

**CABRILLO  
COMMUNITY  
COLLEGE DISTRICT**

**CAPITAL OUTLAY –  
BOND FUND  
FINANCIAL REPORT**

**JUNE 30, 2006**

# Financial Report

# CABRILLO COMMUNITY COLLEGE DISTRICT

## CAPITAL OUTLAY – BOND FUND

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JUNE 30, 2006

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INDEPENDENT AUDITORS' REPORT

Measure D Citizens' Oversight Committee  
Cabrillo Community College District  
Aptos, California

We have audited the accompanying financial statements of the capital outlay - bond fund of the Cabrillo Community College District, as of and for the year ended June 30, 2006, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the capital outlay - bond fund and are not intended to present fairly the financial position and results of operations of the Cabrillo Community College District 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 capital outlay - bond fund of the Cabrillo Community College District at June 30, 2006, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Vavrinek, Trine, Day & Co LLP*

Pleasanton, California  
November 17, 2006

CABRILLO COMMUNITY COLLEGE DISTRICT

CAPITAL OUTLAY - BOND FUND  
BALANCE SHEET  
JUNE 30, 2006

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ASSETS

Investments	\$ 41,662,562
Total Assets	<u>\$ 41,662,562</u>

LIABILITIES AND FUND EQUITY

LIABILITIES

Accounts payable	\$ 671,517
Due to other funds	2,643,119
Total Liabilities	<u>3,314,636</u>

FUND EQUITY

Fund balances	
Unreserved	
Undesignated	<u>38,347,926</u>
Total Liabilities and Fund Equity	<u>\$ 41,662,562</u>

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

**CABRILLO COMMUNITY COLLEGE DISTRICT**

**CAPITAL OUTLAY – BOND FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2006**

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REVENUES

Interest and investment earnings \$ 2,038,212

EXPENDITURES

Facility acquisition and construction

Summer '05 space reallocation	558,707
HVAC 400 B study	404,302
Student services complex	7,121,692
VAPA complex	5,049,079
Health and wellness	223,265
Allied health parking	3,820,276
Other expenses	<u>347,944</u>
Total Expenditures	<u>17,525,265</u>

EXCESS OF REVENUES OVER/  
(UNDER) EXPENDITURES (15,487,053)

OTHER FINANCING SOURCES/(USES)

Operating transfers out	<u>(150,812)</u>
Total Other Financing Sources (Uses)	<u>(150,812)</u>

EXCESS OF REVENUES AND OTHER  
FINANCING SOURCES OVER/(UNDER)  
EXPENDITURES AND OTHER USES (15,637,865)

FUND BALANCE, BEGINNING OF YEAR 53,985,791

FUND BALANCE, END OF YEAR \$ 38,347,926

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

# CABRILLO COMMUNITY COLLEGE DISTRICT

## CAPITAL OUTLAY – BOND FUND NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

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### *NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

The accounting policies of the Cabrillo Community College District capital outlay - bond fund conforms to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants. The Cabrillo Community College District capital outlay - bond fund accounts for financial transactions in accordance with the policies and procedures of the California College Budget and Accounting Manual.

#### **Financial Reporting Entity**

These financial statements were prepared to comply with the requirements of Proposition 39 related to the 55% voter approval requirements for bond issues and include only the capital outlay - bond fund established to account for the expenditures of the general obligation bond approved on March 2, 2004. These financial statements are not intended to present fairly the complete financial position and results of operations of the Cabrillo Community College District in conformity with generally accepted accounting principles.

#### **Fund Accounting**

The District accounts for the capital outlay – bond fund in a fund, which is considered to be a separate accounting entity from all other funds of the District. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance (or retained earnings), revenues, and expenditures (or expenses), as appropriate. District resources are allocated to and accounted for in individual governmental funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

#### **Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses 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.

Governmental funds are generally accounted for using the modified accrual basis of accounting. Their revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered), except for unmatured interest on general long-term debt, which is recognized when due.

#### **Encumbrances**

The District utilizes an encumbrance accounting system under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated when the commitments are paid and all outstanding encumbrances are liquidated at June 30 since they do not constitute expenditures or liabilities.

# CABRILLO COMMUNITY COLLEGE DISTRICT

## CAPITAL OUTLAY – BOND FUND NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

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### Fund Balance Reserves and Designations

Reservations of the ending fund balance indicate the portions of fund balance not available for appropriation or amounts legally segregated for a specific future use. Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period.

### Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. 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 Santa Cruz bills and collects the taxes for the District. The District recognizes tax revenues when received.

