

CABRILLO UNIFIED SCHOOL DISTRICT
MEASURE S BOND BUILDING FUND
AUDIT REPORT

For the Year Ended June 30, 2018

* * *



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**CABRILLO UNIFIED SCHOOL DISTRICT
 Measure S Bond Building Fund
 For the Fiscal Year Ended June 30, 2018**

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Measure S Facilities Bond Citizens' Oversight Committee and
Governing Board Members
Cabrillo Unified School District

Report on the Financial Statements

We have audited the accompanying financial statements of the Measure S Bond Building Fund of the Cabrillo Unified School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Cabrillo Unified School District's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure S Bond Building Fund of the Cabrillo Unified School District, as of June 30, 2018, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



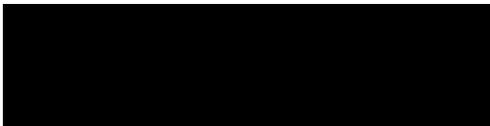
Other Matters

As discussed in Note 1, the financial statements present only the Measure S Bond Building Fund and do not purport to, and do not, present fairly the financial position of the Cabrillo Unified School District, as of June 30, 2018, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Measure S Bond Building Fund of Cabrillo Unified School District's basic financial statements. The Measure S Bond Building Fund Statement of Cumulative Expenditures is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Measure S Bond Building Fund Statement of Cumulative Expenditures is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Measure S Bond Building Fund Statement of Cumulative Expenditures is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have issued our report dated September 12, 2018 on our consideration of the Cabrillo Unified School District's internal control over financial reporting and 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 effectiveness of the Cabrillo Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Cabrillo Unified School District's internal control over financial reporting and compliance.



September 12, 2018
San Jose, California

CABRILLO UNIFIED SCHOOL DISTRICT
Measure S Bond Building Fund
Balance Sheet
June 30, 2018

Assets

Cash and investments	\$ 9,916,831
Interest receivable	47,658
Due from other funds	<u>80,965</u>

Total Assets \$ 10,045,454

Liabilities and Fund Balance

Liabilities:

Accounts payable	<u>\$ 763,167</u>
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Total Liabilities 763,167

Fund balance:

Restricted for capital projects	<u>9,282,287</u>
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Total Fund Balance 9,282,287

Total Liabilities and Fund Balance \$ 10,045,454

The notes to the financial statements are an integral part of this statement.

CABRILLO UNIFIED SCHOOL DISTRICT
Measure S Bond Building Fund
Statement of Revenue, Expenditures and Changes in Fund Balance
For the Fiscal Year Ended June 30, 2018

Other Local Revenues:	
Interest earnings	\$ 206,023
Total Other Local Revenue	206,023
Expenditures:	
Classified salaries	127,371
Classified benefits	54,826
Supplies and materials	808,242
Contract services	964,009
Capital outlay	12,170,683
Refunding bond issuance costs	194,010
Total Expenditures	14,319,141
Excess (deficiency) of revenues over (under) expenditures	(14,113,118)
Other financing sources (uses):	
Proceeds from refunding of bonds	5,613,093
Payment to bond escrow agent	(5,419,083)
Total other financing sources (uses)	194,010
Net Changes in Fund Balance	(13,919,108)
Fund Balance Beginning	21,833,860
Prior Period Adjustment	1,367,535
Fund Balance Beginning - adjusted	23,201,395
Fund Balance Ending	\$ 9,282,287

The notes to the financial statements are an integral part of this statement.

CABRILLO UNIFIED SCHOOL DISTRICT
Measure S Bond Building Fund
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Principles

Cabrillo Unified School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the U. S. Governmental Accounting Standards Board ("GASB") and the American Institute of Certified Public Accountants ("AICPA").

B. Reporting Entity

The District is the level of government primarily accountable for activities related to public education. The governing authority consists of five elected officials who, together, constitute the Board of Trustees.

In 2012-13, a committee to the District's Governing Board and Superintendent, called the Measure S Facilities Bond Citizens' Oversight Committee was established. The purpose of the committee is to inform the public concerning the expenditure and uses of the District's bond measure revenues. The committee's legal charge is to actively review and report on the expenditure of taxpayer money for school construction in accordance with voter approved projects.

