



MATSON
& ISOM

CHABOT-LAS POSITAS
COMMUNITY COLLEGE DISTRICT
GENERAL OBLIGATION BONDS FUND

Pleasanton, California

FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORTS

June 30, 2012

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Community College District
General Obligation Bonds Fund*

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MATSON
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INDEPENDENT AUDITORS' REPORT

To the Governing Board and Measure B Citizens' Bond Oversight Committee
Chabot-Las Positas Community College District
Pleasanton, California

We have audited the accompanying financial statements of the General Obligation Bonds Fund of the Chabot-Las Positas Community College District (the District) 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 described in note 1, the financial statements present only the General Obligation Bonds Fund and do not purport to, and do not present fairly the financial position of the District as of June 30, 2012, and the changes in its financial position for the year then ended 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 General Obligation Bonds Fund of the District as of June 30, 2012, and the changes in financial position thereof 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 December 21, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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 assessing the results of our audit.

Matson and Isom

December 21, 2012
Redding, California

FINANCIAL SECTION

BALANCE SHEET**Chabot-Las Positas
Community College District
General Obligation Bonds Fund**

June 30, 2012

ASSETS

Cash and cash equivalents	\$ 171,510,023
Settlements receivable	2,875,320
Interest receivable	215,999
Prepaid expenses	2,501,828
Due from other District funds	1,023,073
Total Assets	\$ 178,126,243

LIABILITIES

Accounts payable	\$ 7,990,718
Retentions payable	2,037,659
Total Liabilities	10,028,377

FUND BALANCES

Fund balances:	
Restricted	168,097,866
Total Fund Balances	168,097,866
Total Liabilities and Fund Balances	\$ 178,126,243

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

**STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN
FUND BALANCE**

*Chabot-Las Positas
Community College District
General Obligation Bonds Fund*

Year Ended June 30, 2012

REVENUES

Interest income	\$ 433,407
Net realized and unrealized gains on investments	4,703,155
Total Revenues	5,136,562

EXPENDITURES

Current expenditures:	
Salaries	764,732
Benefits	287,566
Supplies	13,527
Services	1,840,230
Debt service	387,850
Capital outlay	56,016,003
Total Expenditures	59,309,908
Excess of Expenditures Over Revenues	(54,173,346)
Fund Balance - July 1, 2011	222,271,212
Fund Balance - June 30, 2012	\$ 168,097,866

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Chabot-Las Positas Community College District (the District) bonds 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 District's General Obligation Bonds 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 General Obligation Bonds Fund of the District. 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 \$498,000,000. Series A of the bonds was sold on August 19, 2004, for \$100,000,000. On April 13, 2006, a refunding bond was issued for \$89,275,849 to advance refund \$90,000,000 of the original Series A bonds and to provide an additional \$14,696,664 of cash from the premium associated with the refunding bonds. On November 1, 2006, Series 2006B and Series 2006C were issued for the amounts of \$229,159,710 and \$168,838,667, respectively. These financial statements are not intended to present fairly the financial position and results of operations of the District in compliance with accounting principles generally accepted in the United States of America.

Fund Accounting The operations of the General Obligation Bonds Fund are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, 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 financial statements of the General Obligation Bonds Fund are accounted for under the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period.

For the District, available means expected to be received within 60 days of fiscal year-end. 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 long-term debt, which is recognized when due.

Cash and Cash Equivalents Funds invested in the County Treasurer's investment pool are considered cash equivalents.

Investments GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, provides that amounts held in external investment pools be reported at fair value. However, cash in the County treasury is recorded at the value of the pool shares held, which approximates the fair value of the underlying cash and investments of the pool.

**NOTES TO THE FINANCIAL
STATEMENTS**

June 30, 2012

*Chabot-Las Positas
Community College District
General Obligation Bonds Fund*

Property Tax Secured property taxes attach as an enforceable lien on property as of January 1. Supplemental taxes for repayment of bond proceeds are collected by the County of Alameda from all taxable property within the District and deposited in the Bond Interest and Redemption Fund of the District. 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 Alameda bills and collects the taxes for the District. The District recognizes tax revenues when received. Property taxes collected for debt repayment is recorded in the Bond Interest and Redemption Fund of the District.

