

**CABRILLO COMMUNITY**  
**COLLEGE DISTRICT**  
**MEASURE D BOND FUND**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**Armanino McKenna** <sup>LLP</sup>  
Certified Public Accountants & Consultants



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## INDEPENDENT AUDITORS' REPORT

Citizens' Oversight Committee  
Cabrillo Community College District  
Aptos, California

We have audited the accompanying financial statements of the Measure D Bond Fund of the Cabrillo Community College District (the "District") as of and for the year ended June 30, 2005, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 2, the financial statements present only the Measure D Bond Fund and do not purport to, and do not present fairly the financial position of the District as of June 30, 2005, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure D Bond Fund of the District as of June 30, 2005, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

  
ARMANINO McKENNA LLP

April 12, 2006



CABRILLO COMMUNITY COLLEGE DISTRICT  
Balance Sheet  
Measure D Bond Fund  
June 30, 2005

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ASSETS

Cash in County Treasury	<u>\$ 55,459,721</u>
Total assets	<u><u>\$ 55,459,721</u></u>

LIABILITIES AND FUND BALANCE

Liabilities	
Accounts payable	\$ 283,665
Due to other funds	<u>1,190,265</u>
Total liabilities	1,473,930
Fund balance	
Reserved	<u>53,985,791</u>
Total liabilities and fund balance	<u><u>\$ 55,459,721</u></u>

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

CABRILLO COMMUNITY COLLEGE DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Measure D Bond Fund  
For the Year Ended June 30, 2005

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Revenues	
Interest and investment revenue	\$ 1,270,933
Total revenues	<u>1,270,933</u>
Expenditures	
Capital projects	
Building upgrades	1,651,520
Healthcare career training	795,869
Roads and utilities	385,682
Classroom and lab renovations	242,908
Student services	789,052
ADA access and safety	1,027,966
AEC (VAPA)	1,467,195
Equipment purchases	282,699
Total expenditures	<u>6,642,891</u>
Deficiency of revenues over expenditures	(5,371,958)
Other financing sources (uses)	
Operating transfers out	(199,926)
Proceeds from debt issuance	82,256
Total other financing sources (uses)	<u>(117,670)</u>
Revenues and other financing sources over (under) expenditures and other financing sources (uses)	(5,489,628)
Fund balances	
Beginning of year	<u>59,475,419</u>
End of year	<u><u>\$ 53,985,791</u></u>

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

CABRILLO COMMUNITY COLLEGE DISTRICT  
MEASURE D BOND FUND  
Notes to Financial Statements  
June 30, 2005

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1. General Information

The Cabrillo Community College District (the "District") is a political subdivision of the State of California and provides educational services to residents of its service area. The District is currently operating one public community college with the main campus in Aptos, California and operates a satellite campus in Watsonville, California.

Measure D is a facilities and equipment bond measure for the District adopted unanimously by the District Governing Board and passed by voters on March 2, 2004. Measure D provides \$118.5 million financed over a 25-year period, to be sold in series as necessary to fund Measure D projects beginning July 1, 2004. The Board of Supervisors of Santa Cruz County (the "County") is required to levy taxes estimated to be in the range of \$16.00 per \$100,000 of assessed value on property owners within the County for the payment of semi-annual interest on the outstanding bonds and principal when the bonds mature. The District has established a separate capital project fund to account for the activities of the Measure D Bond.

2. Significant Accounting Policies

Basis of presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The accompanying financial statements include only the Measure D Bond Fund of the Cabrillo Community College District.

Basis of accounting

Basis of accounting refers to the timing of when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

The Measure D Bond Fund is a governmental fund type. Governmental fund types are generally accounted for using the modified accrual basis of accounting; whereby revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered).

