective for the financial statements for periods beginning after June 15, 2010. The District does not anticipate a significant impact in reporting as a result of this Statement as fund financial information is not reported.

In April 2009, the GASB issued GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to incorporate the hierarchy of generally accepted accounting principles (GAAP) for State and local governments into the GASB authoritative literature. The "GAAP hierarchy" consists of the sources of accounting principles used in the preparation of financial statements for State and local governmental entities that are presented in conformity with GAAP and the framework for selecting those principles. GASB Statement No. 55 is effective immediately.

In April 2009, the GASB issued GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statement on Auditing Standards*. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the AICPA's Statements on Auditing Standards. This Statement addresses three issues not included in the authoritative literature that establishes accounting principles: related party transactions, going concern considerations, and subsequent events. The presentation of principles used in the preparation of financial statements is more appropriately included in accounting and financial reporting standards rather than auditing literature. GASB Statement No. 56 is effective immediately.

### Comparative Financial Information

Comparative financial information for the prior year has been presented for additional analysis; certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009 AND 2008

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### 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 41001). The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis. The County investment pool is not registered with the Securities and Exchange Commission as an investment company. Investments made by the Treasurer are regulated by the California Government Code and by the County's investment policy.

#### General Authorizations

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

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. 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**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009 AND 2008**

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**Authorized Under Debt Agreements**

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

**Summary of Deposits and Investments**

Deposits and investments as of June 30, 2009, consist of the following:

	Reported Value
Cash on hand and in banks	\$ 903,888
Cash in revolving	25,000
Cash with fiscal agent	108,689
Investments	106,576,974
Total Deposits and Investments	<u>\$ 107,614,551</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 Investment Pool and mutual funds.

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

Investment Type	Fair Value	Maturity Date
County Investment Pool - Monterey	\$ 106,636,771	73*
Mutual Funds	79,568	**
Total	<u>\$ 106,716,339</u>	

\* Weighted average days to maturity.

\*\* Information not available.

**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009 AND 2008**

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**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 for each investment type.

Investment Type	Fair Value	Minimum Legal Rating	Rating June 30, 2008
County Investment Pool - Monterey	\$ 106,636,771	Not required	Not rated
Mutual Funds	79,568	N/A	N/A
Total	\$ 106,716,339		

N/A - Not applicable

**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, 2009, the District's bank balance of \$851,289 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009 AND 2008**

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***NOTE 4 - ACCOUNTS RECEIVABLE***

Receivables at June 30, 2009 and 2008, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	<u>2009</u>	<u>2008</u>
Federal Government		
Categorical aid	\$ 527,016	\$ 606,403
State Government		
Apportionment	165,283	-
Categorical aid	79,792	59,607
Lottery	572,238	519,632
Other State sources	547,553	1,262,742
Local Sources		
Interest	135,773	429,844
Other local sources	734,087	528,096
Total	<u>\$ 2,761,742</u>	<u>\$ 3,406,324</u>
Student receivables	<u>\$ 8,440</u>	<u>\$ 3,700</u>

**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009 AND 2008**

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ 9,900,000	\$ -	\$ -	\$ 9,900,000
Construction in progress	29,407,907	16,160,179	29,270,796	16,297,290
Total Capital Assets Not Being Depreciated	<u>39,307,907</u>	<u>16,160,179</u>	<u>29,270,796</u>	<u>26,197,290</u>
<b>Capital Assets Being Depreciated</b>				
Land improvements	3,769,081	23,345,625	-	27,114,706
Buildings and improvements	53,943,318	5,925,171	-	59,868,489
Furniture and equipment	3,787,579	2,943,314	-	6,730,893
Total Capital Assets Being Depreciated	<u>61,499,978</u>	<u>32,214,110</u>	<u>-</u>	<u>93,714,088</u>
Total Capital Assets	<u>100,807,885</u>	<u>48,374,289</u>	<u>29,270,796</u>	<u>119,911,378</u>
<b>Less Accumulated Depreciation</b>				
Land improvements	2,569,439	182,451	-	2,751,890
Buildings and improvements	12,392,928	1,050,497	-	13,443,425
Furniture and equipment	2,429,343	725,966	-	3,155,309
Total Accumulated Depreciation	<u>17,391,710</u>	<u>1,958,914</u>	<u>-</u>	<u>19,350,624</u>
Net Capital Assets	<u>\$ 83,416,175</u>	<u>\$ 46,415,375</u>	<u>\$ 29,270,796</u>	<u>\$ 100,560,754</u>

Depreciation expense for the year was \$1,958,914.



**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009 AND 2008**

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ 9,900,000	\$ -	\$ -	\$ 9,900,000
Construction in progress	19,645,189	28,611,539	18,848,821	29,407,907
Total Capital Assets Not Being Depreciated	<u>29,545,189</u>	<u>28,611,539</u>	<u>18,848,821</u>	<u>39,307,907</u>
<b>Capital Assets Being Depreciated</b>				
Land improvements	3,769,081	-	-	3,769,081
Buildings and improvements	35,020,123	18,923,195	-	53,943,318
Furniture and equipment	3,787,579	-	-	3,787,579
Total Capital Assets Being Depreciated	<u>42,576,783</u>	<u>18,923,195</u>	<u>-</u>	<u>61,499,978</u>
Total Capital Assets	<u>72,121,972</u>	<u>47,534,734</u>	<u>18,848,821</u>	<u>100,807,885</u>
<b>Less Accumulated Depreciation</b>				
Land improvements	2,420,057	149,382	-	2,569,439
Buildings and improvements	11,630,084	762,844	-	12,392,928
Furniture and equipment	2,409,602	19,741	-	2,429,343
Total Accumulated Depreciation	<u>16,459,743</u>	<u>931,967</u>	<u>-</u>	<u>17,391,710</u>
Net Capital Assets	<u>\$ 55,662,229</u>	<u>\$ 46,602,767</u>	<u>\$ 18,848,821</u>	<u>\$ 83,416,175</u>

Depreciation expense for the year was \$931,967.

**NOTE 6 - ACCOUNTS PAYABLE**

Accounts payable for the District consisted of the following:

	2009	2008
Accrued payroll and benefits	\$ 466,140	\$ 404,763
Apportionment	312,813	2,223,215
FTES repayment	-	676,850
Construction	1,235,267	2,717,552
Other vendor payables	1,449,881	1,908,117
Total	<u>\$ 3,464,101</u>	<u>\$ 7,930,497</u>

**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009 AND 2008**

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***NOTE 7 - DEFERRED REVENUE***

Deferred revenue for the District consisted of the following:

	<u>2009</u>	<u>2008</u>
Federal categorical	\$ 91,075	\$ 139,898
State categorical	864,065	577,517
Student fees	578,182	475,937
Other local	296,716	138,501
Total	<u>\$ 1,830,038</u>	<u>\$ 1,331,853</u>

***NOTE 8 - INTERFUND TRANSACTIONS***

**Interfund Receivables and Payables (Due To/Due From)**

Balances owing between funds at year-end were \$1,244,467 and \$2,985,315 for the years ended June 30, 2009 and 2008, respectively. The balances result from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Interfund balances at June 30, 2009 and 2008, have been eliminated in the consolidation process for financial statement presentation.

**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 between funds of the District have been eliminated in the consolidation process.

**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009 AND 2008**

**NOTE 9 - LONG-TERM OBLIGATIONS**

**Summary**

The changes in the District's long-term obligations during the 2009 fiscal year consisted of the following:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year	Due in One Year
<b>Bonds and Notes Payable</b>					
2005 General obligation bonds, Refunding	\$ 29,656,800	\$ 629,350	\$ 2,275,000	\$ 28,011,150	\$ 2,350,000
2002 General obligation bonds, Series B	9,005,370	44,660	2,045,000	7,005,030	320,000
2002 General obligation bonds, Series C	96,044,422	2,619,383	585,000	98,078,805	-
Unamortized premium	3,629,228	-	134,416	3,494,812	-
Lease revenue bonds	185,000	-	15,000	170,000	15,000
Total Bonds and Notes Payable	<u>138,520,820</u>	<u>3,293,393</u>	<u>5,054,416</u>	<u>136,759,797</u>	<u>2,685,000</u>
<b>Other Liabilities</b>					
Capital leases	2,560,450	-	416,853	2,143,597	190,042
Compensated absences	1,202,044	123,695	-	1,325,739	331,434
Early retirement plan	-	35,000	-	35,000	7,000
Net OPEB obligation	-	1,076,962	805,234	271,728	-
Total Other Liabilities	<u>3,762,494</u>	<u>1,235,657</u>	<u>1,222,087</u>	<u>3,776,064</u>	<u>528,476</u>
Total Long-Term Obligations	<u>\$ 142,283,314</u>	<u>\$ 4,529,050</u>	<u>\$ 6,276,503</u>	<u>\$ 140,535,861</u>	<u>\$ 3,213,476</u>