Fund Balance Beginning with the year ended June 30, 2011, the District implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- *Nonspendable Fund Balance:* Amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- *Restricted Fund Balance:* Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- *Committed Fund Balance:* Amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., District Trustees). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.
- *Assigned Fund Balance:* Amounts the District intends to use for a specific purpose. Intent can be expressed by the District Trustees or by an official or body to which the District Trustees delegates the authority.
- *Unassigned Fund Balance:* Amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

The entire fund balance of the General Obligation Bonds Fund is restricted to be used for financing the acquisition, construction, and modernization of certain property, and District facilities, and none of these funds are to be used for teacher and administrator salaries and other school operating expenses. These funds were derived from the issuance of general obligation bonds under the provision of Article XIII A of the Constitution of the State of California.

2. CASH AND INVESTMENTS

Cash and Cash Equivalents As provided for by *California Education Code*, Section 41001, a significant portion of the District's cash balances of most funds is deposited with the Alameda County (the County) Treasurer for the purpose of increasing interest earned through County investment activities.

Copies of the County's audited financial statements can be obtained from the Alameda County Auditor-Controller's Office, 1221 Oak Street, Room 249, Oakland, California 94612.

The pooled treasury has regulatory oversight from the Alameda County Treasury Oversight Committee in accordance with *California Government Code* requirements.

Investments The District's investment policy is consistent with *California Government Code* as it relates to investment vehicles. The District's investment policy authorizes it to invest in the following:

	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	100%	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Authorized Under Debt Agreements Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements rather than the general provisions of the *California Government Code*. These provisions allow for the acquisition of investment agreements with maturities of up to 30 years.

Risk Information Interest rate risk is the risk that changes in interest rates that will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity its fair value is to changes in market interest rates. *California Government Code*, Section 53601 limits the District's investments to maturities of five years.

Weighted Average Maturity The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Information about the weighted average maturity of the District's portfolio is presented in the following schedule:

Investment Type	Weighted Average Maturity in Years
County Treasurer's investment pool	1.57

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the holder of the investment. This is measured by ratings assigned by nationally-recognized organizations. The District's investment policy addresses credit risk by limiting its investment types as noted above to investments authorized by *California Government Code*.

Presented below is the minimum rating required by the *California Government Code*, the District's investment policy, or debt agreements, and the actual rating as of the year end for each investment type.

Investment Type	Minimum Legal Rating	Rating at Year End (Unrated)
County Treasurer's investment pool	None	N/A

Concentration risk is defined as positions of 5% or more in the securities of a single issuer. The District's investment policy allows investments in single issuer greater than 5%.

Custodial credit risk is the risk that, in the event of the failure of the counterparty (e.g., financial institution, broker-dealer) to a transaction, a government will not be able to recover the value of its cash and investments or collateral securities that are in the possession of another party. The District does not have a policy for custodial credit risk.

3. INTERFUND TRANSACTIONS

Interfund receivables at June 30, 2012, are as follows:

Due from other funds:	
General Fund	\$ 1,023,073

4. LONG-TERM DEBT

Under the modified accrual basis of accounting, liabilities for long-term debt are not reported in the individual funds. However, they are reported as liabilities on the statement of net assets in the government-wide financial statements of the District.

The information presented below is for informational purposes only.

	Bonds July 1, 2011	Net Accretion	Payments	Bonds June 30, 2012
2004 G.O. Bond, Series A	\$ 560,000	\$ -	\$ 560,000	\$ -
2006 G.O. Refunding Bond	84,095,157	1,021,746	6,545,000	78,571,903
2006 G.O. Bond, Series B	249,706,060	4,999,756	2,145,000	252,560,816
2006 G.O. Bond, Series C	216,699,924	11,095,875	-	227,795,799
Total	\$ 551,061,141	\$ 17,117,377	\$ 9,250,000	\$ 558,928,518

GENERAL OBLIGATION BONDS

2006 General Obligation Refunding Bonds, issued in the original amount of \$89,275,849, including current interest bonds and capital appreciation bonds. Final maturity in 2022. Stated interest rates range from 3.50% to 5.00%, effective rate based on issuance premium 4.14%.	\$ 79,490,000
Capital appreciation bond discount net of issuance premium	(918,097)
Total 2006 General Obligation Refunding Bonds	78,571,903
2006 General Obligation Bonds, Series B, issued in the original amount of \$229,159,710, including current interest bonds and capital appreciation bonds. Final maturity in 2032. Stated interest rates range from 3.60% to 5.00%, effective rate based on issuance premium 4.65%.	318,335,000
Capital appreciation bond discount net of issuance premium	(65,774,184)
Total 2006 General Obligation Bonds, Series B	252,560,816
2006 General Obligation Bonds, Series C, issued in the original amount of \$168,838,667 of capital appreciation bonds. Final maturity in 2032. Stated interest rates range from 4.09% to 5.10%, effective rate based on issuance premium 5.04%.	849,250,000
Capital appreciation bond discount net of issuance premium	(621,454,201)
Total 2006 General Obligation Bonds, Series C	227,795,799
Total General Obligation Bonds	\$ 558,928,518

