

CABRILLO COMMUNITY COLLEGE DISTRICT

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ANNUAL FINANCIAL REPORT

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**JUNE 30, 2006**



**CABRILLO COMMUNITY COLLEGE DISTRICT**  
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**JUNE 30, 2006**

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***FINANCIAL SECTION***

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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Cabrillo Community College District  
Aptos, California

We have audited the accompanying basic financial statements of the Cabrillo Community College District (the District) as of and for the year ended June 30, 2006 and its discretely presented component unit, the Cabrillo College Foundation (the Foundation) 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 audits. The financial statements as of and for the year ended June 30, 2005 were audited by other auditors whose report dated December 13, 2005 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic 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 and its discretely presented component unit as of June 30, 2006, and the respective changes in financial position and cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis, as listed in the Table of Contents, is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. This supplementary information is the responsibility of the District's management. We have applied certain limited procedures, consisting 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2007, 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 or 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The 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*, are presented for purposes of additional analysis and are 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, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Additional Supplementary Information as listed in the table of contents has been presented at the request of District management for purposes of additional analysis. We have applied certain limited procedures consisting primarily of analysis and inquiry regarding presentation; however, we did not audit the information. Accordingly, we express no opinion on them.

Vavinek, Trine, Day & Co LLP

Pleasanton, California

January 10, 2007

# **CABRILLO COMMUNITY COLLEGE DISTRICT**

## **MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEARS ENDED JUNE 30, 2006**

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### ***USING THIS ANNUAL REPORT***

The purpose of this annual report is to provide readers with information about the activities programs and financial condition of the Cabrillo Community College District (the District) as of June 30, 2006. The report consists of three basic financial statements: the Statement of Financial Position, Statement of Revenues, Expenses, and Changes in Net Assets, and Statement of Cash Flows and provides information about the District as a whole. This section of the annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2006. Please read it in conjunction with the District's financial statements, which immediately follow this section. Responsibility for the completeness and accuracy of this information rests with the District management.

### ***OVERVIEW OF THE FINANCIAL STATEMENTS***

The focus of the Statement of Net Assets is designed to be similar to the bottom line results of the District. This statement combines and consolidates current financial resources with capital assets and long-term obligations. The Statement of Revenues, Expenses, and Changes in Net Assets focuses on the costs of the District's operational activities, which are supported primarily by local property taxes and State apportionment revenues. The Statement of Cash Flows provides an analysis of the sources and uses of cash within the operations of the District.

The California Community Colleges Chancellor's Office has recommended that all State community colleges follow the Business Type Activity (BTA) model for financial statement reporting purposes.

### ***FINANCIAL HIGHLIGHTS***

- The District's primary funding source is based upon apportionment received from the State of California. The primary basis of this apportionment is the calculation of Full Time Equivalent Students (FTES). During the 2005-2006 fiscal year, the reported FTES were 11,159 as compared to 11,159 in the 2004-2005 fiscal year. The fully funded cap for fiscal year 2005-2006 is 11,159 which is the same as for 2004-2005.
- The District is continuing several construction and modernization projects at our campus resulting in completed building and improvements and improvements to sites of approximately \$45 million in the 2005-2006 fiscal year. These projects are funded both through State construction revenues and through our voter approved general obligation bond.
- Costs for employee salaries increased by 1% percent or \$0.45 million from the 2005-2006 fiscal year and costs associated with employee benefits increased by 15% percent or \$0.61 million. This increase in the benefit costs has been due to continued rising costs of health and welfare benefits paid on behalf of both current employees and retirees and increased contribution rates for PERS retirement contributions.
- During the 2005-2006 fiscal year, the District provided almost \$6.2 million in financial aid to students attending classes at the college. This aid was provided in the form of grants, scholarships, loans, and tuition reductions funded through the Federal government, State Chancellor's Office, and local funding.
- The District issued \$60 million in general obligation bonds on June 2, 2004, for construction and renovation projects and equipment throughout the District. These projects were approved by the voters within the District's boundaries and will be completed over the coming three to five years.

# CABRILLO COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2006

### THE DISTRICT AS A WHOLE

#### Net Assets

**Table 1**

	2006	2005	Change
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and investments	\$ 68,962,063	\$ 76,280,575	\$ (7,318,512)
Accounts receivable (net)	6,156,878	6,058,481	98,397
Other current assets	1,131,787	806,547	325,240
Total Current Assets	<u>76,250,728</u>	<u>83,145,603</u>	<u>(6,894,875)</u>
Capital Assets (net)	<u>136,930,209</u>	<u>116,023,421</u>	<u>20,906,788</u>
Total Assets	<u>\$ 213,180,937</u>	<u>\$ 199,169,024</u>	<u>\$ 14,011,913</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities	13,331,047	11,008,158	2,322,889
Amounts held in trust for others	1,036,288	931,117	105,171
Current portion of long-term debt	5,083,675	4,181,775	901,900
Total Current Liabilities	<u>19,451,010</u>	<u>16,121,050</u>	<u>3,329,960</u>
Long-term Debt	<u>141,479,514</u>	<u>139,882,048</u>	<u>1,597,466</u>
Total Liabilities	<u>160,930,524</u>	<u>156,003,098</u>	<u>4,927,426</u>
<b>NET ASSETS</b>			
Invested in capital assets	40,021,618	30,505,829	9,515,789
Restricted	5,133,175	8,800,885	(3,667,710)
Unrestricted	7,095,620	3,859,212	3,236,408
Total Net Assets	<u>52,250,413</u>	<u>43,165,926</u>	<u>9,084,487</u>
Total Liabilities and Net Assets	<u>\$ 213,180,937</u>	<u>\$ 199,169,024</u>	<u>\$ 14,011,913</u>

# CABRILLO COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2006

### Operating Results for the Year

The results of this year's operations for the District as a whole are reported in the *Statement of Revenues, Expenses, and Changes in Net Assets*.

**Table 2**

	2006	2005	Change
Operating Revenues			
Tuition and fees	\$ 4,997,408	\$ 6,974,968	\$ (1,977,560)
Grants and contracts	33,066,055	23,698,826	9,367,229
Auxiliary sales and charges	3,379,236	3,959,750	(580,514)
Total Operating Revenues	<u>41,442,699</u>	<u>34,633,544</u>	<u>6,809,155</u>
Operating Expenses			
Salaries and benefits	51,378,736	49,241,418	2,137,318
Payment to students	3,418,297	6,030,894	(2,612,597)
Supplies and maintenance	10,583,270	12,667,797	(2,084,527)
Depreciation	3,250,551	2,825,762	424,789
Total Operating Expenses	<u>68,630,854</u>	<u>70,765,871</u>	<u>(2,135,017)</u>
Loss on Operations	<u>(27,188,155)</u>	<u>(36,132,327)</u>	<u>8,944,172</u>
Nonoperating Revenues			
State apportionments	27,897,781	25,134,407	2,763,374
Property taxes	11,467,402	16,989,556	(5,522,154)
State revenues	3,571,222	1,998,513	1,572,709
Net interest expense	(9,679,502)	(7,083,385)	(2,596,117)
Other nonoperating revenues expenses	(581,989)	1,659,741	(2,241,730)
Total Nonoperating Revenue	<u>32,674,914</u>	<u>38,698,832</u>	<u>(6,023,918)</u>
Other Revenues			
State and local capital income	<u>3,597,728</u>	<u>1,493,335</u>	<u>2,104,393</u>
Net Increase in Net Assets	<u>\$ 9,084,487</u>	<u>\$ 4,059,840</u>	<u>\$ 5,024,647</u>

The District's primary revenue fund is the State apportionment calculation which is comprised of three sources of revenues: local property taxes, student enrollment fees, and State apportionment.

