CABRILLO COMMUNITY COLLEGE DISTRICT

MEASURE D
2004 GENERAL OBLIGATION BONDS
PERFORMANCE AUDIT

JUNE 30, 2013
TABLE OF CONTENTS

Performance Audit

   Independent Auditors' Report

   Authority for Issuance

   Purpose of Issuance

   Authority for the Audit

   Objectives of the Audit

   Scope of the Audit

   Procedures Performed

   Conclusion

   Schedule of Findings

Exhibit A – Schedule of Expenditures Reviewed

Exhibit B – Ballot Measure
INDEPENDENT AUDITORS' REPORT ON PERFORMANCE

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

We were engaged to conduct a performance audit of the Cabrillo Community College 2004 bond fund resources - Measure D fund for the year ended June 30, 2013.

We conducted this performance audit in accordance with the standards applicable to performance 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 sufficient, appropriate evidence to provide a reasonable basis for our conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

Our audit was limited to the objectives listed within the report which includes determining the 2004 bond fund resources - Measure D fund's compliance with the performance requirements as referred to in Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution. Management is responsible for the District's compliance with those requirements.

In planning and performing our performance audit, we obtained an understanding of the 2004 bond fund resources - Measure D fund’s internal control in order to determine if the internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39 and outlined in Article XIII A, Section 1 (b)(3)(C) of the California Constitution. Accordingly, we do not express an opinion on the effectiveness of the 2004 bond fund resources – Measure D fund's internal control.

The results of our tests indicated that the District expended 2004 bond fund resources - Measure D funds only for the specific projects approved by the voters, in accordance with Proposition 39 and outlined in Article XIII A, Section 1 (b)(3)(C) of the California Constitution.

Pleasanton, California
February 24, 2014
AUTHORITY FOR ISSUANCE

The Proposition 39 Bonds are issued pursuant to the Constitution and laws of the State of California (the State), including the provisions of Chapters 1 and 1.5 of Part 10 of the California Education Code, and other applicable provisions of law. The Bonds are authorized to be issued by a resolution adopted by the Board of Supervisors of the County on August 31, 2004 (the Resolution), pursuant to a request of the District made by a resolution adopted by the Board of Education of the District in March 2, 2004.

The District received authorization at an election held on March 2, 2004, to issue bonds of the District in an aggregate principal amount not to exceed $118,500,000, to finance specific construction and renovation projects approved by eligible voters within the District. The proposition required approval by at least 55 percent of the votes cast by eligible voters within the District (the 2004 Authorization). The Bonds represent the first, second, and third series of the authorized bonds to be issued under the 2004 Authorization.

PURPOSE OF ISSUANCE

The net proceeds of the Bonds and any other series of general obligation bonds issued under the Authorization will be used for the purposes specified in the District bond proposition submitted at the Election.

The following is the language from the ballot measure that was approved by the voters:
"To train and prepare students for jobs and transfer to four-year universities and improve safety by providing: Classrooms for healthcare and job training programs; A university and career readiness center; Improved math, science, arts, English and other instructional facilities; and by upgrading, acquiring, constructing, equipping buildings, sites, and classrooms, shall Cabrillo Community College District issue $118,500,000 in bonds, at legal rates, with citizen oversight, guaranteed annual audits and no money for administrators’ salaries."

AUTHORITY FOR THE AUDIT

On November 7, 2000, California voters approved Proposition 39, the Smaller Classes, Safer Schools and Financial Accountability Act. Proposition 39 amended portions of the California Constitution to provide for the issuance of general obligation bonds by school districts, community college districts, or county offices of education, "for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of rental property for school facilities", upon approval by 55 percent of the electorate. In addition to reducing the approval threshold from two-thirds to 55 percent, Proposition 39 and the enacting legislation (AB 1908 and AB 2659) requires the following accountability measures as codified in Education Code sections 15278-15282:

1. Requires that the proceeds from the sale of the bonds be used only for the purposes specified in Article XIII A, Section 1(b)(3)(C) of the California Constitution, and not for any other purpose, including teacher and administrator salaries and other school operating expenses.

2. The District must list the specific facilities projects to be funded in the ballot measure, and must certify that the governing board has evaluated safety, class size reduction and information technology needs in developing the project list.
3. Requires the District to appoint a citizen's oversight committee.

4. Requires the District to conduct an annual independent financial audit and performance audit in accordance with the Government Auditing Standards issued by the Comptroller General of the United States of the bond proceeds until all of the proceeds have been expended.