### Use of Estimates

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

### NOTE #2 – INVESTMENTS

**Investments Authorized Under Debt Agreements** - The debt agreement limits investments to the Santa Cruz County Investment Pool. The Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment In One Issuer</u>
County Pooled Investment Funds	N/A	None	None

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

**CABRILLO COMMUNITY COLLEGE DISTRICT**

**CAPITAL OUTLAY – BOND FUND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

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**Interest Rate Risk** - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Capital Outlay Bond Fund and the District manages exposure to interest rate risk by depositing substantially all of its funds in the County Treasury Pool. The fair value of deposits at the County Treasury at June 30, 2006 was \$41,631,439 and the weighted average maturity of the pool is 217 days.

**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 measure by the assignment of a rating by a nationally recognized statistical rating organization. The Capital Outlay Bond Fund only invests in County Pooled Investment Funds which are not required to be rated.

**Custodial Credit Risk – Deposits** - This is the risk that in the event of a bank failure, the Capital Outlay Bond Fund or District's deposits may not be returned to it. The Capital Outlay Bond Fund does not have any deposits subject to custodial credit risk.

*NOTE #3 – INTERFUND TRANSACTIONS*

Interfund Receivable/Payables (Due To/Due From)

The amount of interfund payable due to the General Fund at June 30, 2006, is \$2,643,119 and is related to project cost related to the bond.

Operating transfers

Operating transfers out to the General Fund Unrestricted at June 30, 2006 were \$150,812 to reimburse the general fund for costs of repairs to classrooms and student services buildings.

*NOTE #4 – ACCOUNTS PAYABLE*

Accounts payable at June 30, 2006, consists of the following:

Vendors	<u>\$ 671,518</u>
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*NOTE #5 – FUND BALANCES*

Fund balances are composed of the following elements:

Unreserved	
Undesignated	<u>\$ 38,347,925</u>

# CABRILLO COMMUNITY COLLEGE DISTRICT

## CAPITAL OUTLAY – BOND FUND NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

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### *NOTE #6 – COMMITMENTS AND CONTINGENCIES*

As of June 30, 2006, the bond fund had the following commitments with respect to unfinished capital projects:

<u>Description</u>	<u>Amount</u>
Arts education classroom	\$ 33,923,260
Allied health building	17,347,581
Allied health parking structure	6,267,109
Student services complex	10,344,028
Stadium bathroom renovation	18,383
Building upgrades	7,513,494
ADA accessibility	1,050,573
Total	<u>\$ 76,464,428</u>

## Agreed-Upon Procedures

**CABRILLO COMMUNITY  
COLLEGE DISTRICT**

**3 CAPITAL OUTLAY – BOND FUND  
PERFORMANCE REPORT**

**JUNE 30, 2006**



INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Measure D Citizens' Oversight Committee
Cabrillo Community College District
Aptos, California

We have performed the agreed-upon procedures listed below, which were agreed to by the management of the Cabrillo Community College District and the Measure D Citizen's Oversight Committee, solely to review at least 25% of the expenditures of the 2004 General Obligation Bond funds for the period of July 1, 2005 through June 30, 2006 for the purpose of verifying if the use of the funds is within the scope of the published materials specifying the intended use of bond funds.

Financial Summary

- 1. The 2004 general obligation bond was authorized at an election of the registered voters of the District held on March 2, 2004. The bond was authorized at an issuance of \$118,500,000 principal amount for the purpose of raising money to be used to upgrade, acquire, construct, and equip community college facilities. \$59,997,760 of the principal amount had been issued by June 30, 2006.
2. Total expenditures and encumbrances through June 30, 2006, were \$101,241,889.

Table with 4 columns: Expenditures, Prior Periods, 7/1/05 to 6/30/2006, Total. Rows include Non Instructional Salaries, Employee Benefits, Supplies and Materials, Other Operating Expenses, Capital Outlay, Total expenditures, Other uses of funds, Transfer to other funds, Total expenditures and other uses, Contract commitments, June 30, 2006, Total expenditures and commitments.

3. Proceeds available for expenditure are as follows:

	Prior Periods	7/1/05 to 6/30/2006	Total
Net available proceeds for construction	\$ 59,997,760	\$ -	\$ 59,997,760
Interest earned	1,089,414	2,038,212	3,127,626
Total revenues received	<u>\$ 61,087,174</u>	<u>\$ 2,038,212</u>	63,125,386
Total expenditures and commitments			(101,241,889)
Amount available			<u>\$ (38,116,503)</u>

*Agreed Upon Procedures Performed*

1. Verify that the expenditure of funds was accounted for separately in the accounting records to allow for accountability.
2. Verify that the net funds from the sale of the General Obligation Bonds were deposited in total into the District's accounts by obtaining settlement statement for the new bond issue and verifying amounts deposited into the building and bond interest and redemption funds.
3. Select 25% of the expenditures and verify that the funds expended complied with the purpose that was specified to the registered voters of the District through election materials, district resolutions, and master plan. See supplemental information for list of expenditures reviewed.
4. Verify that the State and District policies were followed in the awarding of bids and expenditure of the funds.