The changes in the District's long-term obligations during the 2008 fiscal year consisted of the following:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year	Due in One Year
<b>Bonds and Notes Payable</b>					
2005 General obligation bonds, Refunding	\$33,191,686	\$ 560,114	\$4,095,000	\$ 29,656,800	\$ 2,275,000
2002 General obligation bonds, Series B	-	9,005,370	-	9,005,370	2,045,000
2002 General obligation bonds, Series C	-	96,044,422	-	96,044,422	585,000
Unamortized premium	-	3,629,228	-	3,629,228	-
Lease revenue bonds	200,000	-	15,000	185,000	15,000
Total Bonds and Notes Payable	<u>33,391,686</u>	<u>109,239,134</u>	<u>4,110,000</u>	<u>138,520,820</u>	<u>4,920,000</u>
<b>Other Liabilities</b>					
Capital leases	2,854,469	-	294,019	2,560,450	416,853
Compensated absences	1,176,768	25,276	-	1,202,044	303,519
Total Other Liabilities	<u>4,031,237</u>	<u>25,276</u>	<u>294,019</u>	<u>3,762,494</u>	<u>720,372</u>
Total Long-Term Obligations	<u>\$37,422,923</u>	<u>\$ 109,264,410</u>	<u>\$4,404,019</u>	<u>\$ 142,283,314</u>	<u>\$ 5,640,372</u>

**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009 AND 2008**

**Description of Debt**

Payments on the general obligation bonds are to be made by the Bond Interest and Redemption Fund with local property tax collections. The compensated absences will be paid by the fund for which the employee worked. Capital lease payments are made out of the General Unrestricted Fund. Capital lease payments will be paid through 2019. The net OPEB obligation and the early retirement plan will be paid by the General Unrestricted Fund.

**General Obligation Bonds**

2005 General Obligation Refunding Bonds

During December 2005, the District issued the 2005 General Obligation Refunding Bonds in the amount of \$33,304,385. The bonds issued included \$29,305,000 of Current Interest bonds and \$3,999,385 of Capital Appreciation bonds. The Capital Appreciation bonds have a maturing principal balance of \$10,230,000. The current interest bonds mature beginning on August 1, 2006 through August 1, 2020, with interest rates ranging from 3.25 percent to 5.00 percent. The Capital Appreciation bonds mature beginning on August 1, 2012 through August 1, 2015, with yield rates ranging from 4.05 percent to 4.43 percent. At June 30, 2009, the principal balance outstanding (including accreted interest to date) was \$28,011,150.

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, 2009, the principal balance outstanding (including accreted interest to date) was \$105,083,835.

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds		Accreted Interest		Bonds Outstanding June 30, 2009
				Outstanding July 1, 2008	Issued	Additions	Redeemed	
2005	08/01/2020	3.25%-5.00%	\$33,304,385	\$ 29,656,800	\$ -	\$ 629,350	\$2,275,000	\$ 28,011,150
2008	08/01/2021	3.80%-5.35%	9,004,530	9,005,370	-	44,660	2,045,000	7,005,030
2008	08/01/2034	3.50%-5.00%	95,994,770	96,044,422	-	2,619,383	585,000	98,078,805
				<u>\$134,706,592</u>	<u>\$ -</u>	<u>\$3,293,393</u>	<u>\$4,905,000</u>	<u>\$ 133,094,985</u>

**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009 AND 2008**

The general obligation bonds mature through 2021 as follows:

Year Ending June 30,	Principal (Including Accreted Interest to Date)	Accreted Interest	Current Interest to Maturity	Total
2010	\$ 2,350,000	\$ -	\$ 966,093	\$ 3,316,093
2011	2,440,000	-	873,230	3,313,230
2012	2,540,000	-	773,630	3,313,630
2013	1,881,338	758,662	715,330	3,355,330
2014	1,571,468	1,083,532	707,830	3,362,830
2015-2019	10,978,344	2,666,656	2,971,930	16,616,930
2020-2021	6,250,000	-	316,250	6,566,250
Total	<u>\$ 28,011,150</u>	<u>\$ 4,508,850</u>	<u>\$ 7,324,293</u>	<u>\$ 39,844,293</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
2010	\$ 320,000	\$ -	\$ 274,274	\$ 594,274
2011	570,000	-	256,474	826,474
2012	845,000	-	227,795	1,072,795
2013	1,145,000	-	186,240	1,331,240
2014	1,500,000	-	128,441	1,628,441
2015-2019	2,425,030	389,970	95,608	2,910,608
2020-2022	200,000	-	26,750	226,750
Total	<u>\$ 7,005,030</u>	<u>\$ 389,970</u>	<u>\$ 1,195,582</u>	<u>\$ 8,590,582</u>

**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009 AND 2008**

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
2010	\$ -	\$ -	\$ 2,104,450	\$ 2,104,450
2011	-	-	2,104,450	2,104,450
2012	-	-	2,104,450	2,104,450
2013	-	-	2,104,450	2,104,450
2014	-	-	2,104,450	2,104,450
2015-2019	10,245,000	-	9,827,700	20,072,700
2020-2024	26,532,239	9,197,761	5,673,200	41,403,200
2025-2029	23,217,139	31,907,861	4,211,250	59,336,250
2030-2034	22,639,427	45,340,573	4,176,250	72,156,250
2035	15,445,000	-	386,125	15,831,125
Total	<u>\$ 98,078,805</u>	<u>\$ 86,446,195</u>	<u>\$ 34,796,775</u>	<u>\$ 219,321,775</u>

**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 seven 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, 2009, was \$170,000.

Revenue bonds mature as follows:

Year Ending June 30,	Principal	Interest to Maturity	Total
2010	\$ 15,000	\$ 4,875	\$ 19,875
2011	15,000	4,425	19,425
2012	15,000	3,975	18,975
2013	15,000	3,525	18,525
2014	15,000	3,075	18,075
2015-2019	95,000	7,425	102,425
Total	<u>\$ 170,000</u>	<u>\$ 27,300</u>	<u>\$ 197,300</u>

**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009 AND 2008**

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**Capital Leases**

The District has entered into a capital lease arrangement for the following equipment:

Equipment	\$ 2,854,469
Less: Accumulated Depreciation	(475,745)
Total	<u>\$ 2,378,724</u>

Amortization of the leased equipment under capital lease is included with depreciation expense.

The District's liability on lease agreements with options to purchase is summarized below:

Balance, July 1, 2008	\$ 3,114,397
Payments	517,063
Balance, June 30, 2009	<u>\$ 2,597,334</u>

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Principal
2010	\$ 275,324
2011	275,324
2012	275,324
2013	275,324
2014	275,324
2015-2019	1,220,714
Total	<u>2,597,334</u>
Less: Amount Represent Interest	453,737
Present Value of Minimum Lease Payments	<u>\$ 2,143,597</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 \$35,000 on behalf of one retiree over the next five years in accordance with the following schedule:

Year Ending June 30,	Principal
2010	\$ 7,000
2011	7,000
2012	7,000
2013	7,000
2014	7,000
Total	<u>\$ 35,000</u>

**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009 AND 2008**

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**Compensated Absences**

The long-term portion of compensated absences for the District at June 30, 2009, amounted to \$1,325,739.

**NOTE 10 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) 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 272 active Plan members.

**Funding Policy**

The contribution requirements of Plan members and the District are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to prefund benefits as determined annually through agreements between the District and the bargaining units. For fiscal year 2008-2009, the District contributed \$805,234 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	\$ 1,076,962
Annual OPEB cost (expense)	<u>(805,234)</u>
Increase in net OPEB obligation	271,728
Net OPEB obligation, July 1, 2008	-
Net OPEB obligation, June 30, 2009	<u><u>\$ 271,728</u></u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2009 was as follows:

Year Ended <u>June 30,</u> 2009	Annual Required <u>Contribution</u>	Percentage <u>Contributed</u>	Net OPEB <u>Obligation</u>
	\$ 1,076,962	75%	\$ 271,728



# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009 AND 2008

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### **Funding Status and Funding Progress**

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 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. Since this is the first year of implementation, only the current year information is presented.

### **Actuarial Methods and Assumptions**

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

In the November 1, 2008, actuarial valuation, the entry age normal method was used. The actuarial assumptions included a five 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 November 1, 2008, was 30 years. The actuarial value of assets was not determined in this actuarial valuation.

### ***NOTE 11 - RISK MANAGEMENT***

#### **Insurance Coverages**

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

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009 AND 2008

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### Joint Powers Authority Risk Pools

During fiscal year ending June 30, 2009, 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 2009, 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
Schools Excess Liability Fund (SELF)	Excess Liability	\$ 20,000,000
Bay Area Community College District JPA	Property and Liability	\$ 1,000,000

### *NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS*

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

### CalSTRS

#### Plan Description

The District contributes to CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, California 95826.

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009 AND 2008

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### Funding Policy

Active members of the DB Plan are required to contribute 8.0 percent of their salary while the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2008-2009 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's total contributions to CalSTRS for the fiscal years ended June 30, 2009, 2008, and 2007, were \$1,317,295, \$1,266,843, and \$1,221,076, respectively, and equal 100 percent of the required contributions for each year. The State of California may make additional direct payments for retirement benefits to the CalSTRS on behalf of all community colleges in the State. The revenue and expenditures associated with these payments, if any, have not been included in these financial statements.

