

CABRILLO COMMUNITY COLLEGE DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2007

CABRILLO COMMUNITY COLLEGE DISTRICT
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FINANCIAL SECTION



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 years ended June 30, 2007 and 2006, and its discretely presented component unit, the Cabrillo College Foundation (the Foundation) as listed in the table of contents. These basic 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.

We conducted our audits 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 audits provide 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, 2007, and 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 28, 2008, 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.

Vavrinek, Tiene, Day & Co LLP

Pleasanton, California
January 28, 2008

CABRILLO COMMUNITY COLLEGE DISTRICT

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEARS ENDED JUNE 30, 2007

USING THE 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, 2007. 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, 2007. 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 2006-2007 fiscal year, the reported FTES were 11,462 as compared to 11,159 in the 2005-2006 fiscal year. The fully funded cap for fiscal year 2006-2007 is 11,571.
- The District continued several construction and modernization projects during 2006-07. These projects are funded both through State construction revenues and through our voter approved general obligation bond.
- Costs for employee salaries increased by 9% percent or \$4 million from the 2005-06 fiscal year and costs associated with employee benefits increased by 7.7% percent or \$.87 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 2006-2007 fiscal year, the District provided almost \$5.9 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 in June, 2004, \$58 million in March, 2007 and \$58.5 million in April, 2007 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, 2007**

THE DISTRICT AS A WHOLE

Net Assets

Table 1

	<u>2007</u>	<u>2006</u>	<u>2005</u>
ASSETS			
Current Assets			
Cash and investments	\$ 101,590,695	\$ 68,962,063	\$ 76,280,575
Accounts receivable (net)	9,678,884	6,156,878	6,058,481
Other current assets	1,751,256	1,131,787	806,547
Total Current Assets	<u>113,020,835</u>	<u>76,250,728</u>	<u>83,145,603</u>
Capital Assets (net)	<u>168,558,419</u>	<u>136,930,209</u>	<u>116,023,421</u>
Total Assets	<u>281,579,254</u>	<u>213,180,937</u>	<u>199,169,024</u>
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	11,676,788	13,331,047	11,008,158
Amounts held in trust for others	1,140,504	1,036,288	931,117
Current portion of long-term debt	5,478,619	5,083,675	4,181,775
Total Current Liabilities	<u>18,295,911</u>	<u>19,451,010</u>	<u>16,121,050</u>
Long-term Debt	<u>197,408,520</u>	<u>141,479,514</u>	<u>139,882,048</u>
Total Liabilities	<u>215,704,431</u>	<u>160,930,524</u>	<u>156,003,098</u>
NET ASSETS			
Invested in capital assets	39,191,750	40,021,618	30,505,829
Restricted	15,998,578	5,133,175	8,800,885
Unrestricted	10,684,495	7,095,620	3,859,212
Total Net Assets	<u>\$ 65,874,823</u>	<u>\$ 52,250,413</u>	<u>\$ 43,165,926</u>

CABRILLO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

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

	2007	2006	2005
Operating Revenues			
Tuition and fees	\$ 5,540,673	\$ 4,997,408	\$ 6,974,968
Grants and contracts	37,479,746	33,066,055	23,698,826
Auxiliary sales and charges	3,431,689	3,379,236	3,959,750
Total Operating Revenues	<u>46,452,108</u>	<u>41,442,699</u>	<u>34,633,544</u>
Operating Expenses			
Salaries and benefits	56,366,211	51,378,736	49,241,418
Payment to students	3,688,192	3,418,297	6,030,894
Supplies and maintenance	15,270,390	10,583,270	12,667,797
Depreciation	3,570,916	3,250,551	2,825,762
Total Operating Expenses	<u>78,895,709</u>	<u>68,630,854</u>	<u>70,765,871</u>
Loss on Operations	<u>(32,443,601)</u>	<u>(27,188,155)</u>	<u>(36,132,327)</u>
Nonoperating Revenues			
State apportionments	33,991,467	27,897,781	25,134,407
Property taxes	9,247,722	11,467,402	16,989,556
State revenues	3,312,975	3,571,222	1,998,513
Net interest expense	(7,377,924)	(9,679,502)	(7,083,385)
Other nonoperating revenues (expenses)	291,529	(581,989)	1,659,741
Total Nonoperating Revenue	<u>39,465,769</u>	<u>32,674,914</u>	<u>38,698,832</u>
Other Revenues			
State and local capital income	<u>6,602,242</u>	<u>3,597,728</u>	<u>1,493,335</u>
Net Increase in Net Assets	<u>\$ 13,624,410</u>	<u>\$ 9,084,487</u>	<u>\$ 4,059,840</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 \$3,514,281 for 2006-2007 and \$4,010,673 for 2005-2006. 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, 2007

Changes in Cash Position

Table 3

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Cash Provided by (Used in)			
Operating activities	\$ (33,232,312)	\$ (19,491,572)	\$(43,607,635)
Noncapital financing activities	44,497,293	42,242,262	45,223,994
Capital financing activities	20,581,300	(30,232,135)	(9,172,294)
Investing activities	<u>1,353,101</u>	<u>(150,568)</u>	<u>1,644,946</u>
Net Increase (Decrease) in Cash	33,199,382	(7,632,013)	(5,910,989)
Cash, Beginning of Year	<u>68,038,706</u>	<u>75,670,719</u>	<u>81,581,708</u>
Cash, End of Year	<u>\$ 101,238,088</u>	<u>\$ 68,038,706</u>	<u>\$ 75,670,719</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, 2007, the District had \$168,558,419 in a broad range of capital assets, including land, buildings, and furniture and equipment. At June 30, 2006, our net capital assets were \$136,930,209. 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 2007-2008 fiscal year and beyond with primary funding through our general obligation bond.

CABRILLO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

Table 4

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Land and construction in progress	\$ 42,174,734	\$33,444,901	\$(1,902,130)	\$ 73,717,505
Buildings and improvements	116,872,595	1,962,274	-	118,834,869
Equipment and vehicles	6,674,302	1,694,081	-	8,368,383
Subtotal	165,721,631	37,101,256	(1,902,130)	200,920,757
Accumulated depreciation	(28,791,422)	(3,570,916)	-	(32,362,338)
	<u>\$ 136,930,209</u>	<u>\$33,530,340</u>	<u>\$(1,902,130)</u>	<u>\$ 168,558,419</u>

Obligations

At the end of the 2006-2007 fiscal year, the District had \$199,123,861 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.

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	\$ 142,511,244	\$62,341,119	\$(5,728,501)	\$ 199,123,862
COPs and notes payable	3,040,000	-	(195,000)	2,845,000
Other liabilities	1,011,945	76,918	(170,585)	918,278
Total Long-term Debt	<u>\$ 146,563,189</u>	<u>\$62,418,037</u>	<u>\$(6,094,086)</u>	<u>\$ 202,887,140</u>
Amount due within one year				<u>\$ 5,478,619</u>

CABRILLO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

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 2006-2007 fiscal year on September 12, 2007.

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.

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 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.

CABRILLO COMMUNITY COLLEGE DISTRICT

STATEMENTS OF NET ASSETS

JUNE 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 3,134,647	\$ 2,476,164
Investments	98,456,048	66,485,899
Accounts receivable	8,690,589	5,213,767
Student loans receivable, net	988,295	943,111
Prepaid expenses	562,845	478,602
Deferred charges	631,868	-
Stores inventories	556,543	653,185
Total Current Assets	<u>113,020,835</u>	<u>76,250,728</u>
Noncurrent Assets		
Nondepreciable capital assets	73,717,504	42,174,734
Depreciable capital assets, net of depreciation	94,840,915	94,755,475
Total Noncurrent Assets	<u>168,558,419</u>	<u>136,930,209</u>
TOTAL ASSETS	<u>281,579,254</u>	<u>213,180,937</u>
LIABILITIES		
Current Liabilities		
Accounts payable	6,743,174	5,264,584
Interest payable	2,315,600	2,006,524
Deferred revenue	2,618,014	6,059,939
Amounts held in trust on behalf of others	1,140,504	1,036,288
Certificates of participation - current portion	205,000	195,000
Lease obligations - current portion	19,467	162,010
Bonds payable - current portion	5,254,152	4,726,665
Total Current Liabilities	<u>18,295,911</u>	<u>19,451,010</u>
Noncurrent Liabilities		
Compensated absences payable - noncurrent portion	893,819	816,901
Certificates of participation - noncurrent portion	2,640,000	2,845,000
Lease obligations - noncurrent portion	4,992	33,034
Bonds payable - noncurrent portion	193,869,709	137,784,579
Total Noncurrent Liabilities	<u>197,408,520</u>	<u>141,479,514</u>
TOTAL LIABILITIES	<u>215,704,431</u>	<u>160,930,524</u>
NET ASSETS		
Invested in capital assets, net of related debt	39,191,750	40,021,618
Restricted for:		
Debt service	10,777,557	351,845
Capital projects	1,296,137	1,967,848
Educational programs	1,419,997	362,089
Other activities	2,504,887	2,451,393
Unrestricted	10,684,495	7,095,620
TOTAL NET ASSETS	<u>\$ 65,874,823</u>	<u>\$ 52,250,413</u>

