

**CABRILLO COMMUNITY**  
**COLLEGE DISTRICT**

**FINANCIAL STATEMENTS**  
**WITH AUDITORS' REPORTS THEREON**

**JUNE 30, 2005**

**Armanino McKenna<sup>LLP</sup>**  
Certified Public Accountants & Consultants



CABRILLO COMMUNITY COLLEGE DISTRICT  
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CABRILLO COMMUNITY COLLEGE DISTRICT  
Objectives and Highlights of the Single Audit

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Objectives

The single audit of the Cabrillo Community College District (the "District") had the following objectives:

- To determine the fairness of presentation of the District's basic financial statements in accordance with U.S. generally accepted accounting principles.
- To obtain reasonable assurance about whether the District's basic financial statements are free of material misstatement by testing the District's compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, noncompliance with which could have a direct and material effect on the financial statement amounts.
- To determine that the District complied, in all material respects, with the compliance requirements described in the U.S. Office of Management and Budget ("OMB") Circular A-133 compliance supplement that are applicable to each major program.
- To test and report on the District's internal control over compliance with requirements of laws, regulations, contracts, grant agreements and other matters applicable to federal programs.
- To recommend appropriate actions to correct areas where internal controls could be improved or where noncompliance with applicable federal regulations was noted during the audit.

Highlights

This section highlights significant findings and issues that have been identified by the single audit and are discussed in the single audit report.

- No material weaknesses in the internal control over financial reporting used in the administration of federal financial assistance were noted.
- The independent auditors' report on the District's basic financial statements for the year ended June 30, 2005 expresses an unqualified opinion, as shown on pages 15 - 16.
- The independent auditors' report on compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB Circular A-133 for the year ended June 30, 2005 expresses an unqualified opinion, as shown on pages 76 - 77.

CABRILLO COMMUNITY COLLEGE DISTRICT  
Organization  
June 30, 2005

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The Cabrillo Community College District was founded in January 1959, and serves all of Santa Cruz County, the northern portion of Monterey County, and the western portion of San Benito County. The District is currently operating one college with the main campus in Aptos, California, as approved by the State of California's Department of Education to offer instruction in the areas of general education, pre-professional training, and vocational, technical, general, adult, and community education. The District also operates a satellite campus in Watsonville, California.

The Board of Trustees for the year ended June 30, 2005 was composed of the following members:

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Katy Stonebloom	Chairperson	November 2008
Alan Smith	Vice Chairperson	November 2006
Rachael Spencer	Clerk	November 2008
Brian King	Secretary	Ongoing
Rebecca Garcia	Member	November 2008
Claudine Wildman	Member	November 2006
Gary Reece	Member	November 2006
John Leopold	Member	November 2008

ADMINISTRATION

Dr. Brian King  
President  
Superintendent

Renée Kilmer  
Vice President  
Assistant Superintendent Instruction

Pegi Ard  
Vice President  
Assistant Superintendent Business

Manuel Osorio  
Vice President  
Student Services

CABRILLO COMMUNITY COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2005

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CABRILLO COMMUNITY COLLEGE DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2005

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The Cabrillo Community College District's Annual Financial Report presents management's discussion and analysis of the District's financial activities during the fiscal year ended June 30, 2005. This is the first year a comparative analysis between the audit year and the previous year will be provided. The discussion has been prepared by management and is best read in conjunction with the financial statements and the notes following this section.

GASB 34 and 35 Accounting Standards

In June 1999, the Government Accounting Standard's Board ("GASB") issued Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*, which established a new reporting format for annual financial statements. In November 1999, GASB released Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, which applies the new reporting requirements to all public colleges and universities. Under the new standards, the California Community College Chancellor's Office determined that all community college districts shall follow the new guidelines using the Business Type Activity ("BTA") model. The financial statements herein reflect the newly required format.

The annual report includes three basic financial statements that provide information on the District's financial activities as a whole. These statements are: the Statement of Net Assets; the Statement of Revenues, Expenses and Changes in Net Assets; and the Statement of Cash Flows. These statements are designed to emulate corporate presentation models, whereby all District activities are consolidated into one total. This reporting model is in some cases an extreme departure from that used in prior years. Because of this, the District has asked its auditors to also present (in supplemental schedules) the District's financial statements using the fund statements format, which continues as the format that the District uses in reporting to the State Chancellor's Office.

Financial Highlights of the Past Year

- *State Funding*

State general apportionment funding, local property taxes and student fee revenue constitute the District's base revenue allocation, which is established by the State and is based primarily on student enrollment. The District also received lottery and categorical funds from the State.

The California Community College system is in recovery from an unprecedented reduction of resources. Although the state budget for California Community Colleges increased by 7% in 2004-05, the system experienced an overall loss of funding of 5.9% (as adjusted for inflation) since the 2001-02 fiscal year. Cabrillo received equalization funding and a 2.41% cost of living adjustment (COLA). The District experienced a decrease in Partnership for Excellence funding and enrollment declined by 2.42% in 2004-05.

CABRILLO COMMUNITY COLLEGE DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2005

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Financial Highlights of the Past Year (continued)

- *Salaries*  
Employee groups received a 1% on-schedule salary increase and a 1% off-schedule salary increase for 2004-05.
  
- *Bond construction*  
Planning and construction continues for projects included in the District's Facilities Master Plan. Capital construction is primarily completed with bond funds. Projects completed by the bond fund for 2004-05 included the preparation for the Arts Education Classroom Project ("AEC"), including the development of plans and working drawings for AEC, the cafeteria renovation, plans and working drawings for the Student Services Center and other building improvements as approved throughout the year.
  
- *Enrollments*  
In 2004-05 the District's enrollment was 14,623 in fall semester and 15,108 in spring. Total Full Time Equivalent Students ("FTES") for the District was 11,144, a decrease of 2.42% over 2003-04.

The following chart shows comparative FTES data for the past five fiscal years:

<u>Fiscal Year</u>	<u>FTES</u>	<u>% Change</u>
2004-05	11,159	(2.2%)
2003-04	11,410	.2%
2002-03	11,390	3.6%
2001-02	10,996	8.3%
2000-01	10,149	4.7%

Statement of Net Assets

The Statement of Net Assets includes all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting method used by most private-sector institutions. Net assets, the difference between assets and liabilities, are one way to measure the financial health of the District.

CABRILLO COMMUNITY COLLEGE DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2005

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**Statement of Net Assets**

	<u>2005</u>	<u>2004</u>
Current assets		
Cash and cash equivalents	\$ 75,670,719	\$ 81,581,708
Accounts receivable, net	6,058,481	7,086,790
Inventory, prepaid expenses, and other	<u>806,547</u>	<u>907,195</u>
Total current assets	<u>82,535,747</u>	<u>89,575,693</u>
Noncurrent assets		
Investments	609,856	595,061
Capital assets, net	<u>116,023,421</u>	<u>105,942,466</u>
Total noncurrent assets	<u>116,633,277</u>	<u>106,537,527</u>
Total assets	<u>\$199,169,024</u>	<u>\$196,113,220</u>
Current liabilities		
Accounts payable and accrued liabilities	\$ 5,151,359	\$ 6,252,400
Deferred revenues	2,481,622	2,218,922
Capital debt, current portion	<u>4,181,775</u>	<u>3,666,510</u>
Total current liabilities	<u>11,814,756</u>	<u>12,137,832</u>
Non-current liabilities		
Compensated absences	1,002,171	1,041,852
Accrued interest payable	11,037,624	7,497,128
Capital debt, net of current portion	<u>132,148,547</u>	<u>136,330,322</u>
Total non-current liabilities	<u>144,188,342</u>	<u>144,869,302</u>
Total liabilities	<u>156,003,098</u>	<u>157,007,134</u>
Net assets		
Investment in fixed assets, net of related debt	30,505,829	32,681,594
Restricted, expendable	7,326,242	1,125,918
Unrestricted	<u>5,333,855</u>	<u>5,298,574</u>
Total net assets	<u>43,165,926</u>	<u>39,106,086</u>
Total liabilities and net assets	<u>\$199,169,024</u>	<u>\$196,113,220</u>

Assets are divided into current and non-current. The components of current assets are cash and cash equivalents, accounts receivable, inventory and prepaid expenses. Non-current assets are primarily made up of capital assets. Liabilities are also divided in to current and non-current. Current liabilities represent costs which have been incurred at year-end but not yet paid for, or revenues received but not yet earned, and payments due within the next fiscal on long-term financing. Non-current liabilities are items which the District is obligated to pay but are not due in the coming fiscal years, such as, future payments due under long-term financing agreements and other costs which are not due to a future fiscal year.

CABRILLO COMMUNITY COLLEGE DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2005

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Statement of Net Assets (continued)

Current assets at June 30, 2005 decreased approximately \$7.1 million over June 30, 2004. Cash represented most of the decrease as unspent bond funds were used for capital projects. Accounts receivable represents funds owed to the District and consists of amounts due the District for tuition and fees from federal, state, and local sources. Receivables decreased approximately \$1.0 million. The District has provided an allowance for uncollectible accounts of \$1.2 million related to amounts due from students for tuition and fees. This is an increase of \$ .40 million over the previous year's allowance.

Inventories represent primarily bookstore inventory and prepaid items represent expenditures for goods or services to be expensed the following fiscal year.

Net capital assets increased approximately \$10.1 million and represent the District's original investment in land, site improvements, buildings, building improvements, construction in progress, and equipment, less accumulated depreciation.

Accounts payable and accrued liabilities primarily represent year-end accruals for services and goods received by the District, during fiscal 2004-2005, for which payment would not be made until 2005-2006. Accounts payable and accrued expenses have decreased by approximately \$1.1 million. The District changed the method of processing June (year-end) invoices received in July. June invoices are now cleared with a June date thus reducing the June 30<sup>th</sup> accrued liability balance.

Deferred revenues of \$2.5 million represent prepayments, made to the District, for which services have yet to be rendered. Of this amount, \$2.0 million represents student tuition and registration fees, booked during 2004-2005, for the 2005-2006 summer and fall terms, and \$.5 million represents funding for grants and contracts, whose terms and conditions extend beyond the 2004-2005 fiscal year.

The District's non-current liabilities decreased \$0.7 million as a result of the District making principle payments on debt, offset by \$3.5 million of interest accrued on debt. At June 30 2005, non-current liabilities consist of the accumulated liability for compensated absences of \$1.0 million, \$132.7 million in General Obligation Bonds and \$11.0 million of accrued interest, \$3.2 million in Certificates of Participation, and capital leases of \$.4 million. Principal payments due in the next year on these obligations total approximately \$4.2 million.

The components of the District's "Net Assets" are investments in fixed assets of \$30.5 million, restricted expendable net assets of \$7.3 million, and unrestricted net assets of \$5.3 million.

CABRILLO COMMUNITY COLLEGE DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2005

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Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets presents the financial results of the District's "operations," as well as its "non-operating activities." The distinction between these two activities involves the concepts of "exchange" and "non-exchange." An operating activity is one in which a "direct payment"/exchange is made (by one party to another) for the receipt of specified goods or services (i.e., the payer is the one receiving benefit). As an example, tuition fees, paid by a student, is an "exchange" for instructional services. Likewise, grant and contract funding received (on the condition that the District provides specific/contracted services), is also an "exchange." Both are therefore recorded as "operating revenue." The receipt of state apportionments and property taxes, however, do not include this "exchange" relationship between "payment" and the "receipt of benefit." Such revenues are deemed "non-exchange" transactions, and are therefore treated as "non-operating" activities.

Because the primary sources of funding that support the District's instructional activities come from state apportionment and local property taxes, which are considered non-operating, the financial results of the District's "operations" will result in a net operating loss.

