CABRILLO
COMMUNITY COLLEGE DISTRICT

MEASURE D BUILDING FUND
FINANCIAL AND PERFORMANCE AUDITS

JUNE 30, 2014
CABRILLO
COMMUNITY COLLEGE DISTRICT

MEASURE D BUILDING FUND
FINANCIAL AUDIT

JUNE 30, 2014
CABRILLO COMMUNITY COLLEGE DISTRICT
MEASURE D BUILDING FUND

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Cabrillo Community College District's (the District), Measure D Building Fund (Measure D), as of and for the year ended June 30, 2014, and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statement in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of financial statements, whether due to error or fraud. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.
Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure D Building Fund of the Cabrillo Community College District at June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Measure D Building Fund and are not intended to present fairly the financial position and changes in financial position of Cabrillo Community College District in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 2, 2014, on our consideration of the District's Measure D Building Fund 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 in considering the District's Measure D Building Fund internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

Vaurinek, Trine, Day & Co LLP

Pleasanton, California
December 4, 2014
# Balance Sheet
**June 30, 2014**

## Assets
- Deposits and investments: $2,186,950
  
  **Total Assets**: $2,186,950

## Liabilities and Fund Balances
### Liabilities
- Due to other funds: $192,908
  
  **Total Liabilities**: $192,908

### Fund Balance
- Restricted for capital projects funds: $1,994,042
  
  **Total Fund Balance**: $2,186,950

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The accompanying notes are an integral part of these financial statements.
CABRILLO COMMUNITY COLLEGE DISTRICT
MEASURE D BUILDING FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2014

REVENUES
Interest income and investment earnings $14,516
Total Revenues 14,516

EXPENDITURES
Facility acquisition and construction
AEC/VAPA 78,246
B600 renovation 966,515
Building 100 HVAC upgrade 1,095,538
Building 100 IT equipment relocation 225,823
Building 100 office remodel 114,745
Building 300 remodel 135,187
Health and wellness 10,122
Smart classrooms 28,484
Smart classrooms upgrade 322,899
Technology refresh 232,083
STEM 91,592
Watsonville expansion 92,242
Project management 2,650
Bond master plan 6,100
Engineering 715,710
Signage 939
HVACs 1500/1550/1600 8,836
Secondary effects project 26,000
Carpet cleaner-truck mounted 10,000
Total Expenditures 4,163,711

DEFICIENCY OF REVENUES OVER EXPENDITURES (4,149,195)
FUND BALANCE - BEGINNING 6,143,237
FUND BALANCE - ENDING $1,994,042

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's Measure D Building 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 (AICPA). The Cabrillo Community College District Building 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 Building 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 Bond 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 Measure D Building 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 Measure D Building 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 Measure D Building 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 Measure D Building Fund utilize 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 Balance – Measure D Building Fund

As of June 30, 2014, the fund balance is classified as follows:

**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.

**Spending Order**

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District and the Measure D Building Fund consider 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 Measure D Building Fund consider 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 – INVESTMENTS**

**Policies and Practices**

The District and the Measure D Building 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 Measure D Building 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 District's investment in the pool is reported in the accounting financial statement at amounts based upon the 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.

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 manages its exposure to interest rate risk by investing in the County Pool. The District maintains a Measure D Building Fund investment of $2,186,950 with the County of Santa Cruz Investment Pool. The fair value of this investment is approximately $2,187,643 with an average maturity of 533 days.

NOTE 3 - INTERFUND TRANSACTIONS

The amount of interfund receivable due to the General Fund at June 30, 2014, was $192,908 and is related to the reimbursements between the general fund and the Measure D Building Fund for payment of invoices related to bond project costs.
NOTE 4 - COMMITMENTS AND CONTINGENCIES

Construction

As of June 30, 2014, the Measure D Building Fund had the following commitments with respect to unfinished capital projects:

<table>
<thead>
<tr>
<th>CAPITAL PROJECT</th>
<th>Remaining Construction Commitment</th>
<th>Expected Date of Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>480V switch gear and transformer</td>
<td>$22,162</td>
<td>January 2015</td>
</tr>
<tr>
<td>Buildings 1550/1660 HVAC replacement</td>
<td>52,162</td>
<td>March 2015</td>
</tr>
<tr>
<td>Buildings 1400/1500 HVAC design renovation</td>
<td>123,400</td>
<td>to be determined</td>
</tr>
<tr>
<td></td>
<td>$197,724</td>
<td></td>
</tr>
</tbody>
</table>

Litigation

The Measure D Building Fund is not currently a party to any and as such has no expected contingencies related to litigation.
INDEPENDENT AUDITOR'S REPORT
INDEPENDENT AUDITOR'S 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, in accordance with the 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, the accompanying financial statements of the Cabrillo Community College District (the District) Measure D Building Fund (Measure D), as of and for the year ended June 30, 2014, and the related notes to the financial statements, and have issued our report thereon dated December 4, 2014.

As discussed in Note 1, the financial statements present only the Building Fund specific to Measure D, and are not intended to present fairly the financial position and changes in financial position of Cabrillo Community College District in accordance with accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Cabrillo Community College District'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 internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Cabrillo Community College District'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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.
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 material weaknesses, or significant deficiencies. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Cabrillo Community College District's Measure D Building 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*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Vaurinek, Tune, Day & Co LLP*

Pleasanton, California
December 4, 2014
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
None reported.
There were no audit findings reported in the prior year's schedule of financial statement findings.
CABRILLO
COMMUNITY COLLEGE DISTRICT

MEASURE D BUILDING FUND
PERFORMANCE AUDIT

JUNE 30, 2014
CABRILLO COMMUNITY COLLEGE DISTRICT
MEASURE D BUILDING FUND

PERFORMANCE AUDIT
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JUNE 30, 2014

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INDEPENDENT AUDITOR’S 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 District (the District)
Measure D Building Fund for the year ended June 30, 2014.

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 Measure D
Building 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 Measure D
Building Fund's compliance with those requirements.

In planning and performing our performance audit, we obtained an understanding of the Measure D Building
Fund's internal control in order to determine if the internal controls were adequate to help ensure the Measure D
Building Fund'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
District's internal control.

The results of our tests indicated that the Measure D Building Fund expended 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
December 4, 2014

Vavrinek, Trine, Day & Co LLP
AUTHORITY FOR ISSUANCE

The Measure D Proposition 39 general obligation bonds were 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 on 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 and second 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 by 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 administrator's 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 XIIIA, 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 school district to appoint a citizen's oversight committee.
CABRILLO COMMUNITY COLLEGE DISTRICT
BUILDING FUND (MEASURE D)

JUNE 30, 2014

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 Building Fund have been made in accordance with the bond project list approved by the voters through the approval of Measure D.

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

SCOPE OF THE AUDIT

The scope of our performance audit covered the period of July 1, 2013 to June 30, 2014. 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, 2014, 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 period July 1, 2013 through June 30, 2014, for the Measure D Building 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 Measure D 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, 2013 and ending June 30, 2014, 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 23 transactions totaling $2,220,119. This represents fifty-three percent of the total expenditures of $4,163,711, including expenditures related to transferred funds.

3. We verified that funds from the Measure D Building 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 Measure D Building 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 Measure D Building Fund and that such expenditures were made for authorized Bond projects.
None reported.
There were no audit findings reported in the prior year's schedule of financial statement findings.