**NOTES TO THE FINANCIAL
STATEMENTS**

June 30, 2012

*Chabot-Las Positas
Community College District
General Obligation Bonds Fund*

The annual debt service requirements to maturity on the general obligation bonds are as follows:

	<u>Principal</u>	<u>Accreted Interest</u>	<u>Current Interest</u>	<u>Debt Service</u>
2013	\$ 7,562,910	\$ 2,742,090	\$ 8,791,925	\$ 19,096,925
2014	6,018,527	5,171,473	8,726,925	19,916,925
2015	6,111,389	5,858,611	8,726,925	20,696,925
2016	5,798,504	6,951,496	8,726,925	21,476,925
2017	4,213,397	9,381,603	8,726,925	22,321,925
2018-2022	66,085,427	19,829,573	38,643,437	124,558,437
2023-2027	50,191,136	68,763,864	33,240,250	152,195,250
2028-2032	142,918,593	17,551,407	24,028,100	184,498,100
2033-2037	55,807,733	167,487,267	-	223,295,000
2038-2042	52,203,448	218,426,552	-	270,630,000
2043-2047	49,007,806	278,992,194	-	328,000,000
Total	<u>\$ 445,918,870</u>	<u>\$ 801,156,130</u>	<u>\$ 139,611,412</u>	1,386,686,412
Less: Current interest				(139,611,412)
Less: Unaccreted interest				(688,146,482)
Net Principal				<u>\$ 558,928,518</u>

Defeasance of Debt Obligation In 2006, the District defeased \$90,000,000 of the 2004, Series A, general obligation bonds by placing new bond proceeds in an irrevocable trust to provide for future debt service payments on the defeased bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2012, \$76,300,000 of defeased bonds are still outstanding.

**NOTES TO THE FINANCIAL
STATEMENTS**

June 30, 2012

*Chabot-Las Positas
Community College District
General Obligation Bonds Fund*

5. COMMITMENTS AND CONTINGENCIES

As of June 30, 2012, the General Obligation Bonds Fund had the following commitments with respect to unfinished capital projects:

	Amount	Completion Dates
DISTRICT-WIDE		
Information Technology & Tech Upgrades (B, N, R)	\$ 145,241	Through June 2013
Classroom, Lab Equipment, Chabot College (N)	40,055	Through June 2013
Classroom, Lab Equipment, Las Positas College (R)	30,620	Through June 2013
Enterprise ERP Hardware/Software (E, N, R)	91,800	Through June 2013
On-Going Maint & Repairs: Roofs, HVAC (A, B, C, E)	75,166	Through June 2013
M&O Equipment (E)	990	Through June 2013
Program Level Services, District (A, B, C, D, E)	1,605	Through June 2013
Dublin Education Center Phase III (E)	311,893	June 2013
Energy Projects (K, V)	2,285,240	March 2013
Photovoltaic Solar Project, LPC (V)	140,482	October 2012
District-Wide Totals	3,123,093	
CHABOT COLLEGE		
Library Building - 100 (F)	363,158	May 2014
Administration Building - 200 (E, K, N, Y)	5,171	Through June 2013
Classroom Buildings 300, 500 (E, F)	28,265	Through June 2013
Buildings - 1200, 1300, PAC Plaza (E, F, N)	5,170,860	January 2013
Industrial Technology Buildings - 1400, 1600 (E, F)	453,131	September 2012
Classroom Bldgs 1700, 1800 (E, F)	2,429,402	March 2014
Building 3400, Reprographics Center (E, F)	119,953	January 2013
Community and Student Services Center * (E, F, I)	27,869	Through June 2013
Physical Education Complex Buildings (F)	7,399,211	November 2013
PE Complex - Strength & Fitness Center, Bldg 4000 (F)	77,496	Through June 2013
Classroom/Lab Equipment & Library Materials (F)	492,792	Through June 2013
CC Project & Construction Management (Y)	620,442	Through June 2013
Central Plant (Mech Conv Def Bldgs / IT Infrastructure) (B,K)	837,426	Through June 2013
Parking Lots A & B and G & H (F)	30,956	Through June 2013
Miscellaneous Site Work / Campus Security (F)	124,394	Through June 2013
Photovoltaic Project (K)	183,014	Through June 2013
Chabot College Totals	18,363,540	
Balance Forward	\$ 21,486,633	