CABRILLO COMMUNITY COLLEGE DISTRICT  
MEASURE D BOND FUND  
Notes to Financial Statements  
June 30, 2005

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2. Significant Accounting Policies (continued)

Measurement focus - fixed assets and long-term debt

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

Cash and cash equivalents

The District considers all short-term highly liquid investments with original maturity dates of three months or less to be cash equivalents. Funds invested in the County Treasurer's investment pool are considered cash equivalents.

Fund balance

The fund balance represents amounts reserved for expenditure on Measure D approved projects.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, in the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results may differ from those estimates.

CABRILLO COMMUNITY COLLEGE DISTRICT  
MEASURE D BOND FUND  
Notes to Financial Statements  
June 30, 2005

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3. Cash and Equivalents

Cash and equivalents at June 30, 2005 consisted of the following:

Pooled funds	
Cash in County Treasury	<u>\$55,459,721</u>
Total cash and cash equivalents	<u>\$55,459,721</u>

As provided for by the *Education Code*, Section 41001, a significant portion of the District's cash balances are deposited with the Santa Cruz County Treasurer for the purpose of increasing interest earnings through County investment activities. Interest earned on such pooled cash balances is distributed to the participating funds based upon each fund's average cash balance during the distribution period.

The *California Government Code*, Sections 16520 - 16522, requires California banks and savings and loan associations to secure the District's deposits, in excess of federal depository insurance requirements, by pledging government securities as collateral. The market value of pledged securities must equal 110 percent of an agency's deposits. Alternatively, California law also allows financial institutions to secure an agency's deposits by pledging first deed of trust mortgage notes having a value of 150 percent of an agency's total deposits, and this collateral is considered to be held in the name of the District. All of the District's cash held by financial institutions is insured or collateralized as of June 30, 2005.

Under provision of the District's investment policy, and in accordance with Sections 53601 and 53602 of the California Government Code, the District may invest in the following types of investments:

- Securities of the U.S. Government, or its agencies
- Small Business Administration Loans
- Negotiable Certificates of Deposit
- Bankers' Acceptances
- Commercial Paper
- Local Agency Investment Fund (State Pool) Deposits
- Passbook Savings Account Demand Deposits
- Repurchase Agreements

4. Bonds Payable

On March 2, 2004, \$118,500,000 of general obligation bonds were authorized by voters in an election held within the Cabrillo Community College District. The proceeds of the bonds will be used to upgrade, acquire, construct, and equip various District facilities, and repaid through *ad valorem* taxes. On June 2, 2004, the District issued Series A of the bonds totaling \$59,997,760 at an average interest rate of 3.88%.

CABRILLO COMMUNITY COLLEGE DISTRICT  
 MEASURE D BOND FUND  
 Notes to Financial Statements  
 June 30, 2005

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4. Bonds Payable (continued)

The bonds mature as follows:

<u>Year(s) Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 485,000	\$ 2,852,756	\$ 3,337,756
2007	1,390,000	2,827,056	4,217,056
2008	1,600,000	2,782,206	4,382,206
2009	425,000	2,751,566	3,176,566
2010	570,000	2,734,950	3,304,950
2011-2015	5,445,000	13,090,819	18,535,819
2016-2020	11,420,000	10,997,006	22,417,006
2021-2025	20,035,000	7,100,625	27,135,625
2026-2028	<u>18,627,760</u>	<u>7,353,240</u>	<u>25,981,000</u>
Totals	<u>\$59,997,760</u>	<u>\$52,490,224</u>	<u>\$112,487,984</u>

5. Interfund Transactions

Balances due to other funds of \$1,190,265 relate primarily to amounts payable to reimburse other funds for Measure D qualifying expenditures initially paid by those funds.

6. Commitments and Contingencies

As part of tax laws surrounding tax-exempt bonds, investment earnings, with certain adjustments, on unexpended bond proceeds are limited to the interest rate paid on the bond debt. Arbitrage (i.e., excess investment earnings) is required to be rebated to the Federal government every five years for as long as the bonds are outstanding. At June 30, 2005, there is no arbitrage liability to be recorded.