

**CABRILLO UNIFIED SCHOOL DISTRICT**  
COUNTY OF SAN MATEO  
HALF MOON BAY, CALIFORNIA

AUDIT REPORT

JUNE 30, 2019



**Chavan & Associates, LLP**  
Certified Public Accountants  
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San Jose, CA 95129

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**CABRILLO UNIFIED SCHOOL DISTRICT  
SAN MATEO COUNTY**

**TABLE OF CONTENTS**

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<b>TITLE</b>	<b>PAGE</b>
<b>FINANCIAL SECTION:</b>	
Independent Auditor’s Report.....	1
Management’s Discussion and Analysis.....	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position .....	15
Statement of Activities.....	16
Fund Financial Statements:	
Governmental Funds Balance Sheet .....	17
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	18
Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances .....	19
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities .....	20
Statement of Fiduciary Net Position .....	21
Statement of Changes in Fiduciary Net Position .....	22
Notes to the Basic Financial Statements .....	25
<b>REQUIRED SUPPLEMENTARY INFORMATION:</b>	
Schedule of Revenues, Expenditures and Changes in Fund Balance	
Budget to Actual (GAAP) - General Fund .....	53
Schedule of Pension Plan Contributions .....	54
Schedule of Proportionate Share of Net Pension Liabilities .....	55
<b>SUPPLEMENTARY INFORMATION:</b>	
Combining Statements - Nonmajor Funds:	
Nonmajor Governmental Funds - Combining Balance Sheet .....	59
Nonmajor Governmental Funds - Combining Schedule of Revenues, Expenditures and Changes in Fund Balances.....	60
State and Federal Award Compliance Section:	
Organization (Unaudited).....	63
Schedule of Average Daily Attendance.....	64
Schedule of Instructional Time Offered .....	65
Schedule of Financial Trends and Analysis (Unaudited) .....	66
Schedule of Expenditures of Federal Awards .....	67
Reconciliation of Annual Financial Budget Report (SACS) with Audited Financial Statements .....	68
Notes to State and Federal Award Compliance Section.....	69

**CABRILLO UNIFIED SCHOOL DISTRICT  
SAN MATEO COUNTY**

**TABLE OF CONTENTS**

---

**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 <i>Government Auditing Standards</i> .....	73
Independent Auditor’s Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with Uniform Guidance .....	75
Independent Auditor’s Report on Compliance with Requirements that Could Have a Direct and Material Effect on State Programs.....	77

**FINDINGS AND RECOMMENDATIONS:**

Schedule of Findings and Questioned Costs .....	81
Status of Prior Year Findings and Recommendations .....	83

FINANCIAL  
SECTION



## **INDEPENDENT AUDITOR'S REPORT**

The Honorable Board of Trustees  
Cabrillo Unified School District  
Half Moon Bay, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cabrillo Unified School District (the "District"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

The 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 opinions 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 District'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 District'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 opinions.



## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Change in Accounting Principle*

As discussed in Note 1 to the financial statements, the District adopted new accounting guidance, GASB Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements. The District did not report any direct borrowings and direct placements as of June 30, 2019. Our opinion has not been modified with respect to this matter.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of pension contributions, and schedule of proportionate share of net pension liability, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements, as required by the Governmental Accounting Standards Board, organization schedule, schedule of average daily attendance, schedule of instructional time offered, schedule of charter schools, schedule of financial trends and analysis, and the reconciliation of the Annual Financial and Budget report to the audited financial statements, as required by the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, and schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Regulations, Cost Principles, and Audit Requirements for*



*Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, schedule of average daily attendance, schedule of instructional time offered, the reconciliation of the Annual Financial and Budget report to the audited financial statement, and schedule of expenditures of federal awards are the responsibility of management and were 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 combining and individual nonmajor fund financial statements, schedule of average daily attendance, schedule of instructional time offered, the reconciliation of the Annual Financial and Budget report to the audited financial statement, and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The organization schedule, schedule of charter schools, and schedule of financial trends and analysis included have not been subjected to the auditing procedures applied in the audit of the basic financial statement and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2019 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 solely 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 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 District's internal control over financial reporting and compliance.



December 11, 2019  
San Jose, California

*Management's Discussion and Analysis*

**CABRILLO UNIFIED SCHOOL DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

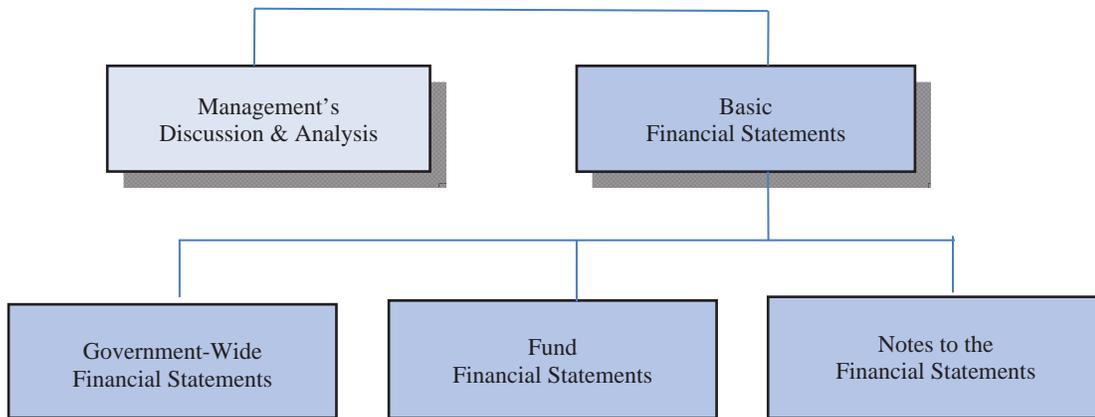
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**INTRODUCTION**

The Management’s Discussion and Analysis (MD&A) is a required section of the District’s annual financial report, as shown in the overview below. The purpose of the MD&A is to presents discussion and analysis of the District’s financial performance during the fiscal year that ended on June 30, 2019. This report will (1) focus on significant financial issues, (2) provide an overview of the District’s financial activity, (3) identify changes in the District’s financial position, (4) identify any individual fund issues or concerns, and (5) provide descriptions of significant asset and debt activity.

This information, presented in conjunction with the annual Basic Financial Statements, is intended to provide a comprehensive understanding of the District’s operations and financial standing.

**Required Components of the Annual Financial Report**



**FINANCIAL HIGHLIGHTS**

Key financial highlights for the fiscal year ended June 30, 2019 were as follows:

- Total net position decreased by \$2,242,547 or 10% from June 30, 2018 to June 30, 2019.
- General revenues accounted for \$40,845,484 which is 83% of all revenues. Program specific revenues in the form of operating grants and contributions, and charges for services accounted for \$8,491,350 or 17% of total revenues of \$49,336,834.
- The District had \$51,579,381 in expenses, which was directly supported by program specific revenues as noted in the second bullet.
- Total fund balances of governmental funds (i.e. General Fund, Building Fund, and Bond Fund) increased by \$23,113,979, or 105% from June 30, 2018 to June 30, 2019.
- Among major funds, the General Fund had \$39,346,464 in revenues and \$38,803,855 in expenditures. The General Fund’s fund balance increased by \$487,650 from June 30, 2018 to June 30, 2019.

**CABRILLO UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**USING THE ANNUAL REPORT**

This annual report consists of a series of basic financial statements and notes to those statements. These statements are organized so the reader can understand the District as an entire operating entity. The statements provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities comprise the government-wide financial statements and provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column. In the case of the District, the General Fund is by far the most significant fund. The basic financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The full annual financial report is a product of three separate parts: the basic financial statements, supplementary information, and this section, the Management's Discussion and Analysis. The three sections together provide a comprehensive financial overview of the District. The basic financials are comprised of two kinds of statements that present financial information from different perspectives, government-wide and fund statements.

- Government-wide financial statements, which comprise the first two statements, provide both short-term and long-term information about the District's overall financial position.
- Individual parts of the District, which are reported as fund financial statements, focus on reporting the District's operations in more detail. These fund financial statements comprise the remaining statements.
- Notes to the financials, which are included in the financial statements, provide more detailed data and explain some of the information in the statements. The required supplementary information section provides further explanations and provides additional support for the financial statements.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS - STATEMENT OF NET POSITION AND THE STATEMENT OF ACTIVITIES**

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during the fiscal year 2018 - 2019?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting practices used by most private-sector companies. This basis of accounting takes into account all of the current year revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net position and changes in net position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the District's property tax base, current

**CABRILLO UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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property tax laws in California restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Position and the Statement of Activities, the District reports governmental activities. Governmental activities are the activities where most of the District's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. The District does not have any business type activities.

#### **REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS**

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

The analysis of the District's major funds begins with the balance sheet. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. These fund financial statements focus on each of the District's most significant funds. The District's major governmental funds are the General Fund, Building Fund, and Bond Interest and Redemption Fund.

##### **Governmental Funds**

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

##### **Fiduciary funds**

The District is the trustee, or fiduciary, for an expendable trust fund. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the District's fund and government-wide financial statements because the District cannot use these assets to finance its operations.

**CABRILLO UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**THE DISTRICT AS A WHOLE**

Recall that the Statement of Net Position provides the perspective of the District as a whole. Total assets of governmental activities increased by \$37,442,161 and net capital assets increased by \$12,498,307 while long-term liabilities increased by \$36,718,638. Unrestricted net position of the District, which does not have constraints from grantors, legal requirements, or legislation, decreased by \$2,283,845.

Table 1 provides a summary of the District's net position as of June 30, 2019 as compared to June 30, 2018:

<b>Table 1 - Summary of Net Position</b>					
	2019	2018	Increase (Decrease)	Percent	
<b>Assets</b>					
Current Assets	\$ 49,340,464	\$ 24,396,610	\$ 24,943,854	102.2%	
Capital Assets	103,271,134	90,772,827	12,498,307	13.8%	
<b>Total Assets</b>	<b>\$ 152,611,598</b>	<b>\$ 115,169,437</b>	<b>\$ 37,442,161</b>	<b>32.5%</b>	
<b>Deferred Outflows of Resources</b>					
Deferred Outflows of Resources	\$ 10,138,827	\$ 10,528,920	\$ (390,093)	-3.7%	
<b>Liabilities</b>					
Current and Other Liabilities	6,610,984	4,755,229	1,855,755	39.0%	
Long-Term Liabilities	133,166,002	96,447,364	36,718,638	38.1%	
<b>Total Liabilities</b>	<b>\$ 139,776,986</b>	<b>\$ 101,202,593</b>	<b>\$ 38,574,393</b>	<b>38.1%</b>	
<b>Deferred Inflows of Resources</b>					
Deferred Inflows of Resources	\$ 2,642,647	\$ 1,922,425	\$ 720,222	37.5%	
<b>Net Position</b>					
Net Investment in Capital Assets	41,880,201	42,410,324	(530,123)	-1.2%	
Restricted	5,559,259	4,987,838	571,421	11.5%	
Unrestricted	(27,108,668)	(24,824,823)	(2,283,845)	9.2%	
<b>Total Net Position</b>	<b>\$ 20,330,792</b>	<b>\$ 22,573,339</b>	<b>\$ (2,242,547)</b>	<b>-9.9%</b>	

**CABRILLO UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Table 2 shows the changes in net position from fiscal year 2017-18 to 2018-19:

<b>Table 2 - Change in Net Position</b>				
	2019	2018	Increase (Decrease)	Percent
<b>Revenues</b>				
Program Revenues:				
Charges for Services	\$ 385,451	\$ 487,597	\$ (102,146)	-20.9%
Operating Grants and Contributions	8,105,899	5,805,572	2,300,327	39.6%
Capital Grants and Contributions	-	-	-	0.0%
General Revenues:				
Property Taxes	24,583,165	24,150,201	432,964	1.8%
Grants and Entitlements - Unrestricted	16,088,238	14,287,081	1,801,157	12.6%
Other	174,081	441,616	(267,535)	-60.6%
<b>Total Revenues</b>	<b>49,336,834</b>	<b>45,172,067</b>	<b>4,164,767</b>	<b>9.2%</b>
<b>Program Expenses</b>				
Instruction	26,568,242	24,454,222	2,114,020	8.6%
Instruction-Related Services	6,516,149	6,355,756	160,393	2.5%
Pupil Services	4,278,356	4,225,175	53,181	1.3%
General Administration	3,255,697	3,336,028	(80,331)	-2.4%
Plant Services	4,044,486	3,584,402	460,084	12.8%
Ancillary Services	636,559	505,371	131,188	26.0%
Community Services	21,838	96,614	(74,776)	-77.4%
Payments to Other Agencies	253,298	274,529	(21,231)	-7.7%
Interest and Fiscal Charges	6,004,756	5,662,457	342,299	6.0%
<b>Total Expenses</b>	<b>51,579,381</b>	<b>48,494,554</b>	<b>3,084,827</b>	<b>6.4%</b>
<b>Change in Net Position</b>	<b>\$ (2,242,547)</b>	<b>\$ (3,322,487)</b>	<b>\$ 1,079,940</b>	<b>-32.5%</b>

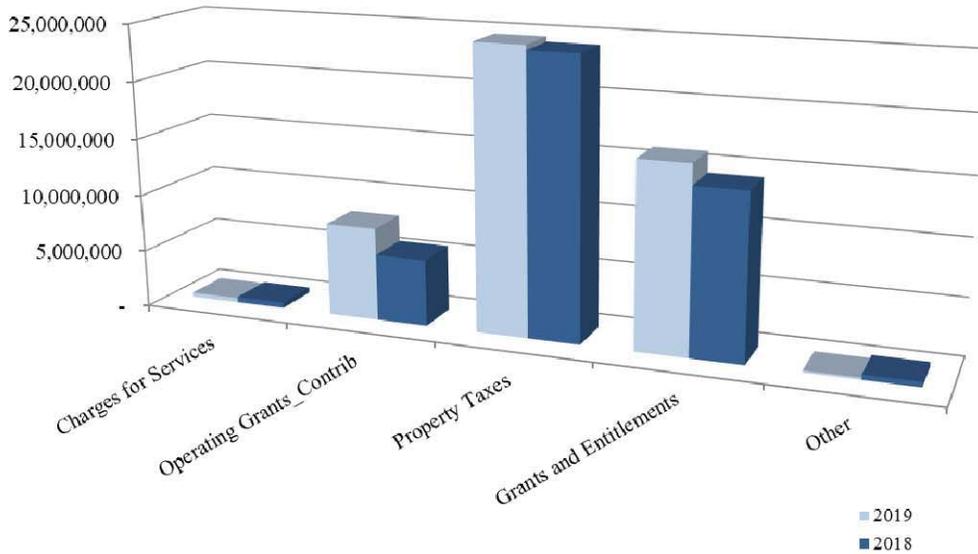
Property taxes comprised 50% of District revenues and direct instruction costs comprised 52% of District expenses for fiscal year 2018-19. These percentages are consistent with 2017-18.

Total revenues increased by 9% and total expenses increased by 6% for fiscal year 2018-19.

**CABRILLO UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

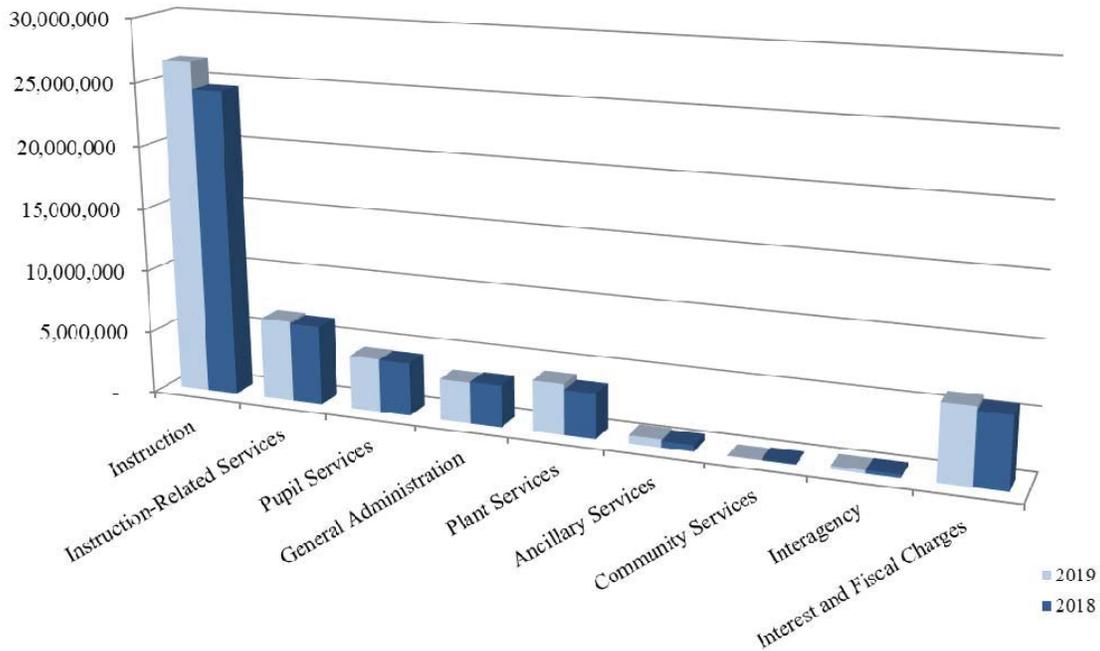
The following is a summary of government-wide revenues for the fiscal years ended June 30, 2018 and 2019:

**Revenues Gov't Wide**



The following is a summary of expenses by function for the fiscal years ended June 30, 2018 and 2019:

**Expenses By Function**



**CABRILLO UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**GOVERNMENTAL ACTIVITIES**

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the net cost of services as compared to the prior fiscal year. That is, it identifies the cost of these services supported by general revenues for the government-wide statements (not the General Fund).

<b>Table 3 - Net Cost of Services</b>				
Function	2019	2018	Increase (Decrease)	Percent
Instruction	\$ 22,447,463	\$ 22,106,788	\$ 340,675	1.5%
Instruction-Related Services	5,603,688	5,501,775	101,913	1.9%
Pupil Services	2,867,225	3,113,938	(246,713)	-7.9%
General Administration	2,792,934	2,936,349	(143,415)	-4.9%
Plant Services	3,975,454	2,682,990	1,292,464	48.2%
Ancillary Services	458,432	358,177	100,255	28.0%
Community Services	18,166	63,969	(45,803)	-71.6%
Payments to Other Agencies	(1,080,087)	(225,058)	(855,029)	379.9%
Interest and Fiscal Charges	6,004,756	5,662,457	342,299	6.0%
<b>Total Net Cost of Services</b>	<b>\$ 43,088,031</b>	<b>\$ 42,201,385</b>	<b>\$ 886,646</b>	<b>2.1%</b>

*Direct Instruction* expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and pupil.

*Pupil Services and Instruction-Related Services* include the activities involved with assisting staff with the content and process of teaching to pupils.

*General Administration* includes the costs for the Board of Trustees, administration, fiscal and business services and other expenses associated with administrative and financial supervision of the District.

*Plant Services* include the operation and maintenance of plant activities, which involve keeping the school grounds, buildings, and equipment in an effective working condition.

*Ancillary Services* include school-sponsored activities during or after the school day that are not essential to the delivery of instructional services.

*Community Services* include activities concerned with providing services to community participants other than students.

*Interest and Fiscal Charges* involve the transactions associated with the payment of interest and other related charges to debt of the District.

The dependence upon tax and local revenues is apparent, 87% of the District's activities are supported through taxes, grants and entitlements, and other general revenues. The community, as a whole, is the primary support for the District.

**CABRILLO UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**THE DISTRICT'S FUNDS**

Table 4 provides an analysis of the District's fund balances and the total change in fund balances from the prior year.

<b>Table 4 - Change in Fund Balances</b>			
Funds	2019	2018	Increase (Decrease)
General Fund	\$ 5,220,407	\$ 4,732,757	\$ 487,650
Building Fund	29,560,371	9,453,287	20,107,084
Bond Interest & Redemption Fund	9,048,459	6,572,897	2,475,562
Nonmajor Funds	1,282,243	1,238,560	43,683
<b>Total Governmental Fund Balances</b>	<b>\$ 45,111,480</b>	<b>\$ 21,997,501</b>	<b>\$ 23,113,979</b>

**GENERAL FUND BUDGETING HIGHLIGHTS**

The District's budget is prepared according to California law and in the modified accrual basis of accounting.

During the course of the 2018-19 fiscal year, the District revised its General Fund budget twice, at 1<sup>st</sup> Interim and 2<sup>nd</sup> Interim, which resulted in a decrease in budgeted expenditures of \$362,528 from the original to final budget.

For the General Fund, the final budget basis revenue and other financing sources estimate was \$37,951,279. The original budgeted estimate was \$37,329,883.

**CAPITAL ASSETS**

Table 5 shows June 30, 2019 capital asset balances as compared to June 30, 2018.

<b>Table 5 - Summary of Capital Assets Net of Depreciation</b>			
Capital Asset	2019	2018	Percentage Change
	Net Capital Asset	Net Capital Asset	
Land	\$ 1,456,448	\$ 1,456,448	0.0%
Work-in-Progress	44,264,996	30,268,513	46.2%
Site Improvements	6,649,594	6,813,631	-2.4%
Buildings and Improvements	50,489,316	51,816,721	-2.6%
Furniture and Equipment	410,780	417,514	-1.6%
<b>Totals</b>	<b>\$ 103,271,134</b>	<b>\$ 90,772,827</b>	<b>13.8%</b>

**CABRILLO UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**LONG TERM LIABILITIES**

Table 5 shows June 30, 2019 long-term liability balances as compared to June 30, 2018.

<b>Table 6 - Long-term Liabilities</b>			
Type	2019	2018	Percentage Change
General obligation bonds	\$ 90,951,304	\$ 57,815,790	57.3%
Unamortized bond premiums - net	5,329,176	3,075,453	73.3%
Net Pension Liability	36,568,006	35,220,241	3.8%
Compensated absences	317,516	335,880	-5.5%
<b>Total Debt</b>	<b>\$133,166,002</b>	<b>\$ 96,447,364</b>	<b>38.1%</b>

**FACTORS BEARING ON THE DISTRICT'S FUTURE**

Now that the District is fully at target with LCFF funding, any projected funding increase will only be at the cost of living adjustments (COLA). The State's inadequate funding of education and growing mandated expenses are creating a financial hardship to the District. The multi-year projections no longer show adequate reserves, and in the third year out, the District will not meet the mandated 3% reserve at its current stage.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, parents, 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 regarding this report or need additional financial information, contact Crystal Leach, Chief Business Official, Cabrillo Unified School District, 498 Kelly Avenue, Half Moon Bay, CA 94019, (650) 712-7123.