The financial statements presented are for the Measure S Bond Building Fund and are not intended to be a complete presentation of the District's financial position on operations.

C. Basis of Presentation

Fund Financial Statements:

Fund financial statements report detailed information about the District. The Building Fund is a governmental fund and is presented as a major fund in the District's combined financial statements. The Building Fund is used to account for proceeds from the sale of real property and account for the acquisition of major governmental capital facilities and buildings from the sale of bond proceeds such as Measure S general obligation bonds.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources, are generally included on the balance sheet. The Statement of Revenues, Expenditures and Changes in Fund Balance for the Measure S Bond Building Fund presents increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

CABRILLO UNIFIED SCHOOL DISTRICT
Measure S Bond Building Fund
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Governmental funds use the modified accrual basis of accounting.

Revenues - Exchange and Non-exchange Transactions :

On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means 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 collectible within the current period or within 60 days after year-end.

Non-exchange transactions, in which the District receives value *without* directly giving equal value in return, include property taxes, grants, and entitlements. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned Revenue:

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue. On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as deferred revenue.

Expenditures:

On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. By state law, the District's governing board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements. These budgets are revised by the District's governing board and District superintendent during the year to give consideration to unanticipated income and expenditures. Formal budgetary integration was employed as a

CABRILLO UNIFIED SCHOOL DISTRICT
Measure S Bond Building Fund
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object.

F. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated on June 30.

G. Assets, Liabilities, and Equity

1. Cash and Investments

Cash balances held in banks and in revolving funds are insured to \$250,000 by the Federal Deposit Insurance Corporation.

In accordance with *Education Code* Section 41001, the District maintains substantially all of its cash in the County Treasury. The county pools these funds with those of other Districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

All District-directed investments are governed by Government Code Section 53601 and Treasury investment guidelines. The guidelines limit specific investments to government securities, domestic chartered financial securities, domestic corporate issues, and California municipal securities. The District's securities portfolio is held by the County Treasurer. Interest earned on investments is recorded as revenue of the fund from which the investment was made.

2. Cash & Cash Equivalents

The District's cash deposits are considered to be cash on hand and cash in banks. Cash and Cash Equivalents are generally considered short-term, highly liquid investments with a maturity of three months or less from the purchase date.

3. Investments

Investments are recorded at fair value in accordance with GASB Statement No. 72, Fair Value Measurement and Application. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. This statement changed the definition of fair value and is effective for periods beginning after June 15, 2015.

CABRILLO UNIFIED SCHOOL DISTRICT
Measure S Bond Building Fund
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

The following is a summary of the definition of fair value:

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. In determining this amount, three valuation techniques are available:

- Market approach - This approach uses prices generated for identical or similar assets or liabilities. The most common example is an investment in a public security traded in an active exchange such as the NYSE.
- Cost approach - This technique determines the amount required to replace the current asset. This approach may be ideal for valuing donations of capital assets or historical treasures.
- Income approach - This approach converts future amounts (such as cash flows) into a current discounted amount.

Each of these valuation techniques requires inputs to calculate a fair value. Observable inputs have been maximized in fair value measures, and unobservable inputs have been minimized.

4. Long-Term Obligations

In the Measure S Bond Building Fund financial statements, bond premiums, discounts and bond issuance costs are recognized during the current period. The face amount of the debt issued, premiums, or discounts are reported as other financing sources/uses.

5. Fund Balance Classifications

In accordance with Government Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the District classifies governmental fund balances as follows:

- Non-spendable includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation.
- Committed includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end. Committed fund balances are imposed by the District's board of education.

CABRILLO UNIFIED SCHOOL DISTRICT
Measure S Bond Building Fund
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

- Assigned includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Superintendent.
- Unassigned includes positive fund balance that has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

The District uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

6. Risk Management

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. The District has joined together with other school districts in the County to form the San Mateo County Schools Insurance Group (“SMCSIG”) public entity risk pool. The District pays an annual premium for its property and casualty, workers’ compensation, unemployment and liability insurance coverage. The Joint Powers Agreements provide that SMCSIG will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of self-insured levels.

