

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

AUDIT REPORT

JUNE 30, 2009

C. G. UHLENBERG LLP  
333 TWIN DOLPHIN DRIVE, STE 230  
REDWOOD CITY, CA 94065

**Cabrillo Unified School District**  
San Mateo County

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San Mateo County

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FINANCIAL  
SECTION

**C. G. UHLENBERG LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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JEFFREY J. IRA, C.P.A. • KATHERINE CHAO, C.P.A.

**INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Cabrillo Unified School District (the "District"), as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Cabrillo Unified School District's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Cabrillo Unified School District at June 30, 2009, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated November 15, 2009 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

**C. G. UHLENBERG LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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JEFFREY J. IRA, C.P.A. • KATHERINE CHAO, C.P.A.

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

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Cabrillo Unified School District's basic financial statements. The combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of Cabrillo Unified School District. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of Cabrillo Unified School District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*C. G. Uhlenberg LLP*

November 15, 2009  
Redwood City, California

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*Management's Discussion and Analysis*

# **CABRILLO UNIFIED SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2009 UNAUDITED**

The discussion and analysis of Cabrillo Unified School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

### **Overview of the Financial Statements**

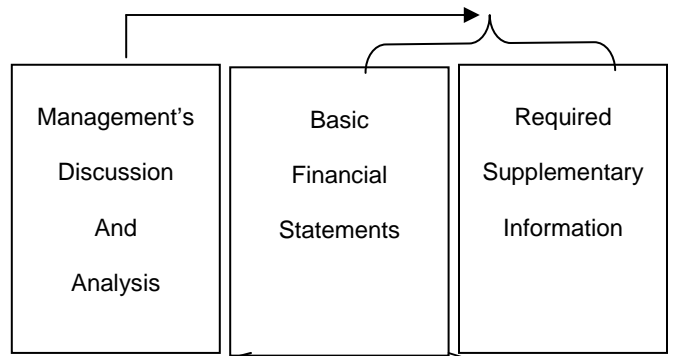
This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Cabrillo Unified School District as a financial whole, or as an entire operating entity.

The statement of net assets and statement of activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and 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 School District's most significant funds with all other non-major funds presented in total in a single column. For Cabrillo Unified School District, the General fund is the most significant fund.

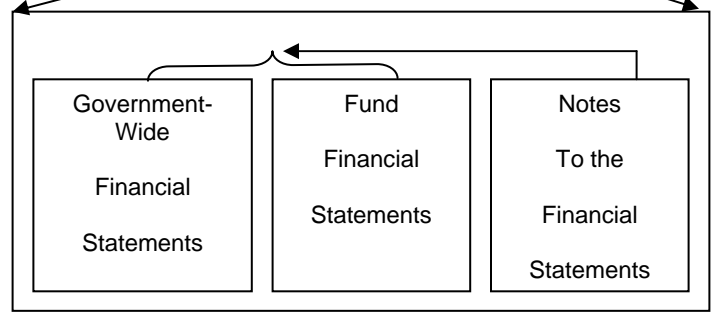
### **Statement of Net Assets and Statement of Activities**

While this report contains the funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2009?" The statement of net assets 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 system used by most private sector companies. This basis of accounting takes into consideration all of the current year's revenues and expenses regardless of when cash was received or paid.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the district's budget for the fiscal year. The diagram presented here shows how the various parts of this annual financial report are arranged and related to one another.



The chart summarizes the major features of the district's financial statements, including the portion of the district's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.



Summary  $\longleftrightarrow$  Detail

### Major Features of the Government-Wide Fund Financial Statements

	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary	Fiduciary
Scope	Entire district, except fiduciary activities	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance		
Required financial statements	Statement of Net Assets Statement of Activities	Balance Sheet Statement of Revenues, Expenditures and Changes in Fund Balances	N/A	N/A
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus		

		<b>Fund Statements</b>		
	<b>Government-Wide Statements</b>	<b>Governmental Funds</b>	Proprietary	Fiduciary
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included		
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	N/A	N/A

The statement reports the School District’s net assets and changes in those assets. This change in net assets is important because it identifies whether the financial position of the School District has improved or diminished for the School District as a whole. The cause of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District’s property tax base, current property tax laws in California restricting revenue growth, facility conditions, required educational programs, and other factors.