*Basic Financial Statements*

**CABRILLO UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2019**

	Governmental Activities
<b>Assets</b>	
Current assets:	
Cash in county treasury	\$ 46,673,141
Cash in revolving fund	25,000
Cash with fiscal agent	88,758
Accounts receivable	2,529,284
Inventories	24,281
Total current assets	49,340,464
Capital assets - net	103,271,134
Total Assets	\$ 152,611,598
 <b>Deferred Outflows of Resources</b>	
Pension adjustments	\$ 10,138,827
 <b>Liabilities</b>	
Accounts payable	\$ 4,104,750
Unearned revenue	124,234
Accrued interest	2,382,000
Total current liabilities	6,610,984
Long-term liabilities:	
Due within one year	1,879,764
Due after one year	131,286,238
Total long-term liabilities	133,166,002
Total Liabilities	\$ 139,776,986
 <b>Deferred Inflows of Resources</b>	
Pension adjustments	\$ 2,642,647
 <b>Net Position</b>	
Net investment in capital assets	\$ 41,880,201
Restricted for:	
Capital projects	1,232,970
Debt service	3,719,283
Educational programs	570,424
Adult education	36,582
Total restricted net position	5,559,259
Unrestricted	(27,108,668)
Total Net Position	\$ 20,330,792

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

**CABRILLO UNIFIED SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

		Program Revenues		Net (Expense)
	Expenses	Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
Governmental activities				
Instruction	\$ 26,568,242	\$ 121,296	\$ 3,999,483	\$ (22,447,463)
Instruction-related services:				
Supervision of instruction	2,047,022	1,770	489,014	(1,556,238)
Instruction library, media and technology	1,073,253	1,481	47,607	(1,024,165)
School site administration	3,395,874	1,736	370,853	(3,023,285)
Pupil services:				
Home-to-school transportation	640,090	3,695	83,449	(552,946)
Food services	989,754	188,625	603,316	(197,813)
All other pupil services	2,648,512	4,237	527,809	(2,116,466)
General administration:				
Data processing	127,386	525	11,858	(115,003)
All other general administration	3,128,311	108	450,272	(2,677,931)
Plant services	4,044,486	3,592	65,440	(3,975,454)
Ancillary services	636,559	1,763	176,364	(458,432)
Community services	21,838	156	3,516	(18,166)
Payments to other agencies	253,298	56,467	1,276,918	1,080,087
Interest on long-term debt	6,004,756	-	-	(6,004,756)
Total governmental activities	\$ 51,579,381	\$ 385,451	\$ 8,105,899	(43,088,031)
General revenues:				
Taxes and subventions:				
Taxes levied for general purposes				15,170,820
Taxes levied for debt service				7,781,532
Taxes levied for other specific purpose				1,630,813
Federal and state aid non restricted to specific purposes				16,088,238
Interest and investment earnings				67,626
Miscellaneous				106,455
Total general revenues and special item				40,845,484
Change in net position				(2,242,547)
Net position beginning				22,573,339
Net position ending				\$ 20,330,792

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

**CABRILLO UNIFIED SCHOOL DISTRICT  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2019**

	General Fund	Building Fund	Bond Interest and Redemption Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and investments	\$ 4,278,289	\$ 32,129,789	\$ 9,001,632	\$ 1,263,431	\$ 46,673,141
Cash in revolving fund	25,000	-	-	-	25,000
Cash with fiscal agent	84,380	4,378	-	-	88,758
Accounts receivable	2,066,355	205,158	46,827	210,944	2,529,284
Due from other funds	197,284	-	-	20	197,304
Prepaid items and stores inventories	13,070	-	-	11,211	24,281
<b>Total Assets</b>	<b>\$ 6,664,378</b>	<b>\$ 32,339,325</b>	<b>\$ 9,048,459</b>	<b>\$ 1,485,606</b>	<b>\$ 49,537,768</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 1,319,719	\$ 2,778,935	\$ -	\$ 6,096	\$ 4,104,750
Due to other funds	18	19	-	197,267	197,304
Unearned revenue	124,234	-	-	-	124,234
<b>Total Liabilities</b>	<b>1,443,971</b>	<b>2,778,954</b>	<b>-</b>	<b>203,363</b>	<b>4,426,288</b>
<b>Fund balances:</b>					
<b>Nonspendable:</b>					
Revolving fund	25,000	-	-	-	25,000
Stores inventories	13,070	-	-	11,211	24,281
<b>Restricted for:</b>					
Educational programs	570,424	-	-	-	570,424
Debt service	-	-	9,048,459	-	9,048,459
Adult education	-	-	-	36,582	36,582
Capital projects	-	29,560,371	-	1,232,970	30,793,341
<b>Assigned for:</b>					
Site repairs	-	-	-	229	229
Child development	-	-	-	1,251	1,251
<b>Unassigned:</b>					
Economic uncertainties	1,240,418	-	-	-	1,240,418
Unappropriated	3,371,495	-	-	-	3,371,495
<b>Total Fund Balances</b>	<b>5,220,407</b>	<b>29,560,371</b>	<b>9,048,459</b>	<b>1,282,243</b>	<b>45,111,480</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 6,664,378</b>	<b>\$ 32,339,325</b>	<b>\$ 9,048,459</b>	<b>\$ 1,485,606</b>	<b>\$ 49,537,768</b>

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

**CABRILLO UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
JUNE 30, 2019**

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Total fund balances - governmental funds \$ 45,111,480

Amounts reported in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

Capital assets at cost	\$ 131,561,306	
Accumulated depreciation	<u>(28,290,172)</u>	103,271,134

Interest payable on long-term debt does not require the use of current financial resources and, therefore, is not reported in the governmental funds. (2,382,000)

Deferred outflows of resources include amounts that will not be included in the calculation of the District's net pension liability of the plan year included in this report such as current fiscal year contributions as recorded in the fund statements. 10,138,827

The difference from pension plan assumptions in actuarial valuations are not included in the plan's actuarial study until the next fiscal year and are reported as deferred inflows of resources in the Statement of Net Position. (2,642,647)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:

General obligation bonds	\$ 90,951,304	
Unamortized bond premium	5,329,176	
Net pension liabilities	36,568,006	
Compensated absences (vacation)	<u>317,516</u>	<u>(133,166,002)</u>

Total net position - governmental activities \$ 20,330,792

**CABRILLO UNIFIED SCHOOL DISTRICT**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	General Fund	Building Fund	Bond Interest and Redemption Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
LCFF sources	\$ 30,043,033	\$ -	\$ -	\$ -	\$ 30,043,033
Federal revenue	1,383,452	-	-	612,046	1,995,498
Other state	4,870,969	-	27,147	381,256	5,279,372
Other local	3,049,010	683,886	7,868,055	417,980	12,018,931
<b>Total revenues</b>	<b>39,346,464</b>	<b>683,886</b>	<b>7,895,202</b>	<b>1,411,282</b>	<b>49,336,834</b>
Expenditures:					
Current					
Instruction	22,798,749	-	-	82,184	22,880,933
Instruction-related services:					
Supervision of instruction	1,916,450	-	-	10,515	1,926,965
Instruction library, media and technology	976,229	-	-	-	976,229
School site administration	2,827,428	-	-	357,242	3,184,670
Pupil services:					
Home-to-school transportation	514,908	-	-	-	514,908
Food services	-	-	-	931,705	931,705
All other pupil services	2,493,177	-	-	-	2,493,177
General administration:					
Data processing	119,915	-	-	-	119,915
All other general administration	2,900,865	-	-	22,280	2,923,145
Plant services	3,270,330	212,973	-	18,131	3,501,434
Facilities acquisition and construction	74,250	15,193,829	-	360	15,268,439
Ancillary Services	636,559	-	-	-	636,559
Community services	21,697	-	-	141	21,838
Payments to other agencies	253,298	-	-	-	253,298
Debt service:					
Principal	-	-	1,864,487	-	1,864,487
Interest and fees	-	170,000	6,064,957	-	6,234,957
<b>Total expenditures</b>	<b>38,803,855</b>	<b>15,576,802</b>	<b>7,929,444</b>	<b>1,422,558</b>	<b>63,732,659</b>
Excess (deficiency) of revenues over (under) expenditures	542,609	(14,892,916)	(34,242)	(11,276)	(14,395,825)
Other financing sources (uses):					
Transfers in	83,460	-	-	138,419	221,879
Transfers out	(138,419)	-	-	(83,460)	(221,879)
Proceeds from refunding of bonds	-	35,000,000	2,509,804	-	37,509,804
<b>Total other financing sources (uses)</b>	<b>(54,959)</b>	<b>35,000,000</b>	<b>2,509,804</b>	<b>54,959</b>	<b>37,509,804</b>
Net changes in fund balances	487,650	20,107,084	2,475,562	43,683	23,113,979
Fund balances beginning	4,732,757	9,453,287	6,572,897	1,238,560	21,997,501
Fund balances ending	\$ 5,220,407	\$ 29,560,371	\$ 9,048,459	\$ 1,282,243	\$ 45,111,480

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

**CABRILLO UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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Total net change in fund balances - governmental funds \$ 23,113,979

Capital outlays are reported in the governmental funds as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense.

Capital asset additions from capital outlay	\$ 14,953,663	
Depreciation expense	<u>(2,455,356)</u>	12,498,307

The governmental funds report bond proceeds as an other financing source, while repayment of bond principal is reported as an expenditure. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of general obligation bonds and related items are as follows:

Proceeds from bond issuance	\$ (35,000,000)	
Bond premiums	(2,509,804)	
Repayment of bond principal	<u>1,864,487</u>	(35,645,317)

In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an other financing source or other financing use in the period it is incurred. In the government-wide statements, the premium or discount is amortized as interest over the life of the debt. The difference between premiums or discounts recognized in the current period and amortized over future periods is: 256,081

In governmental funds, actual contributions to pension plans are reported as expenditures in the year incurred. However, in the government-wide Statement of Activities, only the current year pension expense as noted in the plans' valuation reports is reported as an expense, as adjusted for deferred inflows and outflows of resources. (2,458,080)

In the Statement of Activities, compensated absences are measured by the amount earned during the year. In the governmental funds, however, expenditures for those items are measured by the amount of financial resources used (essentially the amounts paid). This year vacation used exceeded the amounts earned, resulting in a current year change in compensated absences in the amount of: 18,363

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. (25,880)

Changes in net position of governmental activities \$ (2,242,547)

**CABRILLO UNIFIED SCHOOL DISTRICT  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2019**

	School Scholarship Fund	Associated Student Body Agency Fund	Total
<b>Assets:</b>			
Cash on hand and in banks	\$ 80,442	\$ 134,184	\$ 214,626
Total Assets	<u>\$ 80,442</u>	<u>\$ 134,184</u>	<u>\$ 214,626</u>
<b>Liabilities:</b>			
Due to student groups	\$ -	\$ 134,184	\$ 134,184
Total Liabilities	<u>\$ -</u>	<u>\$ 134,184</u>	<u>\$ 134,184</u>
<b>Net Position:</b>			
Restricted	\$ 80,442	\$ -	\$ 80,442
Total Net Position	<u>\$ 80,442</u>	<u>\$ -</u>	<u>\$ 80,442</u>

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

**CABRILLO UNIFIED SCHOOL DISTRICT  
FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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	<u>School Scholarship Fund</u>
Additions	
Other Local	\$ 134,140
Deductions	
Scholarships	<u>158,162</u>
Changes in net position	(24,022)
Net position beginning	<u>104,464</u>
Net position ending	<u><u>\$ 80,442</u></u>

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

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*Notes to the Basic Financial Statements*

**CABRILLO UNIFIED SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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**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 generally accepted accounting principles as prescribed by the 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. The District’s combined financial statements include the accounts of all its operations. The District evaluated whether any other entity should be included in these financial statements using the criteria established by GASB.

Component Units:

The District evaluated whether any other entity should be included in these financial statements. The basic, but not the only, criterion for including a governmental department, agency, institution, commission, public authority, or other governmental organization in a governmental unit’s reporting entity for financial reports is the ability of the governmental unit’s elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one governmental unit is dependent on another and that the dependent unit should be reported as part of the other. Oversight responsibility is derived from the governmental unit’s power and includes, but is not limited to:

- Financial interdependency
- Selection of governing authority
- Designation of management
- Ability to significantly influence operations
- Accountability for fiscal matters

Accordingly, for the year ended June 30, 2019, the District does not have any component units and is not a component unit of any other reporting entity.

C. Basis of Presentation

**Government-wide Financial Statements:**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the District. Eliminations have been made to minimize the effect of interfund of activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund and fiduciary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, includes a reconciliation with brief explanations to

**CABRILLO UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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better identify the relationship between the government-wide statements and the statements for the governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

**Fund Financial Statements:**

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all non-major funds are aggregated into one column. Fiduciary funds are reported by fund type.

