

**CABRILLO COMMUNITY COLLEGE DISTRICT**

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**ANNUAL FINANCIAL REPORT**

---

**JUNE 30, 2009 AND 2008**

# CABRILLO COMMUNITY COLLEGE DISTRICT

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JUNE 30, 2009

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***FINANCIAL SECTION***

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VAVRINEK, TRINE, DAY  
& COMPANY, LLP  
*Certified Public Accountants*

VALUE THE DIFFERENCE

## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Cabrillo Community College District  
Aptos, California

We have audited the accompanying basic financial statements of the business-type activities of the Cabrillo Community College District (the District) as of and for the years ended June 30, 2009 and 2008, (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 business-type activities of the Cabrillo Community College District and its discretely presented component unit as of June 30, 2009 and 2008, 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.

As discussed in the Notes to the basic financial statements, the accompanying financial statements reflect certain changes required as a result of the implementation of GASB Statement No. 45 for the year ended June 30, 2009.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2010, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and is important for assessing the results of our audit.

The required supplementary information, such as management's discussion and analysis and other postemployment information as listed in the table of contents is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion.

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 and the Combining Statements of the Governmental, Proprietary, and Fiduciary Funds, 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.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California  
February 10, 2010

# **CABRILLO COMMUNITY COLLEGE DISTRICT**

## **MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEARS ENDED JUNE 30, 2009 AND 2008**

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### ***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, 2009. The report consists of three basic financial statements: the Statement of Net Assets, 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, 2009. 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 2008-2009 fiscal year, the reported FTES were 13,472 as compared to 11,610 in the 2007-2008 fiscal year. The fully funded cap for fiscal year 2008-2009 is 11,847.
- The District continued several construction and modernization projects during 2008-09. These projects are funded both through State construction revenues and through our voter approved general obligation bond.
- Costs for employee salaries remained fairly stable as compared to the 2007-08 fiscal year and costs associated with current employee benefits increased by 9 percent. Employee benefit costs also include \$628,000 for unfunded future retiree health benefits and \$862,000 for current retiree health benefits. The 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 2008-2009 fiscal year, the District provided almost \$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.

**CABRILLO COMMUNITY COLLEGE DISTRICT**

**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008**

***THE DISTRICT AS A WHOLE***

Net Assets

**Table 1**

	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and investments	\$ 51,467,567	\$ 82,152,587	\$ 101,590,695
Accounts receivable (net)	22,981,252	9,008,964	9,678,884
Other current assets	1,302,018	1,495,807	1,751,256
Total Current Assets	<u>75,750,837</u>	<u>92,657,358</u>	<u>113,020,835</u>
<b>Noncurrent Assets</b>			
Capital assets (net)	224,913,519	193,408,564	168,558,419
Other noncurrent assets	574,424	593,572	-
Total Noncurrent Assets	<u>225,487,943</u>	<u>194,002,136</u>	<u>168,558,419</u>
Total Assets	<u>301,238,780</u>	<u>286,659,494</u>	<u>281,579,254</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities	13,374,967	10,677,707	11,676,788
Amounts held in trust for others	1,133,078	1,169,969	1,140,504
Current portion of long-term debt	5,544,027	4,912,125	5,478,619
Total Current Liabilities	<u>20,052,072</u>	<u>16,759,801</u>	<u>18,295,911</u>
Long-term Debt	<u>194,797,641</u>	<u>195,137,521</u>	<u>197,408,520</u>
Total Liabilities	<u>214,849,713</u>	<u>211,897,322</u>	<u>215,704,431</u>
<b>NET ASSETS</b>			
Invested in capital assets	60,213,260	52,094,331	39,191,750
Restricted	10,288,760	10,334,727	13,493,691
Unrestricted	15,887,047	12,333,114	13,189,382
Total Net Assets	<u>\$ 86,389,067</u>	<u>\$ 74,762,172</u>	<u>\$ 65,874,823</u>

# CABRILLO COMMUNITY COLLEGE DISTRICT

## MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

### 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**

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Operating Revenues			
Tuition and fees	\$ 6,535,190	\$ 4,625,732	\$ 5,540,673
Auxiliary sales and charges	3,875,108	3,672,652	3,431,689
Total Operating Revenues	<u>10,410,298</u>	<u>8,298,384</u>	<u>8,972,362</u>
Operating Expenses			
Salaries and benefits	62,638,617	61,321,304	56,366,211
Payment to students	8,857,157	5,175,369	3,688,192
Supplies, maintenance and other	18,887,245	14,693,124	15,270,390
Depreciation	4,352,098	3,974,021	3,570,916
Total Operating Expenses	<u>94,735,117</u>	<u>85,163,818</u>	<u>78,895,709</u>
Loss on Operations	<u>(84,324,819)</u>	<u>(76,865,434)</u>	<u>(69,923,347)</u>
Nonoperating Revenues			
State apportionments	36,822,113	34,830,414	33,991,467
Property taxes	31,097,066	29,538,736	27,347,535
Grants and contracts	20,502,706	18,268,558	19,379,933
Net interest expense	(9,110,814)	(7,258,172)	(6,595,573)
Other nonoperating revenues (expenses)	5,133,789	3,507,783	2,822,153
Total Nonoperating Revenue	<u>84,444,860</u>	<u>78,887,319</u>	<u>76,945,515</u>
Other Revenues			
State and local capital income	<u>11,506,854</u>	<u>6,865,464</u>	<u>6,602,242</u>
Net Increase in Net Assets	<u>\$ 11,626,895</u>	<u>\$ 8,887,349</u>	<u>\$ 13,624,410</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 the bookstore operations. 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 \$3,366,287 for 2008-2009 and \$3,425,536 for 2007-2008. The balance of the tuition and fee revenue line consists of other fees and revenues.

# CABRILLO COMMUNITY COLLEGE DISTRICT

## MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

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### Changes in Cash Position

**Table 3**

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Cash Provided by (Used in)			
Operating activities	\$ (77,900,267)	\$ (76,036,041)	\$ (70,712,358)
Noncapital financing activities	73,197,302	77,848,662	72,729,617
Capital financing activities	(26,893,463)	(23,599,721)	29,829,022
Investing activities	911,408	2,701,599	1,353,101
Net Increase (Decrease) in Cash	(30,685,020)	(19,085,501)	33,199,382
Cash, Beginning of Year	82,152,587	101,238,088	68,038,706
Cash, End of Year	<u>\$ 51,467,567</u>	<u>\$ 82,152,587</u>	<u>\$101,238,088</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, 2009, the District had \$224,913,519 in a broad range of capital assets, including land, buildings, and furniture and equipment. At June 30, 2008, our net capital assets were \$193,408,564. 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 2009-2010 fiscal year and beyond with primary funding through our general obligation bond.

**CABRILLO COMMUNITY COLLEGE DISTRICT**

**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008**

**Table 4**

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Land and construction in progress	\$ 98,282,255	\$33,364,495	\$ (515,647)	\$ 131,131,103
Buildings and improvements	121,254,737	529,049	-	121,783,786
Furniture and equipment	10,207,931	2,479,156	-	12,687,087
Subtotal	229,744,923	36,372,700	(515,647)	265,601,976
Accumulated depreciation	(36,336,359)	(4,352,098)	-	(40,688,457)
	<u>\$ 193,408,564</u>	<u>\$32,020,602</u>	<u>\$ (515,647)</u>	<u>\$ 224,913,519</u>

**Obligations**

At the end of the 2008-2009 fiscal year, the District had \$194,708,537 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	\$ 196,509,619	\$ 3,797,419	\$ (5,598,501)	\$ 194,708,537
COPs and notes payable	2,640,000	-	(210,000)	2,430,000
Other liabilities	900,027	2,822,054	(518,950)	3,203,131
Total Long-term Debt	<u>\$ 200,049,646</u>	<u>\$ 6,619,473</u>	<u>\$ (6,327,451)</u>	<u>\$ 200,341,668</u>
Amount due within one year				<u>\$ 5,544,027</u>

# **CABRILLO COMMUNITY COLLEGE DISTRICT**

## **MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEARS ENDED JUNE 30, 2009 AND 2008**

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### ***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 2008-2009 fiscal year on September 8, 2008.

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 86 percent of the total unrestricted sources of revenues received within the General Fund. The District's student enrollment is currently up. There is uncertainty as to the actual level of funding the District will receive for student enrollment. With the current budget situation, the District continues to monitor enrollment and operating costs of the District to ensure ongoing financial stability and retain the reserve levels required by our Board of Trustees and the State Chancellor's Office.