**Governmental Activities** – Most of the School District’s programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, and extracurricular activities.

## Reporting the School District’s Most Significant Funds

### Fund Financial Statements

Fund financial reports provide detailed information about the School District’s major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District’s most significant funds. The School District’s Major Governmental Funds are the General Fund and the Building Fund.

## Governmental Funds

Most of the School District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in 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 School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs. The relationship, or differences, between governmental activities reported in the statement or net assets and the statement of activities and the governmental funds is reconciled in the financial statements.

## Financial Analysis of the District as a Whole

The computation of the district's nets assets at June 30, 2009, is presented by category in the following table.

	2009	2008	Change	Percentage Change
<b>Assets</b>				
Current and Other Assets	\$ 28,921,624	\$ 30,676,378	\$ (1,754,754)	-5.7%
Capital Assets	45,200,832	40,373,329	4,827,503	12.0%
<b>Total Assets</b>	<b>\$ 74,122,456</b>	<b>\$ 71,049,707</b>	<b>\$ 3,072,749</b>	<b>4.3%</b>
<b>Liabilities</b>				
Current Liabilities and Other	\$ 9,812,751	\$ 5,279,278	\$ 4,533,473	85.9%
Long-Term Liabilities	19,050,158	21,467,726	(2,417,568)	-11.3%
<b>Total Liabilities</b>	<b>\$ 28,862,909</b>	<b>\$ 26,747,004</b>	<b>\$ 2,115,905</b>	<b>7.9%</b>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Debt	\$ 26,525,069	\$ 22,284,319	\$ 4,240,750	19.0%
Restricted	18,734,478	22,018,384	(3,283,906)	-14.9%
Unrestricted	-	-	-	0.0%
<b>Total Net Assets</b>	<b>\$ 45,259,547</b>	<b>\$ 44,302,703</b>	<b>\$ 956,844</b>	<b>2.2%</b>

The change in Current Liabilities and Other is the result of the District becoming a basic aid district during the fiscal year and the need for the State to recapture all of the Revenue Limit State Aid we had received prior to P-2 while still considered a revenue limit district. Capital Assets grew as a result of the completion of the new buildings at Cunha.

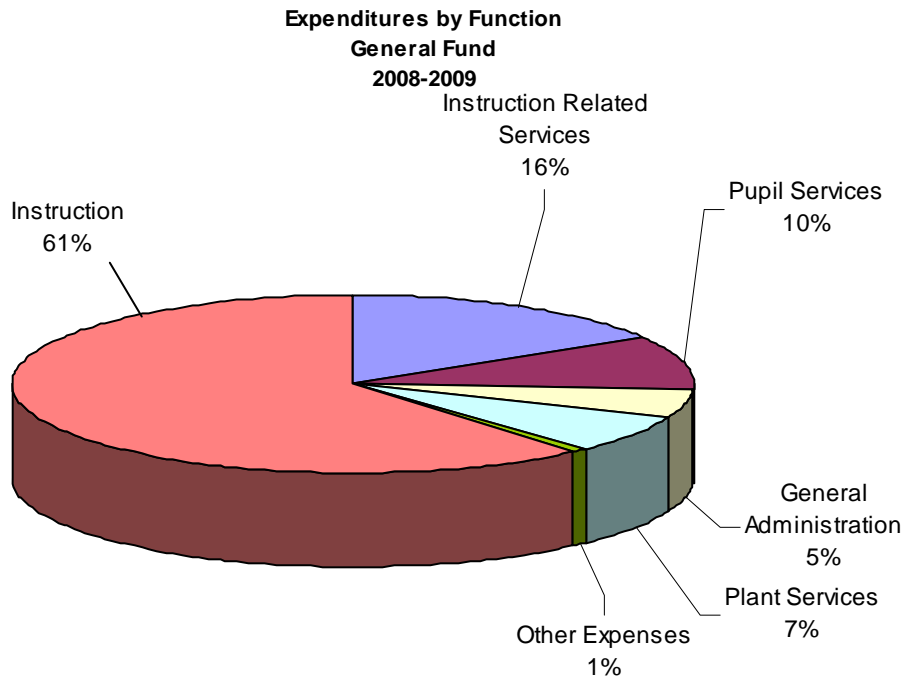
Table 2 shows the changes in net assets for fiscal year 2009.