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 Balances for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Fiduciary funds are reported using the economic resources measurement focus.

D. Basis of Accounting

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

**Revenues - Exchange and Non-exchange Transactions:**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. 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 365 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 accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied.

**CABRILLO UNIFIED SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

**Deferred Outflows/Deferred Inflows:**

In addition to assets, the Statement of Net Position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District has recognized a deferred outflow of resources related to the recognition of the net pension liability reported in the Statement of Net Position.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time. The District has recognized a deferred inflow of resources related to the recognition of the pension liability reported which is in the Statement of Net Position.

**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 inflows of resources from unearned revenue. In the governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have been recorded as deferred inflows of resources from unavailable resources.

**Expenses/Expenditures:**

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. 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. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity or retained earnings, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized into major, nonmajor, and fiduciary funds as follows:

**CABRILLO UNIFIED SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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**Major Governmental Funds:**

The *General Fund* is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund and includes transactions accounted for in the Special Reserve Fund for Other Than Capital Outlay and Special Reserve Fund for Postemployment Benefits.

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.

The *Bond Interest and Redemption Fund* is used to account for the interest and redemption of principal of general obligation bonds.

**Non-major Governmental Funds:**

*Special Revenue Funds* are used to account for the proceeds of specific revenue sources that are restricted or committed for purposes other than debt service or capital projects. The restricted or committed resources need to comprise a substantial portion of the inflows reported in the special revenue fund. The District maintains the following nonmajor special revenue funds:

- The *Adult Education Fund* is used to account for resources committed to adult education programs maintained by the District.
- The *Child Development Fund* is used to account for resources committed child development programs maintained by the District.
- The *Cafeteria Fund* is used to account for revenues received and expenditures made to operate the District's food service programs.
- The *Deferred Maintenance Fund* is used for the purpose of major repair or replacement of District property.

*Capital Projects Funds* are used to account for resources restricted, committed or assigned for capital outlays. The District maintains the following nonmajor capital projects fund:

- The *Capital Facilities Fund* is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act ("CEQA").

**Fiduciary Funds:**

- *Private-Purpose Trust Funds* are used to account for assets held by the District as trustee. The District maintains one trust fund, the Scholarship fund, which is used to provide financial assistance to students of the District.
- *Agency Funds* are used to account for assets of others for which the District acts as an agent. The District maintains an agency fund for the student body accounts. The student body funds are used to account for the raising and expending of money to promote the general welfare, morale, and educational experience of the student body.

**CABRILLO UNIFIED SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2019**

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In order to comply with the requirements of GASB 54, the District has combined transactions in the Special Reserve fund for Other than Capital Outlay (Special Reserve Fund) with the General Fund because it does not meet the definition of a special revenue fund as defined by GASB 54.

**F. 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 during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets for the General Fund are presented as Required Supplementary Information.

Formal budgetary integration was employed as a 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 account.

**G. 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.

**H. Pensions**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District’s California Public Employees’ Retirement System (CalPERS) and California State Teachers’ Retirement System plans (STRS) and additions to/deductions from the Plans’ fiduciary net position have been determined on the same basis as they are reported by CalPERS and STRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined time frames. For this period, the following time frames were used:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Measurement Period	July 1, 2017 to June 30, 2018

The following summarizes the pension plan balances for the fiscal year:

	PERS	STRS	Total
Deferred outflows of resources	\$ 3,416,509	\$ 6,722,318	\$ 10,138,827
Deferred inflows of resources	\$ 228,265	\$ 2,414,382	\$ 2,642,647
Pension expense	\$ 2,349,551	\$ 5,842,027	\$ 8,191,578
Net pension liabilities	\$ 11,753,116	\$ 24,814,890	\$ 36,568,006

**CABRILLO UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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I. Assets, Liabilities, and Equity

a) 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.

b) Fair Value Measurements

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.

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.

c) Inventories and Prepaid Expenditures

*Inventories*

Inventories are recorded using the purchases method, in that inventory acquisitions are initially recorded as expenditures. Reported inventories are equally offset by a fund balance reserve, which

**CABRILLO UNIFIED SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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indicates that these amounts are not “available for appropriation and expenditure” even though they are a component of net current assets. The District’s central warehouse inventory is valued at cost and consists of expendable supplies held for consumption.

*Prepaid expenditures*

The District has the option of reporting expenditures in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure during the benefiting period, thus recording a prepaid expenditure in the Statement of Net Position.

d) Capital Assets

Capital assets are those purchased or acquired with an original cost of \$15,000 or more and are reported at historical cost or estimated historical cost. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset’s lives are not capitalized but are expensed as incurred.

Depreciation on all capital assets is computed using a straight-line basis over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Improvement of sites	20
Buildings	50
Portable buildings	20
Building improvements	20
Furniture and fixtures	20
Playground equipment	20
Food services equipment	15
Transportation equipment	15
Telephone system	10
Vehicles	8
Computer and office equipment	5

e) Compensated Absences

All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District’s policy is to record sick leave as an operating expense in the period taken, since such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

f) Long-Term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred

**CABRILLO UNIFIED SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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and amortized over the life of the bonds. Bonds payable are reported net of applicable bond premium or discount. Issuance costs are expensed in the period incurred.

In the fund financial statements, governmental funds recognize bond premiums and discounts as well as bond issuance costs, during the current period. The face amount of the debt issued, premiums, or discounts are reported as other financing sources/uses.

g) Fund Balance Reserves and Designations

The District maintains a minimum unassigned fund balance of not less than 3 percent of budgeted general fund expenditures and other financing uses as a reserve for economic uncertainties. The District believes a reserve of this level is prudent to maintain a high bond rating and to protect the District from the effects of fluctuations in property tax revenues to which basic aide districts are vulnerable. Because amounts in the nonspendable, restricted, committed, and assigned categories are subject to varying constraints on their use, the reserve for economic uncertainties consists of balances that are otherwise unassigned.

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

- *Nonspendable* fund balance includes amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- *Restricted* fund balance includes 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* fund balances includes 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.
- *Assigned* fund balance includes 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 and the Chief Business Official.
- *Unassigned* fund balance includes positive amounts within the general fund which 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.

h) Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of

**CABRILLO UNIFIED SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. In addition, deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also are included in the net investment in capital assets component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, laws or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

*Capital Projects* restrictions will be used for the acquisition and construction of capital facilities.

*Debt Service* restrictions reflect the cash balances in the debt service funds that are restricted for debt service payments by debt covenants.

*Educational Program* restrictions reflect the amounts to be expended for federal and state funded educational programs.

*Child Development* restrictions reflect the amounts to be expended for federal, state, or local revenues to operate child development programs.

*Adult Education* restrictions reflect the amounts to be expended for federal and state funded adult education programs.

*Cafeteria Programs* restrictions reflect the amounts to be expended for federal, state, or local revenues to operate cafeteria programs.

*Unrestricted net position* reflects amounts that are not subject to any donor-imposed restrictions. This class also includes restricted gifts whose donor-imposed restrictions were met during the fiscal year. A deficit unrestricted net position may result when significant cash balances restricted for capital projects exist. Once the projects are completed, the restriction on these assets are released and converted to capital assets.

i) Local Control Funding Formula and Property Taxes

The Local Control Funding Formula (LCFF) creates base, supplemental, and concentration grants in place of most previously existing K–12 funding streams, including revenue limits and most state categorical programs. The revenue limit was a combination of local property taxes, state apportionments, and other local sources.

Until full implementation, local educational agencies (LEAs) will receive roughly the same amount of funding they received in 2012–13 plus an additional amount each year to bridge the gap between current funding levels and LCFF target levels. The budget projects the time frame for full implementation of the LCFF to be eight years.

The county is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the assessed values as of the preceding March 1, which is also the lien date. Property taxes on the secured roll are due on August 31 and February 1, and taxes become delinquent after December 10

**CABRILLO UNIFIED SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

---

and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (March 1) and become delinquent if unpaid by August 31.

Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The county apportions secured property tax revenue in accordance with the alternate method of distribution prescribed by Section 4705 of the California *Revenue and Taxation Code*. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll - approximately October 1 of each year.

The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local revenue limit sources by the District.

j) 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, 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.

There were no significant reductions in insurance coverage from coverage in the prior year and no insurance settlement exceeding insurance coverage.

k) 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.

J. Implemented New Accounting Pronouncements

**GASB Statement No. 83, Certain Asset Retirement Obligations**

This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. As of June 30, 2019, this Statement did not have an impact on the District's financial statements.

**GASB Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements**

This Statement addresses additional information to be disclosed in the notes to the financial statements regarding debt, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration

**CABRILLO UNIFIED SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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clauses. As of June 30, 2019, this Statement did not have a significant impact on the District's financial statements.

**K. Upcoming Accounting and Reporting Changes**

**Statement No. 84, Fiduciary Activities**

The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2018. Earlier application is encouraged. The District is in the process of determining the impact this Statement will have on the financial statements.

**GASB issued Statement No. 87, Leases**

The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2019. Earlier application is encouraged. The District is in the process of determining the impact this Statement will have on the financial statements.

**GASB Statement No. 89, Accounting for Interest Cost Incurred Before the End of the Construction Period**

This Statement addresses interest costs incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2019. Earlier application is encouraged. The District doesn't believe this statement will have a significant impact on the District's financial statements.

**GASB Statement No. 90, Majority Equity Interests - an Amendment of GASB Statements No. 14 and No. 61**

The objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This Statement also requires that a component unit in which a government has 100 percent equity interest account for its assets, deferred

**CABRILLO UNIFIED SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2018. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis. The District doesn't believe this statement will have a significant impact on the District's financial statements.

**GASB Statement No. 91, Conduit Debt Obligations**

The objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement also clarifies the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitment and voluntary commitments extended by issuers and arrangements associated with the debt obligations; and improving required note disclosures. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2020. Earlier application is encouraged. The District is in the process of determining the impact this Statement will have on the financial statements.

**2. CASH AND INVESTMENTS**

A summary of cash and investments as of June 30, 2019 is as follows:

Description	Carrying Amount	Fair Value	Investment Rating
<b>Government-Wide Statements:</b>			
Cash in county treasury investment pool	\$ 46,673,141	\$ 46,794,491	Aa1
Cash in revolving fund	25,000	25,000	n/a
Cash with fiscal agent	88,758	88,977	n/a
Total Government-Wide Cash and Investments	46,786,899	46,908,468	
<b>Fiduciary Funds:</b>			
Cash in banks	214,626	214,626	n/a
Total Cash and Investments	\$ 47,001,525	\$ 47,123,094	

**Cash in Banks and in Revolving Funds**

Cash balances in banks and revolving funds are insured up to \$250,000 per bank by the Federal Deposit Insurance Corporation ("FDIC"). These accounts are held within various financial institutions. As of June 30, 2019, the bank balance of the District's accounts with banks was \$273,752. As of June 30, 2019, the bank balances of the District's accounts were fully insured by FDIC.

**Cash in County Treasury**

The District is considered to be an involuntary participant in an external investment pool as the District is required to maintain substantially all of its cash with the County Treasurer in accordance with Education Code Section 41001. The fair value of the District's investment in the pool is reported in the accounting

**CABRILLO UNIFIED SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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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.

*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, 2019:

Investments in the San Mateo County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

**Policies and Practices**

The District is authorized under California Government Code Section 53635 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.

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

**A. 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 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 \$1.468 billion and an amortized book value of \$1.475 billion.

**B. 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.

**CABRILLO UNIFIED SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2019**

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C. 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.

