

**MONTEREY PENINSULA
COMMUNITY COLLEGE DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2011 AND 2010

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 Monterey Peninsula Community College District (the District) as of and for the years ended June 30, 2011 and 2010, 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 Monterey Peninsula Community College District as of June 30, 2011 and 2010, 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 Note 14 to the Financial Statements, the State of California continues to suffer the effects of a recessionary economy, which directly impacts the funding allocation of Monterey Peninsula Community College District.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2011, 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 14 and the Schedule of Other Postemployment Benefits (OPEB) Funding Progress on page 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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.

Valuimex, Time, Day & Co., LLP.

Rancho Cucamonga, California
December 21, 2011



MONTEREY PENINSULA
COLLEGE

USING THIS ANNUAL REPORT

The Monterey Peninsula Community College District (the District) presents the following discussion and analysis to assist the reader by focusing on significant financial issues, providing an overview of the District's financial activities and condition, to explain changes in the District's financial condition, and to identify challenges of subsequent fiscal years. The report consists of three basic financial statements: the Statement of Net Assets, 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, 2011. Please read it in conjunction with the District's financial statements, which immediately follow this section. Responsibility for the completeness and accuracy of this information rests with the District management.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Monterey Peninsula Community College District's financial statements are presented in accordance with Governmental Accounting Standards Board (GASB) Statements No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and No. 35, *Basic Financial Statements - and Management Discussion and Analysis - for Public College and Universities*. These statements allow for the presentation of financial activity and results of operations which focuses on the District as a whole. The entity-wide financial statements present the overall results of operations whereby all of the District's activities are consolidated into one total versus the traditional presentation by fund type. The focus of the Statement of Net 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 Chancellor's Office has recommended that all State community colleges follow the Business-Type Activity (BTA) model for financial statement reporting purposes.

FINANCIAL HIGHLIGHTS

The District's assets are primarily cash, land, and facilities. Liabilities are primarily long-term bonds and leases. The District's Total Assets decreased by \$1.2 million, or 0.6 percent, to \$211.0 million, and Total Liabilities increased by \$442 thousand, or 0.3 percent, to \$150.2 million. This results in Net Assets being decreased by \$1.6 million, or 2.6 percent, to \$60.9 million.

In November 2002, a Proposition 39 facility bond was approved by the local voters giving the District \$145.0 million to assist in modernization of the existing campus and construct a satellite campus and public safety training facilities on the former Fort Ord properties. The repayment of the bonds will be through a special tax assessment on local property owners. In June 2003, the first series of bonds was sold and proceeds (\$40.0 million) were deposited with the County Treasurer. The first series was refinanced in 2006 which generated an additional \$4.2 million for projects. Numerous projects are in various stages of completion, and a balance of \$19.7 million remains outstanding or unencumbered at year-end.

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)

JUNE 30, 2011 AND 2010

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>2011</u>	<u>2010</u>	<u>2009</u>
ASSETS			
Current Assets			
Cash and investments	\$ 77,473	\$ 92,802	\$ 106,929
Accounts receivable	7,480	6,812	2,727
Other current assets	64	64	64
Total Current Assets	<u>85,017</u>	<u>99,678</u>	<u>109,720</u>
Noncurrent Assets			
Other current assets	1,474	1,538	1,602
Capital assets (net)	124,538	111,017	100,561
Total Assets	<u>\$ 211,029</u>	<u>\$ 212,233</u>	<u>\$ 211,883</u>
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	\$ 6,854	\$ 6,851	\$ 5,476
Deferred revenue	1,569	1,796	1,830
Current portion of long-term obligations	3,776	3,321	3,214
Total Current Liabilities	<u>12,199</u>	<u>11,968</u>	<u>10,520</u>
Long-Term Obligations	<u>137,975</u>	<u>137,764</u>	<u>137,322</u>
Total Liabilities	<u>150,174</u>	<u>149,732</u>	<u>147,842</u>
NET ASSETS			
Invested in capital assets	42,317	45,655	48,447
Restricted	6,160	5,530	4,220
Unrestricted	12,378	11,316	11,374
Total Net Assets	<u>60,855</u>	<u>62,501</u>	<u>64,041</u>
Total Liabilities and Net Assets	<u>\$ 211,029</u>	<u>\$ 212,233</u>	<u>\$ 211,883</u>

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)

JUNE 30, 2011 AND 2010

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 17 and 18.

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>2011</u>	<u>2010</u>	<u>2009</u>
Operating Revenues			
Tuition and fees, net	\$ 3,962	\$ 3,310	\$ 3,234
Operating Expenses			
Salaries and benefits	37,448	38,812	38,557
Supplies, maintenance, equipment, and other expenses	16,521	13,491	13,368
Depreciation	3,082	2,961	1,959
Total Operating Expenses	<u>57,051</u>	<u>55,264</u>	<u>53,884</u>
Loss on Operations	<u>(53,089)</u>	<u>(51,954)</u>	<u>(50,650)</u>
Nonoperating Revenues			
State apportionments	21,561	20,732	22,992
Grants and contracts	13,358	10,499	10,854
Property taxes	19,833	20,681	20,061
State revenues	1,172	1,020	1,071
Net interest expense	(6,178)	(5,096)	(6,767)
Other nonoperating revenues	1,502	2,347	2,119
Total Nonoperating Revenue	<u>51,248</u>	<u>50,183</u>	<u>50,330</u>
Other Revenues			
State and local capital income	<u>195</u>	<u>231</u>	<u>590</u>
Net Increase (Decrease) in Net Assets	<u>\$ (1,646)</u>	<u>\$ (1,540)</u>	<u>\$ 270</u>

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)
JUNE 30, 2011 AND 2010**

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

Year ended June 30, 2011:

(Amounts in thousands)

	Salaries and Benefits		Supplies, Material, and	Student Financial Aid	Depreciation	Total
	Instructional	Non - Instructional	Other Expenses and Services			
Instructional activities	\$ 16,133	\$ 3,570	\$ 3,281	\$ -	\$ -	\$ 22,984
Academic support	-	529	13	-	-	542
Instructional support services	411	1,001	112	-	-	1,524
Student services	30	2,173	454	-	-	2,657
Plant operations and maintenance	-	1,643	1,317	-	-	2,960
Planning, policymaking and coordination	3	1,433	417	-	-	1,853
Institutional support services	1	2,713	1,218	-	-	3,932
Community services and economic development	-	552	29	-	-	581
Ancillary services and auxiliary operations	113	7,118	767	-	-	7,998
Student aid	-	-	-	7,991	-	7,991
Physical property and related acquisitions	-	25	921	-	-	946
Unallocated depreciation	-	-	-	-	3,082	3,082
Total	\$ 16,691	\$ 20,757	\$ 8,529	\$ 7,991	\$ 3,082	\$ 57,050

