

**CABRILLO UNIFIED SCHOOL DISTRICT
MEASURE S BOND BUILDING FUND**

Audited Financial Statements &
Independent Auditor's Report
June 30, 2019



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Certified Public Accounts
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**CABRILLO UNIFIED SCHOOL DISTRICT
 Measure S Bond Building Fund
 For the Fiscal Year Ended June 30, 2019**

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Measure S Bond Building Fund of the Cabrillo Unified School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure S Bond Building Fund of the Cabrillo Unified School District, as of June 30, 2019, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Other Matters

As discussed in Note 1, the financial statements present only the Measure S Bond Building Fund and do not purport to, and do not, present fairly the financial position of the Cabrillo Unified School District, as of June 30, 2019, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

Prior-Year Comparative Information

We have previously audited the District's Measure S Bond Building Fund fiscal year 2017-18 financial statements, and we expressed unmodified audit opinions on the respective financial statements in our report dated September 12, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated October 7, 2019 on our consideration of the Cabrillo Unified School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Cabrillo Unified School District's internal control over financial reporting and compliance.

October 7, 2019
San Jose, California

CABRILLO UNIFIED SCHOOL DISTRICT
Measure S Bond Building Fund
Balance Sheet
June 30, 2019

Assets

Total Assets \$ -

Liabilities and Fund Balance

Total Liabilities -

Fund Balance -

Total Liabilities and Fund Balance \$ -

The fiscal year ended June 30, 2019 was the last year of the Measure S bond program.

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

CABRILLO UNIFIED SCHOOL DISTRICT
Measure S Bond Building Fund
Statement of Revenue, Expenditures and Changes in Fund Balance
For the Fiscal Year Ended June 30, 2019

Revenues:	
Interest earnings	\$ 142,476
	<hr/>
Total Revenue	142,476
	<hr/>
Expenditures:	
Classified salaries	160,773
Classified benefits	69,694
Supplies and materials	365,745
Contract services	232,869
Capital outlay	8,595,682
	<hr/>
Total Expenditures	9,424,763
	<hr/>
Net Changes in Fund Balance	(9,282,287)
Fund Balance Beginning	9,282,287
	<hr/>
Fund Balance Ending	\$ -
	<hr/>

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

CABRILLO UNIFIED SCHOOL DISTRICT
Measure S Bond Building Fund
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Principles

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

B. Reporting Entity

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

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

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

C. Basis of Presentation

Fund Financial Statements:

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

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

CABRILLO UNIFIED SCHOOL DISTRICT
Measure S Bond Building Fund
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

D. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions :

On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. To achieve comparability of reporting among California districts, and so as not to distort normal revenue patterns with specific respect to reimbursement grants and correction to state-aid apportionments, the California Department of Education has defined available for district as collectible within one year.

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

Unearned Revenue:

Unearned revenue arises when assets (such as cash) are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements (such as qualified expenditures) are met are recorded as liabilities from unearned revenue.

Unavailable 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 as unavailable revenue.

Expenditures:

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

CABRILLO UNIFIED SCHOOL DISTRICT
Measure S Bond Building Fund
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

E. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. By state law, the District's governing board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements. These budgets are revised by the District's governing board and District superintendent during the year to give consideration to unanticipated income and expenditures. Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object.

F. Encumbrances

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

G. Accounting Estimates

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

NOTE 2 - MEASURE S GENERAL OBLIGATION BOND

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

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

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

CABRILLO UNIFIED SCHOOL DISTRICT
Measure S Bond Building Fund
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

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

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

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

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

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

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

CABRILLO UNIFIED SCHOOL DISTRICT
Measure S Bond Building Fund
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

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

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

The following schedule summarizes the District's Measure S general obligation bonds as of June 30, 2019:

Bond	Original Issue	Outstanding June 30, 2018	Issued	Redeemed	Outstanding June 30, 2019	Current Portion
2012 GOB-A, Meas. S	\$ 18,000,000	\$ 10,005,000	\$ -	\$ 465,000	\$ 9,540,000	\$ 500,000
2012 GOB-B, Meas. S	20,000,000	18,035,000	-	25,000	18,010,000	50,000
2017 GOB-C, Meas. S	20,000,000	20,000,000	-	20,000	19,980,000	20,000
2017 GORB	4,610,000	4,610,000	-	45,000	4,565,000	20,000
Total	\$ 62,610,000	\$ 52,650,000	\$ -	\$ 555,000	\$ 52,095,000	\$ 590,000