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

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

# CABRILLO COMMUNITY COLLEGE DISTRICT

## STATEMENTS OF NET ASSETS JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 14,721,759	\$ 14,019,850
Restricted cash and cash equivalents	36,745,808	68,132,737
Accounts receivable	22,981,252	9,008,964
Prepaid expenses	475,763	709,472
Deferred charges	19,148	19,148
Stores inventories	807,107	767,187
<b>Total Current Assets</b>	<u>75,750,837</u>	<u>92,657,358</u>
<b>Noncurrent Assets</b>		
Deferred charges - noncurrent portion	574,424	593,572
Nondepreciable capital assets	131,131,103	98,282,255
Depreciable capital assets, net of depreciation	93,782,416	95,126,309
<b>Total Noncurrent Assets</b>	<u>225,487,943</u>	<u>194,002,136</u>
<b>TOTAL ASSETS</b>	<u>301,238,780</u>	<u>286,659,494</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	6,522,251	5,947,465
Interest payable	2,540,034	2,586,723
Deferred revenue	4,312,682	2,143,519
Amounts held in custody on behalf of others	1,133,078	1,169,969
Certificates of participation - current portion	220,000	210,000
Lease obligations - current portion	301,218	4,992
Bonds payable - current portion	5,022,809	4,697,133
<b>Total Current Liabilities</b>	<u>20,052,072</u>	<u>16,759,801</u>
<b>Noncurrent Liabilities</b>		
Compensated absences payable	1,281,433	895,036
Certificates of participation - noncurrent portion	2,210,000	2,430,000
Lease obligations - noncurrent portion	992,135	-
OPEB liability	628,346	-
Bonds payable - noncurrent portion	189,685,727	191,812,485
<b>Total Noncurrent Liabilities</b>	<u>194,797,641</u>	<u>195,137,521</u>
<b>TOTAL LIABILITIES</b>	<u>214,849,713</u>	<u>211,897,322</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	60,213,260	52,094,331
Restricted for:		
Debt service	8,787,254	8,605,545
Educational programs	1,501,506	1,729,182
Unrestricted	15,887,047	12,333,114
<b>TOTAL NET ASSETS</b>	<u>\$ 86,389,067</u>	<u>\$ 74,762,172</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, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
<b>OPERATING REVENUES</b>		
Student Tuition and Fees	\$ 8,608,439	\$ 6,428,449
Less: Scholarship discount and allowance	<u>(2,073,249)</u>	<u>(1,802,717)</u>
Net tuition and fees	<u>6,535,190</u>	<u>4,625,732</u>
Grants and Contracts, noncapital:		
Auxiliary Enterprise Sales and Charges		
Bookstore	3,875,108	3,672,652
<b>TOTAL OPERATING REVENUES</b>	<u>10,410,298</u>	<u>8,298,384</u>
<b>OPERATING EXPENSES</b>		
Salaries	46,796,540	46,750,967
Employee benefits	15,842,077	14,570,337
Payment to students	8,857,157	5,175,369
Supplies, materials, and other operating expenses and services	18,887,245	14,693,124
Depreciation	4,352,098	3,974,021
<b>TOTAL OPERATING EXPENSES</b>	<u>94,735,117</u>	<u>85,163,818</u>
<b>OPERATING LOSS</b>	<u>(84,324,819)</u>	<u>(76,865,434)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State apportionments, noncapital	36,822,113	34,830,414
Local property taxes, levied for general purposes	19,331,701	18,976,555
Local property taxes, levied for other specific purposes	11,765,365	10,562,181
Federal revenues	10,125,475	7,454,664
State revenues	10,377,231	10,795,462
Investment income, net	826,287	2,396,589
Interest expense on capital related debt	(9,937,101)	(9,654,761)
Other nonoperating revenues (expenses)	5,133,789	3,526,215
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>84,444,860</u>	<u>78,887,319</u>
<b>INCOME BEFORE OTHER REVENUES AND EXPENSES</b>	<u>120,041</u>	<u>2,021,885</u>
State revenues, capital	11,506,854	6,798,542
Local revenues, capital	-	66,922
<b>TOTAL CAPITAL REVENUE</b>	<u>11,506,854</u>	<u>6,865,464</u>
<b>CHANGE IN NET ASSETS</b>	11,626,895	8,887,349
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>74,762,172</u>	<u>65,874,823</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 86,389,067</u>	<u>\$ 74,762,172</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, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and fees	\$ 6,679,117	\$ 4,588,555
Payments to vendors for supplies and services	(18,126,748)	(16,801,630)
Payments to or on behalf of employees	(61,470,587)	(62,914,529)
Payments to students for scholarships and grants	(8,857,157)	(4,831,441)
Auxiliary enterprise sales and charges:		
Bookstore	3,875,108	3,923,004
<b>Net Cash Flows From Operating Activities</b>	<u>(77,900,267)</u>	<u>(76,036,041)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State apportionments	33,043,311	35,726,802
Property taxes - nondebt related	19,331,701	18,976,555
Federal grants and contracts	9,448,129	7,300,338
State grants and contracts	8,959,643	11,025,595
Local grants and contracts	2,414,518	4,819,372
<b>Net Cash Flows From Noncapital Financing Activities</b>	<u>73,197,302</u>	<u>77,848,662</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
Purchase of capital assets	(35,857,053)	(28,824,166)
State revenue, capital projects	7,904,736	6,798,542
Local revenue, capital projects	-	66,922
Property taxes - related to capital debt	11,765,365	10,562,181
Cash received from issuance of debt	1,807,311	-
Principal paid on capital debt	(6,327,451)	(6,257,968)
Interest paid on capital debt	(6,186,371)	(5,945,232)
<b>Net Cash Flows From Capital Financing Activities</b>	<u>(26,893,463)</u>	<u>(23,599,721)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received from investments	911,408	2,701,599
<b>Net Cash Flows From Investing Activities</b>	<u>911,408</u>	<u>2,701,599</u>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	(30,685,020)	(19,085,501)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	82,152,587	101,238,088
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 51,467,567</u>	<u>\$ 82,152,587</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, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
<b>RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating loss	\$ (84,324,819)	\$ (76,865,434)
Adjustments to Reconcile Operating Loss to Net Cash Flows from by Operating Activities:		
Depreciation and amortization expense	4,352,098	3,974,012
Changes in Assets and Liabilities:		
Receivables, net	(573,759)	(1,546,610)
Stores Inventories	(39,920)	(210,644)
Prepaid expenses	233,709	(146,627)
Accounts payable and accrued liabilities	320,152	(795,708)
Deferred revenue	2,169,163	(474,495)
Funds held for others	(36,891)	29,465
Total Adjustments	<u>6,424,552</u>	<u>829,393</u>
<b>Net Cash Flows From Operating Activities</b>	<u><u>\$ (77,900,267)</u></u>	<u><u>\$ (76,036,041)</u></u>
 <b>CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:</b>		
Cash in banks	\$ 657,982	\$ 570,410
Investments - Cash equivalents	1,683,155	2,839,418
Investments - Cash in county treasury cash equivalents	<u>49,126,430</u>	<u>78,742,759</u>
<b>Total Cash and Cash Equivalents</b>	<u><u>\$ 51,467,567</u></u>	<u><u>\$ 82,152,587</u></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, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 4,102,563	\$ 4,176,491
Contributions receivable, net	1,259,612	1,586,860
Accounts receivable	19,328	28,849
Beneficial interest in split interest agreement	302,576	281,310
Assets held in pooled income fund	19,067	22,163
Investments	10,329,304	12,158,074
<b>Total Current Assets</b>	<u>16,032,450</u>	<u>18,253,747</u>
<b>Noncurrent Assets</b>		
Depreciable capital assets, net of depreciation	4,314	6,069
<b>TOTAL ASSETS</b>	<u>\$ 16,036,764</u>	<u>\$ 18,259,816</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable, scholarships and projects payable	\$ 1,727,635	\$ 1,186,097
Pooled income funds - liabilities to beneficiaries	10,874	10,520
Other post employment benefits	35,253	35,253
<b>TOTAL LIABILITIES</b>	<u>1,773,762</u>	<u>1,231,870</u>
<b>NET ASSETS</b>		
Unrestricted	627,333	629,243
Temporarily restricted	2,722,652	5,971,670
Permanently restricted	10,913,017	10,427,033
<b>TOTAL NET ASSETS</b>	<u>14,263,002</u>	<u>17,027,946</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 16,036,764</u>	<u>\$ 18,259,816</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, 2009**

**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2008**

	2009			Total	2008
	Unrestricted	Temporarily Restricted	Permanently Restricted		
<b>SUPPORT AND REVENUES</b>					
Contributions	\$ 373,038	\$ 1,114,536	\$ 485,984	\$ 1,973,558	\$ 3,666,267
Investment income, net of expenses	57,446	(1,551,540)	-	(1,494,094)	(791,031)
Endowment management fee	159,158	-	-	159,158	180,086
In-kind contributions	28,844	65,147	-	93,991	65,820
Other income	88,187	-	-	88,187	69,261
Net assets released from restrictions	2,877,161	(2,877,161)	-	-	-
<b>TOTAL SUPPORT AND REVENUES</b>	<b>3,583,834</b>	<b>(3,249,018)</b>	<b>485,984</b>	<b>820,800</b>	<b>3,190,403</b>
<b>EXPENSES</b>					
Program Services					
Scholarships	770,672	-	-	770,672	535,886
College support	2,288,157	-	-	2,288,157	1,385,832
Supporting Services					
Management and general	266,731	-	-	266,731	328,974
Fundraising	260,184	-	-	260,184	244,025
<b>TOTAL EXPENSES</b>	<b>3,585,744</b>	<b>-</b>	<b>-</b>	<b>3,585,744</b>	<b>2,494,717</b>
<b>CHANGE IN NET ASSETS</b>	<b>(1,910)</b>	<b>(3,249,018)</b>	<b>485,984</b>	<b>(2,764,944)</b>	<b>695,686</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>629,243</b>	<b>5,971,670</b>	<b>10,427,033</b>	<b>17,027,946</b>	<b>16,332,260</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 627,333</b>	<b>\$ 2,722,652</b>	<b>\$ 10,913,017</b>	<b>\$ 14,263,002</b>	<b>\$ 17,027,946</b>

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, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (2,764,944)	\$ 695,686
Adjustments to reconcile change in net assets to net cash provided by operations		
Depreciation	2,898	3,798
Change in valuation of split-interest agreement	(17,816)	6,704
Change in operating assets and liabilities		
Contributions receivable	327,248	155,455
Accounts receivable	9,521	(22,924)
Accounts payable, scholarships and projects payable	541,538	452,217
<b>Net Cash Flows From Operating Activities</b>	<u>(1,901,555)</u>	<u>1,290,936</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of capital assets	(1,143)	(4,608)
Additions to investments	1,828,770	(187,345)
<b>Net Cash Flows From Investing Activities</b>	<u>1,827,627</u>	<u>(191,953)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(73,928)	1,098,983
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	4,176,491	3,077,508
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 4,102,563</u>	<u>\$ 4,176,491</u>

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

# CABRILLO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009 AND 2008

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

#### **Organization**

The Cabrillo Community College District (the District) was established in 1959 as a political subdivision of the State of California and provides post secondary educational services to residents of Santa Cruz. The District operates under a locally elected seven-member Board of Trustees form of government, which establishes the policies and procedures by which the District operates. The Board must approve the annual budgets for the General Fund, special revenue funds, and capital project funds, but these budgets are managed at the department level. Currently, the District operates one campus located in Aptos, California and a center in Watsonville and Scotts Valley. 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. The three components used to determine the presentation are: providing a direct benefit, the environment and the ability to access/influence reporting. As defined by accounting principles generally accepted in the United States of America and established by the Governmental Accounting Standards Board, the financial reporting entity consists of the primary government, the District, and the following component units:

#### ***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 thereof 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, 2009 AND 2008

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

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

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

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

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

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

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

# CABRILLO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009 AND 2008

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The following is a summary of the more significant policies:

### Cash and Cash Equivalents

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

### Investments

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

### Accounts Receivable

Accounts receivable include amounts due from the Federal, State and/or local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consists 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 \$2,451,193 and \$2,221,783 for the years ended June 30, 2009 and 2008.