### CalPERS

#### Plan Description

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

#### Funding Policy

Active plan members are required to contribute 7.0 percent of their salary (seven percent of monthly salary over \$133.33 if the member participates in Social Security), and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The District's contribution rate to CalPERS for fiscal year 2008-2009 was 9.428 percent of covered payroll. The District's contributions to CalPERS for fiscal years ending June 30, 2009, 2008, and 2007, were \$801,078, \$761,278, and \$1,294,100, respectively, and equaled 100 percent of the required contributions for each year.

#### On-Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS which amounted to \$754,492 and \$716,455 (4.517 percent) of salaries subject to CalSTRS for the years ended June 30, 2009 and 2008, respectively. 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 consolidated financial statements as a component of nonoperating revenue and employee benefit expense.

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009 AND 2008

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### **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.

### **Early Retirement Incentive**

The District has entered into an agreement with the Monterey Peninsula College Teacher's Association (MPCTA) to offer a retirement incentive for MPCTA employees to retire and provide a significant budget savings for the District.

The agreement was eligible to all current full-time MPCTA employees age 65 or older on the date of resignation. The effective date of resignation for purposes of retirement was no earlier than June 6, 2009, and no later than August 19, 2009. The agreement stated the District would pay a sum equal to \$35,000 to each eligible employee. This amount exceeds the cost of purchasing one year of permissive service credit with CalSTRS for all employees who meet the eligibility criteria. The agreement was a one-time offer in response to the current budget situation. At June 30, 2009, one MPCTA employee elected the early retirement incentive, totaling \$35,000.

### ***NOTE 13 - 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, 2009.

#### **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, 2009.

**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009 AND 2008**

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**Construction Commitments**

As of June 30, 2009, the District had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECT	Remaining Construction Commitment	Estimated Year of Completion
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 California State System's Office.

***NOTE 14 - 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), and Northern California Community College Pool (NCCCP) Joint Powers Authority. The District pays annual premiums for its property liability, health, and worker's compensation coverage. The relationship between the District and the JPAs are such that they are not component units of the District for financial reporting purposes.

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

During the year ended June 30, 2009, the District made payments of \$250,906 and \$620,006 to BACCD and NCCCP, respectively.

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***REQUIRED SUPPLEMENTARY INFORMATION***

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**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING  
PROGRESS  
FOR THE YEAR ENDED JUNE 30, 2009**

<b>Schedule of Funding Progress</b>						
<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) - Entry Age Normal (b)</b>	<b>Unfunded AAL (UAAL) (b - a)</b>	<b>Funded Ratio (a / b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ([b - a] / c)</b>
November 1, 2008	\$ -	\$ 11,082,229	\$ 11,082,229	\$ -	\$ 24,374,302	45%

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***SUPPLEMENTARY INFORMATION***

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# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## DISTRICT ORGANIZATION JUNE 30, 2009

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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 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>
Dr. Jim Tunney	Chair	2009
Mr. Charlie Page	Vice Chair	2012
Mr. Lynn Davis	Member	2011
Mr. Carl Pohlhammer	Member	2012
Dr. Loren Steck	Member	2011
Mr. Michael Dickey	Student Trustee	2009

### ADMINISTRATION

Dr. Douglas Garrison	Superintendent/President
Mr. Joseph Bissell	Vice President, Business and Administrative Services
Dr. John Gonzalez	Vice President, Academic Affairs
Mr. Carsbia Anderson	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, 2009**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION		
HIGHER EDUCATION ACT		
Student Financial Assistance Cluster		
Federal Supplement Education Opportunity Grant (FSEOG)	84.007	\$ 93,597
Federal Family Education Loans (FFEL)	84.032	1,609,133
Federal Work Study Program (FWS)	84.033	135,638
Federal Pell Grants (PELL)	84.063	2,655,692
Federal Pell Administrative	84.063	5,600
Academic Competitiveness Grant (ACG)	84.375	25,975
Subtotal Student Financial Assistance Cluster		<u>4,525,635</u>
TRIO Cluster		
Student Support Services Program	84.042A	314,927
Upward Bound Program	84.047A	354,672
Upward Bound - Math and Science	84.047M	340,042
Subtotal TRIO Cluster		<u>1,009,641</u>
INDIVIDUALS AND DISABILITIES EDUCATION ACT		
Passed through the California Department of Rehabilitation Workability	84.126A	79,176
PERKINS CAREER TECHNICAL EDUCATION ACT		
Passed through from Peralta Community College District		
Title II - Technical Preparation	84.243	23,517
Passed through from California Community College System's Office		
Career and Technical Education, Title I, Part C	84.048	105,493
Title II - Technical Preparation	84.243	72,856
Total U.S. Department of Education		<u>5,816,318</u>
U.S. DEPARTMENT OF AGRICULTURE		
Forest Reserve	10.665	2,187
Passed through California Department of Education (CDE)		
Child and Adult Care Food Program	10.558	25,587
Total U.S. Department of Agriculture		<u>27,774</u>
U.S. DEPARTMENT OF COMMERCE		
NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION (NOAA)		
National Ocean Sciences Bowl Diversity Program	11.000	895
Professional Certification Program for Oceanographers	11.478	49,359
Total U.S. Department of Commerce		<u>50,254</u>

See accompanying note to supplementary information.

**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2009**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Federal Expenditures
U.S. DEPARTMENT OF DEFENSE		
OFFICE OF NAVAL RESEARCH - DEPARTMENT OF THE NAVY		
NATIONAL OCEANOGRAPHIC PARTNERSHIP PROGRAM (NOPP)		
BASIC AND APPLIED SCIENTIFIC RESEARCH		
Understanding and Predicting Changes in the Workforce for Oceanic Sciences, Technology, and Operations	12.300	\$ 245,898
Total U.S. Department of Defense		<u>245,898</u>
U.S. DEPARTMENT OF INTERIOR		
OFFICE OF MINERALS MANAGEMENT SERVICE		
Passed through from Louisiana State University		
Gulf Serpent: Establishing a Deepwater Plankton Observation System Using Industrial ROV	15.422	4,601
Total U.S. Department of Interior		<u>4,601</u>
NATIONAL SCIENCE FOUNDATION		
Center for Ocean Sciences Education Excellence - Network Ocean World (NOW)	47.050	12,766
Marine Technician Mentoring and Internship Program	47.050	56,777
Marine Advanced Technology Education Resource Center	47.076	362,838
Passed through the Space Science Institute		
IPY: Polar Hydrobot Simulator	47.076	10,025
Total National Science Foundation		<u>442,406</u>
U.S. DEPARTMENT OF VETERANS AFFAIRS		
Veterans Education	64.000	1,190
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Passed through from California Community College System's Office		
Temporary Assistance for Needy Families (TANF)	93.558	27,948
Passed through from the Yosemite Community College District, Child Development Training Consortium		
Child Development Consortium	93.596	12,697
Total U.S. Department of Health and Human Services		<u>40,645</u>
Total Expenditures of Federal Awards		<u>\$ 6,629,086</u>

See accompanying note to supplementary information.

**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2009**

PROGRAM	Program Entitlements		
	Current Year	Prior Year	Total Entitlement
<b>STATE CATEGORICAL AID PROGRAMS</b>			
Access - UCSC Admin	\$ 18,689	\$ -	\$ 18,689
Articulation Grant	4,000	-	4,000
Basic Skills - 08/09	149,402	-	149,402
Basic Skills - 07/08	-	112,809	112,809
Basic Skills - 06/07	-	96,621	96,621
Basic Skills - 05/06	-	6,227	6,227
Board Financial Assistance Program (BFAP)	223,945	7,890	231,835
Cal Grants B - Financial Aid	155,019	-	155,019
Cal Grants C - Financial Aid	8,352	-	8,352
Career Tech - One Time Fund	-	285	285
Cal-WORKS	173,020	-	173,020
Capacity Building Fund for Nursing	70,990	71,013	142,003
CARE	105,451	-	105,451
Children's Center	122,200	-	122,200
Child Development Instructional Material	878	-	878
Child Development Infant Toddler Grant	2,423	-	2,423
Child Development Pre-School Grant	79,318	-	79,318
Child Development School Age Resource	2,000	-	2,000
CIS Education/Business	5,000	1,156	6,156
Closed Captioning	20,397	20,397	40,794
Disabled Student Programs and Service (DSPS)	891,902	-	891,902
Ecotourism Curriculum and Community Development	6,500	-	6,500
Extended Opportunity Programs and Service (EOPS)	918,779	-	918,779
Enrollment Growth	288,112	-	288,112
Health Initiative	15,000	-	15,000
Instructional Block - Match Require - Student Service	-	23,839	23,839
Instructional Block - Match Require - Library	33,500	-	33,500
Instructional Block - Match Require - Instructional	100,000	-	100,000
Instructional Equipment - One Time Fund	-	214,221	214,221
Matriculation Credit	509,042	-	509,042
Matriculation Non-Credit	218,798	-	218,798
Regional Health Occupation (Men in Nursing)	20,000	-	20,000
Scheduled Maintenance Block Grant	100,000	-	100,000
Staff Development	-	4,133	4,133
Staff Diversity	13,075	1,465	14,540
Telecommunication and Technology Infrastructure Program - Library	36,036	6,797	42,833
Telecommunication and Technology Infrastructure Program - Information System	-	8,820	8,820
Total State Programs			

See accompanying note to supplementary information.