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, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
OPERATING REVENUES		
Student Tuition and Fees	\$ 7,463,160	\$ 7,243,444
Less: Scholarship discount and allowance	(1,922,487)	(2,246,036)
Net tuition and fees	<u>5,540,673</u>	<u>4,997,408</u>
Grants and Contracts, noncapital:		
Federal	6,159,412	6,220,964
State	8,562,031	4,005,297
Local	22,758,303	22,839,794
Auxiliary Enterprise Sales and Charges		
Bookstore	3,431,689	3,360,074
Vocational education	-	19,162
TOTAL OPERATING REVENUES	<u>46,452,108</u>	<u>41,442,699</u>
OPERATING EXPENSES		
Salaries	44,129,016	40,015,485
Employee benefits	12,237,195	11,363,251
Payment to students	3,688,192	3,418,297
Supplies, materials, and other operating expenses and services	14,954,267	10,583,270
Equipment, maintenance, and repairs	316,123	-
Depreciation	3,570,916	3,250,551
TOTAL OPERATING EXPENSES	<u>78,895,709</u>	<u>68,630,854</u>
OPERATING LOSS	<u>(32,443,601)</u>	<u>(27,188,155)</u>
NONOPERATING REVENUES (EXPENSES)		
State apportionments, noncapital	33,991,467	27,897,781
Local property taxes	9,247,722	11,467,402
State taxes and other revenues	3,312,975	3,571,222
Investment income, net	782,351	112,154
Interest expense on capital related debt	(7,377,924)	(9,679,502)
Other nonoperating revenues (expenses)	(490,822)	(694,143)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>39,465,769</u>	<u>32,674,914</u>
INCOME BEFORE OTHER REVENUES AND EXPENSES	<u>7,022,168</u>	<u>5,486,759</u>
State revenues, capital	6,600,012	3,586,791
Local revenues, capital	2,230	10,937
TOTAL INCOME BEFORE OTHER OTHER REVENUES AND EXPENSES	<u>6,602,242</u>	<u>3,597,728</u>
INCREASE IN NET ASSETS	13,624,410	9,084,487
NET ASSETS, BEGINNING OF YEAR	<u>52,250,413</u>	<u>43,165,926</u>
NET ASSETS, END OF YEAR	<u>\$ 65,874,823</u>	<u>\$ 52,250,413</u>

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

CABRILLO COMMUNITY COLLEGE DISTRICT

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 5,495,489	\$ 8,953,613
Federal grants and contracts	6,005,086	6,220,964
State grants and contracts	2,729,519	4,005,297
Local grants and contracts	23,390,443	22,690,618
Payments to vendors for supplies and services	(14,411,269)	(9,748,033)
Payments to or on behalf of employees	(56,289,293)	(51,574,970)
Payments to students for scholarships and grants	(3,583,976)	(3,418,297)
Auxiliary enterprise sales and charges:		
Bookstore	3,431,689	3,360,074
Vocational education	-	19,162
Net Cash Flows From Operating Activities	<u>(33,232,312)</u>	<u>(19,491,572)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State apportionments	32,427,418	27,897,781
Property taxes	9,247,722	11,467,402
State taxes and other apportionments	3,312,975	3,571,222
Other nonoperating	(490,822)	(694,143)
Net Cash Flows From Noncapital Financing Activities	<u>44,497,293</u>	<u>42,242,262</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchase of capital assets	(35,199,126)	(24,157,339)
State revenue, capital projects	6,600,012	3,586,791
Local revenue, capital projects	2,230	10,937
Cash received from issuance of debt	60,181,674	-
Principal paid on capital debt	(6,030,585)	(4,335,000)
Interest paid on capital debt	(4,972,905)	(5,337,524)
Net Cash Flows From Capital Financing Activities	<u>20,581,300</u>	<u>(30,232,135)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	570,750	(262,722)
Interest received from investments	782,351	112,154
Net Cash Flows From Investing Activities	<u>1,353,101</u>	<u>(150,568)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	33,199,382	(7,632,013)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>68,038,706</u>	<u>75,670,719</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 101,238,088</u>	<u>\$ 68,038,706</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, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating loss	\$ (32,443,601)	\$ (27,188,155)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation expense	3,570,916	3,250,551
Changes in Assets and Liabilities:		
Receivables, net	(1,957,957)	(149,176)
Inventories	96,642	(106,372)
Prepaid items	(716,111)	(218,868)
Accounts payable and accrued liabilities	1,555,508	1,055,306
Deferred revenue	(3,441,925)	3,759,971
Funds held for others	104,216	105,171
Total Adjustments	<u>(788,711)</u>	<u>7,696,583</u>
Net Cash Flows From Operating Activities	<u>\$ (33,232,312)</u>	<u>\$ (19,491,572)</u>
 CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:		
Cash in banks	\$ 3,134,647	\$ 2,476,164
Cash in county treasury	98,103,441	65,562,542
Total Cash and Cash Equivalents	<u>\$ 101,238,088</u>	<u>\$ 68,038,706</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, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 3,077,508	\$ 2,087,878
Contributions receivable, net	1,748,240	116,340
Beneficial interest in split interest agreement	220,761	233,726
Assets held in pooled income fund	120,040	119,688
Investments	11,970,729	10,328,179
Total Current Assets	<u>17,137,278</u>	<u>12,885,811</u>
Noncurrent Assets		
Depreciable capital assets, net of depreciation	5,259	8,425
TOTAL ASSETS	<u>\$ 17,142,537</u>	<u>\$ 12,894,236</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Scholarships and projects payable	\$ 733,880	\$ 807,556
Liabilities to beneficiaries	41,144	30,678
Other post employment benefits	35,253	-
TOTAL LIABILITIES	<u>810,277</u>	<u>838,234</u>
NET ASSETS		
Unrestricted	563,143	413,348
Temporarily restricted	7,207,277	4,031,422
Permanently restricted	8,561,840	7,611,232
TOTAL NET ASSETS	<u>16,332,260</u>	<u>12,056,002</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 17,142,537</u>	<u>\$ 12,894,236</u>

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

CABRILLO COMMUNITY COLLEGE DISTRICT

DISCRETELY PRESENTED COMPONENT UNIT

CABRILLO COLLEGE FOUNDATION

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2007

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2006

	2007			Total	2006
	Unrestricted	Temporarily Restricted	Permanently Restricted		
SUPPORT AND REVENUES					
Contributions	\$ 398,092	\$ 2,806,766	\$ 950,608	\$ 4,155,466	\$ 2,229,501
Investment income, net of expenses	106,157	1,552,589	-	1,658,746	913,996
In-kind contributions	27,844	85,760	-	113,604	77,556
Other income	215,745	-	-	215,745	186,461
Net assets released from restrictions	1,383,717	(1,383,717)	-	-	-
TOTAL SUPPORT AND REVENUES	2,131,555	3,061,398	950,608	6,143,561	3,407,514
EXPENSES					
Program Expenses					
Scholarship awards and services	425,181	-	-	425,181	375,477
Endowment projects and services	914,528	-	-	914,528	1,045,555
Supporting Services					
Management and general	313,031	-	-	313,031	283,736
Fundraising	214,563	-	-	214,563	252,179
TOTAL EXPENSES	1,867,303	-	-	1,867,303	1,956,947
CHANGE IN NET ASSETS	264,252	3,061,398	950,608	4,276,258	1,450,567
NET ASSETS, BEGINNING OF YEAR	413,348	4,031,422	7,611,232	12,056,002	10,605,435
NET ASSETS, END OF YEAR	\$ 677,600	\$ 7,092,820	\$ 8,561,840	\$ 16,332,260	\$ 12,056,002

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, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 4,276,258	\$ 1,450,567
Adjustments to reconcile change in net assets to net cash provided by operations		
Depreciation	3,166	7,510
Change in valuation of split-interest agreement	23,079	65,101
Change in operating assets and liabilities		
Contributions receivable	(1,631,900)	423,924
Scholarship and projects payable	(73,676)	(80,738)
Discount for future interest	-	(31,205)
Other post employment benefits	35,253	-
Net Cash Flows From Operating Activities	<u>2,632,180</u>	<u>1,835,159</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to investments	<u>(1,642,550)</u>	<u>(606,178)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	989,630	1,228,981
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,087,878	858,897
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 3,077,508</u>	<u>\$ 2,087,878</u>

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

CABRILLO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

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 commenced offering courses in Scotts Valley on a 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, 2007 AND 2006

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, 2007 AND 2006

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 \$1,851,767 for the year ended June 30, 2007.

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 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, 2007 AND 2006

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. 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.