### Prepaid Expenses

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

### Stores Inventories

Stores 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 to building and land that significantly increase the value or extend the useful life of the assets 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, 2009 AND 2008

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

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

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

### **Compensated Absences**

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

### **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. Net assets may be restricted for capital projects, debt repayment and or educational programs.

None of the District's restricted net assets have resulted from enabling legislation adopted by the District.

# CABRILLO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009 AND 2008

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**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.

### **Operating Revenues and Expenses**

**Classification of Revenues** - The District has classified its revenues as either operating or nonoperating. Certain significant revenues streams relied upon for operation are classified as nonoperating as defined by GASB Statement No. 35. Classifications are as follows:

**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, 2009 AND 2008

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### Property Taxes

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, 2009, the District distributed \$2,699,092 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.

### Changes in Accounting Principles

In July 2004, the GASB issued GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement requires local governmental employers who provide other postemployment benefits (OPEB) as part of the total compensation offered to employees to recognize the expense and related liabilities (assets) in the government-wide financial statements of net assets and activities. This Statement established standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of State and local governmental employers.

This Statement provided 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 has implemented the provisions of this Statement for the fiscal year ended June 30, 2009. The District had an annual required contribution of \$1,490,395 for the year ended June 30, 2009, and made a contribution of \$862,049 resulting in an OPEB obligation of \$628,346.

### New Accounting Pronouncements

In March 2009, the GASB issued GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this Statement are effective for the financial statements for periods beginning after June 15, 2010. Early implementation is encouraged.

# CABRILLO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009 AND 2008

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### NOTE 2 - CASH AND INVESTMENTS

#### Policies and Practices

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

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

**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, 2009 AND 2008**

**Summary of Deposits and Investments**

Deposits and investments as of June 30, 2009, consist of the following:

Cash in banks	\$ 602,482
Cash in revolving	55,000
Investments	50,810,085
Total Deposits and Investments	<u>\$ 51,467,567</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. Treasury	\$ 360,302	\$ 360,302	0.12 Years
Money Market Mutual Funds	1,323,353	1,323,353	0.02 Years
County Pool	49,126,430	49,104,299	0.59 Years
Total	<u>\$ 50,810,085</u>	<u>\$ 50,787,954</u>	

**Credit Risk**

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

Investment Type	Fair Value	Not Required To Be Rated	Rating as of Year End AAA
U.S. Agencies	\$ 360,302	\$ -	\$ 360,302
Money Market Mutual Funds	1,323,353	-	1,323,353
County Pool	49,104,299	49,104,299	-
Total	<u>\$ 50,787,954</u>	<u>\$ 49,104,299</u>	<u>\$ 1,683,655</u>

# CABRILLO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009 AND 2008

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### 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, 2009, approximately none of the District's cash balance of \$657,000 was exposed to custodial credit risk because it was uninsured but it is collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

### 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>2009</u>	<u>2008</u>
Federal Government		
Categorical aid	\$ 677,346	\$ 650,967
State Government		
Apportionment	6,510,495	2,731,693
Categorical aid	866,272	1,055,779
Lottery	551,316	736,124
State construction funds	11,217,628	1,167,440
Local Government		
Other local sources	1,312,349	1,244,790
Subtotal	<u>21,135,406</u>	<u>7,586,793</u>
Student receivables	4,297,039	3,643,954
Less allowance for uncollectible accounts	<u>(2,451,193)</u>	<u>(2,221,783)</u>
Subtotal	<u>1,845,846</u>	<u>1,422,171</u>
Accounts receivable, net of allowance for uncollectible accounts	<u>\$ 22,981,252</u>	<u>\$ 9,008,964</u>

### Discretely Presented Component Unit

At June 30, 2009 and 2008, the Foundation's contributions receivable consisted of \$1,259,612 and \$1,586,860, respectively. These amounts were primarily short-term donations and \$302,576 for a split interest (charitable remainder trust) agreement. The contributions receivable amounts are net of an allowance for uncollectible contributions of approximately \$17,000.

**CABRILLO COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009 AND 2008**

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the District for the fiscal year ended June 30, 2009, was as follows:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ 4,164,679	\$ -	\$ -	\$ 4,164,679
Construction in progress	94,117,576	33,364,495	515,647	126,966,424
<b>Total Capital Assets Not Being Depreciated</b>	<b>98,282,255</b>	<b>33,364,495</b>	<b>515,647</b>	<b>131,131,103</b>
<b>Capital Assets Being Depreciated</b>				
Land improvements	12,509,741	-	-	12,509,741
Infrastructure	37,954,106	174,584	-	38,128,690
Buildings	70,790,890	354,465	-	71,145,355
Furniture and equipment	10,207,931	2,479,156	-	12,687,087
<b>Total Capital Assets Being Depreciated</b>	<b>131,462,668</b>	<b>3,008,205</b>	<b>-</b>	<b>134,470,873</b>
<b>Total Capital Assets</b>	<b>229,744,923</b>	<b>36,372,700</b>	<b>515,647</b>	<b>265,601,976</b>
<b>Less Accumulated Depreciation</b>				
Land improvements	4,018,288	503,444	-	4,521,732
Infrastructure	4,581,538	760,836	-	5,342,374
Buildings	20,969,243	1,929,185	-	22,898,428
Furniture and equipment	6,767,290	1,158,633	-	7,925,923
<b>Total Accumulated Depreciation</b>	<b>36,336,359</b>	<b>4,352,098</b>	<b>-</b>	<b>40,688,457</b>
<b>Net Capital Assets Being Depreciated</b>	<b>95,126,309</b>	<b>(1,343,893)</b>	<b>-</b>	<b>93,782,416</b>
<b>Net Capital Assets</b>	<b>\$ 193,408,564</b>	<b>\$ 32,020,602</b>	<b>\$ 515,647</b>	<b>\$ 224,913,519</b>

# CABRILLO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009 AND 2008

Capital asset activity for the District for the fiscal year ended June 30, 2008, was as follows:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ 4,164,679	\$ -	\$ -	\$ 4,164,679
Construction in progress	69,552,826	26,984,618	2,419,868	94,117,576
Total Capital Assets Not Being Depreciated	<u>73,717,505</u>	<u>26,984,618</u>	<u>2,419,868</u>	<u>98,282,255</u>
<b>Capital Assets Being Depreciated</b>				
Land improvements	12,433,263	76,478	-	12,509,741
Infrastructure	37,070,116	883,990	-	37,954,106
Buildings	69,331,490	1,459,400	-	70,790,890
Furniture and equipment	8,368,383	1,839,548	-	10,207,931
Total Capital Assets Being Depreciated	<u>127,203,252</u>	<u>4,259,416</u>	<u>-</u>	<u>131,462,668</u>
Total Capital Assets	<u>200,920,757</u>	<u>31,244,034</u>	<u>2,419,868</u>	<u>229,744,923</u>
<b>Less Accumulated Depreciation</b>				
Land improvements	3,516,374	501,914	-	4,018,288
Infrastructure	3,831,287	750,251	-	4,581,538
Buildings	19,157,059	1,812,184	-	20,969,243
Furniture and equipment	5,857,618	909,672	-	6,767,290
Total Accumulated Depreciation	<u>32,362,338</u>	<u>3,974,021</u>	<u>-</u>	<u>36,336,359</u>
Net Capital Assets Being Depreciated	<u>94,840,914</u>	<u>285,395</u>	<u>-</u>	<u>95,126,309</u>
Net Capital Assets	<u>\$ 168,558,419</u>	<u>\$ 27,270,013</u>	<u>\$ 2,419,868</u>	<u>\$ 193,408,564</u>

### Discretely Presented Component Unit

Capital assets for the Cabrillo College Foundation in the amounts of \$4,314 and \$6,069, respectively, for the years ended June 30, 2009 and 2008, consisted primarily of equipment.

### NOTE 5 - INTERFUND TRANSACTIONS

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

Interfund receivables and payables 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. Interfund receivable and payable balances at June 30, 2009, have been eliminated in the consolidation process.

# CABRILLO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009 AND 2008

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### Interfund Operating Transfers

Operating transfers between funds of the District 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 restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Operating transfers between funds of the District have been eliminated in the consolidation process.

### NOTE 6 - ACCOUNTS PAYABLE

Accounts payable for the District consisted of the following:

	<u>2009</u>	<u>2008</u>
Vendor	\$ 5,937,274	\$ 5,041,511
Accrued payroll and benefits	442,548	289,262
State categorical aid	85,574	-
Other	56,855	616,692
Total	<u>\$ 6,522,251</u>	<u>\$ 5,947,465</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 \$1,773,762 and \$1,231,870, respectively, for the years ended June 30, 2009 and 2008.