CABRILLO COMMUNITY COLLEGE DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2005

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**Statement of Revenues, Expenses and Changes in Net Assets**

	<u>2005</u>	<u>2004</u>
Operating revenues		
Tuition and fees	\$ 6,974,968	\$ 5,454,785
Grants and contracts, non-capital		
Federal	6,553,536	5,581,216
State	6,352,662	6,160,025
Local	409,802	319,449
Auxiliary enterprises	<u>3,959,750</u>	<u>4,044,317</u>
Total operating revenues	<u>24,250,718</u>	<u>21,559,792</u>
Operating expenses		
Salaries	38,841,809	38,200,710
Employee benefits	10,399,609	11,504,368
Payments to students	6,030,894	5,415,669
Supplies, materials, and other expenses	10,521,552	11,850,779
Utilities	2,146,245	2,003,965
Depreciation	<u>2,825,762</u>	<u>2,548,915</u>
Total operating expenses	<u>70,765,871</u>	<u>71,524,406</u>
Operating loss	<u>(46,515,153)</u>	<u>(49,964,614)</u>
Non-operating revenues (expenses)		
State apportionments, noncapital	25,134,407	23,185,832
Local property taxes	16,989,556	19,153,352
State taxes and other revenue	1,998,513	1,862,067
Investment income, non-capital	177,533	86,212
Investment income, capital	1,482,208	246,358
Other non-operating revenues	<u>932,339</u>	<u>1,583,977</u>
Total non-operating revenues (expenses)	<u>46,714,556</u>	<u>46,117,798</u>
Increase(decrease) in net assets	<u>199,403</u>	<u>(3,846,816)</u>
Capital revenue and (expense)		
State apportionments, capital	560,996	1,690,249
Local property taxes and other revenue, capital	10,382,826	4,954,396
Interest expense, capital asset-related debt	<u>(7,083,385)</u>	<u>(4,711,638)</u>
Total capital income (expenses)	<u>3,860,437</u>	<u>1,933,007</u>
Increase (decrease) in net assets	4,059,840	(1,913,809)
Net assets		
Beginning of year	<u>39,106,086</u>	<u>41,019,895</u>
End of year	<u>\$43,165,926</u>	<u>\$39,106,086</u>

CABRILLO COMMUNITY COLLEGE DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2005

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Statement of Revenues, Expenses and Changes in Net Assts (continued)

The largest components of "tuition and fees" are as follows:

	2005 (000s omitted)	2004 (000s omitted)
California residences	\$4,106	\$2,888
Out of state residences	637	758
Parking fees	835	832
Health services	319	310
Community services class and other fees	<u>1,078</u>	<u>666</u>
Total	<u>\$6,975</u>	<u>\$5,454</u>

The largest component of the District's operating revenues is non-capital grants and contracts. The largest sub-component, results from funding received from the state for categorical programs, such as DSP&S, EOP&S, Matriculation, etc. Federal grants include funding for vocational training and higher education programs. Included in local grants and contracts are all of the contracted education services, as well as all other miscellaneous service revenue received by the District.

	2005 (000s omitted)	2004 (000s omitted)
Federal	\$ 6,554	\$ 5,581
State	6,353	6,160
Local	<u>410</u>	<u>319</u>
Total	<u>\$13,317</u>	<u>\$12,060</u>

Revenue for auxiliary enterprises consists primarily of revenue generated by the District's bookstore activities. The District's bookstore revenue amounted to approximately \$3.2 million in 2005 and 2004.

Non-operating revenue increased from \$46.1 million at June 30, 2004 to \$46.7 million at June 30, 2005. The principal components of the District's non-operating revenue are: non-capital state apportionment, local property taxes, other state funding, and interest income. With the exception of interest income, all of this revenue is received to support the District's instructional activities.

Capital revenue and expenses consist of the "grants and gifts, capital" principally represent funding for capital projects and deferred maintenance programs. Local property taxes and other revenue capital consist primarily for local property taxes collected to repay bond principal and interest.

CABRILLO COMMUNITY COLLEGE DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2005

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Statement of Revenues, Expenses and Changes in Net Assets (continued)

The largest component of the District's operating expense is the cost associated with employee salaries and benefits. Over 69% percent of the total expense is spent on salaries and benefits. "Contract services and other operating expenses" account for an additional 15% of the total. This latter category includes expenses resulting from auxiliary operations of \$2.6 million, primarily in the Bookstore. The remainder of this expense category includes insurance premiums, facilities rental, equipment repair, and a host of other expenses necessary to the operation of the District. Payments to students primarily for financial aid, represents 8% of total expenditures.

During the 2004-05 fiscal year the uncertainty regarding the State Budget for community college districts decreased but funding levels remained unpredictable.

Statement of Cash Flows

The statement of cash flows presents detailed information about the cash activity of the District during the year. The statement is divided into five parts. The first part deals with the operating cash flows, and shows the net cash used by the operating activities of the District. The second section reflects cash flows from non-capital financing activities. The third section deals with the net cash received from financing activities related to the acquisition of capital and related items. The fourth section reflects the cash received from investing activities, and shows the purchases, proceeds, and interest received from investing activities. The fifth section, (not summarized here) reconciles the net cash activity to the net operating expense on the Statement of Revenue, Expenses and Changes in Net Assets.

**Statement of Cash Flows**

	<u>2005</u>	<u>2004</u>
Cash provided by (used in)		
Operating activities	\$(43,607,635)	\$(52,268,225)
Non-capital financing activities	45,223,994	54,026,085
Capital and related financing activities	(9,187,089)	47,956,991
Investing activities	<u>1,659,741</u>	<u>332,570</u>
Net increase (decrease) in cash	(5,910,989)	50,047,421
Cash - beginning of year	<u>81,581,708</u>	<u>31,534,287</u>
Cash - end of year	<u>\$ 75,670,719</u>	<u>\$ 81,581,708</u>

CABRILLO COMMUNITY COLLEGE DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2005

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Economic Factors That Will Affect the Future

The District is dependent on the State of California for a majority of its revenue. State law and regulation further specifies the allowed uses of state revenue. The most important element of state funding is in the General Apportionment calculation which accounts for 43% of the District's primary "operating fund," the Unrestricted General Fund.

Although the District receives local income from property tax proceeds and student enrollment fees, these local income sources are but a component of the state Base Apportionment calculation. Local income is deducted from the computed total funding level, to determine the amount of state funds necessary to fund the District's Base Apportionment. In this manner, the finances of the District are directly tied to the state economy, state revenues, and the state legislative process to allocate revenues for public purposes.

2005-06 and Beyond

The California Community College system is in recovery from an unprecedented reduction of resources. Although the state budget for California Community Colleges increased by 7% in 2004-05, the system experienced an overall loss of funding of 5.9% (as adjusted for inflation) since the 2001-02 fiscal year. Cabrillo received equalization funding and a 2.41% cost of living adjustment (COLA). The District experienced a decrease in Partnership for Excellence funding and enrollment declined by 2.42% in 2004-05.

The District's final budget for 2005-06 included COLA, equalization but no estimated revenue for enrollment growth.

Retiree Health Benefits

The Governmental Accounting Standards Board ("GASB") last year issued new accounting standards that will require community college districts and other governmental agencies in the United States to recognize the cost of retiree health benefit costs for current employees as well as retired employees. This will result in a dramatic increase in retiree health plan expenses for a majority of California Community College Districts. Expenses under the new method are expected to more than double the current cost.

Cabrillo secured an actuarial study during 2004-05 to estimate past, current and future liabilities. The study will aid in the preparation of a plan for compliance with the new GASB 45 standards.

CABRILLO COMMUNITY COLLEGE DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2005

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Bond Construction

During 2003, an analysis was completed to identify the educational needs of the community and the related facilities projects that will be important to allow the District to continue providing excellent and affordable educational opportunities. The last revision to the Facilities Master Plan was in March 2006, and includes several important projects: construction of the Health Care Training Facility, Arts Education Classrooms, and Student Service Complex, acquisition of the Watsonville Library and a facility in North County, and several safety projects.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, students, investors and creditors with a general overview of the District's finances and to show the District's accountability for funding received. Questions or concerns about this report or requests for additional financial information should be addressed to Pegi Ard, Vice President, Business Services by phone at 831-479-6292 or by email at [peard@cabrillo.edu](mailto:peard@cabrillo.edu).

Cabrillo College Foundation

The District's financial statements include the Cabrillo College Foundation ("Foundation") as a component unit under the requirements of GASB 39. The Foundation has total assets of approximately \$11.5 million of which \$6.7 million are permanently restricted endowment assets. Complete financial statements for the Foundation are available from the Foundation's offices.

CABRILLO COMMUNITY COLLEGE DISTRICT

FINANCIAL SECTION

JUNE 30, 2005

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## INDEPENDENT AUDITORS' REPORT ON BASIC FINANCIAL STATEMENTS

Board of Trustees  
Cabrillo Community College District  
Aptos, California

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the Cabrillo Community College District (the "District") as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements 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, and the standards identified by the *California Community Colleges Contracted District Audit Manual*, as listed in the table of contents, issued by the California Community Colleges Chancellor's Office. 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.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Cabrillo Community College District as of June 30, 2005, and the results of its operations, changes in its net assets and its cash flows 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 a report dated December 13, 2005 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



The Management's Discussion and Analysis ("MD&A") on pages 4 through 13 is not a required part of the financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the District's basic financial statements. The accompanying Federal and State Supplementary Information listed in the table of contents, including the Schedule of Expenditures of Federal Awards, which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Fund Financial Statements on pages 42 through 60, included as other supplementary information, are not a required part of the basic financial statements and, accordingly, we express no opinion on them.

  
ARMANINO McKENNA LLP

December 13, 2005

CABRILLO COMMUNITY COLLEGE DISTRICT

BASIC FINANCIAL STATEMENTS

JUNE 30, 2005

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CABRILLO COMMUNITY COLLEGE DISTRICT  
Statement of Net Assets  
June 30, 2005

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<u>ASSETS</u>		
	District	Foundation
Current assets		
Cash and cash equivalents	\$ 4,615,489	\$ 858,897
Accounts receivable, net	6,058,481	540,264
Inventory	546,813	-
Prepaid expenses and other assets	259,734	419,040
Total current assets	11,480,517	1,818,201
Noncurrent assets		
Restricted cash and cash equivalents	71,055,230	-
Investments	609,856	9,722,001
Capital assets, net	116,023,421	15,935
Total noncurrent assets	187,688,507	9,737,936
Total assets	\$199,169,024	\$ 11,556,137
<u>LIABILITIES</u>		
Current liabilities		
Accounts payable	\$ 1,875,402	\$ 919,498
Accrued salaries and wages	857,021	-
Other accrued liabilities	1,487,819	31,204
Deferred revenue	2,481,622	-
Amounts held in trust for others	931,117	-
Capital lease obligations, current portion	209,366	-
Certificates of participation, current portion	185,000	-
Bonds payable, current portion	3,787,409	-
Total current liabilities	11,814,756	950,702
Noncurrent liabilities		
Accrued compensated absences	1,002,171	-
Accrued interest payable	11,037,624	-
Capital lease obligations, net of current portion	195,044	-
Certificates of participation, net of current portion	3,040,000	-
Bonds payable, net of current portion	128,913,503	-
Total noncurrent liabilities	144,188,342	-
Total liabilities	156,003,098	950,702
<u>NET ASSETS</u>		
Investment in capital assets, net of related debt	30,505,829	15,935
Restricted		
Nonexpendable	-	6,672,662
Expendable	7,326,242	3,442,139
Unrestricted		
Total net assets	43,165,926	10,605,435
Total liabilities and net assets	\$199,169,024	\$ 11,556,137

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

CABRILLO COMMUNITY COLLEGE DISTRICT  
Statement of Revenues, Expenses, and Changes in Net Assets  
For the Year Ended June 30, 2005

	District	Foundation
Operating revenues		
Tuition and fees	\$ 6,974,968	\$ -
Grants and contracts, non-capital		
Federal	6,553,536	-
State	6,352,662	-
Local	409,802	-
Auxiliary enterprise sales and changes	3,959,750	-
Total operating revenues	24,250,718	-
Operating expenses		
Salaries	38,841,809	325,822
Employee benefits	10,399,609	77,515
Payments to students	6,030,894	1,222,243
Supplies, materials, and other expenses	10,521,552	244,213
Utilities	2,146,245	-
Depreciation	2,825,762	10,168
Total operating expenses	70,765,871	1,879,961
Operating loss	(46,515,153)	(1,879,961)
Nonoperating revenues		
State apportionments, noncapital	25,134,407	-
Local property taxes	16,989,556	-
State taxes and other revenue	1,998,513	-
Investment income, non-capital	177,533	708,333
Investment income, capital	1,482,208	-
Other nonoperating revenues	932,339	2,260,687
Total nonoperating revenues	46,714,556	2,969,020
Increase in net assets before other revenues, expenses, gains, and losses	199,403	1,089,059
State apportionments, capital	560,996	-
Local property taxes and other revenue, capital	10,382,826	-
Interest expense, capital asset-related debt	(7,083,385)	-
Total capital income (expenses)	3,860,437	-
Increase in net assets	4,059,840	1,089,059
Net assets - beginning of year	39,106,086	9,516,376
Net assets - end of year	\$43,165,926	\$ 10,605,435