CABRILLO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

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, 2007 AND 2006

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*. During the year ended June 30, 2007, the District distributed \$1,700,048 in direct lending through the U.S. Department of Education. These amounts have not been included as revenues or expenses within the accompanying financial statements as the amounts were passed directly to qualifying students, however, the amounts are included on the Schedule of Federal Financial Assistance.

New Accounting Pronouncements

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.

GASB Statement No. 47: In June 2005, the GASB issued GASB 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. The District will be implementing the requirements of this standard in the 2008-2009 fiscal year alongside with GASB No. 45.

CABRILLO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

GASB Statement No. 48: In September 2006, the GASB issued Statement No. 49, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. This statement addresses accounting and financial reporting standards for transactions where governments exchange an interest in their expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments. This statement establishes criteria and reporting standards regarding the exchange as either a sale or collateralized borrowing, resulting in a liability. This statement is not effective until June 30, 2008. The Cabrillo Community College District has not determined its effect on the financial statements.

GASB Statement No. 49: In November 2006, the GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. This statement is not effective until June 30, 2009. The Cabrillo Community College District has not determined its effect on the financial statements.

GASB Statement No. 50: In May 2007, the GASB issued Statement No. 50, *Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27*. This statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. This statement is not effective until June 30, 2008. The Cabrillo Community College District has not determined its effect on the financial statements.

GASB Statement No. 51: In June 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This statement establishes accounting and financial reporting standards for many different types of assets that may be considered intangible assets, including easements, water rights, timber rights, patents, trademarks, and computer software. This statement is not effective until June 30, 2010. The Cabrillo Community College District has not determined its effect 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.

CABRILLO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

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.

Restricted Cash – The District has a contractual requirement to keep one year’s COP payment in a reserve fund.

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

CABRILLO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006**

Summary of Deposits and Investments

Deposits and investments as of June 30, 2007, consist of the following:

Cash on hand and in banks	\$ 3,079,647
Cash in revolving	55,000
Investments	<u>98,456,048</u>
Total Deposits and Investments	<u><u>\$ 101,590,695</u></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.

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	Cost	Fair Value	Maturity Date
U.S. Agencies	\$ 352,607	\$ 352,607	0.58 Years
County Pool	<u>98,103,441</u>	<u>98,064,200</u>	0.69 Years
Total	<u><u>\$98,456,048</u></u>	<u><u>\$ 98,416,807</u></u>	

CABRILLO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006**

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.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Not Required To Be Rated</u>	<u>Rating as of Year End AAA</u>
U.S. Agencies	\$ 352,607	\$ -	\$ 352,607
County Pool	98,064,200	98,064,200	-
Total	<u>\$98,416,807</u>	<u>\$98,064,200</u>	<u>\$ 352,607</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, 2007, the District's bank balance of \$3,102,528 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, 2007 AND 2006**

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>2007</u>	<u>2006</u>
Federal Government		
Categorical aid	\$ 765,533	\$ 611,207
State Government		
Apportionment	3,628,081	2,064,032
Categorical aid	2,673,162	651,958
Lottery	785,539	675,569
Local Government		
Other local sources	<u>838,274</u>	<u>1,211,001</u>
Subtotal	8,690,589	5,213,767
Student receivables	2,840,062	2,490,832
Less allowance for bad debt	<u>(1,851,767)</u>	<u>(1,547,721)</u>
Accounts receivables, net of allowance for bad debts	<u>\$ 9,678,884</u>	<u>\$ 6,156,878</u>

Discretely Presented Component Unit

At June 30, 2007 and 2006, the Foundation's contributions receivables consisted of \$1,748,240 and \$116,340, respectively. These amounts were primarily short-term donations and \$220,761 for a split interest (charitable remainder trust) agreement. The contributions receivable amounts are net of an allowance for uncollectible contributions of approximately \$16,000.

CABRILLO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006**

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2007, was as follows:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	\$ 4,164,679	\$ -	\$ -	\$ 4,164,679
Construction in progress	38,010,055	33,444,901	1,902,130	69,552,826
Total Capital Assets Not Being Depreciated	<u>42,174,734</u>	<u>33,444,901</u>	<u>1,902,130</u>	<u>73,717,505</u>
Capital Assets Being Depreciated				
Land improvements	11,775,054	658,209	-	12,433,263
Infrastructure	36,680,223	389,893	-	37,070,116
Buildings	68,417,318	914,172	-	69,331,490
Furniture and equipment	6,674,302	1,694,081	-	8,368,383
Total Capital Assets Being Depreciated	<u>123,546,897</u>	<u>3,656,355</u>	<u>-</u>	<u>127,203,252</u>
Total Capital Assets	<u>165,721,631</u>	<u>37,101,256</u>	<u>1,902,130</u>	<u>200,920,757</u>
Less Accumulated Depreciation				
Land improvements	3,059,911	456,463	-	3,516,374
Infrastructure	3,093,775	737,512	-	3,831,287
Buildings	17,476,959	1,680,100	-	19,157,059
Furniture and equipment	5,160,777	696,841	-	5,857,618
Total Accumulated Depreciation	<u>28,791,422</u>	<u>3,570,916</u>	<u>-</u>	<u>32,362,338</u>
Net Capital Assets	<u>\$ 136,930,209</u>	<u>\$ 33,530,340</u>	<u>\$ 1,902,130</u>	<u>\$ 168,558,419</u>

CABRILLO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006**

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
Capital Assets Not Being Depreciated				
Land	\$ 4,164,679	\$ -	\$ -	\$ 4,164,679
Construction in progress	20,134,470	23,347,280	5,471,695	38,010,055
Total Capital Assets Not Being Depreciated	<u>24,299,149</u>	<u>23,347,280</u>	<u>5,471,695</u>	<u>42,174,734</u>
Capital Assets Being Depreciated				
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
Total Capital Assets Being Depreciated	<u>116,814,951</u>	<u>6,731,946</u>	<u>-</u>	<u>123,546,897</u>
Total Capital Assets	<u>141,114,100</u>	<u>30,079,226</u>	<u>5,471,695</u>	<u>165,721,631</u>
Less Accumulated Depreciation				
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
Total Accumulated Depreciation	<u>25,090,679</u>	<u>3,700,743</u>	<u>-</u>	<u>28,791,422</u>
Net Capital Assets	<u>\$ 116,023,421</u>	<u>\$ 26,378,483</u>	<u>\$ 5,471,695</u>	<u>\$ 136,930,209</u>

Discretely Presented Component Unit

Capital assets for the Cabrillo College Foundation in the amounts of \$5,259 and \$8,425, respectively, for the years ended June 30, 2007 and 2006, consisted 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, 2007 AND 2006

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>2007</u>	<u>2006</u>
Vendor	\$ 5,557,970	\$ 3,902,249
Accrued payroll and benefits	726,014	835,210
Apportionment	-	527,125
Other	459,190	-
Total	<u>\$ 6,743,174</u>	<u>\$ 5,264,584</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 \$810,277 and \$838,234, respectively, for the years ended June 30, 2007 and 2006.

CABRILLO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006**

NOTE 7 - DEFERRED REVENUE

Deferred revenue at consisted of the following:

	<u>2007</u>	<u>2006</u>
Federal categorical aid	\$ 7,391	\$ -
State categorical aid	849,298	525,073
State capital grants	-	3,344,397
Enrollment fees	1,553,453	959,790
Other local	207,872	1,230,679
Total	<u>\$ 2,618,014</u>	<u>\$ 6,059,939</u>

NOTE 8 - LONG-TERM OBLIGATIONS

Long-term Obligations Summary

The changes in the District's long-term obligations during the 2007 fiscal year consisted of the following:

	<u>Balance Beginning of Year</u>	<u>Additions/ Accretion</u>	<u>Deductions</u>	<u>Balance End of Year</u>	<u>Due in One Year</u>
Bonds and Notes Payable					
General obligation bonds	\$ 95,345,000	\$33,730,000	\$ 3,135,000	\$ 125,940,000	\$ 3,390,000
Capital appreciation bonds	46,788,356	26,927,949	2,530,000	71,186,305	1,800,651
Premium	377,888	1,683,169	63,501	1,997,556	63,501
Total Bonds and Notes Payable	<u>142,511,244</u>	<u>62,341,118</u>	<u>5,728,501</u>	<u>199,123,861</u>	<u>5,254,152</u>
Other Liabilities					
Compensated absences	816,901	76,918	-	893,819	-
Capital leases	195,044	-	170,585	24,459	19,467
Certificates of participation	3,040,000	-	195,000	2,845,000	205,000
Total Other Liabilities	<u>4,051,945</u>	<u>76,918</u>	<u>365,585</u>	<u>3,763,278</u>	<u>224,467</u>
Total Long-term Debt	<u>\$ 146,563,189</u>	<u>\$62,418,036</u>	<u>\$ 6,094,086</u>	<u>\$ 202,887,139</u>	<u>\$ 5,478,619</u>

CABRILLO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

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

	Balance Beginning of Year	Accretion	Deductions	Balance End of Year	Due in One Year
Bonds and Notes Payable					
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
Premium	391,884	-	13,996	377,888	-
Total Bonds and Notes Payable	<u>139,824,126</u>	<u>7,036,114</u>	<u>4,348,996</u>	<u>142,511,244</u>	<u>4,726,665</u>
Other Liabilities					
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
Total Other Liabilities	<u>4,631,581</u>	<u>-</u>	<u>579,636</u>	<u>4,051,945</u>	<u>357,010</u>
Total Long-term Debt	<u>\$ 144,455,707</u>	<u>\$ 7,036,114</u>	<u>\$ 4,928,632</u>	<u>\$ 146,563,189</u>	<u>\$ 5,083,675</u>

Description of Debt

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local revenues. Payments on the Certificates of Participation (COPs) are made by the Certificates of Participation Fund. Capital lease payments are made by the General – Unrestricted and the Capital Outlay Fund. The compensated absences will be paid for by the fund for which the employee worked.