D. 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.

**3. ACCOUNTS RECEIVABLE**

Accounts receivable consisted of the following as of June 30, 2019:

Description	General Fund	Building Fund	Bond Interest & Redemption Fund	Nonmajor Funds	Total
Federal Government	\$ 921,890	\$ -	\$ -	\$ 167,758	\$ 1,089,648
State Government	626,233	-	-	28,445	654,678
Local and Other	518,232	205,158	46,827	14,741	784,958
Total Accounts Receivable	<u>\$ 2,066,355</u>	<u>\$ 205,158</u>	<u>\$ 46,827</u>	<u>\$ 210,944</u>	<u>\$ 2,529,284</u>

**CABRILLO UNIFIED SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**4. CAPITAL ASSETS AND DEPRECIATION**

Capital asset activities for the year ended June 30, 2019 were as follows:

Capital Assets	Balance July 01, 2018	Additions	Adjustments & Deletions	Balance June 30, 2019
Land - not depreciable	\$ 1,456,448	\$ -	\$ -	\$ 1,456,448
Work-in-progress - not depreciable	30,268,513	13,996,483	-	44,264,996
Site improvements	8,630,134	297,084	-	8,927,218
Buildings and improvements	74,712,660	602,024	-	75,314,684
Furniture and equipment	1,539,888	58,072	-	1,597,960
<b>Total capital assets</b>	<b>116,607,643</b>	<b>14,953,663</b>	<b>-</b>	<b>131,561,306</b>
Less accumulated depreciation for:				
Site improvements	1,816,503	461,121	-	2,277,624
Buildings and improvements	22,895,939	1,929,429	-	24,825,368
Furniture and equipment	1,122,374	64,806	-	1,187,180
<b>Total accumulated depreciation</b>	<b>25,834,816</b>	<b>2,455,356</b>	<b>-</b>	<b>28,290,172</b>
<b>Total capital assets - net depreciation</b>	<b>\$ 90,772,827</b>	<b>\$ 12,498,307</b>	<b>\$ -</b>	<b>\$ 103,271,134</b>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 2,280,102
Instruction library, media and technology	36,201
School site administration	12,787
Home-to-school transportation	93,101
All other general administration	23,043
Plant services	10,123
<b>Total depreciation expense</b>	<b>\$ 2,455,357</b>

**5. INTERFUND TRANSACTIONS**

Interfund transactions are reported as either 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.

**CABRILLO UNIFIED SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**Interfund Transfers**

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended as follows:

Fund	Due From	Due To
General Fund	\$ 197,284	\$ 18
Building Fund	-	19
Nonmajor Funds	20	197,267
Totals	<u>\$ 197,304</u>	<u>\$ 197,304</u>

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

Interfund receivables and payables consisted of the following as of June 30, 2019:

Fund	Transfers In	Transfers Out
General Fund	\$ 83,460	\$ 138,419
Nonmajor Funds	138,419	83,460
Totals	<u>\$ 221,879</u>	<u>\$ 221,879</u>

**6. LONG-TERM DEBT**

**Schedule of Changes in Long-term Debt**

The following is the schedule of changes in long-term debt for the fiscal year ended June 30, 2019:

Long Term Liabilities	Balance July 01, 2018	Additions	Deductions	Balance June 30, 2019	Due Within One Year
General Obligation Bonds	\$ 57,815,791	\$ 35,000,000	\$ 1,864,487	\$ 90,951,304	\$ 1,879,764
Unamortized Bond Premium	3,075,453	2,509,804	256,081	5,329,176	-
Net Pension Liabilities	35,220,241	13,007,126	11,659,361	36,568,006	-
Compensated Absences	335,880	216,231	234,595	317,516	-
Total Long-Term Liabilities:	<u>\$ 96,447,365</u>	<u>\$ 50,733,161</u>	<u>\$ 14,014,524</u>	<u>\$ 133,166,002</u>	<u>\$ 1,879,764</u>

Payments on the general obligation bonds are made from the Bond Interest and Redemption Fund using local revenues.

**General Obligation Bonds Payable**

On August 1, 1996, the District issued \$34,996,263 in General Obligation Bonds (GO Bonds). The County Treasurer levies annual ad valorem taxes for required debt service payments. Bond proceeds have been and will be used for improvements and construction at the District's school sites.

On October 25, 2012, the District issued \$19,715,860 in Election 2012, Series A GO Bonds. This included principal of \$18,000,000, with a premium of \$1,715,860. The bonds mature on August 1, 2037. Total debt service for the bonds is \$27,843,608. Bond proceeds will be used for improvements and construction at the District's school sites. In August 2017, the District issued 2017 GO Refunding Bonds for the purpose of refunding certain maturities of the outstanding Election 2012 Series A GO Bonds.

**CABRILLO UNIFIED SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

On January 14, 2015, the District issued \$21,067,416 in Election 2012, Series B GO Bonds. This included principal of \$20,000,000, with a premium of \$1,067,416. The bonds mature on August 1, 2044. Total debt service for the bonds is \$35,591,991. Bond proceeds will be used for improvements and construction at the District's school sites.

On January 18, 2017, the District issued \$20,571,771 in Election 2012, Series C GO Bonds. This included principal of \$20,000,000 with a premium of \$571,771. The bonds mature on August 1, 2046. Total debt service for the bonds is \$39,133,222. Bond proceeds will be used for improvements and construction at the District's school sites.

On August 31, 2017, the District issued \$4,610,000 in 2017 GO Refunding Bonds for the purpose of partially refunding its outstanding obligation under Election 2012, Series A GO Bonds. The proceeds of the 2017 GO Refunding Bonds were used to defease and redeem \$4,700,000 principal amount of the District's outstanding Election 2012, Series A GO Bonds. The amounts defeased have been removed from the government-wide financial statement of net position. The District completed the refunding to obtain an economic gain (difference between the present value of the old and the new debt service payments) of \$269,940.

On September 25, 2018, the District issued \$35,000,000 in 2018 Series A General Obligation Bonds through Measure M for improvements and construction at District's school sites. The bonds were issued at a premium of \$2,509,804 and secured by property taxes. Issuance costs of \$313,500 were paid with bond proceeds on issuance. The net deposit into the Building Fund was \$34,830,000 and \$2,366,304 was deposited into the Bond Interest and Redemption Fund to meet the required debt service reserve.

The following summarizes the bonds outstanding as of June 30, 2019:

Bond	Issue Date	Maturity Date	Interest Rate	Original Issue	Outstanding July 01, 2018	Issued	Redeemed	Outstanding June 30, 2019
1996	8/1/96	8/1/21	3.75-6%	\$ 34,996,263	\$ 5,165,791	\$ -	\$ 1,309,487	\$ 3,856,304
2012A	10/25/12	8/1/37	2-5%	18,000,000	10,005,000	-	465,000	9,540,000
2012B	1/14/2015	8/1/44	2-5%	20,000,000	18,035,000	-	25,000	18,010,000
2012C	1/18/2017	8/1/46	3.38-5%	20,000,000	20,000,000	-	20,000	19,980,000
2017	8/31/2017	8/1/28	2-5%	4,610,000	4,610,000	-	45,000	4,565,000
2018A	9/25/2018	8/1/48	3.5-5%	35,000,000	-	35,000,000	-	35,000,000
Total General Obligation Bonds				<u>\$132,606,263</u>	<u>\$57,815,791</u>	<u>\$35,000,000</u>	<u>\$ 1,864,487</u>	<u>\$ 90,951,304</u>

As of June 30, 2019, the annual debt service requirements of the general obligation bonds were as follows:

Fiscal Year	Principal	Interest	Total
2020	\$ 1,879,764	\$ 7,256,960	\$ 9,136,724
2021	4,985,148	7,461,852	12,447,000
2022	2,431,392	7,677,584	10,108,976
2023	1,300,000	3,333,775	4,633,775
2024	1,490,000	3,277,400	4,767,400
2025-2029	6,275,000	15,602,000	21,877,000
2030-2034	10,485,000	13,937,075	24,422,075
2035-2039	16,415,000	11,412,135	27,827,135
2040-2044	22,450,000	7,249,901	29,699,901
2043-2047	23,240,000	2,827,328	26,067,328
Total	<u>\$ 90,951,304</u>	<u>\$ 80,036,010</u>	<u>\$ 170,987,314</u>

**CABRILLO UNIFIED SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2019**

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**7. JOINT POWERS AGREEMENTS**

The District participates in a joint powers agreement ("JPA") with the San Mateo County Schools Insurance Group ("SMCSIG"). A board consisting of a representative from each member district governs the JPA. The governing board controls the operation of the JPA independent of any influence by the District beyond the District's representation on the governing board. The JPA is independently accountable for its fiscal matters. Budgets are not subject to any approval other than that of the governing board. Member districts share surpluses and deficits proportionately to their participation. The relationship between the District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes.

The following is a summary of coverage provided by SMCSIG JPA and its most recent financial statement information:

	SMCSIG June 30, 2018
Total Assets & Deferred Outflows	\$ 25,857,722
Total Liabilities & Deferred Inflows	10,504,013
Total Equity	15,353,709
Total Revenues	45,214,456
Total Expenditures	42,672,851

**8. COMMITMENTS AND CONTINGENCIES**

**Litigation**

Various claims involving the District are currently outstanding. However, management believes, based on consultation with legal counsel, that the ultimate resolution of these matters will not have a material adverse effect on the District's financial position or results of operations.

**Federal and State Allowances, Award, and Grants**

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

**9. CALPERS PENSION PLAN**

*General Information about the PERS Pension Plan*

**Plan Description** - All qualified permanent and probationary employees are eligible to participate in the District's CalPERS Employee Pension Plan (the Plan), a cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

**Benefits Provided** - CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for

**CABRILLO UNIFIED SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the Plan are applied as specified by the Public Employees' Retirement Law. The Plans' provisions and benefits in effect at June 30, 2019, are summarized as follows:

	<b>CalPERS</b>	
	Classic	PEPRA
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life
Retirement age: minimum	50	52
Monthly benefits as a % of eligible compensation	(1)	(1)
Required employee contribution rates	7.000%	7.000%
Required employer contribution rates	18.062%	18.062%

(1) Monthly benefit is a product of benefit factor, years of service, and final compensation

**Contributions** - Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For fiscal year ending June 30, 2019, the State enacted Senate Bill No. 90 which appropriated funding to the Public Employees' Retirement Fund on behalf of the District.

For the year ended June 30, 2019, the District's contributions were as follows:

	<b>CalPERS</b>
Employer Contributions	\$ 1,072,486
State Contributions	398,483
<b>Total</b>	<b>\$ 1,470,969</b>

***Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to PERS***

As of June 30, 2019, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	<b>Proportionate Share of Net Pension Liability/(Asset)</b>
CalPERS	\$ 11,753,116

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2018, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. The District's proportion of the

**CABRILLO UNIFIED SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability for the Plan as of June 30, 2018 and 2019 was as follows:

	<b>CalPERS</b>
Proportion - June 30, 2018	0.04294%
Proportion - June 30, 2019	0.04408%
Change - Increase/(Decrease)	0.00114%

For the year ended June 30, 2019, the District recognized pension expense of \$2,349,551 for the Plan. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>CalPERS</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes of Assumptions	\$ 1,173,497	\$ -
Differences between Expected and Actual Experience	770,491	-
Differences between Projected and Actual Investment Earnings	96,402	-
Differences between Employer's Contributions and Proportionate Share of Contributions	-	9,754
Change in Employer's Proportion	303,633	218,511
Pension Contributions Made Subsequent to Measurement Date	1,072,486	-
<b>Total</b>	<b>\$ 3,416,509</b>	<b>\$ 228,265</b>

The District reported \$1,072,486 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<b>Fiscal Year Ending June 30:</b>	<b>Deferred Outflows/ (Inflows) of Resources</b>
2020	\$ 1,297,530
2021	850,257
2022	37,342
2023	(69,372)
<b>Total</b>	<b>\$ 2,115,757</b>

**CABRILLO UNIFIED SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2019**

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**Actuarial Assumptions** - The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	2.75%
Projected Salary Increase	(1)
Investment Rate of Return	7.15% (2)
Mortality	(3)

- (1) Varies by age and service
- (2) Net of pension plan investment expenses, including inflation
- (3) Derived using CalPERS' membership data for all funds

**Discount Rate** - The discount rate used to measure the total pension liability was 7.15%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested employer rate plans within the Plan that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested employer rate plans run out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The stress test results are presented in a detailed report, GASB Statements 67 and 68 Crossover Testing Report for Measurement Date June 30, 2018 based on June 30, 2017 Valuations, that can be obtained from the CalPERS website.