Auxiliary revenue consists of bookstore and vocational education net revenues. The college campus maintains its own bookstores and cafeterias to provide services to the students and faculty of the college. The operations are self-supporting and contribute to the student programs on each campus.

Grant and contract revenues relate primarily to student financial aid as well as to specific Federal and State grants received for programs serving the students and programs of the District. These grant and program revenues are restricted as to the allowable expenses related to the programs.

Tuition and fee revenue includes enrollment fees of \$4,010,673 for 2005-2006 and \$4,002,691 for 2004-2005. The balance of the tuition and fee revenue line consists of other fees and revenues.

# CABRILLO COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2006

### Changes in Cash Position

**Table 3**

	<u>2006</u>	<u>2005</u>	<u>Change</u>
Cash Provided by (Used in)			
Operating activities	\$ (19,491,572)	\$ (43,607,635)	\$ 24,116,063
Noncapital financing activities	42,332,152	45,223,994	(2,891,842)
Capital financing activities	(30,232,135)	(9,172,294)	(21,059,841)
Investing activities	(811,203)	1,644,946	(2,456,149)
Net Increase (Decrease) in Cash	(8,202,758)	(5,910,989)	(2,291,769)
Cash, Beginning of Year	75,670,719	81,581,708	(5,910,989)
Cash, End of Year	<u>\$ 67,467,961</u>	<u>\$ 75,670,719</u>	<u>\$ (8,202,758)</u>

The Statement of Cash Flows in the financial statements provides more detailed information about our cash receipts and payments during the year. This statement also assists users in assessing the District's ability to meet its obligations as they come due and its need for external financing. Our primary operating receipts are student tuition and fees and Federal, State, and local grants and contracts. The primary operating expense of the District is the payment of salaries and benefits to instructional and classified support staff.

While State apportionment revenues and property taxes are the primary source of noncapital related revenue, the GASB accounting standards require that this source of revenue is shown as nonoperating revenue as it comes from the general resources of the State and not from the primary users of the college's programs and services – our students. The District depends upon this funding to continue the current level of operations.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### Capital Assets

At June 30, 2006, the District had \$136,930,209 million in a broad range of capital assets, including land, buildings, and furniture and equipment. At June 30, 2005, our net capital assets were \$116,023,421 million. The District is currently in the middle of a major capital improvement program with construction ongoing throughout the college campus. These projects are primarily funded through our general obligation bonds. These projects are accounted for within our Construction in Progress account until the project is completed at which time the cost of the buildings and/or improvements will be brought in to the depreciable Buildings and Improvement category.

Capital projects are continuing through the 2006-2007 fiscal year and beyond with primary funding through our general obligation bond.

**CABRILLO COMMUNITY COLLEGE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2006**

**Table 4**

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Land and construction in progress	\$ 24,299,149	\$23,347,280	\$(5,471,695)	\$ 42,174,734
Buildings and improvements	110,600,901	6,271,694	-	116,872,595
Equipment and vehicles	6,214,050	460,252	-	6,674,302
Subtotal	141,114,100	30,079,226	(5,471,695)	165,721,631
Accumulated depreciation	(25,090,679)	(3,700,743)	-	(28,791,422)
	<u>\$ 116,023,421</u>	<u>\$26,378,483</u>	<u>\$(5,471,695)</u>	<u>\$ 136,930,209</u>

**Obligations**

At the end of the 2005-2006 fiscal year, the District had \$142,133,356 million in general obligation bonds outstanding. These bonds are repaid annually in accordance with the obligation requirements through an increase in the assessed property taxes on property within the Cabrillo Community College District boundaries. Other obligations for the District includes Certificates of Participation issued to fund various capital improvement projects throughout the District and a Note Payable to fund energy retrofitting projects.

In addition to the above obligations, the District is obligated to employees of the District for vacation and load banking benefits and lease purchase agreements for equipment.

**Table 5**

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
General obligation bonds	\$ 139,432,242	\$7,036,114	\$(4,335,000)	\$ 142,133,356
COPs and notes payable	3,225,000	-	(185,000)	3,040,000
Other liabilities	1,406,581	-	(394,636)	1,011,945
Total Long-term Debt	<u>\$ 144,063,823</u>	<u>\$7,036,114</u>	<u>\$(4,914,636)</u>	<u>\$ 146,185,301</u>
Amount due within one year				<u>\$ 5,083,675</u>

***GENERAL FUND BUDGETARY HIGHLIGHTS***

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The Board of Trustees adopted the final amendment to the budget for the 2005-2006 fiscal year on September 12, 2006.

Within the Unrestricted General Fund, operating costs have continually increased. The State Budget has not kept pace with the increased operating costs, primarily in health and welfare benefits, especially in regards to the need to recognize post retirement benefits.

# **CABRILLO COMMUNITY COLLEGE DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2006**

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### ***ECONOMIC FACTORS AFFECTING THE FUTURE OF THE CABRILLO COMMUNITY COLLEGE DISTRICT***

The economic position of the District is closely tied to the State of California as State apportionments and property taxes allocated to the District represent approximately 84 percent of the total unrestricted sources of revenues received within the General Fund. The funding formula for the 2007-2008 fiscal year has not been finalized, but is not expected to adversely affect the District in its first year of implementation. The District's student enrollment is currently up slightly. There is uncertainty as to the actual level of funding the District will receive for student enrollment. With the current budget situation, the District continues to monitor enrollment and operating costs of the District to ensure ongoing financial stability and retain the reserve levels required by our Board of Trustees and the State Chancellor's Office.

### ***CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT***

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Cabrillo Community College District, Pegi Ard, Vice President, Business Services by phone at 831-479-6292 or by email at [peard@cabrillo.edu](mailto:peard@cabrillo.edu).

# CABRILLO COMMUNITY COLLEGE DISTRICT

## STATEMENTS OF NET ASSETS JUNE 30, 2006 AND 2005

	2006	2005
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 2,476,164	\$ 2,582,478
Investments	66,485,899	73,698,097
Accounts receivable	5,213,767	6,058,481
Student loans receivable, net	943,111	-
Prepaid expenses	478,602	259,734
Stores inventories	653,185	546,813
<b>Total Current Assets</b>	76,250,728	83,145,603
<b>Noncurrent Assets</b>		
Nondepreciable capital assets	42,174,734	24,299,149
Depreciable capital assets, net of depreciation	94,755,475	91,724,272
<b>Total Noncurrent Assets</b>	136,930,209	116,023,421
<b>TOTAL ASSETS</b>	213,180,937	199,169,024
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	5,264,584	4,220,242
Interest payable	2,006,524	4,306,294
Deferred revenue	6,059,939	2,481,622
Amounts held in trust on behalf of others	1,036,288	931,117
Certificates of participation - current portion	195,000	185,000
Lease obligations - current portion	162,010	209,366
Bonds payable - current portion	4,726,665	3,787,409
<b>Total Current Liabilities</b>	19,451,010	16,121,050
<b>Noncurrent Liabilities</b>		
Compensated absences payable - noncurrent portion	816,901	1,002,171
Certificates of participation - noncurrent portion	2,845,000	3,040,000
Lease obligations - noncurrent portion	33,034	195,044
Bonds payable - noncurrent portion	137,784,579	135,644,833
<b>Total Noncurrent Liabilities</b>	141,479,514	139,882,048
<b>TOTAL LIABILITIES</b>	160,930,524	156,003,098
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	40,021,618	30,505,829
Restricted for:		
Debt service	351,845	6,908,925
Capital projects	1,967,848	1,891,960
Educational programs	362,089	-
Other activities	2,451,393	-
Unrestricted	7,095,620	3,859,212
<b>TOTAL NET ASSETS</b>	\$ 52,250,413	\$ 43,165,926