Program Revenues				
Cash Received	Accounts Receivable	Deferred Revenue	Total Revenue	Program Expenditures
\$ 7,764	\$ 10,925	\$ 165	\$ 18,524	\$ 18,524
4,000	-	2,738	1,262	1,262
149,402	-	149,402	-	-
112,809	-	112,809	-	-
96,621	-	-	96,621	96,621
6,227	-	-	6,227	6,227
225,445	-	1,951	223,494	223,494
155,019	-	-	155,019	155,019
8,352	-	-	8,352	8,352
285	-	285	-	-
173,020	-	-	173,020	173,020
73,759	-	-	73,759	73,759
105,451	-	16,677	88,774	88,774
122,211	-	3,458	118,753	118,753
-	878	-	878	878
606	1,817	-	2,423	2,423
65,016	1,937	-	66,953	66,953
500	1,500	-	2,000	2,000
6,156	-	320	5,836	5,836
20,397	20,394	20,394	20,397	20,397
891,902	-	23,051	868,851	868,851
6,500	-	-	6,500	6,500
918,779	-	70,101	848,678	848,678
239,267	27,341	-	266,608	266,608
-	15,000	-	15,000	15,000
26,839	-	26,839	-	-
33,500	-	266	33,234	33,234
100,000	-	97,946	2,054	2,054
180,721	-	180,721	-	-
509,042	-	54,688	454,354	454,354
218,798	-	90,677	128,121	128,121
20,000	-	-	20,000	20,000
100,000	-	-	100,000	100,000
4,133	-	953	3,180	3,180
14,212	-	4,154	10,058	10,058
42,833	-	6,470	36,363	36,363
8,820	-	-	8,820	8,820
<u>\$4,648,386</u>	<u>\$ 79,792</u>	<u>\$864,065</u>	<u>\$3,864,113</u>	<u>\$ 3,864,113</u>

**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL  
 APPORTIONMENT - ANNUAL (ACTUAL) ATTENDANCE  
 AS OF JUNE 30, 2009**

	*(Revised)/ Reported Data	Audit Adjustments	Revised Audited Data
<b>CATEGORIES</b>			
<b><u>Full-Time Equivalent Student (FTES)</u></b>			
<b>A. Summer intersession (Summer 2008 only)</b>			
1. Noncredit	371	-	371
2. Credit	253	-	253
<b>B. Summer Intersession (Summer 2009-Prior to July 1, 2009)</b>			
1. Noncredit	76	-	76
2. Credit	332	-	332
<b>C. Primary Terms (Exclusive of Summer Intersession)</b>			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	3,980	-	3,980
(b) Daily Census Contact Hours	145	-	145
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	1,615	-	1,615
(b) Credit	1,428	-	1,428
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	198	-	198
(b) Daily Census Contact Hours	138	-	138
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
<b>D. Total FTES</b>	<b>8,536</b>	<b>-</b>	<b>8,536</b>
<b>H. Basic Skills courses and Immigrant Education (FTES)</b>			
1. Noncredit	478	-	478
2. Credit	257	-	257
	<u>735</u>	<u>-</u>	<u>735</u>
<b>Comprehensive Center FTES</b>			
1. Noncredit			42
2. Credit			265
Total Comprehensive Center FTES			<u>307</u>

\* Annual report revised on October 1, 2009

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, 2009**

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There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2009.

See accompanying note to supplementary information.

**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT**

**RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEETS TO THE  
STATEMENT OF NET ASSETS  
JUNE 30, 2009**

**Amounts Reported for Governmental Activities in the Statement  
of Net Assets are Different Because:**

**Total Fund Balance, Retained Earnings, and Due to Student Groups**

General Fund	\$ 4,182,988	
Special Revenue Funds	267,913	
Debt Service Fund	4,706,488	
Capital Projects Fund	85,784,693	
Self Insurance Fund	8,479,077	
Fiduciary Funds	680,285	
<b>Total Fund Balance, Retained Earnings and Due to Student Groups</b>		<b>\$ 104,101,444</b>

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

The cost of capital assets is	119,911,378	
Accumulated depreciation is	<u>(19,350,624)</u>	100,560,754

Governmental funds report cost of issuance associated with the issuance of debt when the debt is first issued, whereas the amounts are deferred and amortized in the statement of activities.

Cost of issuance at year end amounted to :		1,666,326
Amounts held in trust on behalf of others (Fiduciary Funds)		(667,404)

In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.

(1,415,975)

Long-term obligations at year end consist of:

General obligation and lease revenue bonds	136,759,797	
Early retirement	35,000	
Other postemployment benefits (OPEB)	271,728	
Capital leases	2,143,597	
Compensated absences (vacations)	1,325,739	
Less compensated absences already recorded in funds	<u>(331,434)</u>	<u>(140,204,427)</u>
<b>Total Net Assets</b>		<b><u>\$ 64,040,718</u></b>

See accompanying note to supplementary information.



# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2009

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### 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.

The following schedule provides reconciliation between revenues reported on the statement of revenues, expenses, and changes in net assets and the related expenditures reported on the schedule of expenditures of Federal awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2009.

Description	Amount
Total Federal Revenues Statement of Revenues, Expenses, and Changes in Net Assets:	\$ 6,638,905
Revenue recognition principles in various programs	(9,819)
Total Schedule of Expenditures of Federal Awards	<u>\$ 6,629,086</u>

#### 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 System's Office.

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

Full-Time Equivalent Students (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 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.

# **MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT**

## **NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2009**

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### **Reconciliation of the Governmental Fund Balance Sheets to the Statement of Net Assets**

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.

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***INDEPENDENT AUDITORS' REPORTS***

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**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 the financial statements of the business-type activities of Monterey Peninsula Community College District (the District) for the years ended June 30, 2009 and 2008, and have issued our report thereon dated December 18, 2009. We conducted our audits 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 audits, 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Monterey Peninsula Community College District's internal control over 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 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 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 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, the California Community Colleges System's Office, and the District's Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Varrinex, Time, Day & Co., LLP.

Rancho Cucamonga, California

December 18, 2009



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Trustees  
Monterey Peninsula Community College District  
Monterey, California

**Compliance**

We have audited the compliance of Monterey Peninsula Community College District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2009. Monterey Peninsula Community College District's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of Monterey Peninsula Community College District's management. Our responsibility is to express an opinion on Monterey Peninsula Community College District's compliance based on our audit.

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 States, 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 Monterey Peninsula Community College District's compliance with those requirements and performing such other procedures as we considered 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 Monterey Peninsula Community College District's compliance with those requirements.

As described in the accompanying schedule of findings and questioned costs as item 2009-3, the District did not comply with requirements regarding allowable cost/cost principle requirements that are applicable to its TRIO Cluster Program. Compliance with such requirements is necessary, in our opinion, for the District to comply with requirements applicable to that program.

In our opinion, Monterey Peninsula Community College District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2009. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, 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 items 2009-1 and 2009-2.

## Internal Control Over Compliance

The management of Monterey Peninsula Community College District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered Monterey Peninsula Community College District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 Monterey Peninsula Community College District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses, as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *control deficiency* in a district's internal control over compliance 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 noncompliance with a type of compliance requirement of a Federal program on a timely basis.

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2009-1 through 2009-3 to be significant deficiencies.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the District's internal control. We did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

Monterey Peninsula Community College District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Monterey Peninsula Community College District's responses and, accordingly, we express no opinion.

This report is intended solely for the information and use of the Board of Trustees, District Management, the California Community Colleges System's Office, and the District's Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vaurinek, Time, Day & Co., LLP.

Rancho Cucamonga, California  
December 18, 2009



## REPORT ON STATE COMPLIANCE

Board of Trustees  
Monterey Peninsula Community College District  
Monterey, California

We have audited the compliance of Monterey Peninsula Community College District (the District) with the types of compliance requirements described in Section 400 of the California State System's Office's *California Community College District Audit Manual (CDAM)* that are applicable to community colleges in the State of California. The specific requirements are described below.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America and the standards for financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements with State laws and regulations have occurred. An audit includes examining, on a test basis, evidence about Monterey Peninsula Community College District's compliance with those requirements and performing such other procedures as we considered 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 Monterey Peninsula Community College District's compliance with those requirements.

### General Directive

Section 424: MIS Implementation - State General Apportionment Funding System

### Administration

Section 435: Open Enrollment

Section 437: Student Fees - Instructional Materials and Health Fees

### Apportionments

Section 423: Apportionment of Instructional Service Agreements/Contracts

Section 425: Residency Determination for Credit Courses

Section 427: Concurrent Enrollment of K-12 Students in Community College Credit Courses

Section 432: Enrollment Fee

Section 426: Students Actively Enrolled



**Fiscal Operations**

Section 421: Salaries of Classroom Instructors (50% Law)

Section 431: Gann Limit Calculation

**Student Services**

Section 428: Use of Matriculation Funds

Section 433: CalWORKs - Use of State and Federal TANF Funding

**Facilities**

Section 434: Scheduled Maintenance Program

In our opinion, Monterey Peninsula Community College District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2009.