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 2007, 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 \$30,810,000 with cash and investment balances.

On June 2, 2004, the District issued the 2004 Series A bonds totaling \$59,997,760 and on March 27, 2007, the District issued the 2004 Series B bonds totaling \$58,498,505 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, 2007 AND 2006**

Debt Maturity

General Obligation Bonds

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds
				Outstanding July 1, 2006	Issued/ Accreted	Redeemed	Outstanding June 30, 2007
1998A	2009	3.3-4.8%	\$ 12,000,000	\$ 1,155,000	\$ -	\$ 385,000	\$ 770,000
1998B	2025	4.0-6.3%	30,000,000	30,950,142	1,674,333	2,180,000	30,444,475
1998C	2026	5.1-5.8%	20,002,009	8,968,104	736,903	825,000	8,880,007
1998D	2028	3.0-5.7%	22,997,991	8,873,948	359,780	275,000	8,958,728
2004 Refunding	2019	2.0-5.7%	32,610,000	31,420,000	-	610,000	30,810,000
2004A	2029	2.0-5.8%	59,997,760	60,766,162	(955,469)	1,390,000	58,420,693
2004B	2040	4.79-4.87%	58,498,505	-	58,842,402	-	58,842,402
				<u>\$ 142,133,356</u>	<u>\$ 60,657,949</u>	<u>\$ 5,665,000</u>	<u>\$ 197,126,305</u>

The bonds mature through 2040 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2008	\$ 5,190,650	\$ 5,341,615	\$ 10,532,265
2009	4,633,632	5,354,269	9,987,901
2010	4,959,308	5,412,880	10,372,188
2011	4,745,347	5,401,654	10,147,001
2012	5,694,890	6,951,626	12,646,516
2013-2017	36,364,153	34,284,530	70,648,683
2018-2022	31,331,495	32,929,501	64,260,996
2023-2027	34,304,603	28,088,805	62,393,408
2028-2032	17,876,298	31,935,642	49,811,940
2033-2037	29,176,170	25,894,979	55,071,149
2038-2040	8,133,797	23,949,863	32,083,660
Total	<u>\$ 182,410,344</u>	<u>\$ 205,545,363</u>	<u>\$ 387,955,707</u>
Accretion to date:	14,715,961		
	<u>\$ 197,126,305</u>		

CABRILLO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006**

Certificates of Participation

Year Ending June 30,	Principal	Interest	Total
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	245,000	98,439	343,439
2013-2017	1,405,000	300,005	1,705,005
2018	330,000	16,500	346,500
Total	<u>\$ 2,845,000</u>	<u>\$ 910,844</u>	<u>\$ 3,755,844</u>

Capital Leases

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

Year Ending June 30,	Lease Payment
2008	\$ 20,173
2009	5,043
Total	25,216
Less: Amount Representing Interest	757
Present Value of Minimum Lease Payments	<u>\$ 24,459</u>

NOTE 9 - POSTEMPLOYMENT BENEFITS

The District provides medical and dental 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 2007 fiscal year, the District provided insurance premium benefits to 135 retired employees with total expenditures of approximately \$872,000. In addition to the pay as you go amounts, the District set aside \$1,020,000 as a reserve for future postemployment benefits.

CABRILLO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

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, 2007, 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 2006-2007, 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.

Employee Medical Benefits

The District has contracted with the Self Insured Schools of California (SISC) to provide employee medical and surgical benefits. SISC is a shared risk pool comprised of several educational agencies through out California. Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating districts. Claims are paid for all participants regardless of claims flow. The Board of Directors has a right to return monies to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool.

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

CABRILLO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

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.

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 2006-2007 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, 2007, 2006, and 2005, were \$1,742,740, \$1,676, 773 and \$1,574,621 respectively and equal 100 percent of the required contributions for each year.

CABRILLO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

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 2006-2007 was 9.124 percent of annual payroll. The District pays on behalf of the employees their share of the required contribution.

Annual Pension Cost

The District's contributions to CalPERS for fiscal years ending June 30, 2007, 2006, and 2005, were \$1,735,000, \$1,510,000, and \$1,640,000, 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, 2007 AND 2006

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 \$1,745,000 for fiscal year 2007. This amount represents 4.517 percent of salaries subject to STRS for fiscal year 2007. 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, 2007.

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, 2007.

Construction Commitments

As of June 30, 2007, the District had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECT	Remaining Construction Commitment	Expected Date of Completion
Student Services	\$ 4,885,772	Nov-07
AEC	38,613,582	May-09
Allied Health Parking	345,293	Aug-07
Allied Health Buildings	29,399,861	Jan-10
Building 800, 851 852 Relocation	32,442	Aug-07
	<u>\$ 73,276,950</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, 2007 AND 2006

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, Self Insured Schools of California ("SISC") and Northern California community College Pool ("NCCCCP") Joint Powers Authority (JPAs). The District pays annual premiums for its property liability, health benefits and workers' compensation coverage. The relationship between the District and the JPAs are such that they are not component units 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, 2007, the District made payments of \$269,862, \$3,700,000 and \$736,236 to SWACC, SISC and NCCCCP, 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.

SUPPLEMENTARY INFORMATION

CABRILLO COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION

JUNE 30, 2007

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	Member	November 2010
Rachael Spencer	Chair	November 2008
Katy Stonebloom	Member	November 2008
Brian King	Secretary	Ongoing
Rebecca Garcia	Member	November 2008
Claudine Wildman	Vice Chair	November 2010
Gary Reece	Member	November 2010
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, 2007**

Grantor/Program or Cluster Title	Federal Catalog Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION		
Financial Aid Cluster ^[1]		
College Work Study	84.033	\$ 154,476
Pell Grants	84.063	4,627,017
Federal Family Education Loans ^[2]	84.032	1,700,048
Supplemental Education Opportunity Grant Program	84.007	247,263
Academic Competitiveness	84.375	20,100
Vocational and Technical Education Act		
Passed through California Community College System's Office		
VTEA Title I-C	84.048	328,096
VTEA Title II - Tech Prep	84.243	67,148
Child Care Access Means Parents	84.335	43,029
National Science Foundation		
Mathematical and Physical Sciences	47.049	152,377
Education and Human Resources	47.076	22,710
Higher Education Act:		
Migrant Education: High School Equivalency	84.141A	31,552
Migrant Education: State Grant Program	84.011	49,995
Bay Region Consortium - Vocational Education - Basic Grants to States	84.048	20,972
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Workforce Investment Act, Title II	17.258	62,500
Workforce Investment Act, Dislocated Worker	17.260	37,500
Veterans' Administrative Reporting Fee	17.802	1,141
U.S. DEPARTMENT OF LABOR		
Passed through California Community College System's Office:		
Temporary Assistant to Needy Families (TANF)	93.558	66,757
BUREAU OF LAND MANAGEMENT, DEPARTMENT OF INTERIOR		
Cultural Resource Management	15.224	12,421
Coastal Program - SF Presidio Trust	15.999	36,026
SMALL BUSINESS ADMINISTRATION		
Passed through from San Jose State University	59.037	140,474
U.S. DEPARTMENT OF AGRICULTURE		
Hispanic Serving Institutions Education Grants	10.223	18,257
Child and Adult Care Food Program	10.558	19,601
Total		<u>\$ 7,859,460</u>

[1] Tested as a major program

[2] amount not included in financial statements.

See accompanying note to supplementary information.