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

# CABRILLO COMMUNITY COLLEGE DISTRICT

## STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
<b>OPERATING REVENUES</b>		
Student Tuition and Fees	\$ 7,243,444	\$ 9,272,381
Less: Scholarship discount and allowance	(2,246,036)	(2,297,413)
Net tuition and fees	<u>4,997,408</u>	<u>6,974,968</u>
Grants and Contracts, noncapital:		
Federal	6,220,964	6,553,536
State	4,005,297	6,352,662
Local	22,839,794	10,792,628
Auxiliary Enterprise Sales and Charges		
Bookstore	3,360,074	3,959,750
Vocational education	19,162	-
<b>TOTAL OPERATING REVENUES</b>	<u>41,442,699</u>	<u>34,633,544</u>
<b>OPERATING EXPENSES</b>		
Salaries	40,015,485	38,841,809
Employee benefits	11,363,251	10,399,609
Payment to students	3,418,297	6,030,894
Supplies, materials, and other operating expenses and services	10,583,270	12,667,797
Depreciation	3,250,551	2,825,762
<b>TOTAL OPERATING EXPENSES</b>	<u>68,630,854</u>	<u>70,765,871</u>
<b>OPERATING LOSS</b>	<u>(27,188,155)</u>	<u>(36,132,327)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State apportionments, noncapital	27,897,781	25,134,407
Local property taxes	11,467,402	16,989,556
State taxes and other revenues	3,571,222	1,998,513
Investment income, net	112,154	1,659,741
Interest expense on capital related debt	(9,679,502)	(7,083,385)
Other nonoperating revenues (expenses)	(694,143)	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>32,674,914</u>	<u>38,698,832</u>
<b>INCOME BEFORE OTHER REVENUES AND EXPENSES</b>	<u>5,486,759</u>	<u>2,566,505</u>
State revenues, capital	3,586,791	560,996
Local revenues, capital	10,937	932,339
<b>TOTAL INCOME BEFORE OTHER OTHER REVENUES AND EXPENSES</b>	<u>3,597,728</u>	<u>1,493,335</u>
<b>INCREASE IN NET ASSETS</b>	9,084,487	4,059,840
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>43,165,926</u>	<u>39,106,086</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 52,250,413</u>	<u>\$ 43,165,926</u>

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

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# CABRILLO COMMUNITY COLLEGE DISTRICT

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and fees	\$ 8,953,613	\$ 7,469,663
Federal grants and contracts	6,220,964	6,494,158
State grants and contracts	4,005,297	7,117,556
Local grants and contracts	22,690,618	414,032
Payments to vendors for supplies and services	(9,748,033)	(12,088,524)
Payments to or on behalf of employees	(51,574,970)	(50,943,376)
Payments to students for scholarships and grants	(3,418,297)	(6,030,894)
Auxiliary enterprise sales and charges:		
Bookstore	3,360,074	3,959,750
Vocational education	19,162	-
<b>Net Cash Flows From Operating Activities</b>	<u>(19,491,572)</u>	<u>(43,607,635)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State apportionments	27,897,781	25,134,407
Property taxes	11,467,402	16,989,556
State taxes and other apportionments	3,571,222	1,998,513
Other nonoperating	(694,143)	1,101,518
<b>Net Cash Flows From Noncapital Financing Activities</b>	<u>42,242,262</u>	<u>45,223,994</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
Purchase of capital assets	(24,157,339)	(12,906,717)
State revenue, capital projects	3,586,791	560,996
Local revenue, capital projects	10,937	10,382,826
Principal paid on capital debt	(4,335,000)	(3,666,510)
Interest paid on capital debt	(5,337,524)	(3,542,889)
<b>Net Cash Flows From Capital Financing Activities</b>	<u>(30,232,135)</u>	<u>(9,172,294)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales and maturities of investments	(923,357)	1,644,946
Interest received from investments	112,154	-
<b>Net Cash Flows From Investing Activities</b>	<u>(811,203)</u>	<u>1,644,946</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(8,292,648)	(5,910,989)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>75,670,719</u>	<u>81,581,708</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 67,378,071</u>	<u>\$ 75,670,719</u>

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

**CABRILLO COMMUNITY COLLEGE DISTRICT**

**STATEMENTS OF CASH FLOWS, Continued  
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
<b>RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating loss	\$ (27,188,155)	\$ (36,132,327)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation expense	3,250,551	2,825,762
Changes in Assets and Liabilities:		
Receivables, net	(149,176)	(9,441,085)
Inventories	(106,372)	207,425
Prepaid items	(218,868)	(106,777)
Accounts payable and accrued liabilities	1,055,306	(1,223,333)
Deferred revenue	3,759,971	262,700
Funds held for others	105,171	-
Total Adjustments	<u>7,696,583</u>	<u>(7,475,308)</u>
Net Cash Flows From Operating Activities	<u>\$ (19,491,572)</u>	<u>\$ (43,607,635)</u>
 <b>CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:</b>		
Cash in banks	\$ 2,476,164	\$ 2,582,478
Cash in county treasury	64,991,797	73,088,241
Total Cash and Cash Equivalents	<u>\$ 67,467,961</u>	<u>\$ 75,670,719</u>

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

**CABRILLO COMMUNITY COLLEGE DISTRICT**

**DISCRETELY PRESENTED COMPONENT UNIT  
CABRILLO COLLEGE FOUNDATION  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 2,087,878	\$ 858,897
Contributions receivable, net	116,340	540,264
Beneficial interest in split interest agreement	233,726	296,531
Assets held in pooled income fund	119,688	122,509
Investments	10,328,179	9,722,001
<b>Total Current Assets</b>	<u>12,885,811</u>	<u>11,540,202</u>
<b>Noncurrent Assets</b>		
Depreciable capital assets, net of depreciation	8,425	15,935
<b>TOTAL ASSETS</b>	<u>\$ 12,894,236</u>	<u>\$ 11,556,137</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Scholarships and projects payable	\$ 807,556	\$ 919,498
Liabilities to beneficiaries	30,978	31,204
<b>TOTAL LIABILITIES</b>	<u>838,534</u>	<u>950,702</u>
<b>NET ASSETS</b>		
Unrestricted	413,348	490,634
Temporarily restrict	4,031,422	3,442,139
Permanently restricted	7,611,232	6,672,662
<b>TOTAL NET ASSETS</b>	<u>12,056,002</u>	<u>10,605,435</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 12,894,536</u>	<u>\$ 11,556,137</u>