### NOTE 7 - DEFERRED REVENUE

Deferred revenue at consisted of the following:

	<u>2009</u>	<u>2008</u>
Federal categorical aid	\$ 8,095	\$ -
State categorical aid	1,812,269	382,512
Enrollment fees	1,925,888	1,268,368
Other local	566,430	492,639
Total	<u>\$ 4,312,682</u>	<u>\$ 2,143,519</u>

**CABRILLO COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009 AND 2008**

**NOTE 8 - LONG-TERM OBLIGATIONS**

**Long-term Obligations Summary**

The changes in the District's long-term obligations during the 2009 fiscal year consisted of the following:

	Balance Beginning of Year	Additions/ Accretion	Deductions	Balance End of Year	Due in One Year
Bonds and Notes Payable					
General obligation bonds	\$ 122,550,000	\$ -	\$ 2,890,000	\$ 119,660,000	\$ 3,195,000
Capital appreciation bonds	72,025,563	3,797,419	2,645,000	73,177,982	1,764,308
Subtotal	194,575,563	3,797,419	5,535,000	192,837,982	4,959,308
Premium	1,934,055	-	63,501	1,870,554	63,501
Total Bonds and Notes Payable	<u>196,509,618</u>	<u>3,797,419</u>	<u>5,598,501</u>	<u>194,708,536</u>	<u>5,022,809</u>
Other Liabilities					
Compensated absences	895,036	386,397	-	1,281,433	-
Capital leases	4,992	1,807,311	518,950	1,293,353	301,218
Certificates of participation	2,640,000	-	210,000	2,430,000	220,000
Other postemployment benefits	-	628,346	-	628,346	-
Total Other Liabilities	<u>3,540,028</u>	<u>2,822,054</u>	<u>728,950</u>	<u>5,633,132</u>	<u>521,218</u>
Total Long-term Debt	<u>\$ 200,049,646</u>	<u>\$ 6,619,473</u>	<u>\$ 6,327,451</u>	<u>\$ 200,341,668</u>	<u>\$ 5,544,027</u>

The changes in the District's long-term obligations during the 2008 fiscal year consisted of the following:

	Balance Beginning of Year	Additions/ Accretion	Deductions	Balance End of Year	Due in One Year
Bonds and Notes Payable					
General obligation bonds	\$ 125,940,000	\$ -	\$ 3,390,000	\$ 122,550,000	\$ 2,890,000
Capital appreciation bonds	71,186,305	3,419,258	2,580,000	72,025,563	1,743,632
Subtotal	197,126,305	3,419,258	5,970,000	194,575,563	4,633,632
Premium	1,997,556	-	63,501	1,934,055	63,501
Total Bonds and Notes Payable	<u>199,123,861</u>	<u>3,419,258</u>	<u>6,033,501</u>	<u>196,509,618</u>	<u>4,697,133</u>
Other Liabilities					
Compensated absences	893,819	1,217	-	895,036	-
Capital leases	24,459	-	19,467	4,992	4,992
Certificates of participation	2,845,000	-	205,000	2,640,000	210,000
Total Other Liabilities	<u>3,763,278</u>	<u>1,217</u>	<u>224,467</u>	<u>3,540,028</u>	<u>214,992</u>
Total Long-term Debt	<u>\$ 202,887,139</u>	<u>\$ 3,420,475</u>	<u>\$ 6,257,968</u>	<u>\$ 200,049,646</u>	<u>\$ 4,912,125</u>

# CABRILLO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009 AND 2008

### 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 and other postemployment benefits 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 2009, 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. At June 30, 2009, the balance in the escrow account was \$28,235,929.

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.

### Debt Maturity

#### General Obligation Bonds

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds
				Outstanding July 1, 2008	Issued/ Accreted	Redeemed	Outstanding June 30, 2009
6/1/1998	8/1/2008	3.3-4.8%	\$ 12,000,000	\$ 385,000	\$ -	\$ 385,000	\$ -
2/16/2000	8/1/2024	4.0-6.3%	30,000,000	29,828,182	1,647,499	2,290,000	29,185,681
4/20/2001	5/1/2026	5.1-5.8%	20,002,009	8,473,951	373,917	855,000	7,992,868
6/27/2002	7/1/2027	3.0-5.7%	22,997,991	9,015,968	404,470	425,000	8,995,438
5/18/2004	8/1/2018	2.0-5.7%	32,410,000	30,155,000	-	910,000	29,245,000
5/18/2004	8/1/2028	2.0-5.8%	59,997,760	56,926,293	115,456	425,000	56,616,749
3/27/2007	8/1/2039	4.79-4.87%	58,498,505	59,791,169	1,256,077	245,000	60,802,246
				<u>\$ 194,575,563</u>	<u>\$ 3,797,419</u>	<u>\$ 5,535,000</u>	<u>\$ 192,837,982</u>

**CABRILLO COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009 AND 2008**

The bonds mature through 2040 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2010	\$ 4,959,308	\$ 6,998,470	\$ 11,957,778
2011	4,745,347	6,975,545	11,720,892
2012	5,694,890	6,951,625	12,646,515
2013	5,791,415	6,927,401	12,718,816
2014	6,724,276	6,811,677	13,535,953
2015-2019	38,866,165	33,670,404	72,536,569
2020-2024	29,133,921	33,204,645	62,338,566
2025-2029	30,832,234	25,737,298	56,569,532
2030-2034	13,980,149	36,544,980	50,525,129
2035-2039	29,200,180	29,231,014	58,431,194
2040	2,658,177	4,955,905	7,614,082
Total	<u>\$ 172,586,062</u>	<u>\$ 198,008,964</u>	<u>\$ 370,595,026</u>
Accretion to date:	20,251,920		
	<u>\$ 192,837,982</u>		

**Certificates of Participation**

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 220,000	\$ 119,368	\$ 339,368
2011	230,000	109,248	339,248
2012	245,000	98,438	343,438
2013	255,000	86,506	341,506
2014	265,000	74,000	339,000
2015-2019	1,215,000	156,000	1,371,000
Total	<u>\$ 2,430,000</u>	<u>\$ 643,560</u>	<u>\$ 3,073,560</u>

**Capital Leases**

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

<u>Year Ending June 30,</u>	<u>Lease Payment</u>
2010	\$ 362,574
2011	362,574
2012	362,574
2013	362,574
Total	<u>1,450,296</u>
Less: Amount Representing Interest	156,943
Present Value of Minimum Lease Payments	<u>\$ 1,293,353</u>

**CABRILLO COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009 AND 2008**

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**Other Postemployment Benefit (OPEB) Obligation**

The District implemented GASBS No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* during the year ended June 30, 2009. The District's annual required contribution for the year ended June 30, 2009, was \$1,490,395 and contributions made by the District during the year were \$862,049, which resulted in a net OPEB obligation of \$628,346. See Note 9 for additional information regarding the OPEB Obligation and the postemployment benefit plan.

**NOTE 9 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION**

**Plan Description**

The Postemployment Benefit Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the Cabrillo Community College District. The Plan provides medical insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 98 retirees and beneficiaries currently receiving benefits, no terminated plan members entitled to but not yet receiving benefits, and 514 active plan members.

	<u>Faculty</u>	<u>Management</u>	<u>Classified and Confidential</u>
Benefit types provided	Medical only	Medical only	Medical only
Duration of Benefits	To age 70	To age 70	To age 65
Required Service	10 years	10 years	10 years
Minimum Age	55	50	50
Dependent Coverage	Yes*	Yes*	Yes*
College Contribution %	100%	100%	100%
College Cap	None	None	None

\* Spouse benefits are only provided until the retiree reaches age 65

**Contribution Information**

The contribution requirements of plan members and the District are established and may be amended by the District and the Teachers Association (CEA), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2008-09, the District contributed \$862,049 to the plan, all of which was used for current premiums.

**Annual OPEB Cost and Net OPEB Obligation**

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the Plan:

**CABRILLO COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009 AND 2008**

Annual required contribution	\$ (1,490,395)
Contributions made	862,049
Increase in net OPEB asset	<u>(628,346)</u>
Net OPEB asset, beginning of year	-
Net OPEB asset, end of year	<u>\$ (628,346)</u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2009 was as follows:

Year Ended June 30	Annual Required Contribution	Percentage Contributed	Net OPEB Liability
2009	\$ 1,490,395	58%	\$ 628,346

**Funded Status and Funding Progress**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Since this is the first year of implementation, only the current year information is presented.

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the March 1, 2008, actuarial valuation, the entry age normal method was used. The actuarial assumptions included a five percent investment rate of return (net of administrative expenses), based on the plan being funded in an irrevocable employee benefit trust invested in a combined equity and fixed income portfolio. Healthcare cost trend rates were estimated at four percent and take College contribution caps into account. The UAAL is being amortized at a level percentage of payroll method. The remaining amortization period at July 1, 2009, was 29 years. The actuarial value of assets was not determined in this actuarial valuation.

# CABRILLO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009 AND 2008

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### *NOTE 10 - RISK MANAGEMENT*

#### **Property and Liability**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year ending June 30, 2009, 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 2008-2009, 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 throughout 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 California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

#### **CalSTRS**

##### **Plan Description**

The District contributes to CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits annual cost-of-living adjustments, and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, California 95826.

# CABRILLO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009 AND 2008

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### **Funding Policy**

Active members 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 CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2008-2009 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's total contributions to CalSTRS for the fiscal years ended June 30, 2009, 2008, and 2007 were \$2,156,053, \$1,852,809, and \$1,742,740, respectively, and equal 100 percent of the required contributions for each year.

### **CalPERS**

#### **Plan Description**

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. 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 95811.

#### **Funding Policy**

Active plan members are required to contribute seven 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 2008-2009 was 9.428 percent of covered payroll. The District's contributions to CalPERS for fiscal years ending June 30, 2009, 2008, and 2007, were \$1,354,098, \$1,872,806, and \$1,735,000, respectively, and equaled, 100 percent of the required contributions for each year. The District pays on behalf of the Classified and Confidential employees their share of the required PERS contributions.

#### **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 (CalSTRS or CalPERS) 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, 2009 AND 2008**

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**On Behalf Payments**

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$1,177,883, and \$1,157,689, for fiscal years ending June 2009, and 2008, respectively (4.517 percent) of salaries subject to CalSTRS. These amounts have been reflected in the basic financial statements as a component of nonoperating revenue and employee benefit expense.

**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, 2009.

**Litigation**

The District is involved in various litigation arising from the normal course of business. The District is involved in one matter related to the completion of the Student Services Center that is currently in arbitration. The district has calculated a range of cost estimates for litigation pending on other construction projects. Pending litigation awards would be funded from District bond funds. In the opinion of management and legal counsels, the disposition of any remaining litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2009.