*Results of Procedures*

1. The general obligations bond fund expenditures were accounted for separately in the capital outlay - bond fund of the District.
2. There were no bonds sold during the year.
3. Our review of the expenditures for the period July 1, 2005, through June 30, 2006, did not reveal any items that were paid from the general obligation bond funds that did not comply with the purpose of the Bonds as approved by the registered voters of the District on March 2, 2004.
4. Our review of the policies over awarding of contracts revealed no exceptions to the policies of the District or the requirements of the State as they relate to awarding of contracts. Our review of the District policies over disbursement of funds revealed no exceptions to the disbursement policies of the District.

We were not engaged to, and did not; conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Cabrillo Community College District and the Measure D Fiscal Oversight Committee and is not intended to be and should not be used by anyone other than those specified parties.

*Vavrinek, Trine, Day, & Co LLP*  
Pleasanton, California  
November 17, 2006

CABRILLO COMMUNITY COLLEGE

2004 BOND  
 INVOICES SELECTED  
 FOR THE YEAR ENDED JUNE 30, 2006

Invoice Date	Vendor/Description	Project Number	Amount	Location Coding	Authorized by Exhibit B of Election Doc	Traced to Bond Project General Ledger
V0181992	Zolman Construction & Development	9306	\$ 412,200	49-0-9306-7100-562000-531	✓	✓
8/15/2005	Student Activities Center					
V0190643	Christie Constructors Inc.	9306	607,500	49-0-9306-7100-562000-531	✓	✓
10/26/2005	Student Activities Center					
V0196853	Christie Constructors Inc.	9306	519,039	49-0-9306-7100-562000-531	✓	✓
1/24/2006	Student Activities Center					
V0202618	Zolman Construction & Development	9306	230,895	49-0-9306-7100-562000-531	✓	✓
3/8/2006	Student Activities Center					
V0206988	Christie Constructors Inc.	9306	574,173	49-0-9306-7100-562000-531	✓	✓
4/24/2006	Student Activities Center					
V0205703	Bogard & Kitchell	9315	275,545	49-0-9315-7100-551672-534	✓	✓
4/5/2006	Arts Education Classroom Pre-construction Services					
V0185936	Mcquire & Hester	9315	658,800	49-0-9315-7100-561200-534	✓	✓
9/21/2006	Arts Education Classroom					
V0213882	Nibbi Brothers Construction	9315	263,956	49-0-9315-7100-551672-534	✓	✓
6/29/2006	Arts Education Classroom					
V0213278	Taisei Construction Corporation	9358	849,919	49-0-9358-6950-562000-544	✓	✓
6/30/2006	Allied Health Parking Structure and Sitework					
V0205709	HGA, Inc.	9315	50,870	49-0-9315-7100-551677-534	✓	✓
4/5/2006	Professional Services (Arts Education Classroom)					
V0195990	Ac Martin Partner, Inc.	9315	40,320	49-0-9358-6950-551677-544	✓	✓
1/9/2006	Professional Services (Arts Education Classroom)					
V0193090	Taisei Construction Corporation	9358	890,128	49-0-9358-6950-562000-544	✓	✓
11/21/2005	Allied Health Parking Structure and Sitework					

**CABRILLO COMMUNITY COLLEGE**

**2004 BOND  
INVOICES SELECTED  
FOR THE YEAR ENDED JUNE 30, 2006**

V0213879	6/29/2006	Geo. H. Wilson, Inc.	9306	83,946	49-0-9306-7100-562000-531	✓	✓
		Student Activities Center					
V0185554	9/19/2005	ISEC	9306	56,757	49-0-9306-7100-562000-531	✓	✓
		Student Activities Center					
V0209706	5/30/2006	J. W. Mcclenahan Co.	9315	57,067	49-0-9315-7100-562000-534	✓	✓
		Arts Education Classroom					
V0206986	4/24/2006	Best Roofing & Waterproofing Inc.	9315	32,175	49-0-9315-7100-562000-534	✓	✓
		Arts Education Classroom					
V0209726	5/30/2006	Bogard & Kitchell	9315	38,703	49-0-9306-7100-551672-531	✓	✓
		Professional Services (Arts Education Classroom)					
V0213876	5/24/2006	RMW Architecture & Interiors	9344	57,184	49-0-9344-7100-551677-544	✓	✓
		Allied Health & Wellness Center					
				<u>\$ 5,699,177</u>			