5. Requires the District to conduct an annual independent performance audit to ensure that the funds have been expended only on the specific projects listed.

**OBJECTIVES OF THE AUDIT**

1. Determine whether expenditures charged to the Measure D Fund have been made in accordance with the bond project list approved by the voters through the approval of Proposition 39.

2. Determine whether salary transactions, charged to the Measure D Fund were in support of Proposition 39 and not for District general administration or operations.

**SCOPE OF THE AUDIT**

The scope of our performance audit covered the period of July 1, 2012 to June 30, 2013. The population of expenditures tested included all object and project codes associated with the bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other State or local funding sources, other than proceeds of the bonds, were not included within the scope of the audit. Expenditures incurred subsequent to June 30, 2013 were not reviewed or included within the scope of our audit or in this report.

**PROCEDURES PERFORMED**

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2013 for the 2004 bond fund resources - Measure D fund. Within the fiscal year audited, we obtained the actual invoices and other supporting documentation for a sample of expenditures to ensure compliance with the requirements of Article XIII A, Section 1(b)(3)(C) of the California Constitution and Proposition 39 as to the approved bond projects list. We performed the following procedures:

1. We selected a sample of expenditures for the period starting July 1, 2012 and ending June 30, 2013, and reviewed supporting documentation to ensure that such funds were properly expended on the specific projects listed in the ballot text.

2. Our sample included transactions totaling $1,790,494. This represents 50 percent of the total expenditures of $3,583,462, including expenditures related to transferred funds.

3. We verified that funds from the 2004 bond fund resources - Measure D fund were generally expended for the construction, renovation, furnishing and equipping of District facilities constituting authorized bond projects. In addition, we verified that funds held in the 2004 bond fund resources - Measure D fund were used for salaries of administrators only to the extent they perform administrative oversight work on construction projects as allowable per Opinion 04-110 issued on November 9, 2004 by the State of California Attorney General.
CONCLUSION

The results of our tests indicated that, in all significant respects, the Cabrillo Community College District has properly accounted for the expenditures held in the 2004 bond fund resources - Measure D fund and those expenditures were made for authorized Bond projects.
None reported.
<table>
<thead>
<tr>
<th>Date Paid</th>
<th>Voucher #</th>
<th>Vendor's Invoice #</th>
<th>Payee</th>
<th>Amount</th>
<th>Project #</th>
<th>Account Number</th>
<th>Expenditure Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>10/9/2012</td>
<td>0436802</td>
<td>17826-0</td>
<td>Place Art &amp; Office Supply</td>
<td>29,283.38</td>
<td>9281</td>
<td>47-0-9281-6510-545300-543</td>
<td>Classroom desks and chairs for smart classroom project</td>
</tr>
<tr>
<td>10/22/2012</td>
<td>0439338</td>
<td>7220</td>
<td>VBN Corporation</td>
<td>11,169.00</td>
<td>9279</td>
<td>49-0-9279-6510-561677-540</td>
<td>600 Bldg-Chem/Bio Lab Renovation Project-architect to 8/31/2012</td>
</tr>
<tr>
<td>10/24/2012</td>
<td>0440479</td>
<td>P884505&amp; Q376231</td>
<td>CDW-G</td>
<td>54,899.61</td>
<td>9024</td>
<td>47-0-9024-7100-564138-525</td>
<td>Servers</td>
</tr>
<tr>
<td>11/14/2012</td>
<td>0441948</td>
<td>12060-04</td>
<td>Craig Bagley</td>
<td>12,496.37</td>
<td>4675</td>
<td>47-0-4675-6510-561670-050</td>
<td>Plan check, abatement &amp; bidding phase-Bldg 800 Renovations-Oct 2012</td>
</tr>
<tr>
<td>2/11/2013</td>
<td>0448727</td>
<td>20025102</td>
<td>STV Incorporated</td>
<td>33,507.00</td>
<td>9279</td>
<td>49-0-9279-6510-561677-540</td>
<td>600 Bldg-Chem/Bio Lab Renovation Project-architect to 12/31/2012</td>
</tr>
<tr>
<td>2/19/2013</td>
<td>0449025</td>
<td>2</td>
<td>Larry S Kent Construction</td>
<td>249,862.58</td>
<td>4675</td>
<td>47-0-4675-6510-566350-050</td>
<td>Bldg 800 - to 1/31/13</td>
</tr>
<tr>
<td>4/16/2013</td>
<td>0458821</td>
<td>12060-09</td>
<td>Craig Bagley</td>
<td>12,303.05</td>
<td>4675</td>
<td>47-0-4675-6510-561670-050</td>
<td>Architect - Bldg 800 Renovations - to 3/31/2013</td>
</tr>
<tr>
<td>5/20/2013</td>
<td>0461320</td>
<td>5</td>
<td>Larry S Kent Construction</td>
<td>410,323.25</td>
<td>4675</td>
<td>47-0-4675-6510-566350-050</td>
<td>Bldg 800 - to 4/30/13</td>
</tr>
<tr>
<td>6/29/2013</td>
<td>0464976</td>
<td>12060-12</td>
<td>Craig Bagley</td>
<td>8,283.96</td>
<td>4675</td>
<td>47-0-4675-6510-561670-050</td>
<td>Architect - Bldg 800 Renovations - to 6/30/13</td>
</tr>
<tr>
<td>6/30/2013</td>
<td>J039827</td>
<td>2</td>
<td>Larry S Kent Construction</td>
<td>375,013.51</td>
<td>4675</td>
<td>47-0-4675-6510-566350-050</td>
<td>Bldg 600 - to 6/30/13</td>
</tr>
</tbody>
</table>