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

CABRILLO COMMUNITY COLLEGE DISTRICT

Statement of Cash Flows

For the Year Ended June 30, 2005

	District	Foundation
Cash flows from operating activities		
Tuition and fees	\$ 7,469,663	\$ -
Federal grants and contracts	6,494,158	-
State grants and contracts	7,117,556	-
Local grants and contracts	414,032	-
Payments to suppliers	(9,942,279)	(244,213)
Payments for utilities	(2,146,245)	-
Payments to/on behalf of employees	(40,504,086)	(290,844)
Payments for benefits	(10,439,290)	(77,515)
Payments to students	(6,030,894)	(1,222,243)
Auxiliary enterprise sales and charges	3,959,750	-
Net cash used in operating activities	(43,607,635)	(1,834,815)
Cash flows from noncapital financing activities		
State apportionments	25,134,407	-
Local property taxes	16,989,556	-
State taxes and other revenue	1,998,513	-
Other receipts	1,101,518	2,056,217
Net cash provided by noncapital financing activities	45,223,994	2,056,217
Cash flows from capital and related financing activities		
State apportionments for capital purposes	560,996	-
Local taxes for capital purposes	10,382,826	-
Proceeds from sales and maturities of investments	(14,795)	-
Purchases of capital assets	(12,906,717)	(4,876)
Interest paid on capital debt	(3,542,889)	-
Principal paid on capital debt	(3,666,510)	-
Net cash used in capital and related financing activities	(9,187,089)	(4,876)
Cash flows from investing activities		
Earnings on investments	1,659,741	635,491
Purchase of investments	-	(1,359,330)
Net cash provided by (used in) investing activities	1,659,741	(723,839)
Net decrease in cash and cash equivalents	(5,910,989)	(507,313)
Cash and cash equivalents - beginning of year	81,581,708	1,366,210
Cash and cash equivalents - end of year	\$ 75,670,719	\$ 858,897

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

CABRILLO COMMUNITY COLLEGE DISTRICT  
Statement of Cash Flows  
For the Year Ended June 30, 2005

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	District	Foundation
Cash flows form operating activities		
Operating loss	\$(46,515,153)	\$ (1,879,961)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation	2,825,762	10,168
Changes in assets and liabilities		
Accounts receivable	941,741	-
Inventory	207,425	-
Prepaid expenses and other assets	(106,777)	-
Accounts payable	8,872	-
Accrued liabilities	(1,192,524)	34,978
Accrued compensated absences	(39,681)	-
Deferred revenue	262,700	-
Net cash used in operating activities	\$(43,607,635)	\$ (1,834,815)

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

CABRILLO COMMUNITY COLLEGE DISTRICT  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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1. Organization and Nature of Activities

Reporting entity

The Cabrillo Community College District (the "District") is a political subdivision of the State of California and provides educational services to residents of its service area. The District is currently operating one public community college with the main campus in Aptos, California and operates a satellite campus in Watsonville, California. While the District is a political subdivision of the State, it is not a component unit of the state in accordance with the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 14 as amended by GASB Statement 39. The District is classified as a state instrumentality under Internal Revenue Code 115, and is also classified as a charitable organization under Internal Revenue Code 501(c)(3), and is therefore exempt from federal taxes. All funds which are controlled by the District are included as part of the reporting entity.

The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles ("GAAP") and GASB Statement No. 14 as amended by GASB Statement No. 39. These principles and statements require the financial activities of legally separate organizations for which the District is "financially accountable," which are "financially dependent" upon the District, or which raise and hold economic resources for the direct benefit of the District to be included in the District's financial statements. The District identified the Cabrillo College Foundation (the "Foundation") and the Cabrillo Community College District Financing Corporation (the "Financing Corporation") as its component units.

The Financing Corporation was established as a legally separate not-for-profit entity to support the District through the issuance of Certificates of Participation ("COPs") and entering into lease arrangements with the District. The District and the Financing Corporation have a financial and operations relationship whereby the Financing Corporation's activities are in-substance a part of the District's activities. The District is able to impose its will upon the Financing Corporation, and has therefore assumed a "moral and potential legal obligation" for any debt incurred by the Financing Corporation. Accordingly, the Financing Corporation is presented as a blended component unit of the District and its financial activities have been included in the District's business-type activities in the basic financial statements.

CABRILLO COMMUNITY COLLEGE DISTRICT  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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1. Organization and Nature of Activities (continued)

The Foundation was established as a legally separate not-for-profit entity to operate for the advancement of education, to provide financial support to students and various programs of the District, and to provide a link between the District and the community. The Foundation holds a significant amount of assets intended for the direct benefit of the District and provides support to the District in an amount determined to be significant to its financial statements. Accordingly, the Foundation is discretely presented as a component unit of the District in the basic financial statements.

2. Summary of Significant Accounting Policies

Basis of presentation

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, which established a new reporting format for annual financial statements. In November 1999, GASB released Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, which applies the new reporting standards of GASB Statement No. 34 to public colleges and universities. The GASB then amended those statements in June 2001 with the issuance of GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments: Omnibus - an Amendment of GASB Statements No. 21 and No. 34*, and No. 38, *Certain Financial Statement Note Disclosures*. The District adopted and applied these new standards as of July 1, 2002 as required. In May 2002, the GASB released Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, which amends GASB Statement No. 14, to provide guidance for determining and reporting whether certain organizations are component units. The District adopted and applied this standard as of July 1, 2003, as required.

The District now follows the financial statement presentation required by GASB Statements No. 34, 35, 37, 38, and No. 39. This presentation provides a comprehensive, entity-wide perspective of the District's assets, results of operations, and cash flows, and replaces the fund-group perspective previously required.

CABRILLO COMMUNITY COLLEGE DISTRICT  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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2. Summary of Significant Accounting Policies (continued)

Measurement focus and basis of accounting

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities ("BTA"). Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. All material interfund activity has been eliminated in the financial statements.

The District has elected not to apply FASB pronouncements issued after November 30, 1989. The budgetary and financial accounts of the District are recorded and maintained in accordance with requirements of the Chancellor's Office of the California Community College's *Budget and Accounting Manual*.

Cash and cash equivalents

The District considers all short-term highly liquid investments with original maturity dates of three months or less to be cash equivalents. Funds invested in the County Treasurer's investment pool are considered cash equivalents.

Restricted cash and cash equivalents includes amounts restricted as to use pursuant to the requirements of grants, contracts, debt agreements, and agency transactions.

Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments are reported at fair value. However, funds in the county treasurer's investment pool are recorded at cost, which approximates fair value.

Receivables

Receivables consist of amounts due from the federal, state, and local governments, as well as other sources such as tuition and fees. Accounts receivable have been reduced to their net realizable value by recording an allowance for uncollectible amounts.

CABRILLO COMMUNITY COLLEGE DISTRICT  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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2. Summary of Significant Accounting Policies (continued)

Inventories

Inventories are recorded at cost using the retail method of accounting, and consist primarily of expendable supplies held for consumption, textbooks, and educational supplies. The cost is recorded as expense as the inventory is consumed.

Capital assets

The District defines capital assets as assets with an initial unit cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of routine maintenance and repairs that do not add to the value of the assets or materially extend their useful lives are charged to operating expense in the year in which the expense was incurred. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation of capitalized assets is computed using the straight-line method over the estimated useful lives of the assets, generally 50 years for buildings and infrastructure, 25 years for portable buildings and land improvements, 8 years for equipment and vehicles, and 3 years for technology equipment.

Deferred revenues

Deferred revenues include amounts received for tuition and fees and certain auxiliary activities on or prior to June 30, 2005, but related to the subsequent accounting period. These amounts include summer session tuition, and fees related to sessions that begin in the current fiscal year and conclude in the following fiscal year. Deferred revenue also includes amounts received from grants and contracts that have not yet been earned by the District.

Compensated absences

Compensated absence costs are accrued when earned by employees. Accumulated unpaid employee vacation benefits are recognized at year-end as liabilities of the District. Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest, nor is payment probable. Unused sick leave is added to the creditable service period for calculation of retirement benefits for eligible employees when they retire.

CABRILLO COMMUNITY COLLEGE DISTRICT  
Notes to the Basic Financial Statements  
For the Year Ended June 30, 2005

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2. Summary of Significant Accounting Policies (continued)

Net assets

The District's net assets are classified as follows:

- *Investment in capital assets, net of related debt* - This represents the District's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.
- *Restricted net assets* - Restricted net assets include resources that the District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.
- *Unrestricted net assets* - Unrestricted net assets represent resources derived from student tuition and fees, state apportionments, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the District, and may be used at the discretion of the governing board to meet current expense obligations for any purpose.

When an expense is incurred that can be paid using either restricted or unrestricted funds, the District's policy is to utilize available restricted resources, followed by unrestricted resources.

State apportionments

Certain current year apportionments from the State of California are based on various financial and statistical information of the previous fiscal year. Any corrections to amounts reported in the District's financial statements due to the recalculation of this information in February 2006 will be recorded in the year computed by the State.

CABRILLO COMMUNITY COLLEGE DISTRICT  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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2. Summary of Significant Accounting Policies (continued)

On-behalf payments

GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, requires that direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenses by the employer government. The State of California makes direct on-behalf payments for retirement benefits to the State Teachers Retirement System and Public Employees Retirement System on behalf of all community colleges in California. However, the California Department of Education issued a fiscal advisory instructing the districts not to record revenue and expenses for these on-behalf payments. The amount of the on-behalf payments made for the District is estimated at \$477,000 for STRS and less than \$10,000 for PERS.

Operating revenues and classification of revenues

The District has classified its revenues as either operating or non-operating. Certain significant revenue streams which the District relies upon to maintain its operations are recorded as non-operating revenues, as defined by GASB Statement No. 35, including state apportionment, local property taxes, and investment income. Revenues are classified according to the following criteria:

- *Operating revenues* - Operating revenues include all revenues from programmatic sources and activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of discounts and allowances, and (3) most federal, state and local grants and contracts.
- *Non-operating revenues* - Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources described in GASB Statement No. 35, such as state apportionment and investment income.

Property taxes

Secured property taxes attach as an enforceable lien on property annually as of March 1. Taxes are payable in two installments on or before December 10 and April 10. Unsecured property taxes are payable in one installment on or before August 31. The County of Santa Cruz bills and collects the taxes for the District. Property taxes are recognized as revenue by the District in the year for which they are levied.

CABRILLO COMMUNITY COLLEGE DISTRICT  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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2. Summary of Significant Accounting Policies (continued)

Federal financial assistance programs

The District participates in federally funded Pell Grants, SEOG Grants, Federal Work-Study, and Federal Family Education Loans. Federal Programs are audited in accordance with the Single Audit Act Amendments of 1996, the U.S. Office of Management and Budget Revised Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the Compliance Supplement.

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 in the financial statements, and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results may differ from those estimates.

3. Cash and Cash Equivalents and Investments

Cash, cash equivalents, and investments at June 30, 2005 consists of the following:

Cash in County Treasury	\$73,088,241
Cash on hand and in banks	2,232,880
Cash with fiscal agents	<u>349,598</u>
Total cash and cash equivalents	<u>\$75,670,719</u>
Investments	
U.S. Treasury securities	\$ 593,836
Certificates of deposit	<u>16,020</u>
Total investments	<u>\$ 609,856</u>

CABRILLO COMMUNITY COLLEGE DISTRICT  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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3. Cash and Cash Equivalents and Investments (continued)

As provided for by the *Education Code*, Section 41001, a significant portion of the District's cash balances are deposited with the Santa Cruz County Treasurer for the purpose of increasing interest earnings through County investment activities. Interest earned on such pooled cash balances is distributed to the participating funds based upon each fund's average cash balance during the distribution period.

The *California Government Code*, Sections 16520 - 16522, requires California banks and savings and loan associations to secure the District's deposits, in excess of federal depository insurance requirements, by pledging government securities as collateral. The market value of pledged securities must equal 110 percent of an agency's deposits. Alternatively, California law also allows financial institutions to secure an agency's deposits by pledging first deed of trust mortgage notes having a value of 150 percent of an agency's total deposits, and this collateral is considered to be held in the name of the District. All of the District's cash held by financial institutions is insured or collateralized as of June 30, 2005.

Under provision of the District's investment policy, and in accordance with Sections 53601 and 53602 of the California Government Code, the District may invest in the following types of investments:

- Securities of the U.S. Government, or its agencies
- Small Business Administration Loans
- Negotiable Certificates of Deposit
- Bankers' Acceptances
- Commercial Paper
- Local Agency Investment Fund (State Pool) Deposits
- Passbook Savings Account Demand Deposits
- Repurchase Agreements

CABRILLO COMMUNITY COLLEGE DISTRICT  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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3. Cash and Cash Equivalents and Investments (continued)

At June 30, 2005, the District's investments, with a fair value of \$609,856, consisted of Certificates of Deposit and U.S. Treasury Securities.