**Construction Commitments**

As of June 30, 2009, the District had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECT	Remaining Construction Commitment	Expected Date of Completion
Health and Wellness	\$ 8,739,906	Spring 2010
AEC	6,043,831	Aug-09
Stadium Seating	62,244	Dec-09
Building 300 Remodel	125,723	Spring 2011
Student Services Complex	597,677	Aug-09
Allied Health Building Parking	6,785	Aug-09
Building 200 Remodel	8,863	Undetermined
Campus signage	73,685	Aug-09
Watsonville Green Technology Center	279,764	Fall 2011
Other Capital Projects	154,419	Ongoing
	<u>\$ 16,092,897</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, 2009 AND 2008

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

The District is a member of the Statewide Association of Community Colleges (“SWACC”) Joint Powers Authority, Self Insured Schools of California (“SISC”) and Northern California community College Pool (“NCCCP”) 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, 2009, the District made payments of \$296,050, \$7,238,616 and \$691,902 to SWACC, SISC and NCCCP, respectively.

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

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

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

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

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

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

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

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

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

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*REQUIRED SUPPLEMENTARY INFORMATION*

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**CABRILLO COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)  
 FUNDING PROGRESS  
 FOR THE YEAR ENDED JUNE 30, 2009**

<b>Schedule of Funding Progress</b>						
<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) - Method Used (b)</b>	<b>Unfunded AAL (UAAL) (b - a)</b>	<b>Funded Ratio (a / b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ( b - a  / c)</b>
March 1, 2008	\$ -	\$ 11,588,442	\$ 11,588,442	\$ -	\$ 46,796,540	24.8%

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***SUPPLEMENTARY INFORMATION***

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# CABRILLO COMMUNITY COLLEGE DISTRICT

## DISTRICT ORGANIZATION JUNE 30, 2009

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

### BOARD OF TRUSTEES

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Rebecca Garcia	Chair	2012
Gary Reece	Vice Chair	2010
Katy Stonebloom	Clerk	2012
Susan True	Member	2012
Claudine Wildman	Member	2010
Alan Smith	Member	2010
Rachael Spencer	Member	2012

### ADMINISTRATION

Dr. Brian King	President and District Superintendent
Pegi Ard	Vice President, Business Services
Renee Kilmer	Vice President, Instruction
Dr. May Kuangchi Chen	Vice President, Student Services

**CABRILLO COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2009**

Grantor/Program or Cluster Title	Federal Catalog Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>		
Financial Aid Cluster		
College Work Study	84.033	\$ 164,929
Pell Grants	84.063	7,846,240
Federal Family Education Loans	84.032	2,699,092
Supplemental Education Opportunity Grant Program	84.007	207,147
Academic Competitiveness	84.375	102,017
Vocational and Technical Education Act		
Passed through California Community College System's Office		
Career and Technical Education - Basic Grants to States	84.048	784,753
Tech Prep Education	84.243	81,405
Passed through Bay Area Region Consortium		
Tech Prep Education	84.243	24,500
Passed through ACCESS		
Career and Technical Education - Basic Grants to States	84.048	29,710
Child Care Access Means Parents	84.335	44,859
Higher Education Act:		
Migrant Education: High School Equivalency	84.141A	42,832
Migrant Education: State Grant Program	84.011	50,994
Total U.S. Department of Education		<u>12,078,478</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>		
Workforce Investment Act, Adult Program	17.258	49,500
Workforce Investment Act, Dislocated Workers	17.260	40,964
Veterans' Employment Program	17.802	1,197
Medi-Cal Administrative Activities (MAA)	93.778	7,572
Total U.S. Department of Health and Human Services		<u>99,233</u>
<b>U.S. DEPARTMENT OF LABOR</b>		
Passed through California Community College System's Office:		
Temporary Assistant to Needy Families (TANF)	93.558	23,234
Child Care and Development Block Grant	93.575	4,772
Total U.S. Department of Labor		<u>28,006</u>
<b>BUREAU OF LAND MANAGEMENT, DEPARTMENT OF INTERIOR</b>		
Cultural Resource Management	15.224	<u>3,500</u>
<b>NATIONAL SCIENCE FOUNDATION</b>		
Math and Science Curriculum for the Digital Bridge Academy	47.076	226,061
Mathematical and Physical Sciences	47.049	224,052
Total National Science Foundation		<u>450,113</u>
<b>SMALL BUSINESS ADMINISTRATION</b>		
Passed through from San Jose State University		
Small Business Development Center	59.037	<u>141,153</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>		
Child and Adult Care Food Program	10.558	24,084
Total		<u>\$ 12,824,567</u>

See accompanying note to supplementary information.

**CABRILLO COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2009**

PROGRAM	Program Entitlements		
	Current Year	Prior Year	Total Entitlement
<b>GENERAL FUND-Restricted</b>			
Lottery Instructional Equipment	\$ 149,472	\$ 435,415	\$ 584,887
DSPS	1,875,435	-	1,875,435
CARE 07-08	136,290	-	136,290
EOPS 07-08	517,882	-	517,882
Student Financial Aid	377,579	2,473	380,052
First Five - ELF	97,841	-	97,841
Child Care Train Consortium - CDTC	21,800	-	21,800
Foster Parent - FKCE	123,065	-	123,065
MESA CCCP 07-08	-	6,853	6,853
MESA Leadership 08-09	18,000	-	18,000
MESA CCCP 08-09	83,033	-	83,033
MESA - Aurora STEM	2,000	-	2,000
Matriculation-Non Credit	20,421	-	20,421
Matriculation	735,307	-	735,307
Faculty/Staff Development	-	35,457	35,457
Faculty/Staff Diversity	14,998	-	14,998
TANF-State -FTTW	23,230	-	23,230
CALWorks-FTTW	331,802	-	331,802
CalWorks	10,000	-	10,000
CCC Block Grant 06-07	-	62,868	62,868
CCC Block Grant 07-08	-	83,494	83,494
CCC One Time SIE & SM 07-08	-	54,104	54,104
TTIP - TCO 05-06 c/o	-	11,299	11,299
TTIP - Library 08-09	36,036	-	36,036
TTIP -TCO 06-07 c/o	-	10,261	10,261
TTIP -TCO 07-08	-	8,820	8,820
CCC 06-07 Trailer Bill Instructional Equipment	-	52,080	52,080
CCC State Instructional Equipment 2008-09	122,842	-	122,842
Calworks-WIA FTTW	85,136	-	85,136
CTE Nursing Enrollment Growth	276,079	-	276,079
Economic Development RN Capacity Bldg 07-08	-	90,665	90,665
Economic Development CTE-Nursing Equipment	-	95,625	95,625
State of California Parks & Recreation	19,999	-	19,999
Basic Skills Apportionment 06-07	-	102,793	102,793
Basic Skills Apportionment 07-08	(10)	183,876	183,866
Basic Skills Apportionment 08-09	221,485	-	221,485
Options for Recovery OFR	164,903	-	164,903
Special Training for Adoptive Parents STAP	167,466	-	167,466
Adoption Promotion Support - APS	21,167	-	21,167

See accompanying note to supplementary information.

Program Revenues

Cash Received	Accounts Receivable	Deferred Revenue	Accounts Payable	Total Revenue	Program Expenditures
\$ 21,975	\$ 127,497	\$ -	\$ -	\$ 149,472	\$ 140,183
1,875,435	-	-	-	1,875,435	1,687,737
136,290	-	1,300	-	134,990	134,990
517,882	-	19,431	-	498,451	498,451
380,052	-	6,372	-	373,680	373,680
62,882	34,959	-	-	97,841	97,841
15,800	6,000	-	-	21,800	21,800
46,732	76,333	-	-	123,065	123,065
-	6,853	-	-	6,853	6,853
-	18,000	-	-	18,000	18,000
29,213	42,764	-	-	71,977	71,977
2,000	-	300	-	1,700	1,700
20,421	-	12,945	-	7,476	7,476
735,307	-	105,854	-	629,453	629,453
-	-	-	-	-	35,457
14,998	-	-	-	14,998	7,024
23,230	-	-	-	23,230	23,230
331,802	-	-	-	331,802	331,802
10,000	-	-	2,294	7,706	7,706
-	-	-	-	-	31,139
-	-	-	-	-	23,580
-	-	-	-	-	7,343
-	-	-	-	-	10,998
36,036	-	-	-	36,036	36,036
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
122,842	-	-	-	122,842	67,258
62,064	23,072	-	-	85,136	85,136
231,906	-	83,620	-	148,286	148,286
90,665	-	-	-	90,665	90,665
95,625	-	12,388	-	83,237	83,237
19,999	-	-	-	19,999	19,999
-	-	-	-	-	102,793
(10)	-	-	-	(10)	80,274
221,485	-	-	-	221,485	74,530
71,312	93,592	-	-	164,904	164,903
99,934	67,531	-	-	167,465	167,466
2,299	18,868	-	-	21,167	21,167

**CABRILLO COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF EXPENDITURES OF STATE AWARDS (continued)  
FOR THE YEAR ENDED JUNE 30, 2009**

SBDC Youth Entrepreneur Programs	50,000	-	50,000
SBDC Youth Entrepreneur Programs	-	31,041	31,041
SBDC Economic Development	150,000	-	150,000
Academic Affairs - Teacher's Preparation Pipeline 07-08	25,000	194,167	219,167
Economic Development - In Service Training	350,000	-	350,000
Economic Development - Regional Consortium Partner	99,890	-	99,890
Economic Development - Quick Starts/BRIDGE	-	82,949	82,949
Economic Development - Career Tech. Education	-	61,264	61,264
Economic Development - Resp Training Fund	96,025	-	96,025
Economic Development - CTE Public Safety	-	196,006	196,006
Economic Development - Career Exploration 7th & 8th Grade	-	91,276	91,276
Economic Development - Solar I.D.R.C.	13,640	-	13,640
CTE Community Collaborative Project	350,000	-	350,000
CTE Workforce Innovation	150,000	-	150,000
CTE Community Collaborative Supplemental	119,700	-	119,700
CTE Pathways Community College	400,000	-	400,000
CTE Pathways WIB	250,000	-	250,000
CTE Pathways Community College	100,000	-	100,000
Subtotal	<u>7,807,513</u>	<u>1,892,786</u>	<u>9,700,299</u>
<b>CHILD DEVELOPMENT FUND</b>			
Childcare Taxbailout - thru Apportion	126,064	-	126,064
CDE prior year adjustment	(19,494)	-	(19,494)
State Nutrition	883	-	883
CA Dept of Ed - CRPM Renovation and Repair	19,720	-	19,720
CA Dept of Ed - CPRE	23,618	-	23,618
CA Dept of Ed - CFDP	71,692	-	71,692
CA Dept of Ed - CCTR	191,505	-	191,505
CA Dept of Ed - CFCC	257,513	-	257,513
WestEd/PITC	35,000	-	35,000
Subtotal	<u>706,501</u>	<u>-</u>	<u>706,501</u>
<b>BUILDING FUND - STATE CAPITAL GRANTS</b>			
Scheduled Maintenance	122,853	-	122,853
Allied Health Complex	3,741,452	-	3,741,452
Visual and Performing Arts Complex - Phase II	4,163,284	-	4,163,284
Subtotal	<u>8,027,589</u>	<u>-</u>	<u>8,027,589</u>
<b>Grand Total</b>	<u><b>\$ 16,541,603</b></u>	<u><b>\$ 1,892,786</b></u>	<u><b>\$ 18,434,389</b></u>

See accompanying note to supplementary information.

