

**CHABOT-LAS POSITAS
COMMUNITY COLLEGE DISTRICT**
Dublin, California

**MEASURE B
GENERAL OBLIGATION BONDS
FINANCIAL STATEMENTS**
June 30, 2016

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT
Dublin, California

MEASURE B GENERAL OBLIGATION BONDS
FINANCIAL STATEMENTS

June 30, 2016

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Chabot-Las Positas Community College District (the "District") Measure B General Obligation Bonds activity included in the General Obligation Bond Construction Fund (the "Bond Fund") of the District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's Bond Fund 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 statements 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 from 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 the financial statements, whether due to fraud or error. 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 policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure B General Obligation Bonds of Chabot-Las Positas Community College District, as of June 30, 2016, and the changes in its 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 Bond Fund and do not purport to, and do not, present fairly the financial position of the District as of June 30, 2016, and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2016 on our consideration of the District'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 for the Bond Fund. 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 for the Bond Fund. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Chabot-Las Positas Community College District's internal control over financial reporting and compliance for the Bond Fund.

Crowe Horwath LLP
Crowe Horwath LLP

Sacramento, California
October 13, 2016

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT
MEASURE B GENERAL OBLIGATION BONDS
BALANCE SHEET
June 30, 2016

ASSETS

Cash and investments (Note 2):

Restricted cash and cash equivalents	\$ 67,799,180
Receivables	70,164
Prepaid expenditures	<u>224,722</u>

Total assets \$ 68,094,066

LIABILITIES AND FUND BALANCE

Accounts payable	\$ 2,822,163
Retention payable	306,835
Due to other Funds (Note 3)	136,569
Deferred salaries payable	<u>884</u>

Total liabilities 3,266,451

Fund balance:

Nonspendable	224,722
Restricted – capital projects	<u>64,602,893</u>

Total fund balances 64,827,615

Total liabilities and fund balances \$ 68,094,066

See accompanying notes to financial statements.

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT
MEASURE B GENERAL OBLIGATION BONDS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE
For the Year Ended June 30, 2016

Revenues:		
Interest income	\$	303,666
Other revenue		<u>234,546</u>
Total revenues		<u>538,212</u>
Expenditures:		
Current:		
Classified salaries		427,537
Employee benefits		148,640
Supplies		8,093
Contracted services		1,189,248
Capital outlay		<u>14,427,174</u>
Total expenditures		<u>16,200,692</u>
Change in fund balance		(15,662,480)
Fund balance, July 1, 2015		<u>80,490,095</u>
Fund balance, June 30, 2016	\$	<u>64,827,615</u>

See accompanying notes to financial statements.

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT
MEASURE B GENERAL OBLIGATION BONDS
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Chabot-Las Positas Community College District (the "District") conform to accounting principles generally accepted in the United States of America as applicable to governments and to general practices within California community colleges. The District accounts for its financial transactions in accordance with policies and procedures of the State Chancellor Office's *California Community Colleges Budget and Accounting Manual*. The activities of the Measure B Bonds are recorded along with other activities in the District's General Obligation Bond Construction Fund. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant accounting policies:

Financial Reporting Entity: The financial statements include only the General Obligation Bond Construction Fund (the "Bond 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. 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.

Basis of Accounting: Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

The financial statements represent the General Obligation Bond Construction Fund of the District and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

Cash and Cash Equivalents: For the purpose of financial statements, cash equivalents are defined as financial instruments with an original maturity of three months or less. Funds invested in the Alameda County Treasury are considered cash equivalents.

Nonspendable Fund Balance: Nonspendable fund balance includes amounts that are not in spendable form, such as prepaid expenditures.

Restricted Fund Balance: Restricted fund balance includes resources which are legally or contractually restricted by external third parties. Fund balance is restricted for capital projects of the General Obligation Bond Construction Fund in accordance with the Bond Project List for 2004 Measure B General Obligation Bonds.

Accounting Estimates: The presentation 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 during the reporting period. Actual results could differ from those estimates.

Encumbrances: Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid.

(Continued)

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT
 MEASURE B GENERAL OBLIGATION BONDS
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

NOTE 2 – CASH AND INVESTMENTS

Cash and investments at June 30, 2016 consisted of \$67,799,180 held in the County Treasury investment pool.

Credit Risk: In accordance with Education Code Section 41001, the Bond Fund maintains substantially all of its cash in the Alameda County Treasury. The County Treasurer of Alameda County acts as the Measure B General Obligation Bond Fiscal Agent. The County pools these funds with those of other districts in the County and invests the cash. These pooled funds are carried at fair value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

Because the Bond Fund's deposits are maintained in a recognized pooled investment fund under the care of a third party and the Bond Fund's share of the pooled investment fund does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

In accordance with applicable State laws, the Alameda County Treasurer may invest in derivative securities. However, at June 30, 2016, the Alameda County Treasurer has represented that the Treasurer's pooled investment fund contained no derivatives or other investments with similar risk profiles.