<b>Table 2 - Summary of Changes in Net Assets</b>				
	2009	2008	Change	Percentage Change
<b>Revenues</b>				
Program Revenues:				
Charges for Services	\$ 556,547	\$ 751,833	\$ (195,286)	-26%
Operating Grants and Contributions	5,753,983	6,219,774	(465,791)	-7%
Capital Grants and Contributions	-	1,244,224	(1,244,224)	-100%
General Revenues:				
Property taxes	23,336,347	18,706,735	4,629,612	25%
Grants and Entitlements - Unrestricted	2,159,379	7,050,832	(4,891,453)	-69%
Other	(638,169)	731,851	(1,370,020)	-187%
<b>Total Revenues</b>	<b>31,168,087</b>	<b>34,705,249</b>	<b>(3,537,162)</b>	<b>-10%</b>
<b>Program Expenses</b>				
Instruction	17,082,776	16,788,707	294,069	2%
Instruction-related services	4,226,180	4,531,078	(304,898)	-7%
Pupil services	3,341,449	3,071,232	270,217	9%
General administration	1,759,364	1,742,987	16,377	1%
Plant services	2,347,193	2,422,496	(75,303)	-3%
Community services	320,660	247,880	72,780	29%
Other educational programs	371,769	345,844	25,925	7%
Payments to other agencies	542,644	774,076	(231,432)	-30%
Interest on long-term debt	219,208	284,005	(64,797)	-23%
<b>Total Expenses</b>	<b>30,211,243</b>	<b>30,208,305</b>	<b>2,938</b>	<b>0%</b>
Increase in Net Assets	956,844	4,496,944	(3,540,100)	-79%
Beginning Net Assets	44,302,703	39,805,759	4,496,944	11%
<b>Ending Net Assets</b>	<b>\$ 45,259,547</b>	<b>\$ 44,302,703</b>	<b>\$ 956,844</b>	<b>2%</b>

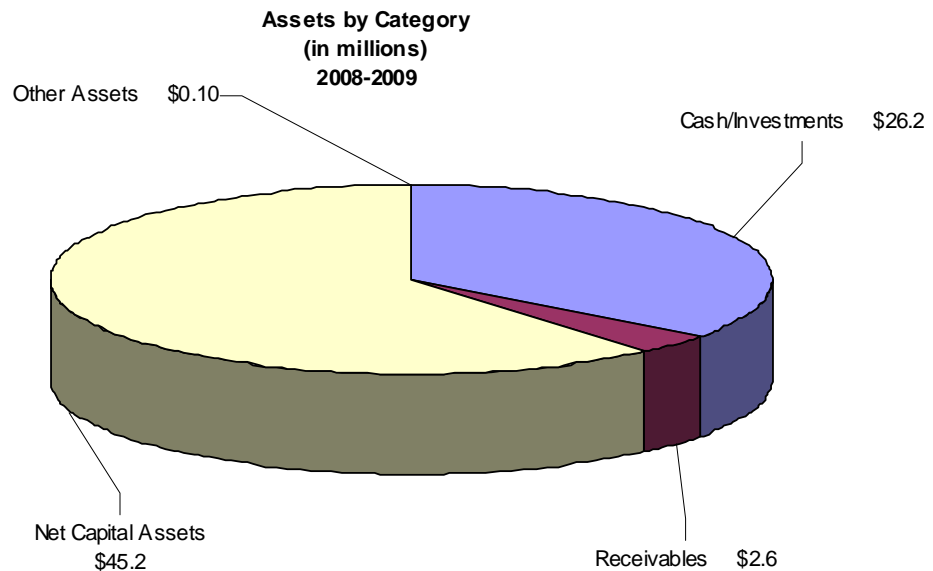
The large change in General Revenues in Grants and Entitlements and Other from 2008 to 2009 is from the fluctuation of the Fair Market Value adjustment from 2008 to 2009 on Cash in County Treasury for all funds of the District as well as a decrease in State revenues and a decrease in interest income in all funds. In addition, the District (along with almost every governmental agency across the nation) saw a reduction in Other Revenues as a result of the Lehman Brothers loss that was incurred in this fiscal year.