**NOTES TO THE FINANCIAL
STATEMENTS**
June 30, 2012

*Chabot-Las Positas
Community College District
General Obligation Bonds Fund*

	Amount	Completion Dates
Balance Brought Forward	\$ 21,486,633	
LAS POSITAS COLLEGE		
Child Development Center (E, O, S)	2,281	Through June 2013
College Center for Arts (E, O)	2,196	Through June 2013
Science & Technology (E, O, S, T)	1,405,774	March 2013
Student Services & Central Administration (O, P, U, X)	7,034,866	September 2013
Buildings - 500, 600, 700, 1700 Renovations (O, E)	23,637	Through June 2013
Renovations (O, E)	11,023	Through June 2013
LPC Instructional Equipment (O)	136,992	Through June 2013
Central Utility Plant (O, V)	161,157	Through June 2013
District-wide Information Technology Building (E, O, W)	5,701	Through June 2013
LPC Program & Construction Management (Y)	549,160	Through June 2013
Campus Entry Enhancements (P, X)	3,801	Through June 2013
Campus Boulevard Phases I-III (P, X)	1,657,839	March 2013
PE Phase III/Collier Creek (Outside Loop Road) (E, O)	960	Through June 2013
EIR Services (Y)	31,331	Through June 2013
Utilities Infrastructure Upgrade (V, X)	56,856	Through June 2013
Fire Alarm/Security Upgrade (O)	57,312	Through June 2013
Las Positas College Totals	11,140,887	
District Total	\$ 32,627,520	

6. ANALYSIS OF HISTORICAL EXPENDITURES

Analysis of historical expenditures at June 30, 2012, are as follows:

	Prior Periods	Current Period	Total
Expenditures:			
Salaries and benefits	\$ 5,011,528	\$ 1,052,298	\$ 6,063,826
Supplies	110,361	13,527	123,888
Services	10,365,452	1,840,230	12,205,682
Capital outlay	362,026,499	56,016,003	418,042,502
Other outgo	5,401,889	387,850	5,789,739
Total Expenditures	\$ 382,915,729	\$ 59,309,908	442,225,637
Contract commitments, June 30, 2012			32,627,520
Total Expenditures and Commitments			\$ 474,853,157

**NOTES TO THE FINANCIAL
STATEMENTS**
June 30, 2012

*Chabot-Las Positas
Community College District
General Obligation Bonds Fund*

Available unspent funds from the bond as of June 30, 2012, are as follows:

	Total
Face amount of bond issued	\$ 587,274,227
Bond premium	27,538,228
Proceeds From Sale of Bond	614,812,455
Required deposit to debt service reserve account	(6,775,739)
Bond issuance costs (included in services above)	(7,256,712)
Advance refunding of part of Series A	(88,099,655)
Measure B Projects	512,680,349
Interest earned in General Obligation Bonds Fund	26,656,639
Issuance costs	7,256,712
Net realized and unrealized gains on investments	63,729,803
Total Revenue	610,323,503
Total Expenditures and Commitments	(474,853,157)
Amount Available	\$ 135,470,346

OTHER REPORT SECTION



MATSON
& ISOM

**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***

To the Governing Board and Measure B Citizens' Bond Oversight Committee
Chabot-Las Positas Community College District
Pleasanton, California

We have audited the financial statements of the General Obligation Bonds Fund of the Chabot-Las Positas Community College District (the District) as of and for the year ended June 30, 2012, and have issued our report thereon dated December 21, 2012. 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

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of 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 District'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 preceding paragraph 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 the District's General Obligation Bonds 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*.

**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***

Continued

This report is intended solely for the information and use of the Board of Trustees, Measure B Citizens' Bond Oversight Committee, management, and other regulatory agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Matson and Isom

December 21, 2012
Redding, California