This report is intended solely for the information of the Board of Trustees, District Management, the California Community Colleges System's Office, the California Department of Finance, and the California Department of Education, and is not intended to be and should not be used by anyone other than these specified parties.

*Vaunex, Time, Day & Co., LLP.*

Rancho Cucamonga, California  
December 18, 2009

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

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**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT**

**SUMMARY OF AUDITORS' RESULTS  
FOR THE YEAR ENDED JUNE 30, 2009**

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**FINANCIAL STATEMENTS**

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

**FEDERAL AWARDS**

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>Yes</u>
Unqualified for all major programs except for the following program which was qualified:	
<u>84.042A; 84.047A; and 84.047M</u> <u>TRIO Cluster</u>	

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a) Yes

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.007; 84.032; 84.033; 84.063; and 84.375</u>	<u>Student Financial Assistance Cluster</u>
<u>84.042A; 84.047A; and 84.047M</u>	<u>TRIO Cluster</u>
<u>47.076</u>	<u>Marine Advanced Technology Education Resource Center</u>
<u>47.076</u>	<u>IPY: Polar Hydrobot Simulator</u>

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000  
 Auditee qualified as low-risk auditee? No

**STATE AWARDS**

Internal control over State programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for State programs:	<u>Unqualified</u>

**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT**

**FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED JUNE 30, 2009**

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None reported.

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2009

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The following findings represent significant deficiencies and/or instances of noncompliance including questioned costs that are required to be reported by OMB Circular A-133.

### **2009-1 Finding - Return of Title IV funds not timely**

**Program:** Student Financial Assistance Cluster

**CFDA No.** 84.007, 84.032, 84.033, 84.063, and 84.375

**Award Year:** 2008-2009

**Compliance Requirement:** Special Tests and Provisions

#### **Federal Programs Affected**

Student Financial Assistance Cluster - U.S. Department of Education (ED), Federal Supplemental Education Opportunity Grant (FSEOG) (CFDA No. 84.007), Federal Family Educational Loans (CFDA No.84.032), Federal Work Study Program (CFDA No.84.033), Federal Pell Grant Program (CFDA No.84.063), and Academic Competitiveness Grant (ACG) (CFDA No.84.375)

#### **Criteria**

34 CFR 668.22(j)

The auditee is required to "return the amount of Title IV funds for which it is responsible under paragraph (g) as soon as possible but no later than 45 days after the date of the institution's determination that the student withdrew..."

#### **Condition**

During our testing of the return to Title IV procedures, we noted the District did not return funds within the 45 day limitation. In our sample, we noted that for all of the students tested the District's portion of the return to Title IV funds were not returned by the District within the 45 day requirement. It was noted that funds returned ranged between sixty (60) and two hundred nineteen (219) days.

#### **Questioned Costs**

None noted.

#### **Isolated Instance or Systemic**

Systemic - The auditor noted ten (10) return of Title IV funds were not returned in a timely manner. The auditor noted each return of Title IV was not returned within 45 days of becoming aware that the student had dropped, deposits or transfers were not made into the Federal funds accounts, electronic transfers were initiated, or checks were issued.

#### **Effect**

Without proper controls in place, the District could continue to be out of compliance with Title IV requirements. Non-compliance with the applicable Federal regulations could result in questioned costs related to the student financial aid program.

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2009

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### Recommendation

The District should strengthen its controls over ensuring return of Title IV funds are returned in a timely manner, but no later than 45 days (or within 30 days for students that never began attendance) the District becomes aware that the student had dropped.

### District Response and Planned Corrective Action

The District concurs.

### 2009-2 Finding - Reporting of Pell Disbursements

**Program:** Student Financial Assistance Cluster

**CFDA No.:** 84.007, 84.032, 84.033, 84.063, and 84.375

**Award Year:** 2008-2009

**Compliance Requirement:** Reporting

### Federal Programs Affected

Student Financial Assistance Cluster - U.S. Department of Education (ED), Federal Pell Grant Program (CFDA No.84.063)

### Criteria

*Title 34 – Education, Part 690 – Federal Pell Grant Program – Subpart G – Administration of Grant Payments, Section 690.83 Submission of reports:*

- (a)(3) An institution that does not comply with the requirements of this paragraph may receive a payment or reduction in accountability only as provided in paragraph (d) of this section.
- (b)(1) An institution shall report to the Secretary any change in the amount of a grant for which a student qualifies including any related Payment Data changes by submitting to the Secretary the student's Payment Data that discloses the basis and result of the change in award for each student. The institution shall submit the student's Payment Data reporting any change to the Secretary by the reporting deadlines published by the Secretary in the Federal Register.
  - (2) An institution shall submit, in accordance with deadline dates established by the Secretary, through publication in the Federal Register, other reports and information the Secretary requires and shall comply with the procedures the Secretary finds necessary to ensure that the reports are correct.
  - (3) An institution that timely submits, and has accepted by the Secretary, the Payment Data for a student in accordance with this section shall report a reduction in the amount of a Federal Pell Grant award that the student received when it determines that an overpayment has occurred, unless that overpayment is one for which the institution is not liable under §690.79(a).

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2009

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- (c) In accordance with 34 CFR 668.84, the Secretary may impose a fine on the institution if the institution fails to comply with the requirements specified in paragraphs (a) or (b) of this section.
- (d)(1) Notwithstanding paragraphs (a) or (b) of this section, if an institution demonstrates to the satisfaction of the Secretary that the institution has provided Federal Pell Grants in accordance with this part but has not received credit or payment for those grants, the institution may receive payment or a reduction in accountability for those grants in accordance with paragraphs (d)(4) and either (d)(2) or (d)(3) of this section.
  - (2) The institution must demonstrate that it qualifies for a credit or payment by means of a finding contained in an audit report of an award year that was the first audit of that award year and that was conducted after December 31, 1988 and timely submitted to the Secretary under 34 CFR 668.23(c). (3) An institution that timely submits the Payment Data for a student in accordance with paragraph (a) of this section but does not timely submit to the Secretary, or have accepted by the Secretary, the Payment Data necessary to document the full amount of the award to which the student is entitled, may receive a payment or reduction in accountability in the full amount of that award, if:
    - (i) A program review demonstrates to the satisfaction of the Secretary that the student was eligible to receive an amount greater than that reported in the student's Payment Data timely submitted to, and accepted by, the Secretary; and
    - (ii) The institution seeks an adjustment to reflect an underpayment for that award that is at least \$10.

### **Condition**

During procedures performed over reporting, we identified problems in reporting of data to the Department of Education through the Common Origination and Disbursement (COD). In our sample of forty (40) Federal Pell disbursements, we noted ten (10) Pell origination records per COD did not agree to origination records noted on the District's Financial Aid Management System (FAMS). In each disbursement record, we noted the disbursement dates did not agree. The disbursement date discrepancies between the two systems ranged from one day to 45 days.

### **Questioned Costs**

None noted.

### **Isolated Instance or Systemic**

Systemic - we noted one (10) Pell origination record per COD did not agree to originations records noted on the District's FAMS. No other verification was accomplished for compliance.

### **Effect**

Without the proper controls in place, data reported to the Department of Education could be inaccurate.

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2009

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### Recommendation

The District should strengthen its controls over reporting to ensure information is accurate. Further, the District should review its process of submitting data to ensure information reported to the Department of Education is timely and accurate.

### District Response and Planned Corrective Action

The District concurs.

### 2009-3 Finding - Compensation for Personnel Services

**Program:** TRIO Cluster

**CFDA No.:** 84.042, 84.047

**Award Year:** 2008-2009

**Compliance Requirement:** Allowable Cost/Cost Principles

### Federal Programs Affected

U.S. Department of Education, Higher Education Act, TRIO Cluster, Student Support Services (CFDA No. 84.042), and Upward Bound (CFDA No. 84.047)

### Criteria

OMB Circular A-21, Cost Principles for Educational Institutions, Part J, General Provisions for Selected Items of Cost, No. 10, Compensation for Personnel Services.

- c. (1) Plan Confirmation: Under this method, the distribution of salaries and wages of professorial and professional staff applicable to sponsored agreements is based on budgeted, planned, or assigned work activity, updates to reflect any significant changes in work distribution. A plan confirmation system used for salaries and wages charged directly or indirectly to sponsored agreements will meet the following standards:
  - (a) A system of budgeted, planned, or assigned work activity will be incorporated into the official records of the institution and encompass both sponsored and all other activities on an integrated basis. The system may include the use of subsidiary records.
  - (b) The system will reasonably reflect only the activity for which the employee is compensated by the institution (compensation for incidental work described in subsection a need not be included). Practices vary among institutions and within institutions as to the activity constituting a full workload. Hence, the system will reflect categories of activities expressed as a percentage distribution of total activities.
  - (c) The system will reflect activity applicable to each sponsored agreement and to each category needed to identify indirect and the function to which they are allocable.



# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2009

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- (d) The system will provide for modification of an individual's salary or salary distribution commensurate with a significant change in the employee's work activity. Short-term (such as one or two months) fluctuation between workload categories need not be considered as long as the distribution of salaries and wages is reasonable over the longer term, such as an academic period. Whenever it is apparent that a significant change in work activity that is directly or indirectly charged to sponsored agreements will occur or has occurred, the change will be documented over the signature of a responsible official an entered into system.
- (e) At least annually, a statement will be signed by the employee, principal investigator, or responsible official(s) using suitable means of verification that the work was performed, stating that salaries and wages charged to sponsored agreements as direct charges and to indirect cost are reasonable in relation to work performed.
- (f) The system will provide for independent internal evaluation to ensure the system's integrity and compliance with the above standards.

### **Condition**

In our sample of payroll transactions, we noted no supporting documentation was maintained for individuals that were charged to the TRIO Cluster program in accordance with OMB Circular A-21 cost requirements. Personal activity reports or adequate documentation were not prepared to reflect or support the amount of charges that were charged to the program. The auditors noted no documentation was obtained to support charges to TRIO Cluster of Federal programs.

During our testing procedures performed over the District's policies and procedures regarding compensation for personnel services, we noted that the District used the planned confirmation method for charging salaries to the TRIO program for employees. We also noted that the District's methods did not include an after the fact statement/confirmation from all employee or supervisor using suitable means of verification that payroll originally planned and charged to the program was reasonable in relation to the work actually performed. We noted in our sample of payroll transactions no accounting documentation, which would include an after the fact statement/confirmation the District employees work reflects that of the TRIO program(s) was maintained for individuals that were charged to the TRIO Cluster program in accordance with OMB Circular A-21 cost principals.

### **Questioned Costs**

Approximately \$121,000 of compensation of personnel costs.

### **Isolated Instance or Systemic**

Systemic - written guidance provided by cost allocation OMB Circulars over appropriate methodologies for allocation of time spent within a specific Federal program was not followed. Documentation requirements for the allocation were not maintained.

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2009

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### **Effect**

By not performing any certifications that the employees worked solely on that program for the period covered by the certification and/or supported by personnel activity reports or equivalent documentation which is an independent internal evaluation to ensure the system's integrity, the District may not be in compliance with allowable cost principles and applicable OMB cost circulars.

### **Recommendation**

The District should review the requirements of the OMB Circular A-21, *Cost Principles for Education Institutions*, and develop specific written procedures that will provide documentation requirements for the allocation of salary and benefit costs to the program. Employee salaries that are charged to Federal programs must be supported by an independent internal evaluation such as periodic certifications that the employees worked solely on that program for the period covered by the certification and/or supported by personnel activity reports or equivalent documentation to ensure the salaries being charged to the various Federal programs are reasonable in relation to the work that is actually being performed. Various methodologies have been approved are available to substantiate the allocation of employee salaries, such as time study sampling, to help ensure that salaries are being allocation appropriately.

### **District Response and Planned Corrective Action**

The District concurs.

**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2009**

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None reported.

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2009

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Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of audit findings and questioned costs.

### *FINANCIAL STATEMENT FINDINGS*

#### **2008-1 Finding - Audit Adjustments**

##### **Criteria**

AICPA Audit and Accounting Manual, Section 500, Deficiencies in the Operation of Controls - Considering whether deviations in the operations of controls have been caused by an underlying control deficiency. Management is responsible for maintaining a system of internal controls designed to prevent and detect material misstatement or fraud. In addition, management is responsible for designing a system to monitor whether or not the internal control systems designed by the District are being adhered to.

##### **Condition**

During the course of the audit, we noted adjustments were required due to internal control deficiencies related to both non-routine transactions (i.e. year-end accrual processing) and routine transactions (i.e. fiduciary funds financial statement). The amounts associated with adjustments were deemed to be material to the reporting unit both quantitatively and qualitatively, which resulted in the aforementioned adjustment.

##### **Questioned Costs**

None noted.

##### **Effect**

The financial statements could be materially misstated if periodic financial reviews (quarterly) are not performed and reconciliations of financial statements within the Scholarship and Loan Fund and Trust Fund are not reviewed.

##### **Cause**

Internal accounting policies/procedures do not properly address financial reviews or financial statement review within the fiduciary funds.

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2009

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### Recommendation

The internal control structure related to the year-end accrual process needs to be enhanced to include the non-routine transactions related to year-end accrual processing. Our search for unrecorded liabilities noted accruals within the Building Fund that should have been recorded to account for current year activities and services incurred in the fiscal year.

In addition, the internal control structure related to the preparation of financial statements for the Scholarship and Loan Fund and Trust Fund should also be enhanced to include periodic financial statement review and reconciliation related to beginning fund balance. Improper preparation of financial statements within the Scholarship and Loan Fund and Trust Fund lead to an overstatement of ending fund.

### Current Status

Implemented.

### 2008-2 Finding - Capital Assets

#### Criteria

Industry standards and best practices require a system of internal control over capital assets that will provide for both the safeguarding of all District owned assets and the proper recordkeeping of the valuation and depreciation of those assets.

#### Condition

In accordance with guidance from the Governmental Accounting Standards Board, governmental entities are required to capitalize and account for the capital assets of the entity. The District does not appear to have adopted specific policies over how to maintain the capital assets. The District's capital assets include land, improvements, buildings, and equipment which is affected by this:

- Reporting: The District has not adequately developed procedures or assigned responsibility to account for capital assets.
- Construction in Progress Classification: There is no detail accounting of Construction in Progress maintained during the year. The amounts reported in the Capital Assets were not supported by a complete detail of activities that documents when projects are started and completed. Schedules have not been prepared on a full accrual basis.
- Building/Site Improvements Classification: During the course of modernization and other ongoing construction, the District has not developed procedures to monitor building additions or site improvements for changes including additions/disposals of buildings or other properties.
- Disposals for Equipment: The District has not identified machinery or equipment which has been disposed of or impaired. The District does not have procedures in place to report changes in capital asset status including disposals, loss, or inventory of machinery and equipment.
- Current/Accumulated Depreciation: The District has not implemented a fixed asset system which would calculate depreciation for applicable classes of fixed assets.

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2009

---

### **Questioned Costs**

None noted.

### **Effect**

Without specific policies and procedures related to capital assets, the District could materially misstate capital assets at year-end.

### **Cause**

Internal accounting policies/procedures do not properly address capital assets or maintaining capital assets.

### **Recommendation**

The District should develop specific policies and procedures related to the capital assets. These policies should include the capitalization threshold, depreciation methodology, disposition of assets no longer used by the District, and maintaining capital assets by classification. The specific procedures related to the accounting for these assets should be included in the Business Office accounting procedure manual. The overarching policies should be reviewed and adopted by the Board of Trustees.

### **Current Status**

Implemented.

## ***FEDERAL AWARD FINDINGS***

### **2008-3 Finding - Eligibility Verification**

**Program:** Student Financial Assistance Cluster  
**CFDA No.** 84.007, 84.032, 84.033, 84.063, 84.375  
**Award Year:** 2007-2008  
**Compliance Requirement:** Eligibility  
**Questioned Costs:** \$1,604

### **Federal Programs Affected**

Student Financial Assistance Cluster - U.S. Department of Education (ED), Federal Supplemental Education Opportunity Grant (FSEOG) (CFDA No. 84.007), Federal Family Educational Loans (CFDA No. 84.032), Federal Work Study Program (CFDA No. 84.033), Federal Pell Grant Program (CFDA No. 84.063), Academic Competitiveness Grant (ACG) (CFDA No. 84.375).

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2009

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### Criteria

OMB Circular A-133, Subpart C, Section 300 Part b:

The auditee is responsible for "Maintaining internal control over Federal programs that provide reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulation, and their provision of contracts or grant agreements that could have a material affect on each of its Federal programs".

### Condition

We noted college personnel at Monterey Peninsula College were back dating drop dates after the disbursement of Federal funds had taken place. The Financial Aid department performs unit enrolled verification prior to all disbursement runs. The college disburses funds twice a semester, with the second disbursement being after the college's census date to clear rosters of inactive enrollment and the last day to withdraw from a course with a "W". It was noted, however, that after the second disbursement took place, two (2) of the forty (40) student files tested had courses back dropped to a date prior to the disbursement date. Since these back dated drops occur after the Financial Aid department had disbursed all funds for the term, there is no way for the department to know that such an action has been taken which results in an overpayment to the student.

### Questioned Costs

Two students were over-awarded a total of \$1,604. All questioned costs are associated with the Federal Pell Grant Program (CFDA No. 84.063).

### Isolated Instance or Systemic

Systemic - we noted two students were paid based on enrollment. However, both students were back dropped for courses after the second disbursement date; therefore, the students' disbursements were overstated.

### Effect

The practice of back dating disenrollment dates from a course has resulted in students being over-awarded. By not properly dropping students in a timely manner, they appear to be enrolled in more units than they actually are at the time Federal awards are being disbursed. Non-compliance with the applicable Federal regulations could result in additional questioned costs related to the student financial aid program.

### Recommendation

Monterey Peninsula College should strengthen its controls over the back dating of students who dropped a course. Should such a practice be necessary, there needs to be clear communication to the Financial Aid department to make them aware of the situation and take the necessary steps to ensure that the student is being properly awarded.