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

**CABRILLO COMMUNITY COLLEGE DISTRICT**

**DISCRETELY PRESENTED COMPONENT UNIT**

**CABRILLO COLLEGE FOUNDATION**

**STATEMENTS OF ACTIVITIES**

**FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
<b>SUPPORT AND REVENUES</b>		
Contributions	\$ 2,229,501	\$ 1,989,011
Interest and dividend income	377,090	321,612
Realized gains on investments	47,458	147,346
Unrealized gains (losses) on investments	554,549	166,533
Change in value of split interest agreements	(65,101)	72,842
In-kind contributions	77,556	145,717
Other income	186,461	125,959
<b>TOTAL SUPPORT AND REVENUES</b>	<u>3,407,514</u>	<u>2,969,020</u>
<b>EXPENSES</b>		
Program Expenses		
Scholarship awards and services	375,477	343,739
Endowment projects and services	1,045,555	1,037,323
Supporting Services		
Management and general	283,736	236,175
Fundraising	252,179	262,724
<b>TOTAL EXPENSES</b>	<u>1,956,947</u>	<u>1,879,961</u>
<b>CHANGE IN NET ASSETS</b>	1,450,567	1,089,059
<b>NET ASSETS, BEGINNING OF YEAR</b>	10,605,435	9,516,376
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 12,056,002</u>	<u>\$ 10,605,435</u>

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

**CABRILLO COMMUNITY COLLEGE DISTRICT**

**DISCRETELY PRESENTED COMPONENT UNIT  
CABRILLO COLLEGE FOUNDATION  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,450,567	\$ 1,089,059
Adjustments to reconcile change in net assets to net cash provided by operations		
Depreciation	7,510	10,168
Change in valuation of split-interest agreement	65,101	(72,842)
Change in operating assets and liabilities		
Contributions receivable	423,924	(204,470)
Scholarship and projects payable	(80,738)	-
Discount for future interest	(31,205)	34,978
<b>Net Cash Flows From Operating Activities</b>	<u>1,835,159</u>	<u>856,893</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to investments	(606,178)	(1,257,586)
Purchase of property and equipment	-	(4,876)
<b>Net Cash Flows From Investing Activities</b>	<u>(606,178)</u>	<u>(1,262,462)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	1,228,981	(405,569)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	858,897	1,264,466
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 2,087,878</u>	<u>\$ 858,897</u>

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

# CABRILLO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 AND 2005

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### ***NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

#### **Organization**

The Cabrillo Community College District (the District) was established in 1959 as a political subdivision of the State of California and provides post secondary educational services to residents of Santa Cruz. The District operates under a locally elected seven-member Board of Trustees form of government, which establishes the policies and procedures by which the District operates. The Board must approve the annual budgets for the General Fund, special revenue funds, and capital project funds, but these budgets are managed at the department level. Currently, the District operates one campus located in Aptos, California and a center in Watsonville. The District will begin offering courses in Scotts Valley on trial basis beginning spring 2007. While the District is a political subdivision of the State of California, it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 39.

#### **Financial Reporting Entity**

During the year ended June 30, 2004, the District adopted GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. This statement amends GASB Statement No. 14, *The Financial Reporting Entity*, to provide additional guidance to determine whether certain organizations, for which the District is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the District.

#### ***Cabrillo College Foundation***

The Cabrillo College Foundation (the Foundation) is a legally separate, tax-exempt component unit of the District. The Foundation acts primarily as a fundraising organization to provide grants and scholarships to students and support to employees, programs, and departments of the District. The board of the Foundation consists of community members, alumni, and other supporters of the Foundation. Although the District does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the District by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the District, the Foundation is considered a component unit of the District. The Foundation is reported in separate financial statements because of the difference in its reporting model, as further described below.

The Foundation is a not-for-profit organization that reports its financial results under Financial Accounting Standards Board (FASB) Statements. Most significant to the Foundation's operations and reporting model are FASB Statement No. 116, *Accounting for Contributions Received and Contributions Made*, and FASB Statement No. 117, *Financial Reporting for Not-For-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the District's financial reporting entity for these differences; however, significant note disclosures to the Foundation's financial statements have been incorporated into the District's notes to the financial statements. Separately issued financial statements may be obtained by contacting the Cabrillo College Foundation.

# CABRILLO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006 AND 2005

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### Measurement Focus, Basis of Accounting, and Financial Statement Presentation

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency and intra-fund transactions have been eliminated.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 60 days of fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, certain grants, entitlements, and donations. Revenue from State apportionments is generally recognized in the fiscal year in which it is apportioned from the State. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements.

The accounting policies of the District conform to accounting principles generally accepted in the United State of America (US GAAP) as applicable to colleges and universities, as well as those prescribed by the California Community Colleges Chancellor's Office. The District reports are based on all applicable GASB pronouncements, as well as applicable FASB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements. When applicable, certain prior year amounts have been reclassified to conform to current year presentation.

The financial statements are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, *Basic Financial Statements and Management's Discussions and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussions and Analysis for Public Colleges and Universities*, as amended by GASB Statements No. 37 and 38. The Business type activities model followed by the District requires the following components of the District's financial statements:

- Management's Discussion and Analysis
- Basic Financial Statements for the District as a whole including:
  - Statement of Net Assets
  - Statement of Revenues, Expenses and Changes in Net Assets
  - Statement of Cash Flows
- Notes to the Financial Statements

# CABRILLO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 AND 2005

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The following is a summary of the more significant policies:

### **Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of one year or less from the date of acquisition.

### **Investments**

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and for External Investment Pools*, investments are stated at fair value. Fair value is estimated based on published market prices at year-end. Investments for which there are no quoted market prices are not material.

### **Accounts Receivable**

Accounts receivable include amounts due from the Federal, State and/or local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of California. The District provides for an allowance for uncollectible accounts as an estimation of amounts that may not be received. This allowance is based upon management's estimates and analysis. The allowance was estimated at \$1,547,721 for the year ended June 30, 2006.

### **Prepaid Expenditures**

Prepaid expenditures or expenses represent payments made to vendors for services that will benefit periods beyond June 30.

### **Inventory**

Inventory consists primarily of bookstore merchandise and cafeteria food and supplies held for resale to the students and faculty of the colleges. Inventories are stated at cost, utilizing the weighted average method. The cost is recorded as an expense as the inventory is consumed.

### **Capital Assets and Depreciation**

Capital assets are long-lived assets of the District as a whole and include land, construction-in-progress, buildings, leasehold improvements, and equipment. The District maintains an initial unit cost capitalization threshold of \$5,000. Assets are recorded at historical cost, or estimated historical cost, when purchased or constructed. The District's infrastructures consist primarily of road network connecting the different buildings of the campus. Donated capital assets are recorded at estimated fair market value at the date of donation. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Major outlays for capital improvements are capitalized as construction-in-progress as the projects are constructed.

# CABRILLO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 AND 2005

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Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings and infrastructure, 50 years; improvements, 25 years; equipment, 3 to 8 years.

### **Accrued Liabilities and Long-term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the entity-wide financial statements.

### **Compensated Absences**

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the governmental funds statements. The amounts have been recorded in the fund from which the employees, who have accumulated the leave, are paid. Sick leave is accumulated without limit for each employee based upon negotiated contracts. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave.

### **Deferred Revenue**

Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Deferred revenues include (1) amounts received for tuition and fees prior to the end of the fiscal year that are related to the subsequent fiscal year and (2) amounts received from Federal and State grants received before the eligibility requirements are met are recorded as deferred revenue.