Investments of the Foundation at June 30, 2005 consisted of:

Common stock	\$5,364,198
Preferred stock	651,125
Corporate bonds and notes	1,571,992
U.S. Government securities	1,298,768
Other	<u>835,918</u>
	<u>\$9,722,001</u>

4. Receivables

Receivables consisted of the following at June 30, 2005:

Accounts receivable	
Student tuition and fees	\$2,141,529
Auxiliary enterprises and other operating activities	51,903
Federal, state, and local	4,984,652
Other	<u>96,923</u>
	7,275,007
Less: allowance for doubtful accounts	<u>(1,216,526)</u>
Total receivables	<u>\$6,058,481</u>

CABRILLO COMMUNITY COLLEGE DISTRICT  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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5. Capital Assets

Property, plant, and equipment consisted of the following at June 30, 2005:

	Balance, <u>June 30, 2004</u>	Additions	Deletions	Balance, <u>June 30, 2005</u>
Land	\$ 4,164,679	\$ -	\$ -	\$ 4,164,679
Land improvements	9,805,607	1,557,185	-	11,362,792
Infrastructure	33,737,665	1,932,761	-	35,670,426
Buildings	59,262,788	4,304,895	-	63,567,683
Construction in progress	15,870,740	10,233,760	(5,970,030)	20,134,470
Equipment	<u>5,365,904</u>	<u>848,146</u>	<u>-</u>	<u>6,214,050</u>
	128,207,383	18,876,747	(5,970,030)	141,114,100
Accumulated depreciation	<u>(22,264,917)</u>	<u>(2,825,762)</u>	<u>-</u>	<u>(25,090,679)</u>
Property, plant, and equipment, net	<u>\$105,942,466</u>	<u>\$16,050,985</u>	<u>\$(5,970,030)</u>	<u>\$116,023,421</u>

Depreciation expense for the year ended June 30, 2005 was as follows:

Land improvements	\$ 364,907
Infrastructure	694,085
Buildings	1,306,303
Equipment	<u>460,467</u>
Total depreciation expense	<u>\$2,825,762</u>

6. Deferred Revenue

Deferred revenue consists primarily of enrollment and other fees collected for the 2005-06 fiscal year of \$2,005,972, and categorical monies received during the 2004-05 year, and unspent as of June 30, 2005 of \$475,650.

CABRILLO COMMUNITY COLLEGE DISTRICT  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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7. Long-term Liabilities

Long-term liabilities for the year ended June 30, 2005 are summarized as follows:

	<u>June 30, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2005</u>
General obligation bonds				
1998 Series A, B, C & D	\$ 43,706,702	\$ -	\$2,868,550	\$ 40,838,152
2004 Series A	59,997,760	-	-	59,997,760
2004 Refunding	<u>32,410,000</u>	<u>-</u>	<u>545,000</u>	<u>31,865,000</u>
Total general obligation bonds	<u>136,114,462</u>	<u>-</u>	<u>3,413,550</u>	<u>132,700,912</u>
Other liabilities				
Capital lease obligations	602,370	-	197,960	404,410
Certificates of participation	3,280,000	-	55,000	3,225,000
Accrued compensated absences	1,041,852	-	39,681	1,002,171
Accrued interest	<u>7,497,128</u>	<u>3,540,496</u>	<u>-</u>	<u>11,037,624</u>
Total other liabilities	<u>12,421,350</u>	<u>3,540,496</u>	<u>292,641</u>	<u>15,669,205</u>
Total long-term obligations	<u>\$148,535,812</u>	<u>\$3,540,496</u>	<u>\$3,706,191</u>	<u>\$148,370,117</u>

8. General Obligation Bonds

On June 2, 1998, \$85,000,000 of general obligation bonds were authorized by voters in an election held within the Cabrillo Community College District. The bond proceeds were to be used to finance the construction and renovation of various District facilities, and repaid through *ad valorem* taxes. The bonds were issued in four series as shown below. During the fiscal year ended June 30, 2005, principal payments of \$2,868,550 were made toward the bonds.

CABRILLO COMMUNITY COLLEGE DISTRICT  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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8. General Obligation Bonds (continued)

On June 2, 2004, the District issued \$32,410,000 of general obligation bonds with an average interest rate of 5.179%. The bond proceeds were used to advance refund \$31,675,000 of the outstanding 1998 general obligation bonds, which had an average interest rate of 5.241%. The net proceeds of \$34,104,514 (after payment of underwriting fees, insurance and other issuance costs, and receipt of bond premium) were used to purchase U.S government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1998 bonds. As a result, part of the 1998 bonds are considered to be defeased and the liability for those bonds has been removed from the District's financial statements. These bonds were issued pursuant to certain provisions of the California Government Code and other applicable laws, and pursuant to a resolution adopted by the District's Board of Trustees.

The advance refunding of the 1998 bonds will reduce the District's total debt service payments over the 23 years by approximately \$9,356,000. The District will also realize an economic gain (difference between the present values of the debt service payments on the old and new debt) on the refunding of approximately \$442,000.

On March 2, 2004, \$118,500,000 of general obligation bonds were authorized by voters in an election held within the Cabrillo Community College District. The proceeds of the bonds will be used to upgrade, acquire, construct, and equip various District facilities, and repaid through *ad valorem* taxes. On June 2, 2004, the District issued Series A of the bonds totaling \$59,997,790 at an average interest rate of 3.88%.

	<u>Date Issued</u>	<u>Amount of Original Issue</u>	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Balance June 30, 2005</u>
Series A	06/02/2004	\$59,997,760	2.00-5.75%	8/1/2028	\$ 59,997,760
Refunding	06/02/2004	\$32,410,000	2.00-5.70%	8/1/2018	31,865,000
1998 Series A	10/07/1998	\$12,000,000	3.30-4.80%	7/1/2023	1,540,000
1998 Series B	03/01/2000	\$30,000,000	4.00-6.30%	3/1/2024	23,261,635
1998 Series C	05/01/2001	\$20,002,009	5.07-5.75%	5/1/2026	8,213,526
1998 Series D	07/11/2002	\$22,997,991	3.00-5.70%	7/1/2027	<u>7,822,991</u>
Total					<u>\$132,700,912</u>

CABRILLO COMMUNITY COLLEGE DISTRICT  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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8. General Obligation Bonds (continued)

The annual debt service requirements for the bonds, as of June 30, 2005, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 3,787,409	\$ 6,805,435	\$ 10,592,844
2007	5,001,665	7,037,652	12,039,317
2008	5,190,650	7,045,998	12,236,648
2009	4,388,632	7,064,858	11,453,490
2010	4,684,308	7,118,246	11,802,554
2011-2015	29,995,759	34,802,788	64,798,547
2016-2020	33,943,680	31,873,112	65,816,792
2021-2025	27,810,598	28,533,265	56,343,863
2026-2028	<u>17,898,211</u>	<u>11,991,502</u>	<u>29,889,713</u>
Total	<u>\$132,700,912</u>	<u>\$142,272,855</u>	<u>\$274,973,767</u>

9. Accrued Interest Payable

The General Obligation Bonds include both current interest bonds where interest is paid semi-annually and capital appreciation bonds where interest accretes from the date of issuance and is compounded semi-annually. Capital appreciation bonds call for payment of interest and principal at maturity. During the year ended June 30, 2005 accrued interest on the bonds increased \$3,540,496. Cumulative accrued interest at June 30, 2005 is \$11,037,624.

CABRILLO COMMUNITY COLLEGE DISTRICT  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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10. Certificates of Participation

In February 1998, the District issued certificates of participation ("COPs") through the Financing Corporation for \$3,450,000, with variable interest rates ranging from 4.0% to 5.0%. The COPs call for annual payments of principal and interest through June 30, 2018, at which time the obligation will be fully paid. The COPs proceeds were used to finance the acquisition of various capital assets. As of June 30, 2005, the District had outstanding borrowings under the COPs of \$3,225,000. The certificates mature in installments through June 30, 2018, and the total annual debt service payments are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 185,000	\$ 154,789	\$ 339,789
2007	195,000	146,834	341,834
2008	205,000	138,254	343,254
2009	210,000	129,029	339,029
2010	220,000	119,369	339,369
2011-2015	1,275,000	428,943	1,703,943
2016-2018	<u>935,000</u>	<u>95,250</u>	<u>1,030,250</u>
	<u>\$3,225,000</u>	<u>\$1,212,468</u>	<u>\$4,437,468</u>

11. Capital Lease Obligations

The District leases equipment under various capital leases. Future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Lease Payment</u>
2006	\$209,366	\$32,700	\$242,066
2007	162,010	6,561	168,571
2008	28,042	948	28,990
2009	<u>4,992</u>	<u>51</u>	<u>5,043</u>
	<u>\$404,410</u>	<u>\$40,260</u>	<u>\$444,670</u>

CABRILLO COMMUNITY COLLEGE DISTRICT  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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12. Joint Powers Authorities

The District participates in the Northern California Community College Pool JPA ("NCCCP") and the Santa Cruz County Schools Health Insurance Group ("SCCSHI") for selected insurance coverage.

NCCCP was created to administer a cooperative insurance program for its member Districts. Member districts are insured under workers' compensation insurance policies purchased by NCCCP. Condensed financial information for NCCCP as of June 30, 2005 is as follows:

Total assets	<u>\$2,741,240</u>
Total liabilities	\$ 270,743
Total net assets	<u>2,470,497</u>
Total liabilities and net assets	<u>\$2,741,240</u>
Total revenues	\$3,522,832
Total expenditures	<u>3,454,752</u>
Net increase in net assets	<u>\$ 68,080</u>

SCCSHI provides medical, dental, and vision benefits for its members. The District participates in the medical and dental benefits program. Condensed financial information of SCCSHI as of June 30, 2004 (the most recent period available) is as follows:

Total assets	<u>\$ 4,739,135</u>
Total liabilities	\$ 3,210,420
Total net assets	<u>1,528,715</u>
Total liabilities and retained earnings	<u>\$ 4,739,135</u>
Total revenues	\$28,525,955
Total expenditures	<u>29,111,235</u>
Net decrease in net assets	<u>\$ (585,280)</u>

The relationships between the District and NCCCP and SCCSHI is such that the Joint Powers Authorities are not considered to be component units of the District for financial reporting purposes.

CABRILLO COMMUNITY COLLEGE DISTRICT  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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13. Commitments and Contingencies

State and federal allowances, awards, and grants

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

14. Employee Retirement Plans

Qualified employers are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members in the State Teachers' Retirement System, and classified employees are members in the Public Employees' Retirement System.

STRS

Plan description

The State Teachers' Retirement System ("STRS") is a cost-sharing multiple-employer public employee retirement system pension plan administered by STRS, which consists of two separate retirement plans. All certificated employees and those employees meeting minimum standards adopted by the Board of Governors of the California Community Colleges and employed 50 percent or more of a full-time equivalent position may elect to participate in the Defined Benefit Plan (DB Plan). Part-time educators hired under a contract of less than 50 percent or on an hourly or daily basis without contract may elect to participate in the Cash Balance Benefit Plan (CB Benefit Plan). Plan provisions are established by the State Teachers' Retirement Law (Part 13 of the *California Education Code*, Section 22000 et seq.), as legislatively amended. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from the STRS offices, 7667 Folsom Boulevard, Sacramento, California 95826.

CABRILLO COMMUNITY COLLEGE DISTRICT  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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14. Employee Retirement Plans (continued)

STRS (continued)

The plan provides retirement, disability, and death benefits to beneficiaries. Cost-of-living adjustments may also be offered, depending on which plan the employee participates in. Employees in the DB Plan attaining the age of 60 with five years of credited California service are eligible for "normal" retirement and are entitled to a monthly benefit of two percent of their final compensation for each year of service. Final compensation is generally defined as the average salary earnable for the highest paid three consecutive years of service. The plan permits early retirement options at age 55 or as early as age 50 with at least 30 years of service credit. Disability benefits of up to 90 percent of final compensation are available for members with at least five years of service credit. Members become fully vested in retirement benefits after five years of credited service. Upon termination of employment, members' accumulated contributions are refundable with vested earnings credited through the date of separation. The features of the CB Benefit Plan include immediate vesting, variable contribution rates that can be bargained, guaranteed interest rates, and flexible retirement options. Participation in the CB Benefit Plan is optional; however, if the employee selects the CB benefit plan and their basis of employment changes to half time or more, the member will automatically become a member of the DB Plan.

Funding Policy

Active plan members of the DB Plan are required to contribute 8.0% of their salary, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the District's rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2004-05 was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statute. The CB Benefit Program is an alternative STRS contribution plan for instructors. Instructors who choose not to sign up for STRS or FICA may participate in the CB Benefit Plan. The District's contribution rate for the CB Benefit Program is always a minimum of 4% with the sum of the district and employee contribution always being equal or greater than 8%.

Annual Pension Cost

The District's total contributions to STRS for the fiscal years ending June 30, 2005, 2004 and 2003 were \$1,574,621, \$1,594,461, and \$1,611,692, respectively, and equaled 100% of the required contributions for each year. The State of California may make additional direct payments for retirement benefits to the STRS on behalf of all community colleges in the State. The revenue and expenses associated with these payments, if any, have not been included in these financial statements.