7. Accounting Estimates

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 – CASH AND INVESTMENTS

Summary of Deposits

A summary of deposits as of June 30, 2018, is as follows:

<u>Deposit or Investment</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Investment Rating</u>
Cash in county treasury investment pool	\$ 9,912,453	\$ 9,867,649	AA
Cash with fiscal agent	4,378	4,378	n/a
Total cash and investments	\$ 9,916,831	\$ 9,872,027	

CABRILLO UNIFIED SCHOOL DISTRICT
Measure S Bond Building Fund
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Fair Value Measurements

GASB 72 established a hierarchy of inputs to the valuation techniques above. This hierarchy has three levels:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable.
- Level 3 inputs are unobservable inputs, such as a property valuation or an appraisal.

The District has the following recurring fair value measurements as of June 30, 2018:

- Cash in county of \$9,867,649 are valued using Level 1 and 2 inputs.

Cash in County Treasury

The District is 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.

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.

Risk Disclosures

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are described below:

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 the changes in market interest rates. The District manages its exposure to interest

CABRILLO UNIFIED SCHOOL DISTRICT
Measure S Bond Building Fund
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

rate risk by investing in the County Treasury. The District maintains cash with the San Mateo County Investment Pool. The pool has a fair value of approximately \$1.47 billion and an amortized book value of \$1.48 billion.

Credit Risk

Credit risk is the risk of loss due to the failure of the security issuer. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investment with the San Mateo County Investment Pool is governed by the County's general investment policy. The investment with the San Mateo County Investment Pool is rated at least Aa1 by Moody's Investor Service.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

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 amount stipulated by the California Government code. District investments that are greater than 5 percent of total investments are in either an external investment pool or mutual funds and are therefore exempt.

NOTE 3 – INTERFUND TRANSACTIONS

Interfund transactions are reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables (Due From/To), as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental funds are netted as part of the reconciliation to the government-wide financial statements. As a June 30, 2018 the Measure S bond Building Fund is owed \$80,965 by the General Fund.

CABRILLO UNIFIED SCHOOL DISTRICT
Measure S Bond Building Fund
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenues to funds through which the resources are to be expended. The District did not have any interfund transfers in the Measure S Bond Building Fund during the year.

NOTE 4 – MEASURE S GENERAL OBLIGATION BOND

In October of 2012, the District issued \$18,000,000 in General Obligation Bonds, Series A, to finance constructions projects for facilities improvements. From the gross proceeds of \$19,715,860, which included a premium of \$1,715,860 and was netted by an underwriting discount of \$121,500 and issuance costs of \$176,250, net proceeds of \$19,418,110 was deposited with the County in the District’s name. The balance of \$1,418,110 reported in the Bond Interest Redemption Fund is reserved to meet the debt reserve requirements of the bond, and consists of the bond premium net of discounts and costs. The interest rates are fixed per maturity date for both serial and term bonds, resulting in a range of interest rates (from 2 to 5%) based on the maturity schedule.

The following schedule summarizes net proceeds from the bond issuance in October of 2012:

Par Value	\$	18,000,000
Premium (Discount)		1,715,860
Underwriter's Discount		(121,500)
Cost of Issuance Expense		(176,250)
Transfer to BIRF		(1,418,110)
Net Proceeds to Building Fund	\$	18,000,000

In January of 2015, the District issued \$20,000,000 in General Obligation Bonds, Series B, to finance constructions projects for facilities improvements. From the gross proceeds of \$21,067,416, which included a premium of \$1,067,416 and was netted by an underwriting discount of \$120,000 and issuance costs of \$160,000, net proceeds of \$20,787,416 was deposited with the County in the District’s name. The balance of \$947,416 reported in the Bond Interest Redemption Fund is reserved to meet the debt reserve requirements of the bond, and consists of the bond premium net of discounts. The interest rates are fixed per maturity date for both serial and term bonds, resulting in a range of interest rates (from 2 to 5%) based on the maturity schedule.