### **Net Assets**

GASB Statements No. 34 and No. 35 report equity as "Net Assets." Net assets are classified according to external donor restrictions or availability of assets for satisfaction of District obligations according to the following net asset categories:

**Invested in Capital Assets, Net of Related Debt:** Capital Assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

**Restricted – Expendable:** Net assets whose use by the District is subject to externally imposed constraints that can be fulfilled by actions of the District pursuant to those constraints or by the passage of time.

**Unrestricted:** Net assets that are not subject to externally imposed constraints. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

# CABRILLO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 AND 2005

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When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed.

### **Operating Revenues and Expenses**

**Classification of Revenues** - The District has classified its revenues as either operating or nonoperating according to the following criteria:

**Operating revenues** - Operating revenues include 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 scholarship discounts and allowances, (3) most Federal, State, and local grants and contracts, and (4) interest on institutional student loans.

**Nonoperating revenues** - Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as State apportionments, property taxes, investment income, gifts and contributions, and other revenue sources described in GASB Statement No. 34.

**Classification of Expenses** - Nearly all the District's expenses are from exchange transactions and are classified as either operating or nonoperating according to the following criteria:

**Operating expenses** - Operating expenses are necessary costs to provide the services of the District and include employee salaries and benefits, supplies, operating expenses, and student financial aid.

**Nonoperating expenses** - Nonoperating expenses include interest expense and other expenses not directly related to the services of the District.

### **State Apportionments**

Certain current year apportionments from the State are based on financial and statistical information of the previous year. Any corrections due to the recalculation of the apportionment are made in February of the subsequent year and are recorded in the District's financial records when received.

### **Estimates**

The preparation of the 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

### **Comparative Financial Information**

Comparative financial information for the prior year has been presented for additional analysis; certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

# CABRILLO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 AND 2005

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### Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. The County Assessor is responsible for assessment of all taxable real property. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Santa Cruz bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

### Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, SEOG Grants, Federal Work-Study, and Stafford Loan programs, as well as other programs funded by the Federal government. Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to students in the form of reduced tuition. These programs are audited in accordance with the Single Audit Act Amendments of 1996, and the U.S. Office of Management and Budget's revised Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the related *Compliance Supplement*.

### New Accounting Pronouncements

**GASB Statement No. 42:** In November 2003, GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. This statement establishes accounting and financial reporting standards for impairment of capital assets. The provisions of this statement are effective for periods beginning after December 2004 and have been implemented by the District in fiscal year 2005-2006. This pronouncement did not have an impact on the District's financial statements.

**GASB Statement No. 43:** In April 2004, GASB issued Statement No. 43, *Financial Reporting for Postemployment Benefits Other than Pension Plans*. The standards in this statement apply for trust funds included in the financial reports of plan sponsors or employers, as well as for the stand-alone financial reports of OPEB plans or the public employee retirements systems, or other third parties that administer them. The provisions of this statement are effective for periods beginning after December 15, 2005. The District has not determined the impact of this statements on the financial statements.

**GASB Statement No. 45:** In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. This statement establishes standards for the measurement, recognition and display of OPEB expense, expenditures and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports of State and local governmental employers. This statement generally provides for prospective implementation - that is, that employers set the beginning net OPEB obligation at zero as of the beginning of the initial year. The District is in the process of determining the impact the implementation of this statement will have on the government-wide statements of net assets and activities. This statement is effective for periods beginning after December 15, 2006, depending upon the size of the governmental entities' financial activity. The District will be implementing the requirements of this standard in the 2008-2009 fiscal year.

# CABRILLO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 AND 2005

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**GASB Statement No. 46:** In December 2004, GASB issued Statement No. 46, *Net Assets Restricted by Enabling Legislation*, an amendment of GASB No. 34. This statement clarifies that a legally enforceable enabling legislation restriction is one that a party external to a government can compel a government to honor. Accordingly, it clarifies the determination of restricted net assets within the statement of net assets. This pronouncement did not have an impact on the District's financial statements.

**GASB Statement No. 47:** In June 2005, the GASB issued GASBS No. 47, *Accounting for Termination Benefits*. GASBS No. 47 addresses accounting for both voluntary and involuntary termination benefits. For termination benefits that affect an employer's obligations for defined benefit OPEB, the provisions of GASBS No. 47 should be applied simultaneously with the requirements of GASBS No. 45 [GASBS No. 45 is effective in three phases, with implementation required for Phase 1 governments in periods beginning after December 15, 2006.] For all other termination benefits, including those that affect an employer's obligations for defined benefit pension benefits, GASBS No. 47 is effective for financial statements for periods beginning after June 15, 2005. Earlier application of GASBS No. 47 is encouraged. Implementation of this Statement did not have an impact on the financial statements.

### **NOTE 2 - CASH AND INVESTMENTS**

#### **Policies and Practices**

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

**Investment in County Treasury** - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

# CABRILLO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 AND 2005

### General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

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

### Summary of Deposits and Investments

Deposits and investments as of June 30, 2006, consist of the following:

Cash on hand and in banks	\$ 2,421,164
Cash in revolving	55,000
Investments	66,485,899
Total Deposits and Investments	<u>\$ 68,962,063</u>

### Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County pool and purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

**CABRILLO COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006 AND 2005**

**Specific Identification of the District's Investments**

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investment by maturity:

Investment Type	Fair Value	Maturity Date
U.S. Agencies	\$ 923,357	0.82 Years
County Pool	65,562,542	0.59 Years
Total	<u>\$ 66,485,899</u>	

**Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of the year-end for each investment type.

Investment Type	Fair Value	Not Required To Be Rated	Rating as of Year End AAA
U.S. Agencies	\$ 923,357	\$ -	\$ 923,357
County Pool	65,562,542	65,562,542	-
Total	<u>\$ 66,485,899</u>	<u>\$ 65,562,542</u>	<u>\$ 923,357</u>

**Concentration of Credit Risk**

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the stipulated by the California Government code. There were no investments in any one issuer that represent five percent or more of the total investments.

**Custodial Credit Risk - Deposits**

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2006, the District's bank balance of \$2,662,197 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

# CABRILLO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 AND 2005

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### *NOTE 3 - ACCOUNTS RECEIVABLE*

Receivables for the District consisted primarily of intergovernmental grants, entitlements, interest, and other local sources.

The accounts receivable are as follows:

	<u>2006</u>	<u>2005</u>
Federal Government		
Categorical aid	\$ 611,207	\$ 468,433
State Government		
Apportionment	2,064,032	3,937,837
Categorical aid	651,958	345,342
Lottery	675,569	233,040
Local Government		
Other local sources	1,211,001	148,826
Subtotal	<u>5,213,767</u>	<u>5,133,478</u>
Student receivables	2,490,832	2,141,529
Less allowance for bad debt	<u>(1,547,721)</u>	<u>(1,216,526)</u>
Accounts receivables, net of allowance for bad debts	<u>\$ 6,156,878</u>	<u>\$ 6,058,481</u>

### **Discretely Presented Component Unit**

The Foundation's contributions receivable of \$116,340, consist primarily of short-term donations and the \$233,726 is a split interest (charitable remainder trust) agreements. The contributions receivable amount is net of an allowance for uncollectible contributions of approximately \$25,000.

