

**CABRILLO  
COMMUNITY  
COLLEGE DISTRICT**

**2004 BOND FUND  
RESOURCES  
FINANCIAL REPORT**

**JUNE 30, 2010**

# CABRILLO COMMUNITY COLLEGE DISTRICT

## 2004 BOND FUND RESOURCES

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JUNE 30, 2010

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VAVRINEK, TRINE, DAY  
& COMPANY, LLP  
*Certified Public Accountants*

VALUE THE DIFFERENCE

## 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, 2010, 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, 2010, 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  
December 30, 2010

**CABRILLO COMMUNITY COLLEGE DISTRICT**

**2004 BOND FUND RESOURCES  
BALANCE SHEET  
JUNE 30, 2010**

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ASSETS

Investments	\$ 16,939,794
Due from other funds	1,862,755
Total Assets	<u>\$ 18,802,549</u>

LIABILITIES AND FUND EQUITY

LIABILITIES

Accounts payable	\$ 1,355,132
Due to other funds	873,433
Total Liabilities	<u>2,228,565</u>

FUND EQUITY

Fund balances	
Unreserved	
Undesignated	<u>16,573,984</u>
Total Liabilities and Fund Equity	<u>\$ 18,802,549</u>

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, 2010**

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REVENUES	
Interest and investment earnings	<u>\$ 134,483</u>
EXPENDITURES	
Facility acquisition and construction	
Watsonville expansion	243,127
Stadium ADA seating	50,191
Building 300 remodel	392,149
Student services complex	771,918
VAPA complex	6,586,058
Signage	58,513
Health and wellness	6,553,264
Other expenses	25,899
Total Expenditures	<u>14,681,119</u>
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	(14,546,636)
FUND BALANCE, BEGINNING OF YEAR	<u>31,120,620</u>
FUND BALANCE, END OF YEAR	<u>\$ 16,573,984</u>

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, 2010

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### *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. In other words, the District is committed or intends to purchase goods or services which have not yet been received. The encumbrance represents a “placeholder” that helps ensure that the budgeted funds for these commitments are not spent elsewhere. 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, 2010

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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 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 NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

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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 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, 2010 was \$16,968,592 and the weighted average maturity of the pool is 0.67 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, 2010, is \$873,433 and is related to the payment of invoices for bond project costs. The amount of interfund payables due from the General Fund at June 30, 2009 is \$1,862,755 and is related to contributions from other funds for capital outlay and deferred maintenance projects.

### *NOTE #4 – ACCOUNTS PAYABLE*

Accounts payable at June 30, 2010, consists of the following:

Vendors	\$ 1,281,638
Bond interest payable to Internal Revenue Service for arbitrage	73,494
Total	<u>\$ 1,355,132</u>

# CABRILLO COMMUNITY COLLEGE DISTRICT

## 2004 BOND FUND RESOURCES NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

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### NOTE #5 – FUND BALANCES

Fund balances are composed of the following elements:

Unreserved	
Undesignated	<u>\$ 16,573,984</u>

### NOTE #6 – COMMITMENTS AND CONTINGENCIES

As of June 30, 2010, the bond fund had the following commitments with respect to unfinished capital projects:

Description	Amount	Expected Construction Completion Date
Health and Wellness	\$ 903,294	Spring 2010
AEC	182,954	Aug-09
Watsonville	167,938	Fall 2011
Building 300 Remodel	672,585	Spring 2011
Student Services Complex	44,202	Aug-09
Campus signage	21,141	Fall 2011
Other Capital Projects	27,180	Ongoing
	<u>\$ 2,019,294</u>	

### NOTE #7 – SUBSEQUENT EVENTS

Management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements from the balance sheet date through December 30, 2010, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that would have a material impact on the current year financial statements.