According to Paragraph 30 of GASB 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. For the CalPERS Plan, the 7.00% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.15%. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

In the December 2016 and April 2017 meetings, the Board voted to lower the funding discount rates used for the PERF. In making its decision, the Board reviewed recommendations from CalPERS team members, external pension and investment consultants, and input from employer and employee stakeholder groups. A lowered funding discount rate for the PERF will be phased in over a three-year period beginning July 1, 2018 for public agencies and school districts. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the Plan's asset classes, expected compound

**CABRILLO UNIFIED SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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(geometric) returns were calculated over the short-term (first 11 years) and the long-term (60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for the Plan. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class (a)	Assumed Asset Allocation	Real Return Years 1 - 10 (b)	Real Return Years 11+ (c)
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Sensitive	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	<u>100.00%</u>		

- (a) In the System's CAFR, Fixed Income is included in Global Debt Securities;  
Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.
- (b) An expected inflation of 2.0% used for this period.
- (c) An expected inflation of 2.92% used for this period.

**Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate -**  
The following presents the District's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>CalPERS</u>
1% Decrease	6.15%
Net Pension Liability	\$ 17,111,974
Current	7.15%
Net Pension Liability	\$ 11,753,116
1% Increase	8.15%
Net Pension Liability	\$ 7,307,175

**Pension Plan Fiduciary Net Position -** Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

**CABRILLO UNIFIED SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2019**

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**10. CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM (STRS) PENSION PLAN**

*General Information about the STRS Pension Plan*

**Plan Description** - The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information.

**Benefits Provided** - STRS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. The cost of living adjustments for the Plan are applied as specified by the retirement Law. The Plan's provisions and benefits in effect at June 30, 2019, are summarized as follows:

	<b>CalSTRS</b>	
	Tier 1	Tier 2
Benefit formula	2% @ 60	2% @ 62
Benefit vesting schedule	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	60	62
Monthly benefits as a % of eligible compensation	2%	2%
Required employee contribution rates	10.250%	10.205%
Required employer contribution rates	16.280%	16.280%
Required State contribution rates	9.828%	9.828%

**Contributions** - As part of the annual valuation process, the Normal Cost rate is determined as the basis for setting the base member contribution rate for the following fiscal year. Generally, the base member contribution rate is one-half of the Normal Cost rate within certain parameters. Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial cost method.

For the year ended June 30, 2019, the District's contributions were as follows:

	<b>CalSTRS</b>
Employer Contributions	\$ 2,396,832
State Contributions	2,305,727
<b>Total</b>	<b>\$ 4,702,559</b>

**CABRILLO UNIFIED SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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***Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to STRS***

As of June 30, 2019, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	<b>Proportionate Share of Net Pension Liability/(Asset)</b>
District	\$ 24,814,890
State	14,207,765
<b>Total</b>	<b>\$ 39,022,655</b>

The District’s net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2015, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The state contributed 9.124 percent of the members’ creditable earnings from the fiscal year ending in the prior calendar year plus an additional \$970,935 as required by SB90. Also, as a result of AB 1469, the additional state appropriation required to fully fund the benefits in effect as of 1990 by 2046 is specific in subdivision (b) of Education Code Section 22955.1. The increased contributions end as of fiscal year 2045-2046.

The District’s proportionate share of the net pension liability for the Plan as of June 30, 2018 and 2019 was as follows:

	<b>CalSTRS</b>
Proportion - June 30, 2018	0.02700%
Proportion - June 30, 2019	0.02700%
Change - Increase/(Decrease)	0.00000%

For the year ended June 30, 2019, the District recognized pension expense of \$5,842,027 for the Plan.

**CABRILLO UNIFIED SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>CalSTRS</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes of Assumptions	\$ 3,855,060	\$ -
Differences between Expected and Actual Experience	76,950	360,450
Differences between Projected and Actual Investment Earnings	-	955,530
Differences between Employer's Contributions and Proportionate Share of Contributions	81,360	6,631
Change in Employer's Proportion	312,116	1,091,771
Pension Contributions Made Subsequent to Measurement Date	2,396,832	-
<b>Total</b>	<b>\$ 6,722,318</b>	<b>\$ 2,414,382</b>

The District reported \$2,396,832 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<b>Fiscal Year Ending June 30:</b>	<b>Deferred Outflows/ (Inflows) of Resources CalSTRS</b>
2020	\$ 791,029
2021	433,009
2022	(218,231)
2023	318,655
2024	577,623
Thereafter	9,018
<b>Total</b>	<b>\$ 1,911,103</b>

**CABRILLO UNIFIED SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2019**

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**Actuarial Assumptions** - The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method
 Actuarial Assumptions:	
Discount Rate	7.10%
Inflation	2.75%
Wage Growth	3.50%
Postretirement Benefit Increases	(1)
Investment Rate of Return	7.10% (2)
Mortality	(3)

- (1) 2% simple for DB (annually)  
     Maintain 85% purchasing power level for DB  
     Not applicable for DBS/CBB
- (2) Net of investment expense but gross of administrative expenses.
- (3) Based on 110% of the MP-2016 Ultimate Projection  
     Scale table issued by the Society of Actuaries.

**Discount Rate** - The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB 1469. Projected inflows from investment earnings were calculated using the long term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

**CABRILLO UNIFIED SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2019**

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	Assumed Asset Allocation	Long-Term Expected Rate of Return <sup>(1)</sup>
Global Equity	47.00%	6.30%
Fixed Income	12.00%	0.30%
Real Estate	13.00%	5.20%
Private Equity	13.00%	9.30%
Risk Mitigating Strategies	9.00%	2.90%
Inflation Sensitive	4.00%	3.80%
Cash/Liquidity	2.00%	-1.00%
<b>Total</b>	<b>100.00%</b>	

<sup>(1)</sup> 20 year average

**Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate -** The following presents the District's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>CalSTRS</u>
1% Decrease	6.10%
Net Pension Liability	\$ 36,350,910
Current	7.10%
Net Pension Liability	\$ 24,814,890
1% Increase	8.10%
Net Pension Liability	\$ 15,250,410

**Pension Plan Fiduciary Net Position -** Detailed information about each pension plan's fiduciary net position is available in the separately issued STRS financial reports.

REQUIRED  
SUPPLEMENTARY  
INFORMATION

**CABRILLO UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET TO ACTUAL (GAAP)**  
**GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive - (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual (GAAP Basis)</u>	
Revenues:				
LCFF sources	\$ 29,744,755	\$ 29,987,802	\$ 30,043,033	\$ 55,231
Federal revenues	1,434,799	1,596,390	1,383,452	(212,938)
Other state	3,225,789	3,408,063	4,870,969	1,462,906
Other local	2,924,540	2,875,564	3,049,010	173,446
Total revenues	<u>37,329,883</u>	<u>37,867,819</u>	<u>39,346,464</u>	<u>1,478,645</u>
Expenditures:				
Certificated salaries	15,651,157	15,164,126	15,278,596	(114,470)
Classified salaries	6,072,097	6,066,225	6,212,168	(145,943)
Employee benefits	9,939,935	9,061,244	10,744,383	(1,683,139)
Books and supplies	1,201,237	1,600,504	1,346,560	253,944
Services and other operating expenditures	4,609,079	5,249,386	4,920,468	328,918
Capital outlay	-	70,663	70,663	-
Other outgo	334,246	234,804	231,017	3,787
Total expenditures	<u>37,807,751</u>	<u>37,446,952</u>	<u>38,803,855</u>	<u>(1,356,903)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(477,868)</u>	<u>420,867</u>	<u>542,609</u>	<u>121,742</u>
Other financing sources (uses):				
Transfers in	-	83,460	83,460	-
Transfers out	(123,217)	(121,488)	(138,419)	(16,931)
Total other financing sources (uses)	<u>(123,217)</u>	<u>(38,028)</u>	<u>(54,959)</u>	<u>(16,931)</u>
Change in fund balance	(601,085)	382,839	487,650	104,811
Fund balances beginning	<u>4,732,757</u>	<u>4,732,757</u>	<u>4,732,757</u>	<u>-</u>
Fund balances ending	<u>\$ 4,131,672</u>	<u>\$ 5,115,596</u>	<u>\$ 5,220,407</u>	<u>\$ 104,811</u>

The budgetary control level is by object on the modified accrual basis per U.S. GAAP. Expenditures can not legally exceed appropriations by major object. The above excesses were not in accordance with Education Code 42600. Employee benefit excesses were from on behalf pension payments made by the state that are offset by revenue.

**CABRILLO UNIFIED SCHOOL DISTRICT  
SCHEDULE OF PENSION PLAN CONTRIBUTIONS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

<b>CalPERS</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Contractually Required Contributions	\$ 542,031	\$ 647,624	\$ 760,509	\$ 905,457	\$ 1,072,486
Contributions in Relation to Contractually Required Contributions	542,031	647,624	760,509	905,457	1,072,486
<b>Contribution Deficiency (Excess)</b>	<b>\$ -</b>				
<b>Covered Payroll</b>	<b>\$ 4,604,800</b>	<b>\$ 5,466,565</b>	<b>\$ 5,476,015</b>	<b>\$ 5,829,998</b>	<b>\$ 5,937,803</b>
<b>Contributions as a % of Covered Payroll</b>	<b>11.77%</b>	<b>11.85%</b>	<b>13.89%</b>	<b>15.53%</b>	<b>18.06%</b>

**Notes to Schedule:**

Valuation Date: June 30, 2017  
 Assumptions Used: Entry Age Method used for Actuarial Cost Method  
 Level Percentage of Payroll and Direct Rate Smoothing  
 4 Years Remaining Amortization Period  
 Inflation Assumed at 2.5%  
 Investment Rate of Returns set at 7.15%  
 CalPERS mortality table based on CalPERS' experience and include 15 years of projected ongoing mortality

Fiscal year 2015 was the first year of implementation, therefore only five years are shown.  
 The CalPERS discount rate was increased from 7.5% to 7.65% in the District's fiscal year 2016 and then decreased from 7.65% to 7.15% in the District's fiscal year 2018.  
 The CalPERS inflation assumption was decreased from 2.75% to 2.50% during the District's fiscal year 2019.  
 The CalPERS mortality assumptions was adjusted in the District's fiscal year 2019.

<b>CalSTRS</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Contractually Required Contributions	\$ 1,192,438	\$ 1,534,386	\$ 1,800,800	\$ 2,158,869	\$ 2,396,832
Contributions in Relation to Contractually Required Contributions	1,192,438	1,534,386	1,800,800	2,158,869	2,396,832
<b>Contribution Deficiency (Excess)</b>	<b>\$ -</b>				
<b>Covered Payroll</b>	<b>\$ 13,428,356</b>	<b>\$ 14,299,963</b>	<b>\$ 14,314,785</b>	<b>\$ 14,960,977</b>	<b>\$ 14,722,555</b>
<b>Contributions as a % of Covered Payroll</b>	<b>8.88%</b>	<b>10.73%</b>	<b>12.58%</b>	<b>14.43%</b>	<b>16.28%</b>

**Notes to Schedule:**

Valuation Date: June 30, 2017  
 Assumptions Used: Entry Age Method used for Actuarial Cost Method  
 Level Percentage of Payroll Basis  
 7 Years Remaining Amortization Period  
 Inflation Assumed at 2.75%  
 Investment Rate of Returns set at 7.10%  
 Mortality tables are based on 110% of the MP-2016 Ultimate Projection Scale table issued by the Society of

Fiscal year 2015 was the first year of implementation, therefore only five years are shown.  
 The CalSTRS discount rate was decreased from 7.6% to 7.1% in the District's fiscal year 2017.  
 The CalSTRS investment rate of return was decreased from 7.6% to 7.1% during the District's fiscal year 2017.  
 The CalSTRS inflation rate was decreased from 3% to 2.75% during the District's fiscal year 2017.  
 The CalSTRS wage growth was decreased from 3.75% to 3.5% during the District's fiscal year 2017.