CABRILLO COMMUNITY COLLEGE DISTRICT  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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14. Employee Retirement Plans (continued)

STRS (continued)

In their most recent actuarial valuation of the DB Plan as of June 30, 2003, the independent actuaries for STRS determined that, at June 30, 2003, the actuarial accrued liabilities exceeded the program's actuarial value of assets by \$23.1 billion. Based on this valuation, the current statutory contributions are not sufficient to fund normal cost and amortize the actuarial unfunded obligation of \$23.1 billion. However, future estimates of the actuarial unfunded obligation may change due to market performance, legislative actions and other membership related factors.

In their most recent actuarial valuation of the CB Plan as of June 30, 2003, the independent actuaries for STRS determined that, at June 30, 2003, the actuarial value of the CB program's actuarial accrued liabilities exceeded the program's actuarial value of assets by \$3.9 million. The STRS management is continually evaluating the impact of market fluctuations on the assets of the CB Program. However, future estimates of the actuarial unfunded obligation may change due to market performance, legislative actions and other membership related factors.

CalPERS

Plan description

All full-time classified employees participate in the California Public Employees' Retirement System ("CalPERS"), a cost-sharing multiple-employer contributory public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. Employees are eligible for retirement as early as age 50 with five years of service credit. At age 55, employees are entitled to a monthly benefit of 2.0 percent of final compensation for each year of service credit. Retirement compensation is less if the plan is coordinated with Social Security. Retirement after age 55 increases the monthly benefit percentage rate incrementally to a maximum of 2.5 percent at age 63. The plan also provides death and disability benefits. Participants become fully vested in retirement benefits after five years of credited service. Upon termination of employment, participants' accumulated contributions are refundable with vested earnings credited through the date of separation.

Benefit provisions are established by the Public Employees' Retirement Law (Part 3 of the *California Government Code*, Section 20000 et seq.), as legislatively amended. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

CABRILLO COMMUNITY COLLEGE DISTRICT  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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14. Employee Retirement Plans (continued)

CalPERS (continued)

Funding policy

Active plan members are required to contribute 7.0% of their qualified compensation and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the District's rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2004-05 was 9.952% of annual payroll.

Annual pension cost

The District's contributions to CalPERS for the fiscal years ending June 30, 2005, 2004 and 2003 were \$1,595,746, \$1,592,539, and \$930,670, respectively, and equaled 100% of the required contributions for each year. The actuarial assumptions used as part of the June 30, 2004 actuarial valuation (the most recent available) included (a) an 8.25% investment rate of return (net of administrative expenses); (b) an overall growth in payroll of 3.75% annually; and (c) an inflation component of 3.5%, compounded annually, that is a component of assumed wage growth and assumed future post-retirement cost of living increases. The actuarial value of pension fund assets was determined by using a technique to smooth the effect of short-term volatility in the market value of investments.

Funded Status of Retirement Plans by Member Category

<u>Member Category</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
State	123.5%	110.5%	103.7%	90.3%	84.0%
School	137.0%	124.2%	116.3%	97.4%	91.7%
Public Agency	128.2%	127.3%	114.8%	98.1%	N/A

CABRILLO COMMUNITY COLLEGE DISTRICT  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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15. Post-Employment Benefits Other Than Pension Benefits

The District offers subsidized medical and dental insurance benefits to all employees who retire from the District and meet the age and service requirements for eligibility. The District recognizes the cost of providing those benefits and related administrative costs when paid. Active plan participants at June 30, 2005 totaled 127. Payments for retired employees totaled \$754,384 for the year ended June 30, 2005. Based upon an actuarial study performed in 2005, the District's actuarial accrued liability as of January 1, 2005 was \$11,692,233.

16. Subsequent Events

Tax and revenue anticipation notes

Before June 30, 2005, the District retired \$2,230,395 of Tax and Revenue Anticipation Notes ("TRAN") dated July 1, 2004, and on July 1, 2005 issued \$3,000,000 of TRAN notes that mature on June 30, 2006 and bear interest at a rate of 4.00%. The notes were sold by the District to supplement its operating cash flow.

CABRILLO COMMUNITY COLLEGE DISTRICT  
SUPPLEMENTARY INFORMATION - FUND FINANCIAL STATEMENTS  
JUNE 30, 2005

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CABRILLO COMMUNITY COLLEGE DISTRICT  
 Combined Balance Sheet  
 All Fund Types, Account Groups and Expendable Trust Funds  
 June 30, 2005

	Governmental Fund Types				Proprietary	Fiduciary	Account Groups		Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Expendable	General	General	
					Funds	Trust Funds	Fixed Assets	Long-Term Debt	
<b>ASSETS</b>									
Cash in county treasury	\$ 4,309,974	\$ 14,801	\$ 6,913,112	\$ 61,850,354	\$ -	\$ -	\$ -	\$ -	\$ 73,088,241
Cash on hand and in banks	52,686	28,877	-	-	866,521	1,284,796	-	-	2,232,880
Cash with fiscal agent	-	-	349,598	-	-	-	-	-	349,598
Investments	-	-	-	-	-	609,856	-	-	609,856
Accounts receivable	5,804,995	52,474	994	45,889	51,903	102,226	-	-	6,058,481
Due from other funds	2,200,199	23,781	-	35,948	70,624	8,148	-	-	2,338,700
Inventory	(884)	-	-	-	547,697	-	-	-	546,813
Prepaid and other	544,777	-	-	12,060	106,841	-	-	-	663,678
Land	-	-	-	-	-	-	4,164,679	-	4,164,679
Site improvements	-	-	-	-	-	-	11,362,792	-	11,362,792
Infrastructure	-	-	-	-	-	-	35,670,426	-	35,670,426
Buildings	-	-	-	-	-	-	63,567,683	-	63,567,683
Construction in progress	-	-	-	-	-	-	20,134,470	-	20,134,470
Equipment	-	-	-	-	23,656	-	6,018,122	-	6,041,778
Amount available in Debt Service Funds	-	-	-	-	-	-	-	7,263,704	7,263,704
Amount to be provided for retirement of long-term debt	-	-	-	-	-	-	-	128,886,618	128,886,618
<b>Total assets</b>	<b>\$ 12,911,747</b>	<b>\$ 119,933</b>	<b>\$ 7,263,704</b>	<b>\$ 61,944,251</b>	<b>\$ 1,667,242</b>	<b>\$ 2,005,026</b>	<b>\$ 140,918,172</b>	<b>\$ 136,150,322</b>	<b>\$ 362,980,397</b>
<b>LIABILITIES AND FUND EQUITY</b>									
<b>Liabilities</b>									
Accounts payable and accrued liabilities	\$ 3,847,293	\$ 2,544	\$ -	\$ 316,069	\$ 64,168	\$ 2,228	\$ -	\$ -	\$ 4,232,302
Due to other funds	77,258	391,537	5,934	1,538,545	126,751	198,675	-	-	2,338,700
Deferred revenue	2,473,622	8,000	-	-	-	-	-	-	2,481,622
Accrued compensated absences	991,931	5,965	-	4,275	-	-	-	-	1,002,171
Capitalized lease obligations	180,000	-	-	-	-	-	-	224,410	404,410
General obligation bonds	-	-	-	-	-	-	-	132,700,912	132,700,912
Certificates of participation	-	-	-	-	-	-	-	3,225,000	3,225,000
Investment in fixed assets	-	-	-	-	-	-	140,918,172	-	140,918,172
<b>Total liabilities</b>	<b>7,570,104</b>	<b>408,046</b>	<b>5,934</b>	<b>1,858,889</b>	<b>190,919</b>	<b>200,903</b>	<b>140,918,172</b>	<b>136,150,322</b>	<b>287,303,289</b>
<b>Fund equity</b>									
Retained earnings	-	-	-	-	1,476,323	-	-	-	1,476,323
Fund balances									
Reserved	-	-	7,257,770	60,085,362	-	1,804,123	-	-	69,147,255
Unreserved	5,341,643	(288,113)	-	-	-	-	-	-	5,053,530
<b>Total fund equity</b>	<b>5,341,643</b>	<b>(288,113)</b>	<b>7,257,770</b>	<b>60,085,362</b>	<b>1,476,323</b>	<b>1,804,123</b>	<b>-</b>	<b>-</b>	<b>75,677,108</b>
<b>Total liabilities and fund equity</b>	<b>\$ 12,911,747</b>	<b>\$ 119,933</b>	<b>\$ 7,263,704</b>	<b>\$ 61,944,251</b>	<b>\$ 1,667,242</b>	<b>\$ 2,005,026</b>	<b>\$ 140,918,172</b>	<b>\$ 136,150,322</b>	<b>\$ 362,980,397</b>

CABRILLO COMMUNITY COLLEGE DISTRICT  
 Combined Statement of Revenues, Expenditures, and Changes in Fund Balances  
 All Governmental Fund Types and Expendable Trust Funds  
 For the Year Ended June 30, 2005

	Governmental Fund Types				Fiduciary	Totals
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust Funds	(Memorandum Only)
<b>Revenues</b>						
Tuition and fees	\$ 6,719,711	\$ 107,676	\$ -	\$ 147,581	\$ -	\$ 6,974,968
Federal sources	1,484,575	66,085	-	-	5,002,876	6,553,536
State sources	31,964,311	642,863	117,252	560,996	761,156	34,046,578
Local sources	17,163,423	53,409	10,202,724	180,102	965,620	28,565,278
Other	1,061,088	11,549	7,482	1,482,208	383,465	2,945,792
Total revenues	<u>58,393,108</u>	<u>881,582</u>	<u>10,327,458</u>	<u>2,370,887</u>	<u>7,113,117</u>	<u>79,086,152</u>
<b>Expenditures</b>						
Certificated salaries	25,271,054	462,310	-	-	-	25,733,364
Classified salaries	12,291,933	333,972	-	107,839	-	12,733,744
Employee benefits	9,994,048	249,130	-	35,892	-	10,279,070
Payments to students	160,461	-	-	-	5,870,433	6,030,894
Supplies, materials, and other operating expenditures and services	6,563,176	275,800	28,387	12,665,929	1,273,677	20,806,969
Utilities	2,129,847	1,440	-	-	7,571	2,138,858
Capital outlay	237,378	-	-	254,693	-	492,071
Debt service						
Principal	197,960	-	3,468,550	-	-	3,666,510
Interest and other charges	30,604	-	3,512,285	-	-	3,542,889
Total expenditures	<u>56,876,461</u>	<u>1,322,652</u>	<u>7,009,222</u>	<u>13,064,353</u>	<u>7,151,681</u>	<u>85,424,369</u>
Revenues over (under) expenditures	<u>1,516,647</u>	<u>(441,070)</u>	<u>3,318,236</u>	<u>(10,693,466)</u>	<u>(38,564)</u>	<u>(6,338,217)</u>
<b>Other financing sources (uses)</b>						
Operating transfers in	147,956	550,294	231,865	600,569	138,921	1,669,605
Operating transfers out	(1,297,159)	12,476	-	(228,206)	(68,330)	(1,581,219)
Proceeds from debt issuance	-	-	-	82,256	-	82,256
Total other financing sources (uses)	<u>(1,149,203)</u>	<u>562,770</u>	<u>231,865</u>	<u>454,619</u>	<u>70,591</u>	<u>170,642</u>
Revenues and other financing sources over (under) expenditures and other financing (uses)	<u>367,444</u>	<u>121,700</u>	<u>3,550,101</u>	<u>(10,238,847)</u>	<u>32,027</u>	<u>(6,167,575)</u>
<b>Fund balances</b>						
Beginning of year	<u>4,974,199</u>	<u>(409,813)</u>	<u>3,707,669</u>	<u>70,324,209</u>	<u>1,772,096</u>	<u>80,368,360</u>
End of year	<u>\$ 5,341,643</u>	<u>\$ (288,113)</u>	<u>\$ 7,257,770</u>	<u>\$ 60,085,362</u>	<u>\$ 1,804,123</u>	<u>\$ 74,200,785</u>

CABRILLO COMMUNITY COLLEGE DISTRICT  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2005

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The Proprietary Funds were established to account for business-type activities. Funds included are:

*Bookstore Enterprise Fund*

Established to account for the activities of the Cabrillo College Bookstore.

*Vocational Education Fund*

Established to account for the activities of the District's Bay ITC applied technology program.