CABRILLO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2007

PROGRAM	Program Entitlements		
	Current Year	Prior Year	Total Entitlement
GENERAL FUND-Restricted			
Lottery Instructional Equipment	\$ 259,413	\$ 4,486	\$ 263,899
DSPS	1,773,557	-	1,773,557
CARE 06-07	105,469	-	105,469
EOPS 06-07	494,146	-	494,146
Student Financial Aid	395,762	-	395,762
Independent Living Program	15,000	-	15,000
First Five	72,334	-	72,334
Child Care Train Consortium	21,000	-	21,000
Foster Parent - FKCE	136,385	-	136,385
MESA Leadership 06-07	15,000	-	15,000
MESA	-	14,640	14,640
MESA CCCPP 06-07	87,500	-	87,500
Matriculation-Non Credit	9,385	-	9,385
Matriculation	677,540	-	677,540
Faculty/Staff Development 01/02	50,474	875	51,349
Faculty/Staff Diversity	15,233	2,815	18,048
TANF-State -FTTW	21,180	-	21,180
CALWorks-FTTW	371,541	-	371,541
CCC Block Grant 04-05	-	1,041	1,041
Tech Block Grant	-	9,820	9,820
State Instructional EQ 2002/03	-	9,541	9,541
State Instructional EQ 2000/01	-	38,302	38,302
CCC Block Grant 06-07	127,043	-	127,043
Scheduled & Deferred Repair	127,054	-	127,054
TTIP - TCO 05-06	-	20,105	20,105
TTIP - Library 06-07	36,697	-	36,697
TTIP -TCO 06-07	10,261	-	10,261
Career Tech Educ Equip-One time	401,655	-	401,655
Instructional Material - Trailer	474,158	-	474,158
Scheduled Maintenance Trailer	474,158	-	474,158
Calworks-WIA FTTW	69,596	-	69,596
Child Development PITC	35,000	-	35,000
Econ Dev RN Capacity Bldg	105,345	-	105,345
Econ Dev RN Capacity Bldg	111,100	-	111,100
Econ Dev RN Capacity Bldg	-	300,000	300,000
Econ Dev RN Capacity Bldg	-	179,487	179,487
Public Safety Workshops	6,105	-	6,105
Basic Skills Apportionment	211,835	-	211,835
STAP Special Trng	167,466	-	167,466
SBDC Econ Dev 03-04	150,000	-	150,000
Basic Skills Apportionment	197,950	-	197,950
Economic Development-other	450,000	-	450,000

See accompanying note to supplementary information.

CABRILLO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF STATE AWARDS (continued)
FOR THE YEAR ENDED JUNE 30, 2007**

Econ Dev - Career Tech Ed	250,000	-	250,000
Teacher's Prep Pipeline	299,641	-	299,641
Econ Dev - Resp Training Fund	116,629	-	116,629
Career Tech/Public Safety-Econ Dev	250,000	-	250,000
Subtotal	<u>8,717,534</u>	<u>581,112</u>	<u>9,298,646</u>
CHILD DEVELOPMENT fund			
Childcare Taxbailout - thru Apportion	120,606	-	120,606
CA Dept of Ed - Nutrition	10,413	-	10,413
CA Dept of Ed - CCAP	3,230	-	3,230
CA Dept of Ed - CPRE	18,007	-	18,007
CA Dept of Ed - CFDP	70,353	-	70,353
CA Dept of Ed - CCTR	168,564	2,860	171,424
CA Dept of Ed - CIMS	1,900	-	1,900
CA Dept of Ed - CFCC	246,353	-	246,353
Subtotal	<u>639,426</u>	<u>2,860</u>	<u>642,286</u>
BUILDING FUND - STATE CAPITAL GRANT			
Visual and Performing Arts Complex - Phase II	5,755,624	-	5,755,624
Grand Total	<u>\$ 15,112,584</u>	<u>\$ 583,972</u>	<u>\$ 15,696,556</u>

CABRILLO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF STATE AWARDS (continued)
FOR THE YEAR ENDED JUNE 30, 2007**

Program Revenues					
Cash Received	Accounts Receivable	Deferred Revenue	Accounts Payable	Total Revenue	Program Expenditures
\$ 4,486	\$ 259,413	\$ 129,782	\$ -	\$ 134,117	\$ 134,117
1,773,557	-	-	-	1,773,557	1,773,557
105,469	-	-	13,926	91,543	91,543
494,146	-	-	20,383	473,763	473,763
395,762	-	-	-	395,762	395,762
-	15,000	-	-	15,000	15,000
1,526	58,811	-	-	60,337	60,337
18,000	3,000	-	-	21,000	21,000
102,289	33,384	-	-	135,673	135,673
-	9,850	-	-	9,850	9,850
14,640	-	-	-	14,640	14,640
61,125	18,451	-	-	79,576	79,576
9,385	-	-	-	9,385	9,385
677,540	-	-	-	677,540	677,540
51,349	-	50,353	-	996	996
18,048	-	-	-	18,048	18,048
21,180	-	-	-	21,180	21,180
371,541	-	-	-	371,541	371,541
1,041	-	786	-	255	255
9,820	-	9,820	-	-	-
9,541	-	-	-	9,541	9,541
38,302	-	38,302	-	-	-
127,043	-	74,240	-	52,803	52,803
127,054	-	127,054	-	-	-
20,105	-	16,958	-	3,147	3,147
36,697	-	-	-	36,697	36,697
10,261	-	10,261	-	-	-
401,655	-	-	-	401,655	401,655
474,158	-	178,554	-	295,604	295,604
474,158	-	457,962	-	16,196	16,196
28,537	41,059	-	-	69,596	69,596
4,175	30,825	-	-	35,000	35,000
105,345	-	61,890	-	43,455	43,455
111,100	-	-	-	111,100	111,100
300,000	-	90,108	-	209,892	209,892
179,487	-	-	-	179,487	179,487
6,105	-	-	-	6,105	6,105
211,835	-	211,835	-	-	-
89,357	40,357	-	6,868	122,846	122,846
126,000	24,000	-	-	150,000	150,000
197,950	-	180,648	-	17,302	17,302
90,000	123,068	-	-	213,068	213,068

See accompanying note to supplementary information.

CABRILLO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF STATE AWARDS (continued)
FOR THE YEAR ENDED JUNE 30, 2007**

90,000	2,492	-	-	92,492	92,492
119,856	-	101,225	-	18,631	18,631
97,968	-	77,112	-	20,856	20,856
-	5,712	-	-	5,712	5,712
<u>7,674,775</u>	<u>722,979</u>	<u>1,816,890</u>	<u>41,177</u>	<u>6,539,687</u>	<u>6,539,687</u>
120,606	-	-	-	120,606	120,606
10,413	-	-	-	10,413	10,413
808	2,422	-	-	3,230	3,230
33,820	-	-	15,813	18,007	18,007
70,353	-	-	-	70,353	70,353
171,424	-	129,272	-	42,152	42,152
1,900	-	-	-	1,900	1,900
194,938	51,415	-	-	246,353	246,353
<u>604,262</u>	<u>53,837</u>	<u>129,272</u>	<u>15,813</u>	<u>513,014</u>	<u>513,014</u>
3,625,261	2,155,759	-	25,396	5,755,624	5,755,624
<u>\$ 11,904,298</u>	<u>\$ 2,932,575</u>	<u>\$ 1,946,162</u>	<u>\$ 82,386</u>	<u>\$ 12,808,325</u>	<u>\$ 12,808,325</u>

CABRILLO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF WORKLOAD MEASURES FOR STATE
GENERAL APPORTIONMENT
FOR THE YEAR ENDED JUNE 30, 2007**

CATEGORIES	Revised Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession			
1. Noncredit	8	-	8
2. Credit	558	-	558
B. Summer Intersession			
1. Noncredit	-	-	-
2. Credit	655	-	655
C. Primary Terms			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	8,195	-	8,195
(b) Daily Census Contact Hours	470	-	470
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	259	-	259
(b) Credit	790	-	790
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	555	-	555
(b) Daily Census Contact Hours	101	-	101
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	11,591	-	11,591
H. Basic Skills courses and Immigrant Education (FTES)			
1. Noncredit	99	-	99
2. Credit	626	-	626
	725	-	725

CABRILLO COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT
WITH FUND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

There following were adjustments to the fund balance that required reconciliations between the Annual Financial and Budget Report (CCFS-311) and the fund financial statements.

	<u>General</u>
FUND BALANCE	
Balance, June 30, 2007, (CCFS-311)	\$ 10,629,495
Increase in:	
Cash	<u>55,000</u>
Balance, June 30, 2007, Fund Financial Statement	<u><u>\$ 10,684,495</u></u>

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2007

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget 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 financial statements.

Schedule of Expenditures of State Awards

The accompanying schedule of expenditures of State awards includes the State grant activity of the District and is presented on the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Schedule of Workload Measures for State General Apportionment

Full-Time Equivalent Students (FTES) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to community college districts. These schedules provide information regarding the attendance of students throughout the District.

Reconciliation of Annual Financial and Budget Report with Fund Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Form CCFS-311 to the fund financial statements.

INDEPENDENT AUDITORS' REPORTS

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees
Cabrillo Community College District
Aptos, California

We have audited the basic financial statements of Cabrillo Community College District (the District) and the discretely presented component unit of Cabrillo Community College District as of and for the years ended June 30, 2007 and 2006, and have issued our report thereon dated January 28, 2008. 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 Cabrillo Community College District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cabrillo Community College 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*.