This schedule provides information about the District's required and actual contributions to PERS & STRS during the year.

**CABRILLO UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

<b>CalPERS</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
District's Proportion of Net Pension Liability	0.04170%	0.03972%	0.04121%	0.04294%	0.04408%
District's Proportionate Share of Net Pension Liability	\$ 4,733,965	\$ 5,855,010	\$ 8,139,553	\$ 10,250,911	\$ 11,753,116
District's Covered Payroll	\$ 4,379,400	\$ 4,604,800	\$ 5,466,565	\$ 5,476,015	\$ 5,829,998
<b>District's Proportionate Share of NPL as a % of Covered Payroll</b>	<b>108.10%</b>	<b>127.15%</b>	<b>148.90%</b>	<b>187.20%</b>	<b>201.60%</b>
<b>Plan's Fiduciary Net Position as a % of the TPL</b>	<b>83.38%</b>	<b>79.43%</b>	<b>73.90%</b>	<b>71.87%</b>	<b>70.85%</b>

Fiscal year 2015 was the first year of implementation, therefore only five years are shown.  
The CalPERS discount rate was increased from 7.5% to 7.65% in the District's fiscal year 2016 and then decreased from 7.65% to 7.5% during the District's fiscal year 2019.  
The CalPERS inflation assumption was decreased from 2.75% to 2.50% during the District's fiscal year 2019.  
The CalPERS mortality assumptions was adjusted in the District's fiscal year 2019.

<b>CalSTRS</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
District's Proportion of Net Pension Liability	0.02800%	0.02490%	0.02559%	0.02700%	0.02700%
District's Proportionate Share of Net Pension Liability	\$ 16,362,360	\$ 16,763,831	\$ 20,695,361	\$ 24,969,330	\$ 24,814,890
State's Proportionate Share of Net Pension Liability Associated with the District	9,880,247	8,866,223	11,781,455	14,771,606	14,207,765
Total	<u>\$ 26,242,607</u>	<u>\$ 25,630,054</u>	<u>\$ 32,476,816</u>	<u>\$ 39,740,936</u>	<u>\$ 39,022,655</u>
District's Covered Payroll	\$ 12,630,436	\$ 13,428,356	\$ 14,299,963	\$ 14,314,785	\$ 14,960,977
<b>District's Proportionate Share of NPL as a % of Covered Payroll</b>	<b>129.55%</b>	<b>124.84%</b>	<b>144.72%</b>	<b>174.43%</b>	<b>165.86%</b>
<b>Plan's Fiduciary Net Position as a % of the TPL</b>	<b>76.52%</b>	<b>74.02%</b>	<b>70.04%</b>	<b>69.46%</b>	<b>70.99%</b>

Fiscal year 2015 was the first year of implementation, therefore only five years are shown.  
The CalSTRS discount rate was decreased from 7.6% to 7.1% in the District's fiscal year 2017.  
The CalSTRS investment rate of return was decreased from 7.6% to 7.1% during the District's fiscal year 2017.  
The CalSTRS inflation rate was decreased from 3% to 2.75% during the District's fiscal year 2017.  
The CalSTRS wage growth was decreased from 3.75% to 3.5% during the District's fiscal year 2017.

This schedule presents information on the District's portion of the net pension liability of PERS & STRS in compliance with GASB 68.

SUPPLEMENTARY  
INFORMATION

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*Nonmajor Governmental Funds  
Combining Schedules*

**CABRILLO UNIFIED SCHOOL DISTRICT  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2019**

	Special Revenue Funds				Capital Projects Fund	Total Nonmajor Governmental Funds
	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	
<b>Assets</b>						
Cash and investments	\$ 5,265	\$ 1,141	\$ 38,127	\$ 228	\$ 1,218,670	\$ 1,263,431
Accounts receivable	57,605	110	138,928	1	14,300	210,944
Due from other funds	-	-	20	-	-	20
Prepaid items and inventory	-	-	11,211	-	-	11,211
<b>Total Assets</b>	<b>\$ 62,870</b>	<b>\$ 1,251</b>	<b>\$ 188,286</b>	<b>\$ 229</b>	<b>\$ 1,232,970</b>	<b>\$ 1,485,606</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 3,925	\$ -	\$ 2,171	\$ -	\$ -	\$ 6,096
Due to other funds	22,363	-	174,904	-	-	197,267
<b>Total Liabilities</b>	<b>26,288</b>	<b>-</b>	<b>177,075</b>	<b>-</b>	<b>-</b>	<b>203,363</b>
<b>Fund Balances:</b>						
Nonspendable stores inventories	-	-	11,211	-	-	11,211
Restricted for adult education	36,582	-	-	-	-	36,582
Restricted for capital projects	-	-	-	-	1,232,970	1,232,970
Assigned for site repairs	-	-	-	229	-	229
Assigned for child development	-	1,251	-	-	-	1,251
<b>Total Fund Balances</b>	<b>36,582</b>	<b>1,251</b>	<b>11,211</b>	<b>229</b>	<b>1,232,970</b>	<b>1,282,243</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 62,870</b>	<b>\$ 1,251</b>	<b>\$ 188,286</b>	<b>\$ 229</b>	<b>\$ 1,232,970</b>	<b>\$ 1,485,606</b>

**CABRILLO UNIFIED SCHOOL DISTRICT  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Special Revenue Funds			Capital Projects Fund		Total Nonmajor Governmental Funds
	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	
Revenues:						
Federal revenue	\$ 46,874	\$ -	\$ 565,172	\$ -	\$ -	\$ 612,046
Other state	340,122	-	41,134	-	-	381,256
Other local	6,609	1,392	188,901	5	221,073	417,980
Total revenues	393,605	1,392	795,207	5	221,073	1,411,282
Expenditures:						
Current						
Instruction	82,184	-	-	-	-	82,184
Instruction-related services:						
Supervision of instruction	10,515	-	-	-	-	10,515
School site administration	357,242	-	-	-	-	357,242
Pupil services:						
Food services	-	-	931,705	-	-	931,705
General administration:						
All other general administration	22,280	-	-	-	-	22,280
Plant services	-	-	3,893	-	14,238	18,131
Facilities acquisition and construction	-	-	-	-	360	360
Community services	-	141	-	-	-	141
Total expenditures	472,221	141	935,598	-	14,598	1,422,558
Excess (deficiency) of revenues over (under) expenditures	(78,616)	1,251	(140,391)	5	206,475	(11,276)
Other financing sources (uses):						
Transfers in	-	-	138,419	-	-	138,419
Transfers out	-	(83,460)	-	-	-	(83,460)
Total other financing sources (uses)	-	(83,460)	138,419	-	-	54,959
Change in fund balances	(78,616)	(82,209)	(1,972)	5	206,475	43,683
Fund balances beginning	115,198	83,460	13,183	224	1,026,495	1,238,560
Fund balances ending	\$ 36,582	\$ 1,251	\$ 11,211	\$ 229	\$ 1,232,970	\$ 1,282,243

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STATE AND FEDERAL  
AWARD COMPLIANCE  
SECTION

**CABRILLO UNIFIED SCHOOL DISTRICT  
ORGANIZATION (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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Cabrillo Unified School District, located just south of San Francisco on the beautiful Pacific Coast, was established on July 1, 1965 and encompasses an area of approximately 135 square miles. The District currently operates four elementary schools, one intermediate school, one high school, a continuation school, and an adult education program.

The Board of Education for the fiscal year ended June 30, 2019, was comprised of the following members:

Governing Board

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Sophia Layne	President	2020
Kimberly Hines	Vice President	2020
Lizet Cortes	Clerk	2022
May Beth	Member	2022
Freya McCamant	Member	2022

Administration

Sean McPhetridge, Ed.D.

**CABRILLO UNIFIED SCHOOL DISTRICT  
SCHEDULE OF AVERAGE DAILY ATTENDANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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	Second Period Report	Annual Report
Regular ADA:		
Grades TK/K through three	827.87	827.98
Grades four through six	671.74	670.40
Grades seven and eight	515.42	513.47
Grades nine and twelve	986.20	981.96
Regular ADA Totals	3,001.23	2,993.81
Extended year special education:		
Grades TK/K through three	0.44	0.44
Grades four through six	0.42	0.42
Grades seven and eight	0.45	0.45
Grades nine and twelve	0.90	0.90
Special education - nonpublic and nonsectarian:		
Grades TK/K through three	1.81	1.62
Grades four through six	3.76	3.89
Grades seven and eight	0.98	0.43
Grades nine and twelve	3.49	3.70
Extended year special education - nonpublic and nonsectarian:		
Grades TK/K through three	0.97	0.97
Grades four through six	2.90	2.90
Grades seven and eight	-	-
Grades nine and twelve	3.46	3.46
ADA Totals	3,020.81	3,012.99

**CABRILLO UNIFIED SCHOOL DISTRICT  
SCHEDULE OF INSTRUCTIONAL TIME OFFERED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Grade Level	Minutes Requirements	Actual Minutes	(Unaudited)	Number of Days Traditional Calendar	(Unaudited)	Number of Days Multitrack Calendar	Status
			Original Scheduled Minutes		Scheduled Number of Days		
Kindergarten	36,000	37,420	37,605	179	180	0	In compliance
Grade 1	50,400	50,365	50,670	179	180	0	In compliance
Grade 2	50,400	50,365	50,670	179	180	0	In compliance
Grade 3	50,400	50,365	50,670	179	180	0	In compliance
Grade 4	54,000	54,560	54,895	179	180	0	In compliance
Grade 5	54,000	54,560	54,895	179	180	0	In compliance
Grade 6	54,000	55,219	55,548	179	180	0	In compliance
Grade 7	54,000	55,219	55,548	179	180	0	In compliance
Grade 8	54,000	55,219	55,548	179	180	0	In compliance
Grade 9	64,800	64,620	64,920	179	180	0	In compliance
Grade 10	64,800	64,620	64,920	179	180	0	In compliance
Grade 11	64,800	64,620	64,920	179	180	0	In compliance
Grade 12	64,800	64,620	64,920	179	180	0	In compliance

School districts and charter schools must maintain their instructional minutes as defined in Education Code Section 46207. This schedule is required of all districts and charter schools, including basic aid districts.

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instruction time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206. The District has not met or exceeded its target funding.

The District has an approved Form J-13A, Request for Allowance of Attendance Due to Emergency Conditions, for school closure due to California wild fires. Pursuant to Education Code section 41422, 46200, 46391, 46392 and the California Code of Regulations the approved Form J-13A combined with attendance records were used to document compliance with instructional time laws.

**CABRILLO UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS (UNAUDITED)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	(Budget <sup>1</sup> ) 2020	2019	2018	2017
<u>General Fund</u>				
Revenues and other financial sources	\$ 36,517,865	\$ 39,429,924	\$ 36,190,088	\$ 35,770,564
Expenditures	38,017,008	38,803,855	37,446,184	34,509,531
Other uses and transfers (out)	152,783	138,419	163,000	143,435
Total outgo	38,169,791	38,942,274	37,609,184	34,652,966
Change in fund balance	\$ (1,651,926)	\$ 487,650	\$ (1,419,096)	\$ 1,117,598
Ending fund balance	\$ 3,568,481	\$ 5,220,407	\$ 4,732,757	\$ 6,151,853
Available reserves <sup>2</sup>	\$ 2,912,746	\$ 4,611,913	\$ 4,416,498	\$ 5,353,455
Designated for economic uncertainty	\$ 1,218,385	\$ 1,240,418	\$ 1,198,854	\$ 1,109,605
Unassigned fund balance	\$ 1,694,361	\$ 3,371,495	\$ 3,217,644	\$ 4,243,850
Available reserves as a percentage of total outgo	8%	12%	12%	15%
Total long-term liabilities	\$ 131,286,238	\$ 133,166,002	\$ 96,447,364	\$ 92,578,286
Average daily attendance (ADA) at P-2	2,973	3,021	3,088	3,151

ADA has decreased by 130 since 2017. The district anticipates a decrease of 48 ADA in 2019/20.