CABRILLO COMMUNITY COLLEGE DISTRICT  
Combining Balance Sheet  
Proprietary Funds  
June 30, 2005

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	Bookstore	Vocational Education	Total
<u>ASSETS</u>			
Cash on hand and in banks	\$ 845,444	\$ 21,077	\$ 866,521
Accounts receivable	49,175	2,728	51,903
Due from other funds	-	70,624	70,624
Inventory	515,847	31,850	547,697
Prepaid and other	106,841	-	106,841
Equipment	23,656	-	23,656
 Total assets	 \$ 1,540,963	 \$ 126,279	 \$ 1,667,242
<u>LIABILITIES AND FUND EQUITY</u>			
Liabilities			
Accounts payable and accrued liabilities	\$ 64,080	\$ 88	\$ 64,168
Due to other funds	42,518	84,233	126,751
Total liabilities	106,598	84,321	190,919
 Fund equity			
Retained earnings	1,434,365	41,958	1,476,323
 Total liabilities and fund equity	 \$ 1,540,963	 \$ 126,279	 \$ 1,667,242

CABRILLO COMMUNITY COLLEGE DISTRICT  
Combining Statement of Revenues, Expenses, and Changes in Retained Earnings  
Proprietary Funds  
For the Year Ended June 30, 2005

	Bookstore	Vocational Education	Total
Operating revenues			
Sales revenue	\$ 3,225,874	\$ 13,927	\$ 3,239,801
Other	12,686	-	12,686
Total revenues	3,238,560	13,927	3,252,487
Operating expenses			
Certificated salaries	-	-	-
Classified salaries	366,870	-	366,870
Employee benefits	120,539	-	120,539
Books and supplies	2,613,645	19,786	2,633,431
Utilities	14,958	-	14,958
Depreciation	27,765	-	27,765
Total operating expenses	3,143,777	19,786	3,163,563
Operating income (loss)	94,783	(5,859)	88,924
Other financing sources (uses)			
Operating transfer out	(88,386)	-	(88,386)
Net income (loss)	6,397	(5,859)	538
Retained earnings			
Beginning of year	1,427,968	47,817	1,475,785
End of year	\$ 1,434,365	\$ 41,958	\$ 1,476,323

CABRILLO COMMUNITY COLLEGE DISTRICT  
Combining Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2005

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	Bookstore	Vocational Education	Total
Cash flows from operating activities			
Operating income (loss)	\$ 6,397	\$ (5,859)	\$ 538
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	27,765	-	27,765
Changes in assets and liabilities			
Accounts receivable	5,179	2,977	8,156
Due from other funds	42,518	8,494	51,012
Inventory	192,973	15,966	208,939
Prepaid expenses and other	(41,478)	-	(41,478)
Accounts payable and accrued liabilities	(6,383)	(501)	(6,884)
Due to other funds	(38,571)	-	(38,571)
Net cash provided by operating activities	188,400	21,077	209,477
Cash flows from capital and related financing activities			
Purchases of fixed assets	(3,569)	-	(3,569)
Net increase in cash	184,831	21,077	205,908
Cash			
Beginning of year	660,613	-	660,613
End of year	\$ 845,444	\$ 21,077	\$ 866,521

CABRILLO COMMUNITY COLLEGE DISTRICT  
Special Revenue Funds  
For the Fiscal Year Ended June 30, 2005

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The Special Revenue Funds were established to account for funding received for a specific purpose. Funds included are:

*Child Development Fund*

Established to account for activities related to the Childcare Center.

*Cafeteria Fund*

Established to account for activities related to the Cafeteria and its contract for services.

CABRILLO COMMUNITY COLLEGE DISTRICT  
Combining Balance Sheet  
Special Revenue Funds  
June 30, 2005

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	Child Development	Cafeteria	Total
<u>ASSETS</u>			
Cash in county treasury	\$ 14,801	\$ -	\$ 14,801
Cash on hand and in banks	-	28,877	28,877
Accounts receivable	46,400	6,074	52,474
Due from other funds	23,781	-	23,781
 Total assets	 \$ 84,982	 \$ 34,951	 \$ 119,933
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities			
Accounts payable and accrued liabilities	\$ 2,544	\$ -	\$ 2,544
Due to other funds	-	391,537	391,537
Deferred revenue	8,000	-	8,000
Accrued compensated absences	5,965	-	5,965
Total liabilities	16,509	391,537	408,046
 Fund balance			
Unreserved	68,473	(356,586)	(288,113)
 Total liabilities and fund balance	 \$ 84,982	 \$ 34,951	 \$ 119,933

CABRILLO COMMUNITY COLLEGE DISTRICT  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Special Revenue Funds  
For the Year Ended June 30, 2005

	<u>Child Development</u>	<u>Cafeteria</u>	<u>Total</u>
<b>Revenues</b>			
Tuition and fees	\$ 107,676	\$ -	\$ 107,676
Federal sources	66,085	-	66,085
State sources	642,863	-	642,863
Local sources	-	53,409	53,409
Other	11,501	48	11,549
Total revenues	<u>828,125</u>	<u>53,457</u>	<u>881,582</u>
<b>Expenditures</b>			
Certificated salaries	462,310	-	462,310
Classified salaries	297,970	36,002	333,972
Employee benefits	234,723	14,407	249,130
Supplies, materials, and other operating expenditures and services	274,300	1,500	275,800
Utilities	1,020	420	1,440
Total expenditures	<u>1,270,323</u>	<u>52,329</u>	<u>1,322,652</u>
Revenues over (under) expenditures	<u>(442,198)</u>	<u>1,128</u>	<u>(441,070)</u>
<b>Other financing sources (uses)</b>			
Operating transfers in	430,294	120,000	550,294
Operating transfers out	12,476	-	12,476
Total other financing sources (uses)	<u>442,770</u>	<u>120,000</u>	<u>562,770</u>
Revenues and other financing sources over expenditures and other financing (uses)	<u>572</u>	<u>121,128</u>	<u>121,700</u>
<b>Fund balances</b>			
Beginning of year	<u>67,901</u>	<u>(477,714)</u>	<u>(409,813)</u>
End of year	<u>\$ 68,473</u>	<u>\$ (356,586)</u>	<u>\$ (288,113)</u>

CABRILLO COMMUNITY COLLEGE DISTRICT  
Debt Service Funds  
For the Fiscal Year Ended June 30, 2005

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The Debt Service Funds are used for the accumulation of resources for, and the payment of, general long-term principal and interest. Funds included are:

*Certificates of Participation Fund*

Established to accumulate funds for the payment of principal and interest on the 1998 Certificates of Participation.

*General Obligation Bonds Fund*

Established to accumulate funds for the payment of principal and interest on the 1998 Series A, Series B, Series C, and Series D General Obligation bonds, the 2004 Refunding Bonds, and the 2004 Series A

CABRILLO COMMUNITY COLLEGE DISTRICT  
Combining Balance Sheet  
Debt Service Funds  
For the Year Ended June 30, 2005

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	Certificates of Participation	General Obligation Bonds	Totals
<u>ASSETS</u>			
Cash in county treasury	\$ 4,187	\$ 6,908,925	\$ 6,913,112
Cash with fiscal agent	349,598	-	349,598
Accounts receivable	994	-	994
Investments	-	-	-
 Total assets	 \$ 354,779	 \$ 6,908,925	 \$ 7,263,704
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities			
Due to other funds	\$ 5,934	\$ -	\$ 5,934
Fund balance			
Reserved	348,845	6,908,925	7,257,770
 Total liabilities and fund balances	 \$ 354,779	 \$ 6,908,925	 \$ 7,263,704

CABRILLO COMMUNITY COLLEGE DISTRICT  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Debt Service Funds  
For the Year Ended June 30, 2005

	<u>Certificates of Participation</u>	<u>General Obligation Bonds</u>	<u>Totals</u>
<b>Revenues</b>			
State sources	\$ -	\$ 117,252	\$ 117,252
Local sources	-	10,202,724	10,202,724
Other	<u>7,482</u>	-	<u>7,482</u>
Total revenues	<u>7,482</u>	<u>10,319,976</u>	<u>10,327,458</u>
<b>Expenditures</b>			
Supplies, materials, and other operating expenditures and services	27,221	1,166	28,387
Debt service			
Principal	55,000	3,413,550	3,468,550
Interest and other charges	<u>157,126</u>	<u>3,355,159</u>	<u>3,512,285</u>
Total expenditures	<u>239,347</u>	<u>6,769,875</u>	<u>7,009,222</u>
Revenues (under) expenditures	<u>(231,865)</u>	<u>3,550,101</u>	<u>3,318,236</u>
<b>Other financing sources</b>			
Operating transfers in	<u>231,865</u>	-	<u>231,865</u>
Revenues and other financing sources over expenditures	<u>-</u>	<u>3,550,101</u>	<u>3,550,101</u>
<b>Fund balances</b>			
Beginning of year	<u>348,845</u>	<u>3,358,824</u>	<u>3,707,669</u>
End of year	<u>\$ 348,845</u>	<u>\$ 6,908,925</u>	<u>\$ 7,257,770</u>

CABRILLO COMMUNITY COLLEGE DISTRICT  
Capital Projects Funds  
For the Fiscal Year Ended June 30, 2005

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The Capital Projects Funds were established for all resources used for the acquisition and improvement of capital facilities of the District. Funds included are:

*Revenue Bond Fund*

Established to account for the construction and capital improvements associated with the issuance of the Series A and Series B General Obligation Bonds.

*Capital Outlay Projects Fund*

Established to account for the expenditure of general capital improvement projects.

CABRILLO COMMUNITY COLLEGE DISTRICT  
Combining Balance Sheet  
Capital Projects Funds  
June 30, 2005

	Revenue Bond	Capital Outlay Projects	Totals
<u>ASSETS</u>			
Cash in county treasury	\$ 59,895,724	\$ 1,954,630	\$ 61,850,354
Accounts receivable	-	45,889	45,889
Due from other funds	-	35,948	35,948
Prepaid and other assets	-	12,060	12,060
 Total assets	 \$ 59,895,724	 \$ 2,048,527	 \$ 61,944,251
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities			
Accounts payable and accrued liabilities	\$ 314,665	\$ 1,404	\$ 316,069
Due to other funds	1,387,657	150,888	1,538,545
Accrued compensated absences	-	4,275	4,275
Total liabilities	1,702,322	156,567	1,858,889
 Fund balances			
Reserved	58,193,402	1,891,960	60,085,362
 Total liabilities and fund balances	 \$ 59,895,724	 \$ 2,048,527	 \$ 61,944,251

CABRILLO COMMUNITY COLLEGE DISTRICT  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Capital Projects Funds  
For the Year Ended June 30, 2005

	Revenue Bond	Capital Outlay Projects	Totals
<b>Revenues</b>			
Tuition and fees	\$ -	\$ 147,581	\$ 147,581
State sources	-	560,996	560,996
Local sources	-	180,102	180,102
Other	1,404,737	77,471	1,482,208
Total revenues	<u>1,404,737</u>	<u>966,150</u>	<u>2,370,887</u>
<b>Expenditures</b>			
Classified salaries	7,721	100,118	107,839
Employee benefits	818	35,074	35,892
Supplies, materials, and other operating expenditures and services	11,634,308	1,031,621	12,665,929
Capital outlay	-	254,693	254,693
Total expenditures	<u>11,642,847</u>	<u>1,421,506</u>	<u>13,064,353</u>
Revenues under expenditures	<u>(10,238,110)</u>	<u>(455,356)</u>	<u>(10,693,466)</u>
<b>Other financing sources (uses)</b>			
Operating transfers in	-	600,569	600,569
Operating transfers out	(199,926)	(28,280)	(228,206)
Proceeds from debt issuance	82,256	-	82,256
Total other financing sources (uses)	<u>(117,670)</u>	<u>572,289</u>	<u>454,619</u>
Revenues and other financing sources over (under) expenditures and other financing (uses)	(10,355,780)	116,933	(10,238,847)
<b>Fund balances</b>			
Beginning of year	<u>68,549,182</u>	<u>1,775,027</u>	<u>70,324,209</u>
End of year	<u>\$ 58,193,402</u>	<u>\$ 1,891,960</u>	<u>\$ 60,085,362</u>

CABRILLO COMMUNITY COLLEGE DISTRICT  
Expendable Trust Funds  
For the Fiscal Year Ended June 30, 2005

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Trust and Agency Funds account for assets held by the District in a trustee capacity or as an agent for individual, private organizations, and other governmental units. Expendable trust funds included are:

*Associated Students Fund*

Established to account for activity incurred by student organizations.

*Student Financial Aid Fund*

Established to account for activity associated with grant and other financial assistance programs.

*Scholarship and Loan Fund*

Established to account for activity associated with scholarships and loans.

*District Trust Fund*

Established to account for miscellaneous activities incurred by the District Trust.

*Student Representation Fund*

Established to account for activity associated with the Student Senate.

*Student Center Fund*

Established to account for activity associated with the Student Center.