The following is a summary of the annual debt service requirements as of June 30, 2019:

Fiscal Year	Principal	Interest to Maturity	Total
2020	\$ 590,000	\$ 2,234,600	\$ 2,824,600
2021	635,000	2,211,175	2,846,175
2022	700,000	2,188,450	2,888,450
2023	770,000	2,162,850	2,932,850
2024	805,000	1,634,675	2,439,675
2025-2029	5,380,000	7,655,000	13,035,000
2030-2034	7,810,000	7,543,700	15,353,700
2035-2039	11,315,000	5,781,135	17,096,135
2040-2044	14,035,000	2,980,788	17,015,788
2045-2049	10,055,000	1,063,703	11,118,703
Total	\$ 52,095,000	\$ 35,456,076	\$ 87,551,076

SUPPLEMENTARY INFORMATION

CABRILLO UNIFIED SCHOOL DISTRICT
Measure S Bond Building Fund
Schedule of Cumulative Expenditures
For the Fiscal Year Ended June 30, 2019

	Fiscal Year Ended June 30, 2018	Fiscal Year Ended June 30, 2019	From Inception Through June 30, 2019
Program Budget:			
Program Proceeds	\$ 11,476,479	\$ 9,282,287	\$ 59,537,340
Interest Earnings	194,010	142,476	929,156
Total Program Budget	11,670,489	9,424,763	60,466,496
Site/Project Description:			
Facility Master Plan	138,366	-	296,276
Energy Program	-	-	263,940
General Support Expenditures	37,466	21,349	628,810
High School Aquatic Center	40,280	-	47,730
Roofing	-	25,140	42,110
High School Multi-use Theatrical Project	5,782	-	314,008
High School Cafeteria	-	-	58,248
High School Modernization	69,303	-	263,634
Parking Lots	-	-	464,396
Waste Management Equipment	-	-	80,370
Playground Improvements	32,418	-	114,261
Gymnasiums	-	-	9,648
High School Track Project	2,545,603	-	3,585,456
Hatch Modernization	8,188,158	37,036	26,711,890
Cunha Gymnasium Complex	220,700	-	3,176,980
Cunha Water Infiltration	2,078,538	8,704,633	11,231,515
Farallone View Modernization	-	56,690	67,390
Security, Safety Upgrades	3,785	99,357	148,787
Pilarcitos Modernization	391,738	-	6,941,479
Los Listos Portable Building	-	-	169,224
District Site Improvements	-	7,358	30,750
Door Lock and Hardware	4,528	-	546,382
Technology Infrastructure	61,860	-	693,684
Technology Classroom Based	22,780	201,166	2,584,302
Purchases from Bond Interest (Furniture and Equipment)	33,577	41,087	277,288
El Granada Repairs	1,255	-	1,255
Heating Upgrades	68,224	-	68,224
Project Management	374,780	230,947	1,648,459
Total Expenditures	14,319,141	9,424,763	60,466,496
(Over) Under Budget/Remaining Budget	\$ (2,648,652)	\$ -	\$ -

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

CABRILLO UNIFIED SCHOOL DISTRICT
Measure S Bond Building Fund
Notes to the Program Schedule
For the Fiscal Year Ended June 30, 2019

NOTE 1 - THE PROGRAM

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

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

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

NOTE 2 - CITIZENS' OVERSIGHT COMMITTEE

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

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

The committee was formed by the Board trustees as required by state law. The Citizens' Oversight Committee was comprised of the following members during the fiscal year ended June 30, 2019:

<u>Name</u>	<u>Title/Function</u>
Mike Alifano	Parent of Student Enrolled
Naomi Patridge	Taxpayer Organization
Lisa Zanette	Parent of Student Enrolled
James Marsh	At-Large Member
Abe Jimenez	At-Large Member
Charmion Donegan	Active Senior Citizens
Diane Brosin	At-Large Member
Zachary Bennington	At-Large Member
Leni Liakos	At-Large Member

**SCHEDULE OF FINDINGS
AND
RECOMMENDATIONS**

CABRILLO UNIFIED SCHOOL DISTRICT
Measure S Bond Building Fund
Schedule of Findings and Recommendations
For the Fiscal Year Ended June 30, 2019

This section identifies the deficiencies, significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

Our tests resulted in no findings and recommendations.