The following schedule summarizes net proceeds from the bond issuance in January of 2015:

Par Value	\$	20,000,000
Premium		1,067,416
Underwriter's Discount		(120,000)
Cost of Issuance Expense		(160,000)
Transfer to BIRF		(947,416)
Net Proceeds to Building Fund	\$	19,840,000

CABRILLO UNIFIED SCHOOL DISTRICT
Measure S Bond Building Fund
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

In February of 2017, the District issued \$20,000,000 in General Obligation Bonds, Series C, to finance constructions projects for facilities improvements. From the gross proceeds of \$20,571,771, which included a premium of \$571,771 and was netted by issuance costs of \$336,771, net proceeds of \$20,235,000 was deposited with the County in the District's name. The balance of \$400,000 reported in the Bond Interest Redemption Fund is reserved to meet the debt reserve requirements of the bond, and consists of the bond premium net of discounts. The interest rates are fixed per maturity date for both serial and term bonds, resulting in a range of interest rates (from 3 to 5%) based on the maturity schedule.

The following schedule summarizes net proceeds from the bond issuance in February of 2017:

Par Value	\$	20,000,000
Premium		571,771
Cost of Issuance Expense		(336,771)
Transfer to BIRF		(400,000)
Net Proceeds to Building Fund	\$	19,835,000

In August of 2017, the District issued General Obligation Refunding Bonds in the amount of \$4,610,000. The Bonds were sold for the purpose of advance refunding the District's General Obligation Bond, Election of 2012, Series A and to pay costs of issuance of the Bonds. The Bonds represent a general obligation of the District. From the gross proceeds of \$5,419,083, which included a premium of \$1,003,093 and was netted by issuance costs of \$336,771, net proceeds of \$5,419,083 was deposited in an Escrow Fund. The interest rates are fixed per maturity date for both serial and term bonds, resulting in a range of interest rates (from 2 to 5%) based on the maturity schedule.

Par Value	\$	4,610,000
Premium		1,003,093
Cost of Issuance Expense		(194,010)
Net Proceeds to Escrow Fund	\$	5,419,083

The following schedule summarizes the District's Measure S general obligation bonds as of June 30, 2018:

Bond	Original Issue	Outstanding June 30, 2017	Issued	Redeemed	Outstanding June 30, 2018	Current Portion
2012 GOB-A, Meas. S	\$ 18,000,000	\$ 15,145,000	\$ -	\$ 5,140,000	\$ 10,005,000	\$ 465,000
2012 GOB-B, Meas. S	20,000,000	18,785,000	-	750,000	18,035,000	25,000
2017 GOB-C, Meas. S	20,000,000	20,000,000	-	-	20,000,000	20,000
2017 GORB	4,610,000	-	4,610,000	-	4,610,000	45,000
Total	\$ 62,610,000	\$ 53,930,000	\$ 4,610,000	\$ 5,890,000	\$ 52,650,000	\$ 555,000

CABRILLO UNIFIED SCHOOL DISTRICT
Measure S Bond Building Fund
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

The following is a summary of the annual debt service requirements as of June 30, 2018:

Fiscal Year	Principal	Interest to Maturity	Total
2019	\$ 555,000	\$ 2,242,487	\$ 2,797,487
2020	590,000	2,234,600	2,824,600
2021	635,000	2,211,175	2,846,175
2022	700,000	2,188,450	2,888,450
2023	770,000	2,162,850	2,932,850
2024-2028	4,900,000	7,761,175	12,661,175
2029-2033	7,245,000	7,674,300	14,919,300
2034-2038	11,005,000	6,203,132	17,208,132
2039-2043	12,915,000	3,366,578	16,281,578
2044-2048	13,335,000	1,653,816	14,988,816
Total	\$ 52,650,000	\$ 37,698,563	\$ 90,348,563

NOTE 5 – COMMITMENTS

Through September 12, 2018, the date on which the financial statements were available to be issued, the District had encumbered \$3,618,235 of the Measure S Bond Building Fund proceeds to be spent on capital projects in the fiscal year ended June 30, 2019.

NOTE 6 – SUBSEQUENT EVENTS

Management has reviewed subsequent events and transactions that occurred after the date of the financial statements through the date the financial statements were issued. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management has determined that there are no non-recognized subsequent events that require additional disclosure.