Investments Authorized by Debt Agreements: Investment 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 or the District's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustees. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment in One Issuer</u>
County Pooled Investment Fund	None	None	None

Disclosures Relating to Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Concentration of Credit Risk: The District's investment policy places limits on the amount it may invest in any one issuer. At June 30, 2016, the District had no concentration of credit risk.

NOTE 3 – INTERFUND TRANSACTIONS

Interfund payables at June 30, 2016, are as follows:

Due to other funds:		
Restricted General Fund	\$	136,569

(Continued)

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT
MEASURE B GENERAL OBLIGATION BONDS
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 4 – PURPOSE OF BOND ISSUANCE

Bond Authorization: By approval of the proposition for Measure B by at least 55% of the registered voters voting on the proposition at an election held on March 2 2004, Chabot-Las Positas Community College District was authorized to issue and sell bonds of up to \$498,000,000 in aggregate principal amount. The District received affirmative votes from 59% of voters, which exceeded the 55% requirement.

Purpose of Bonds

The proceeds of the Bonds may be used:

"To prepare students for jobs/four-year colleges, improve safety, accommodate increasing enrollment at Chabot and Las Positas Colleges by repairing leaky roofs, upgrading fire safety, campus security, plumbing/ventilation systems and electrical wiring for computer technology; removing asbestos, upgrading nursing/paramedics/job training classrooms, repairing, constructing, acquiring, equipping classrooms, labs, sites and facilities.

Shall Chabot-Las Positas Community College District issue \$498,000,000 in bonds, at legal rates, with guaranteed annual audits, citizen oversight, and no money for administrators' salaries?"

As required by the California Constitution, the proceeds from the sale of bonds will be used only for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities and not for any other purpose, including teacher and administrator salaries and other school operating expenses.

NOTE 5 – GENERAL OBLIGATION BOND ISSUANCES

The bonds are general obligations of the District. The Boards of Supervisor of Alameda County and Contra Costa County are obligated to levy *ad valorem* taxes for the payment, without limitation as to amount, upon all property within their respective counties subject to taxation by the District (except certain personal property which is taxable at limited rates) for payment of principal of and interest on the Bonds when due.

On August 19, 2004, the District issued Series A 2004 General Obligation Bonds totaling \$100,000,000. The Bonds bear interest rates from 2% to 5% and are payable on February 1 and August 1 of each year until maturity.

On April 13, 2006, a refunding bond was issued for \$89,275,849 to refund original Series A bonds and to provide an additional \$14,696,664 of cash from the premium associated with the refunding bonds. The Series A Bonds bear interest rates ranging from 3.5% to 5% and are payable on February 1 and August 1 of each year until maturity.

On November 1, 2006, Series 2006B and Series 2006C were issued for the amounts of \$229,159,710 and \$168,838,667, respectively. The Bonds bear interest rates from 3.6% to 4.6% and are payable on February 1 and August 1 of each year until maturity.

On March 19, 2013, a refunding bond was issued for \$289,105,000 to advance refund on a crossover basis a portion of its outstanding Series 2006B and 2006C General Obligation Bonds, and to pay the costs associated with the issuance of the Bonds. The Series A Refunding Bonds bear interest rates from 3% to 5% and are payable on February 1 and August 1 of each year until maturity. A deferred loss on refunded debt of \$37,834,304 is recorded by the District in relation to this refunding as of June 30, 2016.

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CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT
MEASURE B GENERAL OBLIGATION BONDS
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 6 – COMMITMENTS

As of June 30, 2016, the District has the following outstanding commitments on Measure B construction contracts:

Chabot College	\$ 3,871,474
Las Positas College	20,646,423
District-wide	<u>1,044,712</u>
Total Commitments	<u>\$ 25,562,609</u>

NOTE 7 – SUBSEQUENT EVENT

In July 2016, the District issued 2016 General Obligation Refunding Bonds (the “Bonds”) in the amount of \$247,360,000 to refund the District’s remaining outstanding General Obligation Bonds, Election of 2004, Series 2006B and to refund the District’s remaining outstanding General Obligation Bonds, Election of 2004, Series 2006C and to refund the District’s outstanding 2006 General Obligation Refunding Bonds. The Bonds are general obligation bonds of the District payable solely from *ad valorem* property taxes. The Bonds bear interest rates ranging from 2.00% to 4.00% and are set to mature in August 1, 2037.

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

To the Governing Board and Measure B Citizens'
Bond Oversight Committee
Chabot-Las Positas Community College District
Dublin, 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 financial statements of Chabot-Las Positas Community College District (the "District") Measure B General Obligation Bonds (the "Bond Fund") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's Measure B General Obligation Bonds financial statements, and have issued our report thereon dated October 13, 2016. The financial statements present only the District's Bond Fund and do not purport to, and do not, present fairly the financial position of the District, as of June 30, 2016, and the changes in its financial position for the year then ended.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Bond Fund financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting for the Bond Fund.

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 a 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's Bond Fund financial statements are free of material misstatement, we performed tests of the Bond Fund's 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 over financial reporting 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 for the Bond Fund. 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 for the Bond Fund. Accordingly, this communication is not suitable for any other purpose.

Crowe Horwath LLP
Crowe Horwath LLP

Sacramento, California
October 13, 2016