CABRILLO UNIFIED SCHOOL DISTRICT
Measure S Bond Building Fund
Schedule of Prior Year Findings and Recommendations
For the Fiscal Year Ended June 30, 2019

There were no prior year findings and recommendations to be reported.

**OTHER INDEPENDENT AUDITOR'S
REPORTS**



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Measure S Bond Building Fund of the Cabrillo Unified School District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Cabrillo Unified School District's Measure S Bond Building Fund financial statements, and have issued our report thereon dated October 7, 2019.

Internal Control over Financial Reporting

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

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

Our consideration of internal control 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 that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

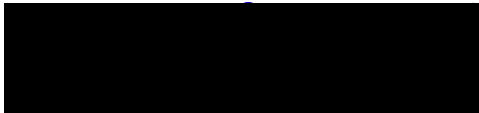
As part of obtaining reasonable assurance about whether the Cabrillo Unified School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However,



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

Purpose of this Report

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



October 7, 2019
San Jose, California



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

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

Compliance

We have audited the Cabrillo Unified School District's (the District) compliance with Measure S Bond of the June 2012 election, as approved under Proposition 39, and with the performance requirements referred to in Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution and the enactment of AB 1908 (Chapter 44, Statutes of 2000).

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance with the laws and regulations identified above based on our audit. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on compliance with the laws and regulations have occurred. An audit includes examining, on a test basis, evidence supporting the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. 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.

Audit Objectives

Our audit included the following objectives:

1. To obtain reasonable assurance that the proceeds of the sale of the Measure S Bonds were only used for the purposes set forth in the ballot measure and not for any other purpose, such as teacher and administrative salaries.
2. To obtain reasonable assurance that the Governing Board of the District, in establishing the approved projects set forth in the ballot measure, evaluated the remodeling, new construction and renovations of items which will relieve overcrowding, repair local schools and improve student safety conditions of the District.



3. To obtain reasonable assurance that the District complied with the performance requirements as referred to in Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution and the enactment of AB 1908 (Chapter 44, Statutes of 2000). Management is responsible for the District's compliance with these requirements.

Scope and Methodology

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

1. We documented and tested controls over financial reporting and compliance specific to the Measure S Bond Program, which included inquiries about budgetary controls, separation of duties, account coding, and procurement.
2. We verified that bond proceeds were deposited in the District's name and invested in accordance with applicable legal requirements.
3. We selected two (2) out of two (2) contracts and verified their compliance with bid requirements, and that their invoices were paid within the contract terms and with board approval.
4. We tested payments made to the architectural service companies and reviewed the terms of the contract.
5. We tested approximately 86% of the 2018-19 expenditures to ensure they were valid, allowable and accurate.
6. We verified that the funds were generally expended for the construction, renovation, furnishing, and equipping of school facilities constituting authorized bond projects.
7. We verified that the District was in compliance with Assembly Bill 1908 and Ed Code Section 15278, where the District is required to establish a bond oversight committee for Proposition 39 bonds that includes one active member from each of the following sectors: a business organization, senior citizens' organization, bona fide taxpayer's association, and one parent/guardian of a child enrolled in the District and one parent/guardian of a child enrolled in the District who is also a member of a parent teacher association.
8. We verified the Citizens' Oversight Committee met pursuant to Education Code Section 15280.

Results of Procedures Performed

We did not identify any exceptions to the procedures performed above, nor any exceptions to other tests that we conducted related to the Measure S Building Fund. Our audit of compliance was made for the purposes set forth in the Objectives section of this report and would not necessarily disclose all instances of noncompliance.

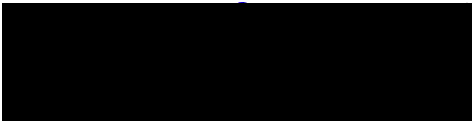


Opinion

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Measure S Bond program for the fiscal year ended June 30, 2019.

Purpose of This Report

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



October 7, 2019
San Jose, California