We noted certain matters that we reported to management of the District in a separate letter dated January 28, 2008.

This report is intended solely for the information of the Board of Trustees, District Management, the California Community Colleges Chancellor's Office, and the District's Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vavinek, Trine, Day & Co LLP

Pleasanton, California
January 28, 2008



**INDEPENDENT AUDITORS' 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, 2007. The District's major Federal programs are identified in the Summary of Auditor's Results section of 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 of America, 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 on the District's compliance with those requirements.

In our opinion, Cabrillo Community College 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, 2007.

Internal Control Over Compliance

The management of Cabrillo Community College District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered Cabrillo Community College District's internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Cabrillo Community College District's internal control over compliance.

A *control deficiency* in a district's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a Federal program on a timely basis.

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information of the Board of Trustees, District Management, the California Community Colleges Chancellor's Office, and the District's Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Yavinek, Trine, Day & Co LLP
Pleasanton, California
January 28, 2008



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees
Cabrillo Community College District
Aptos, California

We have audited the basic financial statements of the Cabrillo Community College District (the District) for the years ended June 30, 2007 and 2006, and have issued our report thereon dated January 28, 2008.

Our audit was made in accordance with auditing standards generally accepted in the United States of America and the standards for financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In connection with the 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 of the Chancellor's Office's *California Community Colleges Contracted Audit Manual (CDAM)*.

General Directive

- MIS Implementation – State General Apportionment Required Data Elements

Administration

Section 435: Open Enrollment

Section 436: Minimum Conditions - Standards of Scholarship

Section 437: Student Fee - Instructional Materials and Health Fees

Section 423: Apportionment of Instructional Service Agreements/Contracts

Section 425: Residency Determination for Credit Courses

Section 427: Concurrent Enrollment of K-12 Students in Community College Credit Courses

Section 432: Enrollment Fee

Section 421: Salaries of Classroom Instructors (50% Law)

Section 426: Students Actively Enrolled

Section 431: Gann Limit Calculation

Student Services

Section 428: Use of Matriculation Funds

Section 433: CalWORKs - Use of State and Federal TANF Funding

Facilities

Section 434: Scheduled Maintenance Program

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 as described in the Schedule of State Award Findings and Questioned Costs, the Cabrillo Community College District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2007.

This report is intended solely for the information of the Board of Trustees, District Management, 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.

Vavinek, Trine, Day & Co LLP

Pleasanton, California
January 28, 2008

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CABRILLO COMMUNITY COLLEGE DISTRICT

**SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2007**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	
Identification of major programs:	<u>No</u>

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.033, 84.063, 84.032, 84.007, 84.375	Financial Aid Cluster
_____	_____
_____	_____

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

STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>Yes</u>
Type of auditors' report issued on compliance for State programs:	<u>Qualified</u>

CABRILLO COMMUNITY COLLEGE DISTRICT

**FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2007**

None reported.

CABRILLO COMMUNITY COLLEGE DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007**

None reported.

CABRILLO COMMUNITY COLLEGE DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2007

The following findings represent instances of noncompliance and/or questioned costs relating to State program laws and regulations.

2007-1 STUDENTS CONCURRENTLY ENROLLED

Criteria or Specific Requirements

Under the California Code of Regulations, Title V, section 51004, 51006, 51021, 53410, 55002 and 55100, the District is allowed to admit K-12 pupils into their classes and claim FTES on the condition that none of those students would attend more than 11 course hours.

Condition

We reviewed 10 concurrently enrolled students and noted that one student of the 10 reviewed enrolled in more than the 11 course units per semester limit.

Questioned Costs

0.93 FTES.

Effect

Failure to comply with the requirements of the students concurrently enrolled may expose the District to penalties or a reduction in funding from the State as a result of the noncompliance.

Cause

The enrollment system for those registering via the internet does not track and limit the enrollment to 11 course units per semester for concurrently enrolled students.

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.

District Response

The District concurs with this finding in part. The District agrees that the internet enrollment system does not have a control in place to monitor concurrently enrolled student activity. The District is attempting to partner with other California Community Colleges and Datatel, the enterprise software firm to develop a systematic solution that can be applied statewide. It should be noted that the District does monitor concurrently enrolled student activity for students that register in person.

CABRILLO COMMUNITY COLLEGE DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2007

2007-2 STUDENTS ACTIVELY ENROLLED

Criteria or Specific Requirements

For non-credit distance learning (independent study) courses, the census dates should be at the points nearest the one-fifth and three-fifths of the length of the course.

Condition

The College is only performing the census at the 1/5th point and not the 3/5th point.

Questioned Costs

Unknown.

Effect

In computing FTES for noncredit distance learning courses, the average of the first and second census is used in determining the total FTES for these courses. By not computing the average of two census dates, the college could be under or over reporting enrollment information.

Recommendation

The College should prepare a second census for non-credit distance learning courses at the 3/5th point of the course term and average the total FTES reported on each census date to get the appropriate amount for the 320 report.

District Response

The District will pay special attention to this area when preparing next 320 report. The District will work with Datatel, the enterprise software firm to develop a systematic solution to ensure accurate reporting.

CABRILLO COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2007

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of audit findings and questioned costs.

2006-1 DOCUMENTATION OF EMPLOYEE TIME AND EFFORT

Criteria

OMB Circular A-87 requires that salaries and wages for federally funded programs be supported by semi-annual certifications for personnel 100% funded by federal programs, and by personnel activity reports for personnel whose activities are partially funded by federal programs.

Condition

We noted that semi-annual certifications for personnel funded by the VTEA program had not been completed.

Questioned costs

Total salaries and benefits were charged to the VTEA were \$252,318. However, we were able to satisfy the validity of those charges by performance of alternative audit procedures that demonstrated that those salaries were reasonable for that program.

Cause

Procedures to ensure that the semi-annual certifications for salaried personnel were not operating optimally.

Effect

Unless personnel charges to federal programs are documented in accordance with OMB Circular A-87, such charges are subject to disallowance.

Recommendation

We recommend that the District implement procedures to ensure that all salaries charged to federal programs are properly supported by semi or month certification as per the requirements of OMB A-87.

Current Status

Implemented.

CABRILLO COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2007

2006-2 STUDENTS CONCURRENTLY ENROLLED

Criteria or Specific Requirements

Under the California Code of Regulations, Title V, section 51004, 51006, 51021, 53410, 55002 and 55100, the District is allowed to admit K-12 pupils into their classes and claim FTES on the condition that none of those students would attend more than 11 course hours.

Condition

We noted that three out of 10 concurrently enrolled students that we reviewed were attending more than 11 course units in one semester.

Questioned Costs

Unknown.

Effect

Failure to comply with the requirements of the students concurrently enrolled may expose the District to penalties from the State as a result of the noncompliance.

Cause

Enrollment system for those registering via the internet does not track and limit the enrollment to 11 course units per semester for concurrently enrolled students.

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.

Current Status

See current year's finding at 2007-1.

ADDITIONAL SUPPLEMENTARY INFORMATION

CABRILLO COMMUNITY COLLEGE DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEET - (UNAUDITED)
JUNE 30, 2007**

	<u>General Unrestricted</u>	<u>General Restricted</u>	<u>Cafeteria</u>	<u>Child Development</u>
ASSETS				
Cash and cash equivalents	\$ 55,000	\$ -	\$ 196	\$ -
Investments	10,401,795	-	-	170,267
Accounts receivable	4,779,241	1,789,126	3,888	61,701
Student loans receivable	514,238	-	-	-
Due from other funds	4,505,387	1,810,540	1,974	-
Prepaid expenses	501,435	-	-	-
Total Assets	<u>\$20,757,096</u>	<u>\$ 3,599,666</u>	<u>\$ 6,058</u>	<u>\$ 231,968</u>
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Overdrafts	\$ -	\$ 1,075,312	\$ -	\$ -
Accounts payable	6,420,100	225,344	-	28,254
Due to other funds	1,961,407	132,257	5,965	23,643
Deferred revenue	1,691,094	926,920	-	-
Total Liabilities	<u>10,072,601</u>	<u>2,359,833</u>	<u>5,965</u>	<u>51,897</u>
FUND EQUITY				
Fund Balances				
Reserved	633,951	1,239,833	-	180,071
Unreserved				
Designated	1,985,313	-	-	-
Undesignated	8,065,231	-	93	-
Total Fund Equity	<u>10,684,495</u>	<u>1,239,833</u>	<u>93</u>	<u>180,071</u>
Total Liabilities and Fund Equity	<u>\$20,757,096</u>	<u>\$ 3,599,666</u>	<u>\$ 6,058</u>	<u>\$ 231,968</u>

See accompanying note to additional supplementary information.