50,000	-	-	-	50,000	39,580
31,041	-	-	-	31,041	31,041
150,000	-	-	-	150,000	150,000
80,000	111,852	-	-	191,852	186,019
294,000	-	294,000	-	-	-
83,908	15,982	-	-	99,890	99,890
10,949	72,000	-	-	82,949	82,949
21,264	40,000	-	-	61,264	61,264
80,662	-	80,662	-	-	-
196,006	-	-	62,341	133,665	133,665
91,276	-	-	-	91,276	91,276
-	13,640	-	-	13,640	13,640
350,000	-	225,195	-	124,805	124,805
150,000	-	129,235	-	20,765	20,765
119,700	-	90,967	-	28,733	28,733
400,000	-	400,000	-	-	-
250,000	-	250,000	-	-	-
100,000	-	100,000	-	-	-
<u>7,736,982</u>	<u>768,943</u>	<u>1,812,269</u>	<u>64,635</u>	<u>6,629,021</u>	<u>6,496,862</u>
126,064	-	-	-	126,064	-
(19,494)	-	-	-	(19,494)	-
883	-	-	-	883	-
4,930	3,756	-	-	8,686	2,584
42,039	-	-	18,421	23,618	-
73,540	-	-	1,848	71,692	-
176,200	15,305	-	-	191,505	13,628
214,244	43,269	-	-	257,513	257,513
-	35,000	-	-	35,000	35,000
<u>618,406</u>	<u>97,330</u>	<u>-</u>	<u>20,269</u>	<u>695,467</u>	<u>308,725</u>
122,853	-	-	-	122,853	122,853
-	3,741,452	-	-	3,741,452	3,741,452
<u>289,226</u>	<u>3,874,058</u>	<u>-</u>	<u>-</u>	<u>4,163,284</u>	<u>4,163,284</u>
<u>412,079</u>	<u>7,615,510</u>	<u>-</u>	<u>-</u>	<u>8,027,589</u>	<u>8,027,589</u>
<u>\$ 8,767,467</u>	<u>\$ 8,481,783</u>	<u>\$ 1,812,269</u>	<u>\$ 84,904</u>	<u>\$ 15,352,077</u>	<u>\$ 14,833,176</u>

**CABRILLO COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF WORKLOAD MEASURES FOR STATE  
GENERAL APPORTIONMENT – ANNUAL/ACTUAL ATTENDANCE  
FOR THE YEAR ENDED JUNE 30, 2009**

<b>CATEGORIES</b>	<u>Revised Reported Data</u>	<u>Audit Adjustments</u>	<u>Audited Data</u>
<b>A. Summer Intersession (Summer 2008 only)</b>			
1. Noncredit	15	-	15
2. Credit	993	-	993
<b>B. Summer Intersession (Summer 2009 - prior to July 1, 2009)</b>			
1. Noncredit	-	-	-
2. Credit	1	-	1
<b>C. Primary Terms (Exclusive of summer intersessions)</b>			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	9,272	-	9,272
(b) Daily Census Contact Hours	566	-	566
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	420	-	420
(b) Credit	964	-	964
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	1,087	-	1,087
(b) Daily Census Contact Hours	46	-	46
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
<b>D. Total FTES</b>	<u>13,364</u>	<u>-</u>	<u>13,364</u>
<b>H. Basic Skills courses and Immigrant Education (FTES)</b>			
1. Noncredit	364	-	364
2. Credit	165	-	165
	<u>529</u>	<u>-</u>	<u>529</u>

See accompanying note to supplementary information.

**CABRILLO COMMUNITY COLLEGE DISTRICT**

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT  
WITH FUND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

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There were no adjustments to the fund balance that required reconciliations between the Annual Financial and Budget Report (CCFS-311) and the fund financial statements.

See accompanying note to supplementary information.

**CABRILLO COMMUNITY COLLEGE DISTRICT**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2009**

	<b>General Unrestricted</b>	<b>General Restricted</b>	<b>Cafeteria</b>	<b>Child Development</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$10,981,420	\$ -	\$ 28,989	\$ 87,903
Accounts receivable	9,021,911	2,356,629	3,611	118,651
Due from other funds	5,251,538	4,393,638	-	-
Prepaid expenses	435,932	23,588	-	-
<b>Total Assets</b>	<b>\$25,690,801</b>	<b>\$ 6,773,855</b>	<b>\$ 32,600</b>	<b>\$ 206,554</b>
<b>LIABILITIES AND FUND EQUITY</b>				
<b>LIABILITIES</b>				
Overdrafts	\$ -	\$ 2,681,194	\$ -	\$ -
Accounts payable	7,328,410	242,774	-	20,939
Due to other funds	3,080,973	496,788	-	19,145
Deferred revenue	2,394,759	1,851,593	-	8,095
<b>Total Liabilities</b>	<b>12,804,142</b>	<b>5,272,349</b>	<b>-</b>	<b>48,179</b>
<b>FUND EQUITY</b>				
Fund Balances				
Reserved	435,932	1,501,506	-	158,375
Unreserved				
Designated	9,018,465	-	-	-
Undesignated	3,432,262	-	32,600	-
<b>Total Fund Equity</b>	<b>12,886,659</b>	<b>1,501,506</b>	<b>32,600</b>	<b>158,375</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$25,690,801</b>	<b>\$ 6,773,855</b>	<b>\$ 32,600</b>	<b>\$ 206,554</b>

See accompanying note to supplementary information.

<b>Certificates of Participation</b>	<b>Bond Interest and Redemption</b>	<b>Retiree Benefits</b>	<b>Revenue Bond</b>	<b>Capital Outlay</b>	<b>Total Governmental Funds</b>
\$ 392,184	\$ 8,426,358	\$ 1,412,918	\$ 28,287,568	\$ 1,541,428	\$ 51,158,768
-	-	-	-	11,231,914	22,732,716
-	-	-	5,577,570	-	15,222,746
-	-	-	1,400	14,843	475,763
<u>\$ 392,184</u>	<u>\$ 8,426,358</u>	<u>\$ 1,412,918</u>	<u>\$ 33,866,538</u>	<u>\$ 12,788,185</u>	<u>\$ 89,589,993</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,681,194
30,464	-	-	127,957	1,266	7,751,810
824	-	-	6,951	11,299,599	14,904,280
-	-	-	-	-	4,254,447
<u>31,288</u>	<u>-</u>	<u>-</u>	<u>134,908</u>	<u>11,300,865</u>	<u>29,591,731</u>
360,896	8,426,358	1,412,918	33,731,630	1,487,320	47,514,935
-	-	-	-	-	9,018,465
-	-	-	-	-	3,464,862
<u>360,896</u>	<u>8,426,358</u>	<u>1,412,918</u>	<u>33,731,630</u>	<u>1,487,320</u>	<u>59,998,262</u>
<u>\$ 392,184</u>	<u>\$ 8,426,358</u>	<u>\$ 1,412,918</u>	<u>\$ 33,866,538</u>	<u>\$ 12,788,185</u>	<u>\$ 89,589,993</u>

# CABRILLO COMMUNITY COLLEGE DISTRICT

## BALANCE SHEET RECONCILIATION JUNE 30, 2009

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

<b>Total Fund Balance - All Governmental Funds</b>		\$ 59,998,262
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	\$ 266,176,400	
Accumulated depreciation is	(40,688,457)	
Fixed assets already recorded in the enterprise funds	<u>322,303</u>	225,810,246
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.		(2,540,034)
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.		593,572
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		1,735,611
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.		1,133,078
Long-term liabilities at year end consist of:		
Bonds payable	192,837,982	
Bond premium	1,870,554	
Certificates of participation	2,430,000	
Compensated absences payable	1,281,433	
Other postemployment benefits	628,346	
Capital leases payable	<u>1,293,353</u>	(200,341,668)
<b>Total Net Assets</b>		<u><u>\$ 86,389,067</u></u>

See accompanying note to supplementary information.

**CABRILLO COMMUNITY COLLEGE DISTRICT**

**GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2009**

	<b>General Unrestricted</b>	<b>General Restricted</b>	<b>Cafeteria</b>	<b>Child Development</b>
<b>REVENUES</b>				
Federal revenues	\$ 39,970	\$ 1,884,326	\$ -	\$ 73,715
State revenues	39,251,265	6,432,838	-	695,467
Local revenues	25,244,048	2,407,330	32,505	66,501
<b>Total Revenues</b>	<b>64,535,283</b>	<b>10,724,494</b>	<b>32,505</b>	<b>835,683</b>
<b>EXPENDITURES</b>				
Current Expenditures				
Academic salaries	27,800,886	2,353,238	-	433,120
Classified salaries	12,799,406	2,498,251	-	251,213
Employee benefits	12,520,418	1,361,121	-	225,418
Books and supplies	638,864	337,178	-	33,402
Services and operating expenditures	6,212,763	3,078,131	-	215,533
Capital outlay	639,981	459,020	-	1,033
Debt service - principal	362,574	-	-	-
Debt service - interest and other	-	-	-	-
<b>Total Expenditures</b>	<b>60,974,892</b>	<b>10,086,939</b>	<b>-</b>	<b>1,159,719</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>3,560,391</b>	<b>637,555</b>	<b>32,505</b>	<b>(324,036)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	277,787	-	-	310,253
Operating transfers out	(1,986,996)	(865,231)	-	(18,686)
Other sources	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(1,709,209)</b>	<b>(865,231)</b>	<b>-</b>	<b>291,567</b>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>1,851,182</b>	<b>(227,676)</b>	<b>32,505</b>	<b>(32,469)</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>11,035,477</b>	<b>1,729,182</b>	<b>95</b>	<b>190,844</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 12,886,659</b>	<b>\$ 1,501,506</b>	<b>\$ 32,600</b>	<b>\$ 158,375</b>

See accompanying note to supplementary information.