Total 1,790,493.94
VOTER INFORMATION PAMPHLET
MEASURES, ANALYSES AND ARGUMENTS
(whichever is applicable to your ballot)
Arguments in support of, or in opposition to, the proposed laws are the opinions of the authors.

EXHIBIT B - BALLOT MEASURE

Cabrillo College Improvement Measure: To train and prepare students for jobs and transfer to four-year universities and improve safety by providing: Classrooms for healthcare and job training programs; a university and career readiness center; improved math, science, arts, English and other instructional facilities; and by upgrading, acquiring, constructing, equipping buildings, sites and classrooms, shall Cabrillo Community College District issue $118,500,000 in bonds, at legal rates, with citizen oversight, guaranteed annual audits and no money for administrators’ salaries?

FULL TEXT OF BALLOT MEASURE D
OF THE CABRILLO COMMUNITY COLLEGE DISTRICT
BOND MEASURE ELECTION MARCH 2, 2004

The following is the full proposition presented to the voters of the Cabrillo Community College District.

*Cabrillo College Improvement Measure: To train and prepare students for jobs and transfer to four-year universities and improve safety by providing:*
- Classrooms for healthcare and job training programs;
- A university and career readiness center;
- Improved math, science, arts, English and other instructional facilities;
- and by upgrading, acquiring, constructing, equipping buildings, sites and classrooms, shall Cabrillo Community College District issue $118,500,000 in bonds, at legal rates, with citizen oversight, guaranteed annual audits and no money for administrators’ salaries?*

Bonds – Yes  Bonds – No

PROJECTS

The Board of Trustees of the Cabrillo Community College District Governing Board evaluated the District's urgent and critical facility needs, including demands for healthcare job training, other career preparation programs, enrollment growth, safety issues, energy cost reduction and Information and computer technology. In developing the scope of projects to be funded, as outlined in the Cabrillo College Facility Master Plan, approved by the Governing Board as last amended on November 3, 2003, incorporated herein, and shall be further amended from time to time. In developing the scope of projects the faculty, staff and students have prioritized the key job training, health and safety needs and enrollment demands so the most critical needs are addressed. The Board conducted independent facilities evaluations and received public input and review in developing the scope of college facility projects to be funded, as listed in the Facility Master Plan, as amended, which was unanimously approved by the Governing Board. This input of faculty, community and business leaders concluded that if these needs were not addressed now, the problems would only get worse. The Facility Master Plan reflects seven important determinations:

(i) In tough economic times community colleges, including Cabrillo College, are critically important to re-train people who want to expand their job skills;
(ii) Cabrillo College must provide more classrooms for healthcare job training programs such as nursing, dental hygiene and medical assistant training to meet the increasing healthcare needs of the community;
(iii) Statewide budget cuts are damaging Cabrillo College’s ability to provide a high-quality affordable education for local students;
(iv) Cabrillo College must provide facilities and classes for academic programs for students who want to transfer to four-year universities;
(v) Cabrillo College must provide facilities and programs that expand access to English, reading, math, science, arts, and language classes;
(vi) Cabrillo College must provide expanded classrooms in the Watsonville areas to increase student access to job training and university prep classes;
(vii) It would be less expensive to construct, upgrade and repair aging community college buildings and classrooms now, than in the future.