**CABRILLO COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006 AND 2005**

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the District for the fiscal year ended June 30, 2006, was as follows:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ 4,164,679	\$ -	\$ -	\$ 4,164,679
Construction in progress	20,134,470	23,347,280	5,471,695	38,010,055
<b>Total Capital Assets Not Being Depreciated</b>	<b>24,299,149</b>	<b>23,347,280</b>	<b>5,471,695</b>	<b>42,174,734</b>
<b>Capital Assets Being Depreciated</b>				
Land improvements	11,362,792	412,262	-	11,775,054
Infrastructure	35,670,426	1,009,797	-	36,680,223
Buildings	63,567,683	4,849,635	-	68,417,318
Furniture and equipment	6,214,050	460,252	-	6,674,302
<b>Total Capital Assets Being Depreciated</b>	<b>116,814,951</b>	<b>6,731,946</b>	<b>-</b>	<b>123,546,897</b>
<b>Total Capital Assets</b>	<b>141,114,100</b>	<b>30,079,226</b>	<b>5,471,695</b>	<b>165,721,631</b>
<b>Less Accumulated Depreciation</b>				
Land improvements	2,655,615	404,296	-	3,059,911
Infrastructure	2,370,260	723,515	-	3,093,775
Buildings	15,441,513	2,035,446	-	17,476,959
Furniture and equipment	4,623,291	537,486	-	5,160,777
<b>Total Accumulated Depreciation</b>	<b>25,090,679</b>	<b>3,700,743</b>	<b>-</b>	<b>28,791,422</b>
<b>Net Capital Assets</b>	<b>\$ 116,023,421</b>	<b>\$ 26,378,483</b>	<b>\$ 5,471,695</b>	<b>\$ 136,930,209</b>

# CABRILLO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 AND 2005

Capital asset activity for the District for the fiscal year ended June 30, 2005, was as follows:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ 4,164,679	\$ -	\$ -	\$ 4,164,679
Construction in progress	15,870,740	10,233,760	5,970,030	20,134,470
<b>Total Capital Assets Not Being Depreciated</b>	<b>20,035,419</b>	<b>10,233,760</b>	<b>5,970,030</b>	<b>24,299,149</b>
<b>Capital Assets Being Depreciated</b>				
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
Furniture and equipment	5,365,904	848,146	-	6,214,050
<b>Total Capital Assets Being Depreciated</b>	<b>108,171,964</b>	<b>8,642,987</b>	<b>-</b>	<b>116,814,951</b>
<b>Total Capital Assets</b>	<b>128,207,383</b>	<b>18,876,747</b>	<b>5,970,030</b>	<b>141,114,100</b>
<b>Less Accumulated Depreciation</b>				
Land improvements	2,251,319	404,296	-	2,655,615
Infrastructure	1,646,745	723,515	-	2,370,260
Buildings	14,281,048	1,160,465	-	15,441,513
Furniture and equipment	4,085,805	537,486	-	4,623,291
<b>Total Accumulated Depreciation</b>	<b>22,264,917</b>	<b>2,825,762</b>	<b>-</b>	<b>25,090,679</b>
<b>Net Capital Assets</b>	<b>\$ 105,942,466</b>	<b>\$ 16,050,985</b>	<b>\$ 5,970,030</b>	<b>\$ 116,023,421</b>

### Discretely Presented Component Unit

Capital asset for the Cabrillo College Foundation in the amount of \$8,425 for the year ended June 30, 2006 consists primarily of equipment.

### NOTE 5 - INTERFUND TRANSACTIONS

#### Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances consist of amounts owed between funds as a result of the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions recorded in the accounting system and (3) payments between funds occur. These interfund transactions have been eliminated through consolidation within the entity-wide financial statements.

# CABRILLO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 AND 2005

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### Operating Transfers

Operating transfers between District governmental funds are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. These operating transfers have been eliminated through consolidation within the entity-wide financial statements.

### NOTE 6 - ACCOUNTS PAYABLE

Accounts payable for the District consisted of the following:

	<u>2006</u>	<u>2005</u>
Vendor	\$ 3,902,249	\$ 1,875,402
Accrued payroll and benefits	835,210	857,021
Apportionment	527,125	-
Other	-	1,487,819
Total	<u>\$ 5,264,584</u>	<u>\$ 4,220,242</u>

### Discretely Presented Component Unit

The accounts payable of the Cabrillo College Foundation consist primarily of amounts owed for scholarships, projects and liability payable to beneficiaries of pooled income funds totaling \$838,234.

### NOTE 7 - DEFERRED REVENUE

Deferred revenue at consisted of the following:

	<u>2006</u>	<u>2005</u>
State categorical aid	\$ 525,073	\$ 198,185
State capital grants	3,344,397	277,465
Enrollment fees	959,790	2,005,972
Other local	1,230,679	-
Total	<u>\$ 6,059,939</u>	<u>\$ 2,481,622</u>

**CABRILLO COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006 AND 2005**

**NOTE 8 - LONG-TERM OBLIGATIONS**

**Long-term Obligations Summary**

The changes in the District's long-term obligations during the 2006 fiscal year consisted of the following:

	Balance Beginning of Year	Accreted	Deductions	Balance End of Year	Due in One Year
<b>Bonds and Notes Payable</b>					
General obligation bonds	\$ 97,210,000	\$ -	\$ 1,865,000	\$ 95,345,000	\$ 2,385,000
Capital appreciation bonds	42,222,242	7,036,114	2,470,000	46,788,356	2,341,665
<b>Total Bonds and Notes Payable</b>	<u>139,432,242</u>	<u>7,036,114</u>	<u>4,335,000</u>	<u>142,133,356</u>	<u>4,726,665</u>
<b>Other Liabilities</b>					
Compensated absences	1,002,171	-	185,270	816,901	-
Capital leases	404,410	-	209,366	195,044	162,010
Certificates of participation	3,225,000	-	185,000	3,040,000	195,000
<b>Total Other Liabilities</b>	<u>4,631,581</u>	<u>-</u>	<u>579,636</u>	<u>4,051,945</u>	<u>357,010</u>
 <b>Total Long-term Debt</b>	 <u>\$ 144,063,823</u>	 <u>\$ 7,036,114</u>	 <u>\$ 4,914,636</u>	 <u>\$146,185,301</u>	 <u>\$ 5,083,675</u>

The changes in the District's long-term obligations during the 2005 fiscal year consisted of the following:

	Balance Beginning of Year	Accreted	Deductions	Balance End of Year	Due in One Year
<b>Bonds and Notes Payable</b>	\$ 136,114,462	\$ 6,731,330	\$ 3,413,550	\$139,432,242	\$ 3,787,409
<b>Other Liabilities</b>					
Compensated absences	1,041,852	-	39,681	1,002,171	-
Capital leases	602,370	-	197,960	404,410	209,366
Certificates of participation	3,280,000	-	55,000	3,225,000	185,000
<b>Total Other Liabilities</b>	<u>4,924,222</u>	<u>-</u>	<u>292,641</u>	<u>4,631,581</u>	<u>394,366</u>
 <b>Total Long-term Debt</b>	 <u>\$ 141,038,684</u>	 <u>\$ 6,731,330</u>	 <u>\$ 3,706,191</u>	 <u>\$144,063,823</u>	 <u>\$ 4,181,775</u>

# CABRILLO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 AND 2005

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### Description of Debt

The District issued 1998 Series A, B, C and D in the amount of \$85,000,000 as authorized by voter election held within the Cabrillo Community College District boundaries. The bond proceeds were used to finance the construction and renovation of various District facilities and are paid through ad valorem taxes.

