CABRILLO COMMUNITY COLLEGE DISTRICT
2004 BOND MEASURE D FUND (MEASURE D)

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JUNE 30, 2012

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INDEPENDENT AUDITORS' REPORT

Governing Board and
Measure D Citizens Oversight Committee
Cabrillo Community College District
Aptos, California

We have audited the accompanying financial statements of the Cabrillo Community College District, 2004 bond fund resources - Measure D fund, as of and for the year ended June 30, 2012, 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 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 - Measure D fund and are not intended to present fairly the financial position and results of operations of Cabrillo Community 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 - Measure D fund of the Cabrillo Community College District at June 30, 2012, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.
In accordance with Government Auditing Standards, we have also issued our report dated January 24, 2013, on our consideration of the District 2004 bond fund resources - Measure D fund’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 should be considered in conjunction with this report in considering the results of our audit.

Vaurinek, Trieu, Day & Co LLP

Pleasanton, California
January 24, 2013
## CABRILLO COMMUNITY COLLEGE DISTRICT
### 2004 BOND FUND RESOURCE (MEASURE D)

## BALANCE SHEET
### JUNE 30, 2012

### ASSETS

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposits and investments</td>
<td>$9,722,103</td>
</tr>
<tr>
<td>Due from other funds</td>
<td>$29,436</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>$9,751,539</strong></td>
</tr>
</tbody>
</table>

### LIABILITIES AND FUND BALANCES

#### LIABILITIES

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>$55,000</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>55,000</strong></td>
</tr>
</tbody>
</table>

#### FUND BALANCES

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restricted</td>
<td>9,696,539</td>
</tr>
<tr>
<td><strong>Total Liabilities and Fund Balances</strong></td>
<td><strong>$9,751,539</strong></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
CABRILLO COMMUNITY COLLEGE DISTRICT
2004 BOND FUND RESOURCE (MEASURE D)

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2012

REVENUES
Interest income and investment earnings $ 123,054

EXPENDITURES
Facility acquisition and construction
Watsonville expansion 1,687,481
Smart Classroom 66,995
Building 300 remodel 479,861
Facilities Development 18,500
VAPA complex (1,919)
Signage 10,511
Health and wellness 167,170
Engineering 79,792
Bond Master Plan 9,450
STEM 242,836
B600 Renovation 6,173
Total Expenditures 2,766,850

NET CHANGE IN FUND BALANCES (2,643,796)
FUND BALANCE - BEGINNING 12,340,335
FUND BALANCE - ENDING $ 9,696,539

The accompanying notes are an integral part of these financial statements.
NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Cabrillo Community College District 2004 bond fund resources - Measure D fund 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 - Measure D fund accounts for financial transactions in accordance with the policies and procedures of the California Community Colleges Budget and Accounting Manual.

Financial Reporting Entity

The financial statements include only the 2004 bond fund resources - Measure D fund of the Cabrillo Community College District used to account for Measure D projects. This Fund was established to account for the expenditures of general obligation bonds issued under the General Obligation Bonds Election of 2004. The authorized issuance amount of the bonds is $118,500,000. The first series of the bonds was issued by June 30, 2006, in the amount of $59,997,760. The second and final series was issued on March 27, 2007, in the amount of $58,498,504. These financial statements are not intended to present fairly the financial position and results of operations of the Cabrillo Community College District in compliance with accounting principles generally accepted in the United States of America.

Fund Accounting

The operations of the 2004 bond fund resources - Measure D fund are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Resources are allocated to and accounted for in the fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Basis of Accounting

The 2004 bond fund resources - Measure D fund is accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. The District's governing board adopts an operating budget no later than July 1 in accordance with State law. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements. The Board revises this budget during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption. The District and the 2004 bond fund resources - Measure D fund employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.
Encumbrances

The District and the 2004 bond fund resources - Measure D fund 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.

Fund Balances - Governmental Funds

As of June 30, 2012, fund balances of the governmental funds are classified as follows:

**Nonspendable** – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

**Restricted** – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

**Committed** – amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the governing board.

**Assigned** – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or chief business officer may assign amounts for specific purposes.

**Unassigned** – all other spendable amounts.

Spending Order

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District and the 2004 bond fund resources - Measure D fund considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District and the 2004 bond fund resources - Measure D fund considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

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 – DEPOSITS AND INVESTMENTS

Policies and Practices

The District and the 2004 bond fund resources - Measure D fund are authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State: U.S. Treasury instrument; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreement; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security, and collateralized mortgage obligations.

Investment in County Treasury

The District and the 2004 bond fund resources - Measure D fund 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 investment in the pool is reported in the accounting financial statement at amounts based upon the pro-rata share of the fairly 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.

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

<table>
<thead>
<tr>
<th>Authorized Investment Type</th>
<th>Maximum Remaining Maturity</th>
<th>Maximum Percentage of Portfolio</th>
<th>Maximum Investment in One Issuer</th>
</tr>
</thead>
<tbody>
<tr>
<td>County Pooled Investment Funds</td>
<td>N/A</td>
<td>None</td>
<td>None</td>
</tr>
</tbody>
</table>

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 is to changes in market interest rates. The District and the 2004 bond fund resources - Measure D fund manage their exposure to interest rate risk by investing in the County Pool. The District and the 2004 bond fund resources - Measure D fund maintain a building fund investment of $9,722,103 with the County of Santa Cruz Investment Pool. The fair value of this investment is approximately $9,735,315 with an average maturity of 399 days.
NOTE 3 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2012, consisted of the following:

Bond interest payable to Internal Revenue Service for arbitrage $ 55,000

NOTE 4 - INTERFUND TRANSACTIONS

The amount of interfund payable due to the General Fund at June 30, 2012, was $29,436 and is related to the reimbursements between the general fund and the bond fund for payment of invoices for bond project costs.

NOTE 5 - COMMITMENTS AND CONTINGENCIES

Construction

As of June 30, 2012, the 2004 bond fund resources - Measure D fund had the following commitments with respect to unfinished capital projects:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
<th>Expected Construction Completion Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Watsonville GTC</td>
<td>106,454</td>
<td>01/31/13</td>
</tr>
<tr>
<td>Building 800 Renovation</td>
<td>4,007,774</td>
<td>12/31/13</td>
</tr>
<tr>
<td>Building 600 Renovation</td>
<td>993,828</td>
<td>12/31/13</td>
</tr>
<tr>
<td>VAPA Remediation</td>
<td>845,605</td>
<td>02/28/14</td>
</tr>
<tr>
<td>Campus Signage</td>
<td>50,926</td>
<td>01/31/14</td>
</tr>
<tr>
<td>Total</td>
<td>6,004,587</td>
<td></td>
</tr>
</tbody>
</table>

Litigation

The District is involved in various litigations arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2012.
INDEPENDENT AUDITORS' REPORT
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Governing Board and Citizens Oversight Committee
Cabrillo Community College District
Aptos, California

We have audited the accompanying financial statements of the Cabrillo Community College District (the District) 2004 bond fund resources - Measure D fund, as of and for the year ended June 30, 2012, and have issued our report thereon dated January 24, 2013. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Cabrillo Community College District's 2004 bond fund resources - Measure D fund’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cabrillo Community College District's 2004 bond fund resources - Measure D fund’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Cabrillo Community College District's 2004 bond fund resources - Measure D fund’s internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cabrillo Community College District 2004 bond fund resources - Measure D fund financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the governing board, management, the California Department of Education, the State Controller's Office, and is not intended to be and should not be used by anyone other than these specified parties.

Pleasanton, California
January 24, 2013
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
None noted
None noted