<b>Certificates of Participation</b>	<b>Bond Interest and Redemption</b>	<b>Retiree Benefits</b>	<b>Revenue Bond</b>	<b>Capital Outlay</b>	<b>Total Governmental Funds</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,998,011
-	2,739	-	-	11,629,707	58,012,016
60,248	11,765,365	19,973	888,441	618,072	41,102,483
<u>60,248</u>	<u>11,768,104</u>	<u>19,973</u>	<u>888,441</u>	<u>12,247,779</u>	<u>101,112,510</u>
-	-	-	-	-	30,587,244
-	-	-	-	140,586	15,689,456
-	-	862,049	-	28,936	14,997,942
-	-	-	2,698	6,937	1,019,079
49,065	-	-	166,902	714,895	10,437,289
-	-	-	23,437,209	13,821,013	38,358,256
210,000	5,535,000	-	-	-	6,107,574
132,274	6,059,089	-	-	-	6,191,363
<u>391,339</u>	<u>11,594,089</u>	<u>862,049</u>	<u>23,606,809</u>	<u>14,712,367</u>	<u>123,388,203</u>
<u>(331,091)</u>	<u>174,015</u>	<u>(842,076)</u>	<u>(22,718,368)</u>	<u>(2,464,588)</u>	<u>(22,275,693)</u>
338,785	-	1,095,000	-	1,191,707	3,213,532
-	-	-	(225,497)	-	(3,096,410)
-	-	-	-	1,807,311	1,807,311
<u>338,785</u>	<u>-</u>	<u>1,095,000</u>	<u>(225,497)</u>	<u>2,999,018</u>	<u>1,924,433</u>
7,694	174,015	252,924	(22,943,865)	534,430	(20,351,260)
353,202	8,252,343	1,159,994	56,675,495	952,890	80,349,522
<u>\$ 360,896</u>	<u>\$ 8,426,358</u>	<u>\$ 1,412,918</u>	<u>\$ 33,731,630</u>	<u>\$ 1,487,320</u>	<u>\$ 59,998,262</u>

**CABRILLO COMMUNITY COLLEGE DISTRICT**

**PROPRIETARY FUNDS  
BALANCE SHEET  
JUNE 30, 2009**

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	<b>Enterprise Fund</b>
	<b>Bookstore</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 734,087
Accounts receivable	69,244
Stores inventories	807,107
Furniture and equipment (net)	306,082
<b>Total Assets</b>	<b>\$ 1,916,520</b>
<b>LIABILITIES AND FUND EQUITY</b>	
<b>LIABILITIES</b>	
Accounts payable	\$ 47,289
Due to other funds	133,620
<b>Total Liabilities</b>	<b>180,909</b>
<b>FUND EQUITY</b>	
Retained earnings	1,735,611
<b>Total Liabilities and Fund Equity</b>	<b>\$ 1,916,520</b>

See accompanying note to supplementary information.

**CABRILLO COMMUNITY COLLEGE DISTRICT**

**PROPRIETARY FUNDS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN  
RETAINED EARNINGS  
FOR THE YEAR ENDED JUNE 30, 2009**

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	<u>Enterprise Fund</u>
	<u>Bookstore</u>
<b>OPERATING REVENUES</b>	
Sales revenues	<u>\$ 4,124,079</u>
<b>OPERATING EXPENSES</b>	
Classified salaries	519,840
Employee benefits	215,789
Books and supplies	82,136
Services and other operating expenditures	<u>3,170,364</u>
<b>Total Operating Expenses</b>	<u>3,988,129</u>
 <b>Operating Income</b>	 <u>135,950</u>
<b>NONOPERATING EXPENSES</b>	
Operating transfers out	<u>(129,041)</u>
<b>NET INCOME</b>	6,909
<b>RETAINED EARNINGS, BEGINNING OF YEAR</b>	<u>1,728,702</u>
<b>RETAINED EARNINGS, END OF YEAR</b>	<u><u>\$ 1,735,611</u></u>

See accompanying note to supplementary information.

**CABRILLO COMMUNITY COLLEGE DISTRICT**

**PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2009**

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	<u>Enterprise Fund</u>
	<u>Bookstore</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from user charges	\$ 4,111,001
Cash payments to employees for services	(735,629)
Cash payments to suppliers for goods and services	(3,336,909)
<b>Net Cash Provided by Operating Activities</b>	<u>38,463</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Other nonoperating	(129,041)
<b>Net Cash Provided (Used) for Noncapital Financing Activities</b>	<u>(129,041)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition of capital assets	<u>59,542</u>
<b>Net Cash Provided (Used) for Capital and Related Financing Activities</b>	<u>59,542</u>
Net decrease in cash and cash equivalents	(31,036)
Cash and cash equivalents - Beginning	765,123
Cash and cash equivalents - Ending	<u>\$ 734,087</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	
Operating income	\$ 135,950
Adjustments to reconcile operating income to net cash provided by operating activities:	
Changes in assets and liabilities:	
Receivables	(13,078)
Inventories	(39,920)
Accrued liabilities	(63,714)
Due to other funds	19,225
<b>Net Cash Flows from Operating Activities</b>	<u>\$ 38,463</u>

See accompanying note to supplementary information.

**CABRILLO COMMUNITY COLLEGE DISTRICT**

**FIDUCIARY FUNDS  
BALANCE SHEET  
JUNE 30, 2009**

	<b>Associated Students Trust</b>	<b>Student Representation Fee Trust</b>	<b>Student Body Center Fee Trust</b>	<b>Student Financial Aid Trust</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 171,270	\$ 73,053	\$ 895,238	\$ 45,177
Accounts receivable	-	-	-	175,879
Due from other funds	91,866	1,095	4,211	-
<b>Total Assets</b>	<b>\$ 263,136</b>	<b>\$ 74,148</b>	<b>\$ 899,449</b>	<b>\$ 221,056</b>
<b>LIABILITIES AND FUND EQUITY</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 63	\$ -	\$ -	\$ 40
Due to other funds	29,389	-	15,968	190,931
Deferred revenue	58,235	-	-	-
Due to others	175,449	74,148	883,481	-
<b>Total Liabilities</b>	<b>263,136</b>	<b>74,148</b>	<b>899,449</b>	<b>190,971</b>
<b>FUND EQUITY</b>				
Fund Balances				
Reserved	-	-	-	30,085
<b>Total Liabilities and Fund Equity</b>	<b>\$ 263,136</b>	<b>\$ 74,148</b>	<b>\$ 899,449</b>	<b>\$ 221,056</b>

See accompanying note to supplementary information.

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<b>Scholarship and Loan Trust</b>	<b>Other Trust</b>	<b>Total</b>
\$ 162,251	\$ 908,917	\$ 2,255,906
3,413	-	179,292
-	-	97,172
<u>\$ 165,664</u>	<u>\$ 908,917</u>	<u>\$ 2,532,370</u>

\$ -	\$ 4,482	\$ 4,585
1,275	44,456	282,019
-	-	58,235
-	-	1,133,078
<u>1,275</u>	<u>48,938</u>	<u>1,477,917</u>

<u>164,389</u>	<u>859,979</u>	<u>1,054,453</u>
<u>\$ 165,664</u>	<u>\$ 908,917</u>	<u>\$ 2,532,370</u>

**CABRILLO COMMUNITY COLLEGE DISTRICT**

**FIDUCIARY FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2009**

	<b>Associated Students Trust</b>	<b>Student Representation Fee Trust</b>	<b>Student Student Body Center Fee Trust</b>	<b>Student Financial Aid Trust</b>
<b>REVENUES</b>				
Federal revenues	\$ -	\$ -	\$ -	\$ 8,127,464
Local revenues	269,601	-	9,393	733,287
<b>Total Revenues</b>	<u>269,601</u>	<u>-</u>	<u>9,393</u>	<u>8,860,751</u>
<b>EXPENDITURES</b>				
Current Expenditures				
Books and supplies	17,476	-	97	-
Services and operating expenditures	175,365	22,982	-	8,857,157
Capital outlay	-	-	96,356	-
<b>Total Expenditures</b>	<u>192,841</u>	<u>22,982</u>	<u>96,453</u>	<u>8,857,157</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>76,760</u>	<u>(22,982)</u>	<u>(87,060)</u>	<u>3,594</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	15,000	32,324	128,340	-
Operating transfers out	(18,000)	-	(51,800)	-
<b>Total Other Financing Sources (Uses)</b>	<u>(3,000)</u>	<u>32,324</u>	<u>76,540</u>	<u>-</u>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<u>73,760</u>	<u>9,342</u>	<u>(10,520)</u>	<u>3,594</u>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>101,689</u>	<u>64,806</u>	<u>894,001</u>	<u>26,491</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 175,449</u>	<u>\$ 74,148</u>	<u>\$ 883,481</u>	<u>\$ 30,085</u>

See accompanying note to supplementary information.