On June 2, 2004, the District issued the 2004 Refunding Bonds in the amount of \$32,410,000. The proceeds were used to advance refund \$31,675,000 of the outstanding 1998 General Obligation Bonds. The net proceeds were used to purchase U.S. securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payment on the 1998 Bonds. In 2006, the escrow agent continued making payments on the 1998 Bonds that were refunded and the debt service to maturity amounts of the remaining outstanding balance of those bonds is as follows.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ -	\$ 1,633,756
2008	-	1,633,756
2009	-	1,633,756
2010	385,000	1,625,671
2011	885,000	1,609,405
2012-2016	6,605,000	7,245,249
2017-2021	9,680,000	5,086,996
2022-2026	11,320,000	2,264,634
2027-2028	2,800,000	142,500
	<u>\$ 31,675,000</u>	<u>\$ 22,875,723</u>

On June 2, 2004, the District issued the 2004 Series A bonds totaling \$59,997,760 to finance the construction and renovation of various District facilities. In February 1998, the District issued certificates of participation in the amount of \$3,450,000. The certificates mature in 2018. The proceeds from the issuance were used to finance the acquisition of various capital assets.

**CABRILLO COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006 AND 2005**

**Debt Maturity**

**General Obligation Bonds**

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds
				Outstanding July 1, 2005	Accreted	Redeemed	Outstanding June 30, 2006
1998A	2009	3.3-4.8%	\$12,000,000	\$ 1,540,000	\$ -	\$ 385,000	\$ 1,155,000
1998B	2025	4.0-6.3%	30,000,000	29,898,870	3,176,272	2,125,000	30,950,142
1998C	2026	5.1-5.8%	20,002,009	8,213,526	1,449,578	695,000	8,968,104
1998D	2028	3.0-5.7%	22,997,991	7,822,991	1,250,957	200,000	8,873,948
2004 Refunding	2019	2.0-5.7%	31,865,000	60,091,855	-	485,000	59,606,855
2004A	2029	2.0-5.8%	59,997,760	31,865,000	1,159,307	445,000	32,579,307
				<u>\$139,432,242</u>	<u>\$7,036,114</u>	<u>\$4,335,000</u>	<u>\$142,133,356</u>

The bonds mature through 2029 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
	2007	\$ 4,726,665	\$ 5,237,362
2008	5,140,650	5,354,365	10,495,015
2009	4,288,632	5,370,207	9,658,839
2010	4,659,308	5,433,161	10,092,469
2011	4,420,347	5,423,367	9,843,714
2012-2016	32,053,140	26,885,481	58,938,621
2017-2021	30,935,454	25,887,837	56,823,291
2022-2026	28,654,357	24,402,215	53,056,572
2027-2029	14,034,950	8,870,800	22,905,750
Total	<u>\$ 128,913,503</u>	<u>\$ 112,864,795</u>	<u>\$ 241,778,298</u>
Accretion to date:	13,219,853		
	<u>\$ 142,133,356</u>		

**CABRILLO COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006 AND 2005**

**Certificates of Participation**

Year Ending June 30,	Principal	Interest	Total
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	230,000	109,249	339,249
2012-2016	1,340,000	366,444	1,706,444
2017-2018	640,000	48,500	688,500
Total	<u>\$ 3,040,000</u>	<u>\$ 1,057,678</u>	<u>\$ 4,097,678</u>

**Capital Leases**

The District's liability on lease agreements with option to purchase is summarized below:

Year Ending June 30,	Lease Payment
2007	\$ 168,570
2008	28,989
2009	5,043
Total	<u>202,603</u>
Less: Amount Representing Interest	7,559
Present Value of Minimum Lease Payments	<u>\$ 195,044</u>

**NOTE 9 - POSTEMPLOYMENT BENEFITS**

The District provides medical, dental, and vision insurance coverage, as prescribed in the various employee union contracts, to retirees meeting plan eligibility requirements. Eligible employees retiring from the District may become eligible for these benefits when the requirements are met. The eligibility requirement for employees participating in Public Employees' Retirement System (PERS) is a minimum age of 55 and a minimum ten years of continuous service with the District. Additional age and service criteria may be required. The eligibility requirement for employees participating in State Teachers' Retirement System (STRS) is a minimum age of 60 with five years of service, or age 50 with 30 years of service. In addition, the District also has minimum continuous service requirements for retirement that range from three years to ten years and varies by employee class. The District recognizes expenditures for these post employment health benefits on a pay-as-you-go-basis. During the 2006 fiscal year, the District provided insurance premium benefits to 109 retired employees with total expenditures of approximately \$705,000.

# CABRILLO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006 AND 2005

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### ***NOTE 10 - RISK MANAGEMENT***

#### **Property and Liability**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year ending June 30, 2006, the District contracted with the Statewide Association of Community Colleges ("SWACC") Joint Powers Authority (JPA) for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

#### **Workers' Compensation**

For fiscal year 2005-2006, the District participated in the Northern California community College Pool ("NCCCP") Joint Powers Authority (JPA), an insurance purchasing pool. The intent of the JPA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the JPA. The workers' compensation experience of the participating districts is calculated as one experience, and a common premium rate is applied to all districts in the JPA. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall saving. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the JPA. Participation in the JPA is limited to K-12 and community college districts that can meet the JPA's selection criteria.

### ***NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS***

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (STRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

#### **STRS**

##### **Plan Description**

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 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 membership in the Cash Balance Benefit Program (CB Benefit Program). Since January 1, 1999, both of these plans have been part of the State Teachers' Retirement Plan (STRS), a cost-sharing, multiple-employer contributory public employee retirement system. The State Teachers' Retirement Law (Part 13 of the *California Education Code*, Section 22000 et seq.) established benefit provisions for STRS. Copies of the STRS annual financial report may be obtained from the STRS Executive Office, 7667 Folsom Boulevard, Sacramento, California 95851.

# CABRILLO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 AND 2005

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The STRS, a defined benefit pension plan, provides retirement, disability, and death benefits, and depending on which component of the STRS the employee is in, post-retirement cost-of-living adjustments may also be offered. Employees in the DB Plan attaining the age of 60 with five years of credited California service (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 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. While early retirement can reduce the two percent age factor used at age 60, service of 30 or more years will increase the percentage age factor to be applied. Disability benefits are generally the maximum of 50 percent of final compensation for most applicants. Eligible dependent children can increase this benefit up to a maximum of 90 percent of final compensation. After five years of credited service, members become 100 percent vested in retirement benefits earned to date. If a member's employment is terminated, the accumulated member contributions are refundable. The features of the CB Benefit Program include immediate vesting, variable contribution rates that can be bargained, guaranteed interest rates, and flexible retirement options. Participation in the CB Benefit Program is optional; however, if the employee selects the CB Benefit Program 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 members of the DB Plan are required to contribute eight percent of their salary while the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2005-2006 was 8.25 percent 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 the DB Plan or FICA may participate in the CB Benefit Program. The District contribution rate for the CB Benefit Program is always a minimum of four percent with the sum of the District and employee contribution always being equal or greater than eight percent.

### **Annual Pension Cost**

The District's total contributions to STRS for the fiscal years ended June 30, 2006, 2005, and 2004, were \$1,923,531, \$1,574,621, and \$1,594,461, respectively, and equal 100 percent of the required contributions for each year.