CABRILLO COMMUNITY COLLEGE DISTRICT  
Combining Balance Sheet  
Expendable Trust Funds  
June 30, 2005

	<u>Associated Students</u>	<u>Student Financial Aid</u>	<u>Scholarship and Loan</u>	<u>District Trust</u>	<u>Student Representation</u>	<u>Student Center</u>	<u>Total</u>
<u>ASSETS</u>							
Cash on hand and in banks	\$ 58,141	\$ 32,021	\$ 28,271	\$ 888,846	\$ 42,639	\$ 234,878	\$ 1,284,796
Investments	16,020	-	-	-	-	593,836	609,856
Accounts receivable	-	101,456	-	770	-	-	102,226
Due from other funds	<u>7,932</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>216</u>	<u>-</u>	<u>8,148</u>
Total assets	<u>\$ 82,093</u>	<u>\$ 133,477</u>	<u>\$ 28,271</u>	<u>\$ 889,616</u>	<u>\$ 42,855</u>	<u>\$ 828,714</u>	<u>\$ 2,005,026</u>
<u>LIABILITIES AND FUND BALANCES</u>							
Liabilities							
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 2,125	\$ 103	\$ -	\$ -	\$ 2,228
Due to other funds	-	101,456	2,076	72,598	-	22,545	198,675
Total liabilities	<u>-</u>	<u>101,456</u>	<u>4,201</u>	<u>72,701</u>	<u>-</u>	<u>22,545</u>	<u>200,903</u>
Fund balances							
Reserved	<u>82,093</u>	<u>32,021</u>	<u>24,070</u>	<u>816,915</u>	<u>42,855</u>	<u>806,169</u>	<u>1,804,123</u>
Total liabilities and fund balances	<u>\$ 82,093</u>	<u>\$ 133,477</u>	<u>\$ 28,271</u>	<u>\$ 889,616</u>	<u>\$ 42,855</u>	<u>\$ 828,714</u>	<u>\$ 2,005,026</u>

CABRILLO COMMUNITY COLLEGE DISTRICT  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Expendable Trust Funds  
For the Year Ended June 30, 2005

	Associated Students	Student Financial Aid	Scholarship and Loan	District Trust	Student Representation	Student Center	Total
<b>Revenues</b>							
Federal sources	\$ -	\$ 5,002,876	\$ -	\$ -	\$ -	\$ -	\$ 5,002,876
State sources	-	761,156	-	-	-	-	761,156
Local sources	63,145	295	315,668	586,512	-	-	965,620
Other	644	-	21,831	344,393	-	16,597	383,465
Total revenues	<u>63,789</u>	<u>5,764,327</u>	<u>337,499</u>	<u>930,905</u>	<u>-</u>	<u>16,597</u>	<u>7,113,117</u>
<b>Expenditures</b>							
Payments to students	-	5,683,000	184,337	3,096	-	-	5,870,433
Supplies, materials, and other operating expenditures and services	50,784	-	155,619	1,025,263	14,879	27,132	1,273,677
Capital outlay	-	-	-	-	-	7,571	7,571
Total expenditures	<u>50,784</u>	<u>5,683,000</u>	<u>339,956</u>	<u>1,028,359</u>	<u>14,879</u>	<u>34,703</u>	<u>7,151,681</u>
Revenues over (under) expenditures	<u>13,005</u>	<u>81,327</u>	<u>(2,457)</u>	<u>(97,454)</u>	<u>(14,879)</u>	<u>(18,106)</u>	<u>(38,564)</u>
<b>Other financing sources (uses)</b>							
Operating transfers in	-	-	-	-	27,958	110,963	138,921
Operating transfers out	(15,000)	-	-	(32,000)	-	(21,330)	(68,330)
Total other financing sources (uses)	<u>(15,000)</u>	<u>-</u>	<u>-</u>	<u>(32,000)</u>	<u>27,958</u>	<u>89,633</u>	<u>70,591</u>
Revenues and other financing sources over (under) expenditures and other financing (uses)	(1,995)	81,327	(2,457)	(129,454)	13,079	71,527	32,027
<b>Fund balances</b>							
Beginning of year	<u>84,088</u>	<u>(49,306)</u>	<u>26,527</u>	<u>946,369</u>	<u>29,776</u>	<u>734,642</u>	<u>1,772,096</u>
End of year	<u>\$ 82,093</u>	<u>\$ 32,021</u>	<u>\$ 24,070</u>	<u>\$ 816,915</u>	<u>\$ 42,855</u>	<u>\$ 806,169</u>	<u>\$ 1,804,123</u>

CABRILLO COMMUNITY COLLEGE DISTRICT  
FEDERAL AND STATE SUPPLEMENTARY INFORMATION

JUNE 30, 2005

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CABRILLO COMMUNITY COLLEGE DISTRICT  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2005

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>CFDA Number</u>	<u>Pass-through Entity Identification Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture Pass Through Program From California State Department of Education - Child and Adult Food Program <i>Total U.S. Department of Agriculture</i>	10.558	44-2080-9A	\$ 26,552 <u>26,552</u>
U.S. Department of Labor Pass Through Programs From County of Santa Cruz Human Resources Agency WIA Adult Program <i>Total U.S. Department of Labor</i>	17.258	CO01495A	22,533 <u>22,533</u>
National Science Foundation: Mathematical and Physical Sciences	47.049		264,325
Education and Human Resources <i>Total National Science Foundation</i>	47.076		125,493 <u>389,818</u>
Small Business Administration Pass Through Programs From San Jose State University Foundation - Small Business Development Center (SBDC) <i>Total Small Business Administration</i>	59.037	C99-0031/C00-0048	123,610 <u>123,610</u>
U.S. Department of Education <i>Student Financial Aid Cluster</i> Federal Supplemental Educational Opportunity Grant Program (FSEOG) Federal Family Education Loans (FFEL) Federal College Work-Study Program (FWS) Federal Pell Grant Program (PELL) <i>Total Student Financial Aid Cluster</i>	84.007 84.032 84.033 84.063		267,733 1,875,035 153,615 4,630,246 <u>6,926,629</u>
Child Care Access Means Parents in School <i>Subtotal Direct Programs</i>	84.335		40,675 <u>6,967,304</u>
Pass Through Programs From Pajaro Unified School District - Migrant Education-Basic State Grant Program	84.011	n/a	49,790
California Community Colleges Chancellor's Office Vocational Education - Basic Grants to States Tech-Prep Education	84.048 84.243	00-C01-005 00-021-13	531,054 84,243
Bay Region Consortium - Vocational Education - Basic Grants to States	84.048	02-342	22,198 <u>22,198</u>
<i>Total U.S. Department of Education</i>			<u>7,654,589</u>
U.S. Department of Health and Human Services Pass Through Programs From California Community Colleges Chancellor's Office Temporary Assistance for Needy Families	93.558	n/a	20,277
University of California, Santa Cruz - Special Minority Initiatives <i>Total U.S. Department of Health and Human Services</i>	93.960	SC005015-C	23,770 <u>44,047</u>
<i>Total Expenditures of Federal Awards</i>			<u>\$ 8,261,149</u>

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this supplementary information.

CABRILLO COMMUNITY COLLEGE DISTRICT  
Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2005

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1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. Federal Family Education Loan Program ("FFEL")

New loans to students guaranteed under the FFEL program amounted to \$1,875,035 for the year ended June 30, 2005. These amounts are funded by third party lenders and are not reflected in the District's financial statements.

3. Major Program Descriptions

Federal Supplemental Education Opportunity Grant ("FSEOG")

The FSEOG program provides grants to eligible undergraduate students. Priority is given to Pell recipients who have the lowest expected family contributions. The institution decides the amount of the grant, which can be up to \$4,000 but not less than \$100 for an academic year. The maximum amount may be increased to \$4,400 for a student participating in a study abroad program that is approved for credit by the student's home institution. Federal funds are matched with institutional funds.

Federal Family Educational Loans ("FFEL")

The objective of the FFEL program is to encourage lenders such as banks, credit unions, savings and loan associations, pension funds, insurance companies, and schools to make loans to vocational, undergraduate, and graduate students enrolled at eligible postsecondary institutions to help pay for educational expenses. The loans are insured by a State or private nonprofit guaranty agency and reinsured by the Federal government.

CABRILLO COMMUNITY COLLEGE DISTRICT  
Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2005

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3. Major Program Descriptions (continued)

Federal College Work Study ("FWS")

The FWS program provides part-time employment to students who need the earnings to help meet costs of postsecondary education. This program also authorizes the establishment of the Job Location and Development ("JLD") program, the purpose of which is to expand off-campus part-time or full-time employment opportunities for all students, regardless of their financial need, who are enrolled in eligible institutions and to encourage students to participate in community service activities.

Federal Pell Grant ("Pell")

The Pell program provides grants to eligible undergraduate and for certain eligible postgraduate teacher certificate program students and is intended to provide a foundation of financial aid. The program is administered by the Department of Education and postsecondary educational institutions. Maximum and minimum Pell grant awards are established by statute. The Department of Education provides funds to the institution based on actual and estimated Pell expenditures.

CABRILLO COMMUNITY COLLEGE DISTRICT  
Schedule of State Financial Assistance  
For the Year Ended June 30, 2005

State Program Name	Program Entitlements				Program Revenues					Program Expenditures
	Current Year	Prior Year Carryover	Current Year Carryover	Total	Cash Received	Accounts Receivable	Accounts Payable	Deferred Revenue	Total Revenue	Total
Ano Nuevo - State Parks	\$ 32,000	\$ -	\$ -	\$ 32,000	\$ -	\$ 32,000	\$ -	\$ -	\$ 32,000	\$ 32,000
CALWorks - FTTW	199,931	29	-	199,960	199,960	-	-	-	199,960	199,960
Calworks - WIA FTTW	45,305	-	-	45,305	18,682	26,623	-	-	45,305	45,305
CARE	83,996	-	(696)	83,300	83,996	-	(696)	-	83,300	83,300
CCC Block Grant	524,274	-	(68,326)	455,948	524,274	-	-	(68,326)	455,948	455,948
CDD - PITC	-	291,267	(4,181)	287,086	287,086	-	-	-	287,086	287,086
CDE-CEED Tech Prep	200,000	-	(159,864)	40,136	-	40,136	-	-	40,136	40,136
Child Care Training Consortium	21,000	-	-	21,000	18,000	3,000	-	-	21,000	21,000
DSP&S	1,535,036	-	-	1,535,036	1,535,036	-	-	-	1,535,036	1,535,036
EOP&S	290,039	12,901	-	302,940	312,871	-	(9,931)	-	302,940	302,940
Faculty and Staff Development	-	4,292	(1,108)	3,184	4,292	-	-	(1,108)	3,184	3,184
Faculty and Staff Diversity	28,044	-	-	28,044	28,044	-	-	-	28,044	28,044
Foster Parent	126,711	-	-	126,711	63,356	63,355	-	-	126,711	126,711
IDRC Ladders Health Partnership	-	56,542	-	56,542	56,542	-	-	-	56,542	56,542
Independent Living Program	11,610	-	-	11,610	6,438	5,172	-	-	11,610	11,610
Instructional Equipment	-	107,762	(47,843)	59,919	107,762	-	-	(47,843)	59,919	59,919
Ladders-Santa Cruz County HRA	70,000	-	-	70,000	-	70,000	-	-	70,000	70,000
Lottery - Instructional Equipment	233,040	-	-	233,040	-	233,040	-	-	233,040	233,040
Matriculation - Non-Credit	2,315	-	-	2,315	2,315	-	-	-	2,315	2,315
Matriculation	440,853	-	-	440,853	440,853	-	-	-	440,853	440,853
MBRP STC Wrkplace	-	41,715	-	41,715	41,715	-	-	-	41,715	41,715
MESA CCCEP	99,500	-	-	99,500	74,625	24,875	-	-	99,500	99,500
MESA Leadership	44,000	-	(668)	43,332	33,000	10,332	-	-	43,332	43,332
Nursing Expan - Econ Dev	58,823	49,882	(58,823)	49,882	108,705	-	-	(58,823)	49,882	49,882
Options for Recovery OFR	195,999	-	-	195,999	195,999	-	-	-	195,999	195,999
PITC - Wested 3	35,000	-	(31,372)	3,628	-	3,628	-	-	3,628	3,628
Public Safety POST Workshop	104,545	-	-	104,545	38,324	66,221	-	-	104,545	104,545
SBDC Economic Development	140,550	-	-	140,550	140,550	-	-	-	140,550	140,550
SCORE-MBRP Longitudinal	62	-	-	62	62	-	-	-	62	62
Student Financial Aid	310,453	79,229	-	389,682	389,682	-	-	-	389,682	389,682
TANF - State - FTTW	20,277	-	-	20,277	20,277	-	-	-	20,277	20,277
Tech Block Grant	-	11,342	-	11,342	11,342	-	-	-	11,342	11,342
TTIP	58,369	30,329	(22,085)	66,613	88,698	-	-	(22,085)	66,613	66,613
<b>Total State Programs</b>	<b>\$ 4,911,732</b>	<b>\$ 685,290</b>	<b>\$ (394,966)</b>	<b>\$ 5,202,056</b>	<b>\$ 4,832,486</b>	<b>\$ 578,382</b>	<b>\$ (10,627)</b>	<b>\$ (198,185)</b>	<b>\$ 5,202,056</b>	<b>\$ 5,202,056</b>