<u>Certificates of Participation</u>	<u>Bond Interest and Redemption</u>	<u>Retiree Benefits</u>	<u>Revenue Bond</u>	<u>Capital Outlay</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 55,196
384,489	9,404,356	1,000,000	77,839,447	331,006	99,531,360
-	-	-	-	2,157,014	8,790,970
-	-	-	-	-	514,238
-	-	20,000	-	119,890	6,457,791
61,410	-	-	-	-	562,845
<u>\$ 445,899</u>	<u>\$ 9,404,356</u>	<u>\$ 1,020,000</u>	<u>\$ 77,839,447</u>	<u>\$ 2,607,910</u>	<u>\$ 115,912,400</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,075,312
30,325	-	-	799,264	134,136	7,637,423
62,373	-	-	2,549,715	1,177,637	5,912,997
-	-	-	-	-	2,618,014
<u>92,698</u>	<u>-</u>	<u>-</u>	<u>3,348,979</u>	<u>1,311,773</u>	<u>17,243,746</u>
353,201	9,404,356	1,020,000	74,490,468	1,296,137	88,618,017
-	-	-	-	-	1,985,313
-	-	-	-	-	8,065,324
<u>353,201</u>	<u>9,404,356</u>	<u>1,020,000</u>	<u>74,490,468</u>	<u>1,296,137</u>	<u>98,668,654</u>
<u>\$ 445,899</u>	<u>\$ 9,404,356</u>	<u>\$ 1,020,000</u>	<u>\$ 77,839,447</u>	<u>\$ 2,607,910</u>	<u>\$ 115,912,400</u>

CABRILLO COMMUNITY COLLEGE DISTRICT

BALANCE SHEET RECONCILIATION (UNAUDITED)

JUNE 30, 2007

**Amounts Reported for Governmental Activities in the Statement
of Net Assets are Different Because:**

Total Fund Balance - All Governmental Funds		\$ 98,668,654
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.</p>		
The cost of capital assets is	\$ 200,920,757	
Accumulated depreciation is	(32,362,338)	
Less fixed assets already recorded in the enterprise funds	<u>(180,085)</u>	168,378,334
<p>In governmental funds, unmatured interest on long-term debt is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term debt is recognized when it is incurred.</p>		
		(2,315,600)
<p>Deferred charges relating to issuance of debt is expensed over the life of the debt on the government-wide financial statements, but were recorded as an expenditure in the governmental fund statements when the debt was issued.</p>		
		631,868
<p>Enterprise funds are used by the District's management to account for the activity of the bookstores and vocational education. The total assets and liabilities of the enterprise funds are included with the governmental activities</p>		
		1,724,942
<p>Fiduciary funds are used by the District's management to account for the activities of student financial aid services. The assets and liabilities of the financial aid funds are included with governmental activities.</p>		
		779,945
<p>Long-term liabilities at year end consist of:</p>		
Bonds payable	197,126,305	
Bond premium	1,997,556	
Certificates of participation	2,845,000	
Capital leases payable	<u>24,459</u>	<u>(201,993,320)</u>
Total Net Assets		<u>\$ 65,874,823</u>

See accompanying note to additional supplementary information.

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CABRILLO COMMUNITY COLLEGE DISTRICT

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - (UNAUDITED)

FOR THE YEAR ENDED JUNE 30, 2007

	<u>General Unrestricted</u>	<u>General Restricted</u>	<u>Cafeteria</u>	<u>Child Development</u>
REVENUES				
Federal revenues	\$ 37,494	\$ 1,191,115	\$ -	\$ 62,630
State revenues	36,902,841	7,178,766	-	642,286
Local revenues	24,074,857	2,047,942	59,843	173,621
Total Revenues	<u>61,015,192</u>	<u>10,417,823</u>	<u>59,843</u>	<u>878,537</u>
EXPENDITURES				
Current Expenditures				
Academic salaries	27,104,630	2,091,878	-	486,679
Classified salaries	11,539,672	1,996,702	44,496	250,030
Employee benefits	9,767,362	990,308	16,130	248,490
Books and supplies	842,409	303,856	-	43,771
Services and operating expenditures	5,797,440	2,001,301	1,024	197,564
Capital outlay	565,049	1,546,961	-	2,123
Debt service - principal	42,186	-	-	-
Debt service - interest and other	2,759	-	-	-
Total Expenditures	<u>55,661,507</u>	<u>8,931,006</u>	<u>61,650</u>	<u>1,228,657</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>5,353,685</u>	<u>1,486,817</u>	<u>(1,807)</u>	<u>(350,120)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	207,858	-	1,900	496,089
Operating transfers out	(2,098,299)	(324,792)	-	(4,000)
Other sources	117,231	-	-	-
Other uses	8,400	(228,775)	-	(17,404)
Total Other Financing Sources (Uses)	<u>(1,764,810)</u>	<u>(553,567)</u>	<u>1,900</u>	<u>474,685</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	3,588,875	933,250	93	124,565
FUND BALANCE, BEGINNING OF YEAR	7,095,620	306,583	-	55,506
FUND BALANCE, END OF YEAR	<u>\$10,684,495</u>	<u>\$ 1,239,833</u>	<u>\$ 93</u>	<u>\$ 180,071</u>

See accompanying note to additional supplementary information.

Certificates of Participation	Bond Interest and Redemption	Retiree Benefits	Revenue Bond	Capital Outlay	Total Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,291,239
-	83,203	-	-	5,908,074	50,715,170
50,288	9,247,722	-	2,495,050	578,422	38,727,745
50,288	9,330,925	-	2,495,050	6,486,496	90,734,154
-	-	-	-	-	29,683,187
-	-	-	4,585	200,545	14,036,030
-	-	-	428	50,868	11,073,586
-	-	-	22,694	10,363	1,223,093
-	651,016	-	979,172	869,175	10,496,692
-	-	-	26,933,805	6,276,244	35,324,182
244,065	5,001,665	-	-	18,689	5,306,605
221,606	5,346,890	-	-	1,484	5,572,739
465,671	10,999,571	-	27,940,684	7,427,368	112,716,114
(415,383)	(1,668,646)	-	(25,445,634)	(940,872)	(21,981,960)
416,739	-	1,020,000	-	269,161	2,411,747
-	-	-	59,993	-	(2,367,098)
-	1,683,169	-	58,498,505	-	60,298,905
-	-	-	-	-	(237,779)
416,739	1,683,169	1,020,000	58,558,498	269,161	60,105,775
1,356	14,523	1,020,000	33,112,864	(671,711)	38,123,815
351,845	9,389,833	-	41,377,604	1,967,848	60,544,839
\$ 353,201	\$ 9,404,356	\$ 1,020,000	\$ 74,490,468	\$ 1,296,137	\$ 98,668,654

CABRILLO COMMUNITY COLLEGE DISTRICT

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET ASSETS RECONCILIATION - (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2007**

Amounts Reported for Governmental Activities in the Statement of Revenues, Expenses, and Changes in Net Assets are Different Because:

Total Net Change in Fund Balances - Governmental Funds **\$ 38,123,815**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures, however, for governmental activities, those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the district-wide statement of revenues, expenses, and net assets.

The amount by which the current period capital outlays exceed depreciation

The cost of capital assets in governmental funds is	\$35,032,367	
Accumulated depreciation in governmental funds is	<u>(3,570,916)</u>	31,461,451

Fiduciary funds are used by the District's management to account for the financial aid activities. The revenues and expenditures of the fiduciary funds are included with the district wide statement of revenues, expenses, and net assets (3,646)

Enterprise funds are used by the District's management to account for the activity of the bookstores and vocational education. The revenues and expenses of the enterprise funds are included with district wide statement of revenues, expenses, and net assets. 57,140

Proceeds received from Sale of Bonds is a revenue source in the governmental funds, but it increases long-term liabilities in the statement of net assets and does not affect the statement of activities. (58,498,505)

Accretion of loan principal on general obligation bonds is reported as debt proceeds in the governmental funds, but it increases long term liabilities in the statement of net assets and does not affect the district wide statement of revenues, expenses, and net assets. (3,217,205)

Payment of debt principal is an expenditures in the governmental funds, but it reduces long term liabilities in the statement of net assets and does not affect the district wide statement of revenues, expenses, and net assets. 6,998,236

CABRILLO COMMUNITY COLLEGE DISTRICT

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES
IN NET ASSETS RECONCILIATION (UNAUDITED) - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2007**

Interest on long term debt in the district-wide statement of revenues, expenses, and net assets differs from the amount reported in governmental funds because interest is recorded as an expenditure in the governmental funds when it is due. However, interest expense is recognized as an expense in the district-wide statement of revenues, expenses, and net assets when it accrues, regardless of when it is due.	(309,076)
Proceeds received from bond premium is a revenue source in the governmental funds, but it increases long-term liabilities in the statement of net assets and does not affect the statement of activities.	(1,683,169)
Amortization of premium on long-term debt is not recognized in the governmental funds. In the government-wide statements, it is deferred and amortized over the life of the related debt.	63,501
Payment of issuance costs of bonds is an expenditure in the governmental funds in the year paid but it is recorded as deferred charges and amortized over the life of the bonds in the statement of activities.	651,016
Amortization of issuance cost is not recorded in the governmental funds, but is amortized over the life of the related bond on the government-wide statements.	(19,148)
Total Change in Net Assets	<u>\$ 13,624,410</u>

See accompanying note to additional supplementary information.