# CABRILLO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006 AND 2005

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### CalPERS

#### Plan Description

All full-time classified employees participate in the CalPERS, an agent multiple-employer contributory public employee retirement system that act as a common investment and administrative agent for participating public entities within the State of California. The Cabrillo Community College District is part of a "cost-sharing" pool with CalPERS. Employees are eligible for retirement as early as age 50 with five years of service. At age 55, the employee is entitled to a monthly benefit of 2.0 percent of final compensation for each year of service credit. Retirement compensation is reduced if the plan is coordinated with Social Security. Retirement after age 55 will increase the percentage rate to a maximum of 2.5 percent at age 63 with an increased rate. The plan also provides death and disability benefits. Retirement benefits fully vest after five years of credited service. Upon separation from the Fund, members' accumulated contributions are refundable with interest credited through the date of separation.

The Public Employees' Retirement Law (Part 3 of the *California Government Code*, Section 20000 et seq.) establishes benefit provisions for CalPERS. 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.

#### Funding Policy

Active plan members are required to contribute 7 percent of their salary (seven percent of monthly salary over \$133.33 if the member participates in Social Security), and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The District's contribution rate to CalPERS for fiscal year 2005-2006 was 9.116 percent of annual payroll.

#### Annual Pension Cost

The District's contributions to CalPERS for fiscal years ending June 30, 2006, 2005, and 2004, were \$1,052,665, \$1,595,746, and \$1,592,539, respectively, and equaled 100 percent of the required contributions for each year.

#### Social Security/Tax Deferred Annuity

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (STRS or PERS) must be covered by Social Security or an alternative plan. The District has elected to use the Social Security as its alternative plan. Contributions made by the District and an employee vest immediately. The District contributes 7.65 percent of an employee's gross earnings. An employee is required to contribute 7.65 percent of his or her gross earnings to the pension plan.

# CABRILLO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 AND 2005

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### On Behalf Payments

The State of California makes contributions to STRS and PERS on behalf of the District. These payments consist of State General Fund contributions to STRS in the amount of \$1,051,085 for fiscal year 2006. This amount represents 4.517 percent of salaries subject to STRS for fiscal year 2006. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures, however, guidance advises local educational agencies not to record these amounts in the Annual Financial and Budget Report. These amounts have been recorded in these financial statements.

### NOTE 12 - COMMITMENTS AND CONTINGENCIES

#### Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2006.

#### Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsels, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2006.

#### Construction Commitments

As of June 30, 2006, the District had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECT	Remaining Construction Commitment	Expected Date of Completion
Student activities center	\$ 11,320,849	May-07
Arts education classrooms	56,422,889	Sep-08
Health and wellness parking	6,267,109	Jan-07
Health and wellness buildings	16,963,442	Jan-09
Building 800, 851, 852 relocation	328,234	Aug-07
	<u>\$ 91,302,523</u>	

The projects are funded through a combination of general obligation bonds, certificates of participation, and capital project apportionments from the State Chancellor's Office.

# CABRILLO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006 AND 2005

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### ***NOTE 13 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES***

The District is a member of the Statewide Association of Community Colleges ("SWACC") Joint Powers Authority and Northern California community College Pool ("NCCCP") Joint Powers Authority (JPAs). The District pays annual premiums for its property liability and workers' compensation coverage. The relationship between the District and the JPA is such that it is not a component unit of the District for financial reporting purposes.

The JPAs have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, transactions between the JPAs and the District are included in these statements. Audited financial statements are available from the respective entities.

The District's share of year-end assets, liabilities, or fund equity has not been calculated.

During the year ended June 30, 2006, the District made payments of \$ 254,303 and \$ 613,665 to SWACC and NCCCP, respectively.

### ***NOTE 14 - COMPONENT UNIT***

The Cabrillo College Foundation (the Foundation) maintains its accounts in accordance with the principles of fund accounting as specified in Statement on Audit Standards (SAS) 116 and SAS 117. Resources received for various purposes are classified in accordance with the activities or objectives specified by donors. Accordingly, net assets and changes therein are classified as follows:

**Permanently Restricted Net Assets** - Net assets subject to donor-imposed restrictions that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or a part of the investment earnings for general or specific purposes.

**Temporarily Restricted Net Assets** - Net assets subject to donor-imposed restrictions that will be met by actions of the Foundation and/or the passage of time.

**Unrestricted Net Assets** - Net assets not subject to donor-imposed restrictions.

Revenues are reported in the unrestricted net asset classification unless use of the related assets is limited by donor-imposed restrictions. Contributions, including unconditional promises to give, are recognized as revenues in the period they are received. Conditional promises to give are not recognized until the conditions upon which they depend are substantially met. Contributions for in-kind gifts and services are not recognized in the financial statements unless the value can be substantiated and are also recorded with a corresponding expense.

Expenses are reported as decreases in unrestricted net assets as incurred. Gains and losses on investments are reported as increases or decreases in the corresponding net asset categories.

As the passage of time or other action releases net assets from their restriction, the assets are transferred to the unrestricted fund for expenditure.

Investments are reported at fair value based on quoted market prices.

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***SUPPLEMENTARY INFORMATION***

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# CABRILLO COMMUNITY COLLEGE DISTRICT

## DISTRICT ORGANIZATION

JUNE 30, 2006

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The Cabrillo Community College District was established in January 1959 and serves all of Santa Cruz County, the northern portion of Monterey County, and the western portion of San Benito County. There were no changes in the boundaries of the District during the current year.

### BOARD OF TRUSTEES

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Alan Smith	Chairperson	November 2006
Rachael Spencer	Vice Chair	November 2008
Katy Stonebloom	Member	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 and District Superintendent
Pegi Ard	Vice President, Business Services
Renée Kilmer	Vice President, Instruction
Manuel Osorio	Vice President, Student Services

**CABRILLO COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2006**

Grantor/Program or Cluster Title	Federal Catalog Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Financial Aid Cluster <sup>[1]</sup>			
College Work Study	84.033	none	\$ 137,007
Pell Grants	84.063	none	4,614,498
Supplemental Education Opportunity Grant Program	84.007	none	250,800
Vocational and Technical Education Act			
Passed through California Community College System's Office			
VTEA Title I-C <sup>[1]</sup>	84.048	02-C01	343,824
VTEA Title II - Tech Prep	84.243	00-021-13	75,250
Child Care Access Means Parents	84.335	none	59,883
National Science Foundation			
Mathematical and Physical Sciences	47.049	none	165,969
Education and Human Resources	47.076	none	126,360
Higher Education Act:			
Migrant Ed: High School Equivalency	84.141A	none	22,220
Migrant Ed: State Grant Program	84.011	none	49,462
Bay Region Consortium - Vocational Education - Basic Grants to	84.048	none	21,151
Rehabilitation Services Demonstration and Training Programs	84.235	none	91,825
SallieMae Achieve Text Grant	<sup>[2]</sup>	none	411
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Workforce Investment Act, Title II	17.258	none	25,000
Workforce Investment Act, Dislocated Worker	17.260	none	25,000
<b>U.S. DEPARTMENT OF LABOR</b>			
Passed through California Community College System's Office:			
Temporary Assistant to Needy Families (TANF)	93.558	unknown	63,944
<b>BUREAU OF LAND MANAGEMENT, DEPARTMENT OF INTERIOR</b>			
Cultural Resource Management	15.224	none	3,629
<b>SMALL BUSINESS ADMINISTRATION</b>			
Passed through from San Jose State University	59.037	C99-0031	144,731
Total			<u>\$ 6,220,964</u>

[1] Tested as a major program

[2] CFDA not available

See accompanying note to supplementary information.