The Facility Master Plan, and the November 3, 2003 amendment are on file at the District Office of the Superintendent/President, and include the following projects:

**CABRILLO COLLEGE**
- Repair, Upgrade, and/or Replace. Obsolete Classrooms, Science and Computer Labs, Instructional Facilities, Sites and Utilities:
  - Repair; upgrade and/or replace deteriorating plumbing, electrical systems, wiring, unsanitary and run down bathrooms, heating, ventilation and cooling systems, security systems, science laboratories and other instructional facilities; wire classrooms for computers and technology, increase safety, increase energy efficiency, reduce fire hazards, reduce operating costs so more classes and job training can be offered, improve academic instruction, and meet legal requirements for disabled access.
- Expand Classroom Capacity in Watsonville:
  - Increase student access to job training and university prep classes at Cabrillo College's Watsonville campus;
  - Acquire, construct or upgrade facilities, sites and classrooms.
- Construct Health Care Job Training Center and Cabrillo Stroke Center:
  - Expand health care training, classrooms and facilities for nursing, dental hygiene, radiology, and medical assistance programs; construct upgraded and expanded Cabrillo College Stroke Center with state of the art facilities and access to other health services.
- Improve Emergency Access and Evacuation Routes:
  - To improve student safety, improve campus road network and surfacing, improve pedestrian safety and increase access for emergency vehicles, construct pedestrian bridges over Soquel Avenue, add parking (to get cars off neighborhood streets), accommodate student access.
VOTER INFORMATION PAMPHLET
MEASURES, ANALYSES AND ARGUMENTS

(whichever is applicable to your ballot)
Arguments in support of, or in opposition to, the proposed laws are the opinions of the authors.

- **Expand Classroom and Facility Capacity:**
  - Increase classroom capacity for academic classes and job training, including nursing, emergency medical, math, science labs, English, arts, reading, digital, professional, fine and performing arts classes and labs; provide educational classrooms in Scott's Valley area.

- **Upgrade, Repair, Equip, Construct and/or Expand Student Services Building:**
  - Upgrade, repair, equip, and construct and/or expand student services buildings to include academic advising centers, university and career readiness services, career guidance, job placement, computer hook-up and study areas, and other student support.

- **Refinance Existing Lease Obligations related to Classrooms, Facilities, Laboratories and Equipment:**
  - This refinancing will lower interest rates, save college expenses and increase funds available for instruction.

- **Repair, Replace and Upgrade Electrical and Mechanical Systems to Reduce Energy Consumption and Utility Bills.**

- **Safety Improvements:**
  - Upgrade existing fire alarms, sprinklers, smoke detectors, intercoms and fire doors; install security systems, exterior lighting, emergency lighting, door locks and fences.

Listed building, repair, and rehabilitation projects and upgrades will be completed as needed. Each project is assumed to include its share of furniture, equipment, architectural, engineering, and similar planning costs, construction management, and a customary contingency for unforeseen design and construction costs. The allocation of bond proceeds will be affected by the District's receipt of State bond funds and the final costs of each project. The budget for each project is an estimate and may be affected by factors beyond the District's control. The final cost of each project will be determined as plans are finalized, construction bids are awarded, and projects are completed.

The bond program is designed to provide facilities which will serve current and expected enrollment. In the event of an unexpected slowdown in enrollment of students at Cabrillo College, or its several outreach centers, certain of the projects described above will be delayed or may not be completed. In such cases, bond money will be spent only on the most essential of the projects listed above. The District will work with the Citizens' Oversight Committee on prioritizing those projects in the event factors beyond the District's control require that projects be reconsidered.

**FISCAL ACCOUNTABILITY.** The expenditure of bond money on these projects is subject to stringent financial accountability requirements. By law, performance and financial audits will be performed annually, and all bond expenditures will be monitored by an independent Citizens' Oversight Committee to ensure that funds are spent as promised and specified. The Citizens' Oversight Committee must include, among others, representation of a bona fide taxpayers association, a business organization and a senior citizens organization. No district employees or vendors are allowed to serve on the Citizens' Oversight Committee.

No administrator salaries, proceeds from the sale of the bonds authorized by this proposition shall be used only for the acquisition, construction, reconstruction, rehabilitation, or replacement of college facilities, including the furnishing and equipping of college facilities, and not for any other purpose, including teacher and administrator salaries and other operating expenses. By law, all funds can only be spent on repair and improvement projects.