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<b>Scholarship and Loan Trust</b>	<b>Other Trust</b>	<b>Total</b>
\$ -	\$ -	\$ 8,127,464
722,892	1,302,969	3,038,142
<u>722,892</u>	<u>1,302,969</u>	<u>11,165,606</u>
-	166,273	183,846
568,875	1,024,386	10,648,765
-	3,615	99,971
<u>568,875</u>	<u>1,194,274</u>	<u>10,932,582</u>
<u>154,017</u>	<u>108,695</u>	<u>233,024</u>
-	-	175,664
-	(93,946)	(163,746)
<u>-</u>	<u>(93,946)</u>	<u>11,918</u>
154,017	14,749	244,942
10,372	845,230	1,942,589
<u>\$ 164,389</u>	<u>\$ 859,979</u>	<u>\$ 2,187,531</u>

# CABRILLO COMMUNITY COLLEGE DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2009

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### *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.

#### **Fund Combining Financial Statements**

The accompanying combining 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 presented at the request of the District management.

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***INDEPENDENT AUDITORS' REPORTS***

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VAVRINEK, TRINE, DAY  
& COMPANY, LLP  
*Certified Public Accountants*

VALUE THE DIFFERENCE

**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 financial statements of the business-type activities of the Cabrillo Community College District (the District) for the years ended June 30, 2009 and 2008, and have issued our report thereon dated February 10, 2010. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audits, 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 Cabrillo Community College District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Cabrillo Community College 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 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 audits 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 Cabrillo Community College District in a separate letter dated February 10, 2010.

This report is intended solely for the information and use of the Board of Trustees, District Management, the California Community Colleges System'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  
February 10, 2010



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON 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, 2009. Cabrillo Community College District's major Federal programs are identified in the summary of auditors' 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 Cabrillo Community College District's management. Our responsibility is to express an opinion on Cabrillo Community College District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Cabrillo Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Cabrillo Community College 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, 2009.

## 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 and use of the Board of Trustees, District Management, the California Community Colleges System'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  
February 10, 2010



## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees  
Cabrillo Community College District  
Aptos, California

We have audited the financial statements of the Cabrillo Community College District (the District) for the years ended June 30, 2009 and 2008, and have issued our report thereon dated February 10, 2010.

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 District Audit Manual (CDAM)*.

### General Directive

Section 424: MIS Implementation - State General Apportionment Funding System

### 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 for findings 2009-1 through 2009-2 as described in the accompanying 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, 2009.

Cabrillo Community College District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Cabrillo Community College District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information of the Board of Trustees, District Management, the California Community Colleges System'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  
February 10, 2010

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***SCHEDULE OF FINDINGS AND QUESTIONED COSTS***

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**CABRILLO COMMUNITY COLLEGE DISTRICT**

**SUMMARY OF AUDITORS' RESULTS  
FOR THE YEAR ENDED JUNE 30, 2009**

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**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)	<u>No</u>
Identification of major programs:	

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.007, 84.032, 84.033, 84.063, 84.375	<u>Student Financial Aid Cluster</u>
84.048	<u>Career and Technical Education</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 303,764</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**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2009**

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**FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS**

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None reported.

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**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

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None Reported.

# CABRILLO COMMUNITY COLLEGE DISTRICT

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2009

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### STATE AWARDS FINDINGS AND QUESTIONED COSTS

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

#### **2009-1 Finding - Instructional Material Fees – Control Deficiency**

##### **Criteria or Specific Requirement**

CCR Title V 59400-59408 sets certain requirements for Colleges that charge instructional fees, including the requirement to not show a profit from fees selected.

##### **Condition**

During our testing of instructional material fees charged by the college in Spring 2009, we noted that the college appears to have made a profit on fees collected from students for Career Planning and History and Practices of Sauces Classes.

##### **Questioned Costs**

\$278. This is the amount of the net profit as indicated by the general ledger reports of revenue and expense on instructional material fees for the two courses noted above.

##### **Context**

We reviewed 2009 class schedule and selected eight courses for review that charged instructional fees. We noted that the records of two of the eight courses reviewed indicated that the amount collected for fees exceeded the amounts spent for materials.

##### **Effect**

The District does not appear to be in compliance with state requirements regarding determination of amounts allowable as instructional material fees.

##### **Cause**

Potentially inconsistencies in recording fees collected, and/or expenses related to these fees collected could be charged against other accounts in the general ledger.

##### **Recommendation**

The monitoring process to determine that expenditures are appropriately charged against the fees collected should be strengthened and records kept to show that fees collected do not exceed the costs.

# CABRILLO COMMUNITY COLLEGE DISTRICT

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2009

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### District Response

The District is reviewing all instructional materials fees currently charged to align them appropriately with the current cost of the materials. The District will also establish an annual review of the materials fees to ensure that the fee charged remains consistent with material costs.

### 2009-2 Finding - GANN limit - Significant Deficiency

#### Criteria or Specific Requirement

Article XIII B of the State Constitution and Chapter 1205 Statutes of 1980 requires that each community college district calculate their appropriations limit.

#### Condition

During our review of the Gann Appropriation Limit Calculation we noted an error in FTES of 272 for the fiscal year ended June 30, 2009. This causes the 2008-09 Limit Adjusted by Inflation & Population Factors to be understated by \$1,510,357, which is reported on line 1 of the Gann Appropriation Limit Schedule included in the CCFS-311.

#### Questioned Costs

No questioned costs related to this item as the District is still within its appropriation limit

#### Context

Article XIII B of the State Constitution stipulates that each community college calculate their appropriation limit

#### Effect

The District Gann Appropriation Limit is misstated on the CCFS 311.

#### Cause

The cause of the difference was due to transposing the amounts reported as current year P2 FTES. Checks and balances designed to locate errors such as this did not operate effectively.

#### Recommendation

In order to strengthen internal controls, we recommend the district ensure that all transactions are subject to a review by someone other than the person preparing the report. The review should include verification of FTES being reported as well as checking amounts coming in from the general ledger reports.

#### District Response

The District has reviewed the processes used to double check the pages in the Form 311 with those involved in completing the form and will look for these types of issues in the future.

# CABRILLO COMMUNITY COLLEGE DISTRICT

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2009

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### SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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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.

#### *State Award Findings and Questioned Costs*

#### **2008-1 Finding - Health Fees – Significant Deficiency**

##### **Criteria or Specific Requirement**

Education Code Section 76355 requires that community college districts include information regarding exemptions from health fees, including those for apprenticeship students, within the student catalog, class schedule, and website.

##### **Condition**

We noted that the college does not publish a clear process in the catalog or class schedule describing how a student may claim an exemption from the health fees.

##### **Questioned Costs**

Potentially all health fees of \$669,790 collected during the periods in which there was not an indication in the catalog on how a student can claim an exemption from health fees.

##### **Context**

We reviewed Fall 2007, and Fall 2008, class schedules and the 2007-08 college catalog, and did not see this disclosure.

##### **Effect**

The District is out of compliance with requirements to disclose how students can claim exemptions from health fees.

##### **Cause**

We noted that the college discloses what the exemptions are, but that there was no information in the Fall 2007 or Fall 2008 schedules of classes that informed the students how to claim the exemptions noted.

##### **Recommendation**

The District should include a description of the process which a student may use to claim potential fee exemptions.

##### **Current Status**

Implemented

# CABRILLO COMMUNITY COLLEGE DISTRICT

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2009

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### 2008-2 Finding - Instructional Material Fees – Control Deficiency

#### Criteria or Specific Requirement

CCR Title V 59400-59408 sets certain requirements for Colleges that charge instructional fees, including the requirement to not show a profit from fees selected.

#### Condition

During our testing of instructional material fees charged by the college in Fall, 2007 we noted that the college appears to have made a profit on fees collected from students for Art Photography VAPA materials in the amount of \$847.09.

#### Questioned Costs

\$847.09. This is the amount of the net profit as indicated by the general ledger reports of revenue and expense on instructional material fees for the Art Photography class.

#### Context

We reviewed 2007 class schedule and selected two courses, out of approximately 24, that charged instructional fees. We noted that some instructional material fees and some were not. We selected one optional instructional material fee and one mandatory fee.

#### Effect

In this instance, the District does not appear to be in compliance with state requirements regarding determination of amounts allowable as instructional material fees.

#### Cause

Potentially inconsistencies in recording fees collected, or that expenses related to these fees collected, could be charged against other accounts in the general ledger.

# CABRILLO COMMUNITY COLLEGE DISTRICT

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2009

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### **Recommendation**

A monitoring process should be in place to determine that expenditures are appropriately charged against the fees collected, and that fees collected don't exceed the cost of the materials.

### **Current Status**

Not implemented, see 2009-1.

### **2008-3 Finding - Concurrent Enrollment – Significant Deficiency**

#### **Criteria or Specific Requirement**

Education Code 48800 requires that a high school principal limit recommendations of its students for concurrent enrollment to not more than 5% of the total students who completed that grade immediately prior to the time of recommendation.

Education Code 76300 indicates that special part time students may be exempted as a group from paying the \$26 per unit enrollment fee. However, there is no such authority for special full-time students.

#### **Condition**

The college does not monitor that high school principals are certifying that the feeder high school's are in compliance with the 5% limit on summer school recommendations. The honoring of this requirement is determined by the high school, and although no requirement exists for the College to be responsible for this requirement, there is indication within the Education Code that colleges should have a process to monitor compliance. In addition, the college does not identify special part time students that exceeded the 11 unit cutoff, who therefore are no longer consider part time, and should be subject to the assessment of enrollment fees.

#### **Questioned Costs**

Potentially all FTES associated with concurrently enrolled summer semester students.

#### **Context**

These are both systematic issues. There is no process in place informing the high school principals of this requirement, nor is there a process in place to identify concurrently enrolled students exceeding 11 units, and ensure that enrollment fees are charged when over the cap for part time status.

#### **Effect**

High school principals may be recommending more high school students to summer session than allowed, and the District may not have collected all allowed enrollment fees. 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.

# CABRILLO COMMUNITY COLLEGE DISTRICT

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2009

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### **Cause**

The College does not have a system in place to request certification information from the high school principals recommending concurrently enrolled students. In addition, the enrollment system for those registering via the internet does not track those concurrently enrolled students who enroll in more than 11 units, and therefore, are considered special full time students rather than special part time students.

### **Recommendation**

Consider adding a statement on the concurrent applications that the principal certifies they are adhering to the 5% limit on summer school recommendations.

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 identified by the registration process and flagged for evaluation of the appropriate fee level.

### **Current Status**

Implemented.