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2009

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### Current Status

Implemented.

### 2008-4 Finding - Suspension or Debarment Certifications for Contracts that Exceed \$25,000

**Program:** National Science Foundation

**CFDA No.:** 47.076

**Award Year:** 2007-2008

**Compliance Requirement:** Procurement, Suspension, and Debarment

**Questioned Costs:** None

### Federal Programs Affected

National Science Foundation - Marine Advanced Technology Education Resource Center, Marine Advanced Technology Education (MATE), and Developing a Vision and Plan for a National Geospatial Technology Resource Center (CFDA No. 47.076)

### Criteria

*Title 34 – Education, Part 80 – Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments – Subpart C – Pre-Award Requirements, Section 80.35 Subawards to debarred and suspended parties:*

- Grantees and subgrantees must not make any award or permit any award (subgrant or contract) at any tier to any party, which is debarred or suspended or is otherwise excluded from or ineligible for participation in Federal assistance programs under Executive Order 12549, "Debarment and Suspension".

OMB Circular A-110, Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations, Sub-Part C, Pre-Award Requirements, Section .33 Debarment and Suspension:

- Federal awarding agencies and recipients shall comply with the nonprocurement debarment and suspension common rule implementing E.O.s 12549 and 12689, "Debarment and Suspension". This common rule restricts subawards and contracts with certain parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in Federal assistance programs or activities.



# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2009

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### **Condition**

During procedures performed over suspension and debarment, we noted one (1) transaction within the Marine Advanced Technology Education Resource Center Program, the District did not verify that the vendor/contractor was not suspended or debarred or otherwise excluded. The District's standard independent contractor agreement template did not include a clause or condition to the covered transactions with the vendor/contractor. We also noted no verification was performed by checking the Excluded Parties List System (EPLS) website. However, it was noted that the contractor was not suspended or debarred.

### **Questioned Costs**

None noted.

### **Isolated Instance or Systemic**

Systemic - we noted one (1) independent consulting agreement contract that exceeded \$25,000 did not include a clause or condition to the covered transactions with the vendor/contractor. No other verification was accomplished for compliance.

### **Effect**

Without the proper controls in place, unauthorized program costs could be reimbursed by the Federal program.

### **Recommendation**

We recommend the District modify its policies and procedures to verify all vendors/contractors who are providing services to federally funded programs in excess of \$25,000 have verified that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity. The District should also update contract templates for all contract types that exceed \$25,000 to avoid a violation of the Executive Order 12549.

### **Current Status**

Implemented.

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2009

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### *STATE AWARD FINDINGS*

#### **CONCURRENT ENROLLMENT OF K-12 STUDENTS IN COMMUNITY COLLEGE CREDIT COURSES (Section 427)**

##### **2008-5 Finding - Permission to Register Not Obtained for Concurrently Enrolled Students**

###### **Criteria**

*Education Code* Sections 48800(a), 48800.5, 76300 and 76001(1)

The District must obtain verification from the K-12 school district that the student can benefit from advanced scholastic and vocational work.

Monterey Peninsula College policies noted on "Recommendation for Concurrent Enrollment" form indicates that each student must be recommended to register only in course(s) listed on the enrollment form and signed by the appropriate K-12 school district official.

###### **Condition**

Documentation to support the proper approval of K-12 students at Monterey Peninsula College was not obtained. We noted three (3) instances where concurrently enrolled students had enrolled in courses not specifically approved on the students' "Recommendation for Concurrent Enrollment" form. Further, we noted concurrent enrolled K-12 students could enroll through the District's WebReg online registration software without obtaining any approvals which noted deficiencies in controls related to the WebReg online registration.

###### **Questioned Costs**

None noted.

###### **Isolated Instance or Systemic**

Systemic - we noted three (3) concurrently enrolled students had enrolled in courses not specifically approved on the students' "Recommendation for Concurrent Enrollment" form though they were able to register online without obtaining any approvals.

###### **Effect**

Without the proper controls in place, District could be out of compliance with laws and regulations and K-12 students could be enrolled in unauthorized courses.

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2009

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### **Recommendation**

The District should review and implement stricter controls to prevent concurrent enrolled K-12 students from registering in classes not specifically permitted on the students' "Recommendation for Concurrent Enrollment" form.

### **Current Status**

Implemented.

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***ADDITIONAL SUPPLEMENTARY INFORMATION***

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**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT**

**GOVERNMENTAL FUNDS  
BALANCE SHEETS  
JUNE 30, 2009**

	<u>Special Revenue Funds</u>			
	<u>General</u>	<u>Child Development</u>	<u>Student Center</u>	<u>Parking</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 247,554	\$ 6,339	\$ 7,980	\$ 27,667
Investments	6,993,388	1,516	223,899	261,676
Accounts receivable	1,572,333	10,280	16,273	10,438
Student loans receivable	8,440	-	-	-
Due from other funds	32,829	48,737	-	-
<b>Total Assets</b>	<u>\$ 8,854,544</u>	<u>\$ 66,872</u>	<u>\$ 248,152</u>	<u>\$ 299,781</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 2,120,260	\$ 3,527	\$ 10,115	\$ 1,172
Due to other funds	576,473	32,829	-	-
Deferred compensation	444,034	-	-	-
Deferred revenue	1,530,789	30,516	31,905	236,828
<b>Total Liabilities</b>	<u>4,671,556</u>	<u>66,872</u>	<u>42,020</u>	<u>238,000</u>
<b>FUND BALANCES</b>				
Unreserved				
Designated	4,182,988	-	206,132	61,781
<b>Total Fund Balances</b>	<u>4,182,988</u>	<u>-</u>	<u>206,132</u>	<u>61,781</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 8,854,544</u>	<u>\$ 66,872</u>	<u>\$ 248,152</u>	<u>\$ 299,781</u>

See accompanying note to additional supplementary information.

<u>Debt Service Funds</u>		<u>Capital Project Funds</u>		<u>Total Governmental Funds (Memorandum Only)</u>
<u>Bond Interest and Redemption</u>	<u>Debt Service</u>	<u>Capital Outlay</u>	<u>Building Fund</u>	
\$ -	\$ -	\$ 1,498	\$ -	\$ 291,038
4,702,636	3,852	356,193	85,716,642	98,259,802
-	-	563,635	123,303	2,296,262
-	-	-	-	8,440
-	-	250,000	498,323	829,889
<u>\$ 4,702,636</u>	<u>\$ 3,852</u>	<u>\$ 1,171,326</u>	<u>\$ 86,338,268</u>	<u>\$ 101,685,431</u>
\$ -	\$ -	\$ 11,042	\$ 1,215,536	\$ 3,361,652
-	-	498,323	-	1,107,625
-	-	-	-	444,034
-	-	-	-	1,830,038
<u>-</u>	<u>-</u>	<u>509,365</u>	<u>1,215,536</u>	<u>6,743,349</u>
4,702,636	3,852	661,961	85,122,732	94,942,082
<u>4,702,636</u>	<u>3,852</u>	<u>661,961</u>	<u>85,122,732</u>	<u>94,942,082</u>
<u>\$ 4,702,636</u>	<u>\$ 3,852</u>	<u>\$ 1,171,326</u>	<u>\$ 86,338,268</u>	<u>\$ 101,685,431</u>

**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT**

**GOVERNMENTAL FUNDS  
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Special Revenue Funds</u>			
	<u>General</u>	<u>Child Development</u>	<u>Student Center</u>	<u>Parking</u>
<b>REVENUES</b>				
Federal revenues	\$ 2,219,100	\$ 25,587	\$ -	\$ -
State revenues	28,109,990	144,686	-	-
Local revenues	18,048,745	96,363	292,806	325,351
<b>Total Revenues</b>	<u>48,377,835</u>	<u>266,636</u>	<u>292,806</u>	<u>325,351</u>
<b>EXPENDITURES</b>				
Current Expenditures				
Academic salaries	17,230,842	-	-	-
Classified salaries	8,932,499	417,551	16,666	141,718
Employee benefits	4,560,904	99,753	4,563	30,841
Books and supplies	1,166,464	26,517	1,235	12,509
Services and operating expenditures	7,958,513	7,255	152,176	77,155
Capital outlay	384,864	-	8,286	-
Debt service - principal	-	-	15,000	-
Debt service - interest and other	-	-	5,325	-
<b>Total Expenditures</b>	<u>40,234,086</u>	<u>551,076</u>	<u>203,251</u>	<u>262,223</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>8,143,749</u>	<u>(284,440)</u>	<u>89,555</u>	<u>63,128</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	111,731	478,246	-	-
Operating transfers out	(7,665,628)	(193,806)	(10,951)	(65,703)
Other sources	-	-	-	-
Other uses	(500,871)	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>(8,054,768)</u>	<u>284,440</u>	<u>(10,951)</u>	<u>(65,703)</u>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	88,981	-	78,604	(2,575)
<b>FUND BALANCE, BEGINNING OF YEAR</b>	4,094,007	-	127,528	64,356
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 4,182,988</u>	<u>\$ -</u>	<u>\$ 206,132</u>	<u>\$ 61,781</u>

See accompanying note to additional supplementary information.

