

**CABRILLO
COMMUNITY
COLLEGE DISTRICT**

**2004 BOND FUND
RESOURCES
FINANCIAL REPORT**

JUNE 30, 2007

CABRILLO COMMUNITY COLLEGE DISTRICT

2004 BOND FUND RESOURCES

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JUNE 30, 2007

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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 2004 bond fund resources of the Cabrillo Community College District, as of and for the year ended June 30, 2007, 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 2004 bond fund resources 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 2004 bond fund resources of the Cabrillo Community College District at June 30, 2007, 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
January 28, 2008

CABRILLO COMMUNITY COLLEGE DISTRICT

2004 BOND FUND RESOURCES

BALANCE SHEET

JUNE 30, 2007

ASSETS

Investments \$ 75,004,505

LIABILITIES AND FUND EQUITY

LIABILITIES

Accounts payable \$ 744,801

Due to other funds 2,545,731

Total Liabilities 3,290,532

FUND EQUITY

Fund balances

Unreserved

Undesignated 71,713,973

Total Liabilities

and Fund Equity \$ 75,004,505

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

CABRILLO COMMUNITY COLLEGE DISTRICT

2004 BOND FUND RESOURCES STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED JUNE 30, 2007

REVENUES

Interest and investment earnings	<u>\$ 2,032,115</u>
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EXPENDITURES

Facility acquisition and construction	
Stadium	194,513
Student services complex	6,937,671
VAPA complex	12,827,023
Health and wellness	881,685
Allied health parking	6,102,661
Other expenses	281,013
Total Expenditures	<u>27,224,566</u>

EXCESS OF REVENUES OVER/

(UNDER) EXPENDITURES	<u>(25,192,451)</u>
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OTHER FINANCING SOURCES/(USES)

Operating transfers In	59,993
Proceeds from issuance of bonds	58,498,505
Total Other Financing Sources (Uses)	<u>58,558,498</u>

EXCESS OF REVENUES AND OTHER

FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	33,366,047
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FUND BALANCE, BEGINNING OF YEAR	38,347,926
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FUND BALANCE, END OF YEAR	<u><u>\$ 71,713,973</u></u>
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The accompanying notes are an integral part of these financial statements.

CABRILLO COMMUNITY COLLEGE DISTRICT

2004 BOND FUND RESOURCES NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Cabrillo Community College District 2004 bond fund resources conform 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 2004 bond fund resources account 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 2004 bond fund resources 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 2004 bond fund resources in a fund, and further separates into resources, which are considered to be a separate accounting entity from all other funds of the District. The operations of each fund and resource 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

**2004 BOND FUND RESOURCES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

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 2004 Bond Fund Resources 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

**2004 BOND FUND RESOURCES
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JUNE 30, 2007**

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 2004 Bond Fund Resources 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, 2007 was \$74,974,503 and the weighted average maturity of the pool is 0.69 years.

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 2004 Bond Fund Resources only invest 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 2004 Bond Fund Resources or District’s deposits may not be returned to it. The 2004 Bond Fund Resources do 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, 2007, is \$2,545,731 and is related to the payment of invoices for bond project costs.

Operating transfers

Operating transfers in from the General Fund Unrestricted at June 30, 2007 were \$59,993 and were for reimbursement of prior year costs paid for by the Bond fund.

NOTE #4 – ACCOUNTS PAYABLE

Accounts payable at June 30, 2007, consists of the following:

Vendors	\$ 671,307
Bond interest payable to Internal Revenue Service for arbitrage	73,494
Total	<u>\$ 744,801</u>

CABRILLO COMMUNITY COLLEGE DISTRICT

**2004 BOND FUND RESOURCES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE #5 -- FUND BALANCES

Fund balances are composed of the following elements:

Unreserved	
Undesignated	<u>\$ 71,713,973</u>

NOTE #6 -- COMMITMENTS AND CONTINGENCIES

As of June 30, 2007, the bond fund had the following commitments with respect to unfinished capital projects:

<u>Description</u>	<u>Amount</u>
Arts education classroom	\$ 23,777,464
Allied health building	16,514,884
Allied health parking structure	345,293
Student services complex	4,655,863
Stadium bathroom renovation	36,870
Building upgrades	1,910,748
ADA accessibility	904,006
Total	<u>\$ 48,145,128</u>