NOTE 7 – PRIOR PERIOD ADJUSTMENT

Subsequent to the issuance of the June 30, 2017 Measure S Bond Building Fund audit report, the District reclassified \$1,300,026 in expenditures incurred through June 30, 2017 from the Measure S Bond Building Fund to the Capital Facilities Fund. The purpose of the reclassification was to utilize developer fees collected in the Capital Facilities Fund to pay certain capital expenditures that developer fees were allowed to pay. The capital expenditures were allowable within the Measure S bond measure, however, the District decided it was a more prudent use of public funds to utilize the available developer fees, when allowed, before exhausting bond proceeds.

In addition, the District decreased the Measure S Bond Building Fund beginning fund balance by \$28,450 to account for amounts owed to the General Fund by Measure S from prior periods, and increased beginning fund balance by \$95,959, to account for receivables owed to the Measure S Bond Building Fund from prior periods.

SUPPLEMENTARY INFORMATION

CABRILLO UNIFIED SCHOOL DISTRICT
Measure S Bond Building Fund
Statement of Cumulative Expenditures (Budgetary Basis)
For the Fiscal Year Ended June 30, 2018

	Fiscal Year Ended June 30, 2017	Fiscal Year Ended June 30, 2018	From Inception Through June 30, 2018
Program Budget:			
Program Proceeds and Interest Earnings	\$ -	\$ 194,010	\$ 60,324,020
Annual Program Budget	297,438	1,021,321	-
Annual Budget Increases	32,683,462	10,455,158	-
Total Program Budget	32,980,900	11,670,489	60,324,020
Site/Project Description:			
Facility Master Plan	-	138,366	296,276
Energy Program	-	-	263,940
General Support Expenses	83,162	37,466	607,461
High School Aquatic Center	-	40,280	47,730
Roofing	-	-	16,970
High School Multi-use Theatrical Project	-	5,782	314,008
High School Cafeteria	-	-	58,248
High School Modernization	163,057	69,303	263,634
Parking Lots	-	-	464,396
Waste Management Equipment	-	-	80,370
Playground Improvements	8,948	32,418	114,261
Gymnasiums	-	-	9,648
High School Track Project	550,726	2,545,603	3,585,456
Hatch Modernization	12,943,885	8,188,158	26,674,854
Cunha Gymnasium Complex	92,877	220,700	3,176,980
Cunha Water Infiltration	448,344	2,078,538	2,526,882
Farallone View Modernization	10,700	-	10,700
Security, Safety Upgrades	9,580	3,785	49,430
Pilarcitos Modernization	2,138,894	391,738	6,941,478
Los Listos Portable Building	-	-	169,224
District Site Improvements	-	-	23,392
Door Lock and Hardware	-	4,528	546,382
Technology Infrastructure	86,828	61,860	693,684
Technology Classroom Based	25,237	22,780	2,383,136
Purchases from Bond Interest (Furniture and Equipment)	89,069	33,577	236,201
El Granada Repairs	-	1,255	1,255
Heating Upgrades	-	68,224	68,224
Unallocated ⁽¹⁾	248,627	374,780	1,417,512
Total Expenditures	16,899,934	14,319,141	51,041,733
(Over) Under Budget/Remaining Budget	\$ 16,080,966	\$ (2,648,652)	\$ 9,282,287

⁽¹⁾Unallocated expenditures include allowable bond program costs that have not yet been assigned to a specific project as of the date of this report.

The notes to the supplementary information are an integral part of this statement.

CABRILLO UNIFIED SCHOOL DISTRICT
Measure S Bond Building Fund
Notes to the Program Statement
For the Fiscal Year Ended June 30, 2018

NOTE 1 - THE PROGRAM

Proposition 39 was enacted by the voters on November 7, 2000, and changed the required majority for local voter approval of public school and community college general obligation bonds from two-thirds to fifty-five percent of votes. It also required school districts to provide facilities to charter schools operating within their jurisdictions.