<b>Debt Service Funds</b>		<b>Capital Project Funds</b>		<b>Total Governmental Funds (Memorandum Only)</b>
<b>Bond Interest and Redemption</b>	<b>Debt Service</b>	<b>Capital Outlay</b>	<b>Building Fund</b>	
\$ -	\$ -	\$ -	\$ -	\$ 2,244,687
23,964	-	547,553	-	28,826,193
5,574,689	49,871	17,797	198,008	24,603,630
<u>5,598,653</u>	<u>49,871</u>	<u>565,350</u>	<u>198,008</u>	<u>55,674,510</u>
-	-	-	-	17,230,842
-	-	-	-	9,508,434
-	-	-	-	4,696,061
-	-	15,805	931	1,223,461
-	-	137,265	5,686,432	14,018,796
-	-	1,402,424	10,475,401	12,270,975
4,905,000	416,853	-	-	5,336,853
3,532,471	100,210	-	-	3,638,006
<u>8,437,471</u>	<u>517,063</u>	<u>1,555,494</u>	<u>16,162,764</u>	<u>67,923,428</u>
<u>(2,838,818)</u>	<u>(467,192)</u>	<u>(990,144)</u>	<u>(15,964,756)</u>	<u>(12,248,918)</u>
-	306,736	440,159	-	1,336,872
-	-	(50,000)	-	(7,986,088)
64,142	-	-	-	64,142
-	-	-	-	(500,871)
<u>64,142</u>	<u>306,736</u>	<u>390,159</u>	<u>-</u>	<u>(7,085,945)</u>
(2,774,676)	(160,456)	(599,985)	(15,964,756)	(19,334,863)
7,477,312	164,308	1,261,946	101,087,488	114,276,945
<u>\$ 4,702,636</u>	<u>\$ 3,852</u>	<u>\$ 661,961</u>	<u>\$ 85,122,732</u>	<u>\$ 94,942,082</u>



**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT**

**PROPRIETARY FUND  
BALANCE SHEET  
JUNE 30, 2009**

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	<u>Self Insurance</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 121,527
Investments	8,237,604
Accounts receivable, net	368,590
Due from other funds	277,736
<b>Total Assets</b>	<u><u>\$ 9,005,457</u></u>
<b>LIABILITIES AND FUND EQUITY</b>	
<b>LIABILITIES</b>	
Accounts payable	\$ 312,698
Claim liabilities	213,682
<b>Total Liabilities</b>	<u>526,380</u>
<b>FUND EQUITY</b>	
Retained earnings	<u>8,479,077</u>
<b>Total Liabilities and Fund Equity</b>	<u><u>\$ 9,005,457</u></u>

See accompanying note to additional supplementary information.

**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT**

**PROPRIETARY FUND  
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN  
RETAINED EARNINGS  
FOR THE YEAR ENDED JUNE 30, 2009**

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	<u>Self Insurance</u>
<b>OPERATING REVENUES</b>	
Other local revenues	\$ 122,024
<b>OPERATING EXPENSES</b>	
Employee benefits	5,964,966
Services and other operating expenditures	45,850
<b>Total Operating Expenses</b>	<u>6,010,816</u>
<b>Operating Loss</b>	<u>(5,888,792)</u>
<b>NONOPERATING REVENUES</b>	
Interest income	(172,488)
Operating transfers in	6,649,216
<b>Total Nonoperating Revenues</b>	<u>6,476,728</u>
<b>NET INCOME</b>	587,936
<b>RETAINED EARNINGS, BEGINNING OF YEAR</b>	<u>7,891,141</u>
<b>RETAINED EARNINGS, END OF YEAR</b>	<u>\$ 8,479,077</u>

See accompanying note to additional supplementary information.

**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT**

**PROPRIETARY FUND  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2009**

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	<b>Self Insurance</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from user charges	\$ (155,712)
Cash payments for insurance claims	(6,693,908)
Cash payments for other operating expenses	80,559
Net Cash Flows from Operating Activities	<u>(6,769,061)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest income	(447,315)
Transfers in	6,649,216
Net Cash Flows from Investing Activities	<u>6,201,901</u>
Net change in cash and cash equivalents	(567,160)
Cash and cash equivalents - Beginning	8,926,291
Cash and cash equivalents - Ending	<u><u>\$ 8,359,131</u></u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Operating loss	\$ (5,888,792)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Changes in assets and liabilities:	
Increase in due from other funds	(277,736)
Increase in accounts payable	126,409
Decrease in due to other fund	(676,850)
Decrease in claims liabilities	(52,092)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u><u>\$ (6,769,061)</u></u>

See accompanying note to additional supplementary information.

**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT**

**FIDUCIARY FUNDS  
BALANCE SHEETS  
JUNE 30, 2009**

	<b>Associated Students Trust</b>	<b>Student Financial Aid</b>	<b>Scholarship and Loan</b>	<b>Trust</b>	<b>Gentrain</b>	<b>Total</b>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 114,582	\$ 19,018	\$ 402,447	\$ 32,595	\$ 56,370	\$ 625,012
Investments	-	-	79,568	-	-	79,568
Accounts receivable, net	3,997	53,365	25,509	14,019	-	96,890
Due from other funds	-	-	-	136,842	-	136,842
<b>Total Assets</b>	<b>\$ 118,579</b>	<b>\$ 72,383</b>	<b>\$ 507,524</b>	<b>\$ 183,456</b>	<b>\$ 56,370</b>	<b>\$ 938,312</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ -	\$ 59,502	\$ 26,110	\$ 34,539	\$ 1,034	\$ 121,185
Due to other funds	-	-	136,842	-	-	136,842
Due to student groups	118,579	-	-	-	-	118,579
<b>Total Liabilities</b>	<b>118,579</b>	<b>59,502</b>	<b>162,952</b>	<b>34,539</b>	<b>1,034</b>	<b>376,606</b>
<b>FUND BALANCES</b>						
Unreserved						
Designated	-	12,881	344,572	148,917	55,336	561,706
<b>Total Fund Balances</b>	<b>-</b>	<b>12,881</b>	<b>344,572</b>	<b>148,917</b>	<b>55,336</b>	<b>561,706</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 118,579</b>	<b>\$ 72,383</b>	<b>\$ 507,524</b>	<b>\$ 183,456</b>	<b>\$ 56,370</b>	<b>\$ 938,312</b>

See accompanying note to additional supplementary information.

**MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT**

**FIDUCIARY FUNDS  
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2009**

	<b>Associated Students Trust</b>	<b>Student Financial Aid</b>	<b>Scholarship and Loan</b>	<b>Trust</b>	<b>Gentrain</b>	<b>Total</b>
<b>REVENUES</b>						
Federal revenues	\$ -	\$2,779,489	\$ 1,614,729	\$ -	\$ -	\$4,394,218
Local revenues	117,593	185	721,333	444,575	125,518	1,409,204
<b>Total Revenues</b>	<b>117,593</b>	<b>2,779,674</b>	<b>2,336,062</b>	<b>444,575</b>	<b>125,518</b>	<b>5,803,422</b>
<b>EXPENDITURES</b>						
Current Expenditures						
Books and supplies	-	-	-	392,038	3,488	395,526
Services and operating expenditures	84,065	-	713,550	-	66,694	864,309
<b>Total Expenditures</b>	<b>84,065</b>	<b>-</b>	<b>713,550</b>	<b>392,038</b>	<b>70,182</b>	<b>1,259,835</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>						
	<b>33,528</b>	<b>2,779,674</b>	<b>1,622,512</b>	<b>52,537</b>	<b>55,336</b>	<b>4,543,587</b>
<b>OTHER FINANCING USES</b>						
Other uses	(33,528)	(2,732,679)	(1,614,729)	-	-	(4,380,936)
<b>Total Other Financing Uses</b>	<b>(33,528)</b>	<b>(2,732,679)</b>	<b>(1,614,729)</b>	<b>-</b>	<b>-</b>	<b>(4,380,936)</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES AND OTHER USES</b>						
	-	46,995	7,783	52,537	55,336	162,651
<b>FUND BALANCE, BEGINNING OF YEAR</b>	-	(34,114)	336,789	96,380	-	399,055
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ -</b>	<b>\$ 12,881</b>	<b>\$ 344,572</b>	<b>\$ 148,917</b>	<b>\$ 55,336</b>	<b>\$ 561,706</b>

See accompanying note to additional supplementary information.

# MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

## NOTE TO ADDITIONAL SUPPLEMENTARY INFORMATION JUNE 30, 2009

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### *NOTE 1 - PURPOSE OF SCHEDULES*

#### **Fund Financial Statements**

The accompanying financial statements report the governmental, proprietary, and fiduciary fund activities of Monterey Peninsula Community College District. The governmental and fiduciary funds are presented on the modified accrual basis of accounting, while proprietary funds operate on a full accrual basis. Therefore, some amounts presented in these financial statements may differ from amounts presented in, or used in, the preparation of the basic financial statements. This information is not a required component of the financial statements in accordance with GASB Statements No. 34 and No. 35 and is presented at the request of District management.