CABRILLO COMMUNITY COLLEGE DISTRICT

**PROPRIETARY FUNDS
BALANCE SHEET - (UNAUDITED)
JUNE 30, 2007**

	Enterprise Funds		
	Bookstore	Vocational Education	Total
ASSETS			
Cash and cash equivalents	\$ 1,016,976	\$ -	\$ 1,016,976
Accounts receivable	23,766	-	23,766
Stores inventories	556,543	-	556,543
Furniture and equipment (net)	180,085	-	180,085
Total Assets	\$ 1,777,370	\$ -	\$ 1,777,370
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Accounts payable	\$ (2,837)	\$ -	\$ (2,837)
Due to other funds	55,265	-	55,265
Total Liabilities	52,428	-	52,428
FUND EQUITY			
Retained earnings	1,724,942	-	1,724,942
Total Liabilities and Fund Equity	\$ 1,777,370	\$ -	\$ 1,777,370

See accompanying note to additional supplementary information.

CABRILLO COMMUNITY COLLEGE DISTRICT

PROPRIETARY FUNDS

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
RETAINED EARNINGS - (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2007**

	Enterprise Funds		
	Bookstore	Vocational Education	Total
OPERATING REVENUES			
Sales revenues	\$3,431,689	\$ -	\$3,431,689
OPERATING EXPENSES			
Classified salaries	409,799	-	409,799
Employee benefits	155,377	-	155,377
Books and supplies	31,500	-	31,500
Services and other operating expenditures	2,628,367	61,120	2,689,487
Total Operating Expenses	3,225,043	61,120	3,286,163
Operating Income	206,646	(61,120)	145,526
NONOPERATING EXPENSES			
Operating transfers out	(88,386)	-	(88,386)
NET INCOME	118,260	(61,120)	57,140
RETAINED EARNINGS, BEGINNING OF YEAR	1,606,682	61,120	1,667,802
RETAINED EARNINGS, END OF YEAR	\$1,724,942	\$ -	\$1,724,942

See accompanying note to additional supplementary information.

CABRILLO COMMUNITY COLLEGE DISTRICT

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS - (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2007**

	Enterprise Funds		
	Bookstore	Vocational Education	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from user charges	\$ 3,424,634	\$ 250	\$3,424,884
Cash payments to employees for services	(565,176)	-	(565,176)
Cash payments to suppliers for goods and services	(2,606,187)	(114,189)	(2,720,376)
Net Cash Provided for Operating Activities	<u>253,271</u>	<u>(113,939)</u>	<u>139,332</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Other nonoperating	(88,386)	70,624	\$ (17,762)
Net Cash Provided (Used) from Noncapital Financing Activities	<u>(88,386)</u>	<u>70,624</u>	<u>(17,762)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(166,759)	-	(166,759)
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>(166,759)</u>	<u>-</u>	<u>(166,759)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	-	6	-
Net decrease in cash and cash equivalents	(1,874)	(43,309)	(45,183)
Cash and cash equivalents - Beginning	1,018,850	43,309	1,062,159
Cash and cash equivalents - Ending	<u>\$ 1,016,976</u>	<u>\$ -</u>	<u>\$1,016,976</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ 206,646	\$ (61,120)	\$ 145,526
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Changes in assets and liabilities:			
Receivables	(7,055)	250	(6,805)
Inventories	66,295	31,252	97,547
Accrued liabilities	(19,565)	(88)	(19,653)
Due to other fund	6,950	(84,233)	(77,283)
Net Cash Flows from Operating Activities	<u>\$ 253,271</u>	<u>\$ (113,939)</u>	<u>\$ 139,332</u>

See accompanying note to additional supplementary information.

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CABRILLO COMMUNITY COLLEGE DISTRICT

**FIDUCIARY FUNDS
BALANCE SHEET - (UNAUDITED)
JUNE 30, 2007**

	<u>Associated Students Trust</u>	<u>Student Representation Fee Trust</u>	<u>Student Body Center Fee Trust</u>	<u>Student Financial Aid Trust</u>
ASSETS				
Cash and cash equivalents	\$ 74,924	\$ 54,540	\$ 1,029,066	\$ 38,260
Accounts receivable	-	-	-	349,910
Due from other funds	2,493	544	1,615	-
Total Assets	<u>\$ 77,417</u>	<u>\$ 55,084</u>	<u>\$ 1,030,681</u>	<u>\$ 388,170</u>
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	605	-	22,073	357,666
Total Liabilities	<u>605</u>	<u>-</u>	<u>22,073</u>	<u>357,666</u>
FUND EQUITY				
Fund Balances				
Reserved	76,812	55,084	1,008,608	30,504
Total Liabilities and Fund Equity	<u>\$ 77,417</u>	<u>\$ 55,084</u>	<u>\$ 1,030,681</u>	<u>\$ 388,170</u>

See accompanying note to additional supplementary information.

Scholarship and Loan Trust	Other Trust	Total
\$ 17,286	\$ 848,399	\$ 2,062,475
-	-	349,910
-	3,044	7,696
<u>\$ 17,286</u>	<u>\$ 851,443</u>	<u>\$ 2,420,081</u>
\$ -	\$ 2,407	\$ 2,407
600	116,281	497,225
<u>600</u>	<u>118,688</u>	<u>499,632</u>
<u>16,686</u>	<u>732,755</u>	<u>1,920,449</u>
<u>\$ 17,286</u>	<u>\$ 851,443</u>	<u>\$ 2,420,081</u>

CABRILLO COMMUNITY COLLEGE DISTRICT

FIDUCIARY FUNDS

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2007**

	Associated Students Trust	Student Representation Fee Trust	Student Representation Fee Trust	Student Financial Aid Trust
REVENUES				
Federal revenues	\$ -	\$ -	\$ -	\$ 4,868,173
State revenues	-	-	-	743,083
Local revenues	50,003	-	36,598	132
Total Revenues	<u>50,003</u>	<u>-</u>	<u>36,598</u>	<u>5,611,388</u>
EXPENDITURES				
Current Expenditures				
Books and supplies	11,381	-	-	-
Services and operating expenditures	50,663	21,845	-	-
Capital outlay	-	-	18,159	-
Total Expenditures	<u>62,044</u>	<u>21,845</u>	<u>18,159</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(12,041)</u>	<u>(21,845)</u>	<u>18,439</u>	<u>5,611,388</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	15,000	28,720	112,716	-
Operating transfers out	(15,000)	-	(21,773)	-
Other uses	-	-	-	(5,610,679)
Total Other Financing Sources (Uses)	<u>-</u>	<u>28,720</u>	<u>90,943</u>	<u>(5,610,679)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(12,041)</u>	<u>6,875</u>	<u>109,382</u>	<u>709</u>
FUND BALANCE, BEGINNING OF YEAR	<u>88,853</u>	<u>48,209</u>	<u>899,226</u>	<u>29,795</u>
FUND BALANCE, END OF YEAR	<u>\$ 76,812</u>	<u>\$ 55,084</u>	<u>\$ 1,008,608</u>	<u>\$ 30,504</u>

See accompanying note to additional supplementary information.

Scholarship and Loan Trust	Other Trust	Total
\$ -	\$ -	\$ 4,868,173
-	-	743,083
336,283	1,039,504	1,462,520
<u>336,283</u>	<u>1,039,504</u>	<u>7,073,776</u>
-	157,858	169,239
-	799,400	871,908
-	6,149	24,308
-	<u>963,407</u>	<u>1,065,455</u>
<u>336,283</u>	<u>76,097</u>	<u>6,008,321</u>
-	-	156,436
-	(75,926)	(112,699)
<u>(339,671)</u>	<u>(1,138)</u>	<u>(5,951,488)</u>
<u>(339,671)</u>	<u>(77,064)</u>	<u>(5,907,751)</u>
(3,388)	(967)	100,570
<u>20,074</u>	<u>733,722</u>	<u>1,819,879</u>
<u>\$ 16,686</u>	<u>\$ 732,755</u>	<u>\$ 1,920,449</u>

CABRILLO COMMUNITY COLLEGE DISTRICT

NOTE TO ADDITIONAL SUPPLEMENTARY INFORMATION JUNE 30, 2007

NOTE 1 - PURPOSE OF SCHEDULES

Fund Financial Statements

The accompanying financial statements report the governmental, proprietary, and fiduciary fund activities of Cabrillo Community College District and are presented on the modified accrual basis of accounting. Therefore, some amounts presented in these financial statements may differ from amounts presented in, or used in, the preparation of the basic financial statements. The information is unaudited and is presented at the request of the District management.