On June 5, 2012, local voters passed Measure S, which generates funding to provide safe, efficient, and modern facilities for Cabrillo Unified School District students and staff. Measure S will generate up to \$81 million to repair, upgrade and expand our local schools. Funds will be generated through the sale of general obligation bonds, which will be repaid through assessments on residential and commercial property located within the Cabrillo Unified School District.

All projects funded by the issuance of Measure S general obligation bonds will be subject to review both by the District's Board of Trustees and by an independent citizens' oversight committee. The District will also provide many public forums to present progress and seek input from community members, parents, and staff.

NOTE 2 - CITIZENS' OVERSIGHT COMMITTEE

Duties of the committee include verifying that bond revenues were expended only for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities. The committee must also verify that no funds were used for any teacher or administrative salaries or other school operation expenses.

Furthermore, the committee is authorized to receive, and review copies of the annual independent performance audit and the annual independent financial audit required by Article XIII A, Section 1(b)(3)(C) and Article XIII A, Section 1(b)(3)(D), respectively, of the California Constitution.

The committee was formed by the Board trustees as required by state law. The Citizens' Oversight Committee was comprised of the following members during the fiscal year ended June 30, 2018:

Mike Alifano (Parent of Student Enrolled)	Charmion Donegan (Active Senior Citizens)
Naomi Patridge (Taxpayer Organization)	Diane Brosin (At-Large Member)
Vacancy (Parent of Student Enrolled)	Vacancy (At-Large Member)
Vacancy (Business Organization)	

**SCHEDULE OF FINDINGS
AND
RECOMMENDATIONS**

CABRILLO UNIFIED SCHOOL DISTRICT
Measure S Bond Building Fund
Schedule of Findings and Recommendations
For the Fiscal Year Ended June 30, 2018

**** No findings or exceptions noted ****

**OTHER INDEPENDENT AUDITOR'S
REPORTS**



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

Measure S Facilities Bond Citizens' Oversight Committee and
Governing Board Members
Cabrillo Unified School District

We have audited, 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, the financial statements of the Measure S Bond Building Fund of the Cabrillo Unified School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Cabrillo Unified School District's Measure S Bond Building Fund financial statements, and have issued our report thereon dated September 12, 2018.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Cabrillo Unified School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our



audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

[REDACTED]

September 12, 2018
San Jose, California



INDEPENDENT AUDITOR'S REPORT ON PERFORMANCE AND COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON THE MEASURE S BOND PROGRAM

Measure S Facilities Bond Citizens' Oversight Committee and
Governing Board Members
Cabrillo Unified School District

Compliance

We have audited the Cabrillo Unified School District's (the District) compliance with Measure S Bond of the June 2012 election, as approved under Proposition 39, and with the performance requirements referred to in Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution.

Management's Responsibility

Compliance with the requirements referred to above is the responsibility of the District's management.

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance with the laws and regulations identified above based on our audit. We conducted our audit of compliance 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 noncompliance with the compliance requirements referred to above that could have a material effect on compliance with the laws and regulations have occurred. An audit includes examining, on a test basis, evidence supporting the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

Our audit included the following objectives:

1. To obtain reasonable assurance that the proceeds of the sale of the Measure S Bonds were only used for the purposes set forth in the ballot measure and not for any other purpose, such as teacher and administrative salaries.
2. To obtain reasonable assurance that the Governing Board of the District, in establishing the approved projects set forth in the ballot measure, evaluated the remodeling, new construction and renovations of items which will relieve overcrowding, repair local schools and improve student safety conditions of the District.
3. To obtain reasonable assurance that the District complied with the performance requirements as referred to in Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution. Management is responsible for the District's compliance with these requirements.



To meet the objectives of our performance audit, procedures we performed included, but were not limited to, the following:

1. When applicable, we verified that bond proceeds were deposited in the District's name and invested in accordance with applicable legal requirements.
2. We tested payments made to the architectural service companies and reviewed the terms of the contract.
3. We tested approximately 84% of the 2017-18 expenditures to ensure they were valid, allowable and accurate.

We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

Opinion

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Measure S Bond program for the fiscal year ended June 30, 2018.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing over compliance and the results of that testing based on the standards referred to above. Accordingly, this report is not suitable for any other purpose.



September 12, 2018
San Jose, California