CABRILLO COMMUNITY COLLEGE DISTRICT  
 Reconciliation of Annual Financial and Budget Report  
 (Form CCFS-311) with Audited Financial Statements  
 For the Fiscal Year Ended June 30, 2005

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	General Fund	Debt Service Funds	Capital Projects Funds
June 30, 2005 Annual Financial and Budget Report Fund balance/retained earnings per CCFS-311	\$ 5,341,643	\$ 7,257,770	\$ 60,085,363
Adjustments and reclassifications increasing/(decreasing) fund balance			
Rounding	-	-	(1)
Total adjustments and reclassifications	-	-	(1)
Fund balance per audit, June 30, 2005	\$ 5,341,643	\$ 7,257,770	\$ 60,085,362

CABRILLO COMMUNITY COLLEGE DISTRICT  
Schedule of Workload Measures for State General Apportionment  
Annualized Attendance as of June 30, 2005

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	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Revised Data</u>
Categories			
A. Credit full-time equivalent student (FTES)			
1. Weekly census	8,488	-	8,488
2. Daily census	478	-	478
3. Actual hours of attendance	825	-	825
4. Independent study work experience	389	-	389
5. Summer Intersession	667	-	667
Total	<u>10,847</u>	<u>-</u>	<u>10,847</u>
B. Noncredit FTES			
1. Actual hours of attendance	217	-	217
2. Summer Intersession	11	-	11
Total	<u>228</u>	<u>-</u>	<u>228</u>
	<u>11,075</u>	<u>-</u>	<u>11,075</u>
C. Gross square footage	<u>601,273</u>	<u>-</u>	<u>601,273</u>

CABRILLO COMMUNITY COLLEGE DISTRICT  
OTHER INDEPENDENT AUDITORS' REPORTS

JUNE 30, 2005

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## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE REQUIREMENTS

Board of Trustees  
Cabrillo Community College District  
Aptos, California

We have audited the basic financial statements of the Cabrillo Community College District (the "District") in accordance with auditing standards generally accepted in the United States of America, and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, for the fiscal year ended June 30, 2005, and have issued our report thereon dated December 13, 2005.

In connection with our audit referred to above, we selected and tested transactions and records to determine the District's compliance with the following state laws and regulations in accordance with Section 400, State Compliance Requirements of the *Contracted District Audit Manual* issued by the California Community Colleges Chancellor's Office (July 2005):

### **Salaries of Classroom Instructors (50 Percent Law)**

#### Requirement

Each district's salaries of classroom instructors shall equal or exceed 50 percent of the district's current expense of education in accordance with Section 84362 of the *Education Code*.

### **Apportionment for Instructional Service Agreements/Contracts**

#### Requirement

This compliance requirement applies to instructional service agreements/contracts in which:

1. The District is reporting the FTES from these classes, and
2. Instruction is conducted at the contractor's facility, and
3. The contractor's employees are used to instruct classes, and
4. The District is paying the contractor on a per unit basis (i.e., per contract hour) for use of facilities and/or reimbursement for employees' salaries, and
5. The contractor is paying the District enrollment fees for the students (either directly or as an offset to the District's payment to the contractor per item #3 above).



### **Apportionment for Instructional Service Agreements/Contracts (continued)**

Community colleges may claim FTES for State funding of classes conducted at a contractor's site and instructed by the contractor's employees if all of the following regulatory requirements are met:

1. Programs are approved by the State Chancellor's Office and courses are part of those approved programs or the college has received delegated authority to separately approve those courses and has done so, and
2. Courses are open to the general public, and
3. Students are under the immediate supervision of a District employee, and
4. The District employee possesses valid credentials or meets the minimum qualifications required for the assignment, and
5. The District and public or private agency, individual, or group of individuals with whom the District has a contract and/or instructional agreement does not receive full compensation for the direct education costs for the conduct of the class from any other source.

### **Required Data Elements**

#### **Requirement**

Each district shall have the ability to support timely, accurate and complete information for the following workload measures used in the calculation of State General Apportionment:

1. Credit Full-Time Equivalent Student ("FTES") in weekly census, daily census, actual hour of attendance and apprenticeship courses.
2. Noncredit FTES in actual hours of attendance and distance education courses.
3. Credit student headcount data.
4. Gross square footage and FTES in less than 100% leased space.

### **Residency Determination for Credit Courses**

#### **Requirement**

Each district must act to ensure that only the attendance of California residents is claimed for State support of credit classes.

## **Concurrent Enrollment of K-12 Students in Community College Credit Courses**

### **Requirement**

A community college district may claim FTES for the attendance of K-12 pupils who take courses offered by the district under this concurrent enrollment arrangement only if it complies with all the following:

1. District must have pupil's parental consent and school principal's recommendation to attend community college, subject to a maximum percentage of students per school.
2. Courses must be open to the general public and may not be limited to specialized clientele, nor may any group of individuals receive notice of the course offering prior to the general public.
3. Courses are not eligible for apportionment if they have not been properly approved by the district and, where applicable, by the Chancellor's Office, or are not taught in accordance with a locally established course outline.
4. Educational activities of students used in computing FTES must be under the immediate supervision and control of an academic employee of the district who is authorized to render service in that capacity.
5. Courses taught under a contract with a public or private agency must be under contract with both the agency and with the individual who will provide the instruction, and the individual must be qualified under the minimum qualifications for community college instructors.
6. Courses fully funded through another source are not permitted to receive apportionment, nor may the district receive apportionment if the K-12 school district is claiming apportionment for the attendance of its pupils in the community college courses.
7. Courses may not be restricted to K-12 pupils either directly on the basis of age or indirectly on the basis of specific grade levels that impact persons on the basis of age.
8. Summer courses may admit K-12 pupils who have demonstrated adequate preparation in the discipline to be studied and have availed themselves of all opportunities to enroll in an equivalent course at the school of attendance.

## **Use of Matriculation Funds**

### **Requirement**

Districts are required to use local funds to support at least 75 percent of the matriculation activities with the remaining expenditures claimable against the state matriculation allocation. All expenditures related to the allocation, both state and local funded portions, must be consistent with the district's state-approved matriculation plan and identifiable within the ten activities listed above. This 25-percent-State-funds, 75-percent-local-funds ratio applies district-wide not per college or within individual activity groups.

District must use the annual state matriculation allocation to expand levels of services that were in place in 1986-87, or to add entirely new services. The state allocation may not be used to supplant district funded services that existed in 1986-87 or before, including personnel costs.

## **Allocation of Costs (DSP&S and EOP&S)**

### **Requirement**

Salaries of instructors teaching FTES generating classes, school counselors providing advisement, student services at the dean level or above, and financial aid officers conducting need analysis are not considered supportable charges against either Extended Opportunity Programs and Services ("EOP&S") or Disabled Student Program and Services ("DSP&S") accounts unless their activities require them to perform additional functions for the EOP&S or DSP&S programs that are beyond the scope of services provided to all students in the normal performance of the regular duty assignments. These activities may be supported only to the extent of the supplementary services provided for EOP&S and DSP&S.

## **EOP&S Administrator/Director Requirements**

### **Requirement**

Districts accepting EOP&S funds are required to contribute from non-EOP&S sources the salary of the EOP&S director/administrator at the rate of 100 percent of salary and benefits for formal program activities associated with the implementation and operation of EOP&S specific activities over-and-above general supervision of EOP&S activities.

## **Gann Limit Calculation**

### **Requirement**

Each district shall calculate and adopt an appropriation limit annually in a public meeting. The calculation and adoption shall be verified by certified public accountants as part of annual financial audits.

## **Enrollment Fee**

### **Requirement**

Community college districts are required to report the total amount the students should have paid for enrollment fees for purposes of determine each district's share of apportionments annually.

## **Scheduled Maintenance Program**

### **Requirement**

Funds provided by the State must be to supplement, not supplant, district deferred maintenance funds. This is defined as the amount spent in fiscal year 1995-96 for operation and maintenance of plant increased by an amount equal to the state's contribution and the district's match for the schedule maintenance program for the year being audited.

## Open Enrollment

### Requirement

Community college districts shall comply with the California Code of Regulations, Title 5, provisions related to open enrollment by the general public for all the courses being submitted for state apportionment funding.

Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, except for item 05-1 described in the accompanying schedule of state compliance findings and recommendations, the Cabrillo Community College District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2005.

This report is intended solely for the information and use of the Board of Trustees, management and others within the District, the California Community Colleges Chancellor's Office, the California Department of Finance, and the California Department of Education, and is not intended to be and should not be used by anyone other than these specified parties.

  
ARMANINO McKENNA LLP

December 13, 2005

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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*

Board of Trustees  
Cabrillo Community College District  
Aptos, California

We have audited the basic financial statements of Cabrillo Community College District (the "District") as of and for the year ended June 30, 2005, and have issued our report thereon dated December 13, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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



This report is intended solely for the information and use of the Board of Trustees, management and others within the District, and is not intended to be and should not be used by anyone other than these specified parties.

*Armanino McKenna LLP*  
ARMANINO McKENNA LLP

December 13, 2005

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Trustees  
Cabrillo Community College District  
Aptos, California

Compliance

We have audited the compliance of Cabrillo Community College District (the "District") with the types of compliance requirements described in the *U.S. Office of Management and Budget ("OMB") Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The District's major federal programs are identified in the accompanying Schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.



## Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Trustees, management and others within the District, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

  
ARMANINO McKENNA LLP

December 13, 2005

CABRILLO COMMUNITY COLLEGE DISTRICT  
 Schedule of Findings and Questioned Costs  
 For the Year Ended June 30, 2005

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Section I - Summary of Auditors' Results
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*Financial Statements*

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Reportable condition(s) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

*Federal Awards*

Internal control over major programs:	
• Material weakness(es) identified?	No
• Reportable condition(s) identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in Accordance with section 510(a) of Circular A-133?	No

Identification of major programs:

*U.S. Department of Education*

Student Financial Aid Cluster

Supplemental Educational Opportunity Grant Program (CFDA #84.007)

Federal Family Education Loans (FFEL) (CFDA #84.032)

Federal College Work Study (CFDA #84.033)

Federal Pell Grant Program (CFDA #84.063)

CABRILLO COMMUNITY COLLEGE DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2005

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Section I - Summary of Auditors' Results (continued)

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

*State Awards*

Internal control over state programs:

- Material weakness(es) identified? No
  
- Reportable condition(s) identified that are not considered to be material weaknesses? Yes

Type of auditor's report issued on compliance for state programs:	Qualified
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Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Findings and Questioned Costs

No matters were reported.

Section IV - Status of Prior Year Audit Findings

No prior year audit findings.

Section V - Corrective Action Plan

There were neither current year findings nor questioned costs (see Section III above).

CABRILLO COMMUNITY COLLEGE DISTRICT  
STATE COMPLIANCE FINDINGS AND RECOMMENDATIONS

JUNE 30, 2005

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CABRILLO COMMUNITY COLLEGE DISTRICT  
State Compliance Findings and Recommendations  
June 30, 2005

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Current Year Findings
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State Award Title:                    Students Concurrently Enrolled

Item 05-1      Concurrent Enrollment Restrictions

Finding – It was noted that there were several concurrent students enrolled in more than 11 course units during the Fall 2004 and Spring 2005 semesters. Allowing special admit students who are concurrently enrolled in high school and in courses offered by the District to enroll in more than 11 college units is a violation of state compliance guidelines.

Recommendation – The District's internet enrollment system allows concurrently enrolled high school students to add classes in the same manner as the general student population once they have satisfied the initial entry requirements (i.e. obtained signature of high school principal or guidance counselor, attended counseling session with college counselor, etc.). We recommend that the District implement system restrictions whereby concurrent students are prohibited from adding classes via the internet, or the total number of units they may enroll in via the internet is limited to 11.

Management Response – The District concurs with the recommendation and is investigating options for implementing restrictions in the system.

CABRILLO COMMUNITY COLLEGE DISTRICT  
Status of Prior Year State Compliance Findings and Recommendations  
June 30, 2005

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Prior Year Findings
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State Award Title:                    Students Concurrently Enrolled

Item 04-1      Concurrent Enrollment Restrictions

Current Status – Repeat finding in current year.

State Award Title:                    Open Enrollment

Item 04-2      Publication of Open Enrollment Policy

Current Status – Implemented