The general fund balance has decreased by \$931,446 since 2017. For a district this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, other uses (total outgo).

The district operated at a surplus in two of the past three years. Total long-term debt has increased by \$40,587,716 over the past three years.

<sup>1</sup> Budget numbers are based on the first adopted budget of the fiscal year 2019/20.

<sup>2</sup> Available reserves consists of all unassigned fund balances in the general fund, which includes the reserve for economic uncertainties.

**CABRILLO UNIFIED SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

PROGRAM NAME	Federal Catalog Number	Pass Through Number	Program Expenditures
<b>U. S. DEPARTMENT OF AGRICULTURE</b>			
Passed Through California Department of Education			
<i>Child Nutrition Cluster</i>			
National School Lunch Program**	10.555	(1) 13391	\$ 412,576
School Breakfast Program	10.553	(1) 13391	<u>152,596</u>
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<u>565,172</u>
<b>U. S. DEPARTMENT OF EDUCATION</b>			
Passed Through California Department of Education			
<i>Special Education Cluster</i>			
Special Ed: IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	(1) 13379	597,260
Special Ed: IDEA Preschool Grants, Part B, Sec 619	84.173	(1) 13430	14,721
Special Ed: IDEA Preschool Local Entitlement, Part B, Sec 611	84.027	(1) 13682	-
Special Ed: IDEA Preschool Staff Development, Part B, Sec 619	84.173	(1) 13431	158
Special Ed: IDEA Local Assistance, Part B, Sec 611, Private School ISPs	84.027	(1) 10115	<u>4,896</u>
<i>Total Special Education Cluster</i>			617,035
<i>Title I, Part C</i>			
NCLB: Title I, Part C, Migrant Ed (Regular and Summer Program)	84.011	14326	168,719
NCLB: Title I, Migrant Education Summer Program	84.011	10005	202
NCLB: Title I, Part C, Even Start Migrant Education (MEES)	84.011	14768	<u>37,002</u>
<i>Total Title I, Part C</i>			205,923
<i>Adult Education</i>			
Adult Education: Adult Basic Education & ELA (Section 231)	84.002A	14508	18,250
Adult Education: Adult Secondary Education (Section 231)	84.002	13978	4,950
Adult Education: English Literacy & Civics Education	84.002	14750	<u>23,674</u>
<i>Total Adult Education</i>			46,874
NCLB: Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	130,406
NCLB Title I, Part G: Advanced Placement Test Free Reimbursement	84.330	14831	-
Department of Rehab: Workability II, Transition Partnership	84.126	10006	77,235
Carl D. Perkins Career and Technical Education: Secondary, Section 131	84.048	14894	14,902
ESEA (ESSA): Title II, Part A, Teacher Quality Local Grants	84.367	14341	122,854
NCLB: Title III, English Learner Student Program	84.365	14346	<u>154,108</u>
<b>TOTAL U. S. DEPARTMENT OF EDUCATION</b>			<u>1,369,337</u>
<b>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Passed Through California Department of Education			
Medi-Cal Billing Option	93.778	10013	<u>60,990</u>
<b>TOTAL U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<u>60,990</u>
<b>TOTAL FEDERAL PROGRAMS</b>			<u>\$ 1,995,499</u>

(1) Audited as major program    \*\* Includes commodities of \$46,768

**CABRILLO UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (SACS)  
WITH AUDITED FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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	<u>General Fund</u>	<u>Building Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>Other Nonmajor Governmental Funds</u>
June 30, 2019 Annual Financial and Budget Report (SACS) Fund Balances	\$ 5,148,259	\$ 29,560,371	\$ 9,048,459	\$ 1,354,391
Adjustments & Reclassifications:				
Special Reserve Fund for Other Than Capital Outlay:				
Cash with County Treasury	71,722	-	-	(71,722)
Accounts receivable	426	-	-	(426)
June 30, 2019 Audited Financial Statements Fund Balances	<u>\$ 5,220,407</u>	<u>\$ 29,560,371</u>	<u>\$ 9,048,459</u>	<u>\$ 1,282,243</u>

**CABRILLO UNIFIED SCHOOL DISTRICT  
NOTES TO STATE AND FEDERAL AWARD COMPLIANCE SECTION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**1. PURPOSE OF SCHEDULES**

A. Schedule of Average Daily Attendance

Average daily attendance is a measurement of the number of pupils attending classes in the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments in state funds are made to school Districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

B. Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day and Longer Instructional Year. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

C. Schedule of Financial Trends and Analysis

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

D. Schedule of Expenditures of Federal Awards

*Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Regulations, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) requires a disclosure of the financial activities of all federally funded programs. This schedule was prepared to comply with Uniform Guidance requirements.

E. Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds reported on the SACS report to the audited financial statements.

**2. RESULTS OF RECONCILIATIONS OF EXPENDITURES PER SCHEDULE OF GRANT ACTIVITY WITH THE DISTRICT'S ACCOUNTING SYSTEM**

There were no material unreconciled differences between the District's records and the Schedule of Federal Grant Activity as shown on the Schedule of Expenditures of Federal Awards.

**CABRILLO UNIFIED SCHOOL DISTRICT  
NOTES TO STATE AND FEDERAL AWARD COMPLIANCE SECTION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**3. BASIS OF PRESENTATION - 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 *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Regulations, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The District has elected not to use the 10 percent de minimis indirect cost rate as allowed under Uniform Guidance.

**5. EARLY RETIREMENT INCENTIVE PROGRAM**

The District has not adopted an early retirement incentive program, pursuant to Education Code Sections 22714 and 44929, whereby the service credit to eligible employees is increased to two years.

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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***

The Honorable Board of Trustees  
Cabrillo Unified School District  
Half Moon Bay, California

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 governmental activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 11, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 District'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards, which are described in the accompanying schedule of findings and questioned costs as finding 2019-001.

**District’s Responses to Findings**

The District’s responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**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 District’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 District’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



December 11, 2019  
San Jose, California



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH UNIFORM GUIDANCE**

The Honorable Board of Trustees  
Cabrillo Unified School District  
Half Moon Bay, California

**Report on Compliance for Each Major Federal Program**

We have audited Cabrillo Unified School District's compliance with the types of compliance requirements described in *OMB Compliance Supplement* that could have a direct and material effect on each of Cabrillo Unified School District's major federal programs for the year ended June 30, 2019. Cabrillo Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Regulations, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance 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 Unified School 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.



## **Report on Internal Control over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, 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 District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

December 11, 2019  
San Jose, California



**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON STATE PROGRAMS**

The Honorable Board of Trustees  
Cabrillo Unified School District  
Half Moon Bay, California

**Compliance**

We have audited the Cabrillo Unified School District (the District)’s compliance with the types of compliance requirements described in the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, that could have a direct and material effect on each of the District’s state programs identified below for the year ended June 30, 2019.

**Management’s Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its state programs.

**Auditor’s Responsibility**

Our responsibility is to express an opinion on compliance for each applicable program as identified in the State’s audit guide, *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. 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 the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Those standards, and state audit, guide 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 state laws and regulations described in the schedule below, 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. 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.

In connection with the compliance audit referred to above, we selected and tested transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

<u>Description</u>	<u>Procedures Performed</u>
Local Education Agencies Other than Charter Schools:	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No
Continuation Education	No



Description	Procedures Performed
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	N/A
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	N/A
Middle or Early College High Schools	N/A
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	N/A
Comprehensive School Safety Plan	Yes
District of Choice	N/A
School Districts, County Offices of Education, and Charter Schools	
California Clean Energy Job Acts	Yes
After/Before School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	N/A
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	N/A
Charter Schools:	
Attendance	N/A
Mode of Instruction	N/A
Nonclassroom-Based Instruction/Independent Study for Charter Schools	N/A
Determination of Funding for Nonclassroom - Based Instruction	N/A
Annual Instructional Minutes - Classroom Based	N/A
Charter School Facility Grant Program	N/A

We did not perform the audit procedures for Continuation Education and Full-time Independent Study programs because the ADA was under the level that requires testing.

**Opinion**

In our opinion, Cabrillo Unified School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on State Programs for the fiscal year ended June 30, 2019.

**Other Matter**

The results of our auditing procedures disclosed instances of noncompliance with the compliance requirements referred to above, which are required to be reported in accordance with *2018-19 Guide for*



*Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, and which are described in the accompanying schedule of findings and questioned costs as finding 2019-001.

**District's Response to Findings**

The District's response to the compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures in the audit of compliance and, accordingly, we express no opinion on the response



December 11, 2019  
San Jose, California

FINDINGS AND  
RECOMMENDATIONS

**CABRILLO UNIFIED SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued Unmodified

Internal control over financial reporting:

Material weaknesses? \_\_\_ Yes x No

Significant deficiencies identified not  
considered to be material weaknesses? \_\_\_ Yes x No

Non-compliance material to financial statements noted? \_\_\_ Yes x No

**Federal Awards**

Internal control over major programs:

Material weaknesses? \_\_\_ Yes x No

Significant deficiencies identified not  
considered to be material weaknesses? \_\_\_ Yes x No

Type of auditor's report issued on compliance over major programs Unmodified

Any audit findings disclosed that are required to be reported in  
accordance with 2 CFR 200.516(a) \_\_\_ Yes x No

Identification of Major Programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program</u>
10.553, 10.555	Child Nutrition Cluster
84.027, 84.173	Special Education Cluster

Dollar threshold used to distinguish between  
type A and type B programs: \$ 750,000

Auditee qualified as low risk auditee? \_\_\_ Yes x No

**State Awards**

Internal control over state programs:

Material weaknesses? \_\_\_ Yes x No

Significant deficiencies identified not  
considered to be material weaknesses? x Yes \_\_\_ No

Type of auditor's report issued on compliance over state programs: Unmodified

**CABRILLO UNIFIED SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**Section II - Financial Statement Findings**

None

**Section III - Federal Award Findings and Questioned Costs**

None

**Section IV - State Award Findings and Questioned Costs**

**Finding 2019-001: Comprehensive School Safety Plan (40000)**

*Criteria or Specific Requirements:* Pursuant to Education Code Section 32288, prior to adopting its comprehensive school safety plan, the school site council or school safety planning committee shall hold a public meeting at the school site in order to allow members of the public the opportunity to express an opinion about the school safety plan. The school site council or school safety planning committee shall notify, in writing, the following persons and entities, if available, of the public meeting: local mayor, representative of the local school employee organization, representative of each parent organization at the school site, representative of each teacher organization at the school site, representative of the student body government, and all persons who have indicated they want to be notified.

*Condition:* During testing of the District's comprehensive school safety plans, we noted that the school safety plans did not have evidence of having been properly adopted by the school site council or school safety planning committee, as required by education code 32288.

*Questioned Costs:* None.

*Effect:* The District was not in compliance with the Education Code Section 32288.

*Cause:* The District was not aware of the timing requirements of the Comprehensive School Safety Plan.

*Recommendation:* We recommend that the District review the requirements of Education Code 32288. We also recommend that the District review the California Department of Education mandates related to this Education Code, by following their checklist for developing a comprehensive school safety plan, which includes the mandate for the plan to be reviewed, updated, and approved by March 1st each year.

*Corrective Action Plan:* The District agrees with this recommendation and will be more diligent about following the CDE-developed checklist for reviewing, updating and approving the safety plan.

**CABRILLO UNIFIED SCHOOL DISTRICT  
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**Section II - Financial Statement Findings**

None

**Section III - Federal Award Findings and Questioned Costs**

None

**Section IV - State Award Findings and Questioned Costs**

None

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The audit staff wishes to express their thanks and appreciation for the help and cooperation of the District office staff during the course of our audit.