Direct Instruction Costs comprise 61% of district expenses, and services to students (Instruction-related services, Pupil services, and Other educational programs) comprise an additional 16% of district expenses.

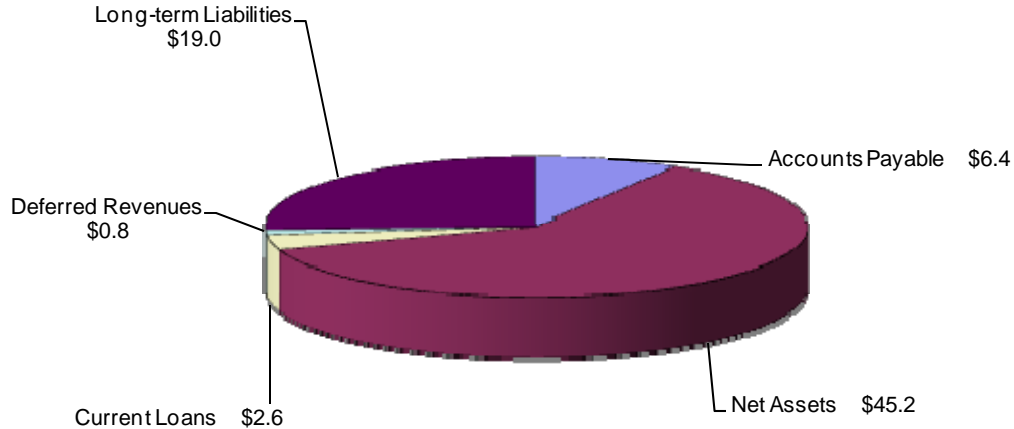
The graph below displays by percentage the district's expenditure function totals.



Presented below are graphs depicting assets by category, along with a graph displaying liabilities and net assets by category.

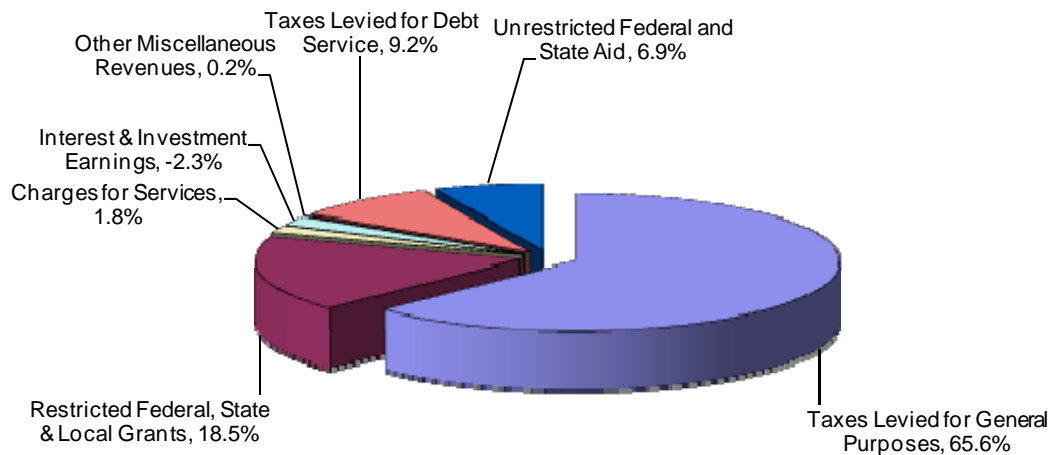


**Liabilities & Net Assets by Category  
(in millions)  
2008-2009**



The following graph displays the district's revenue sources by percentage.

**Revenue Sources  
2008-2009**

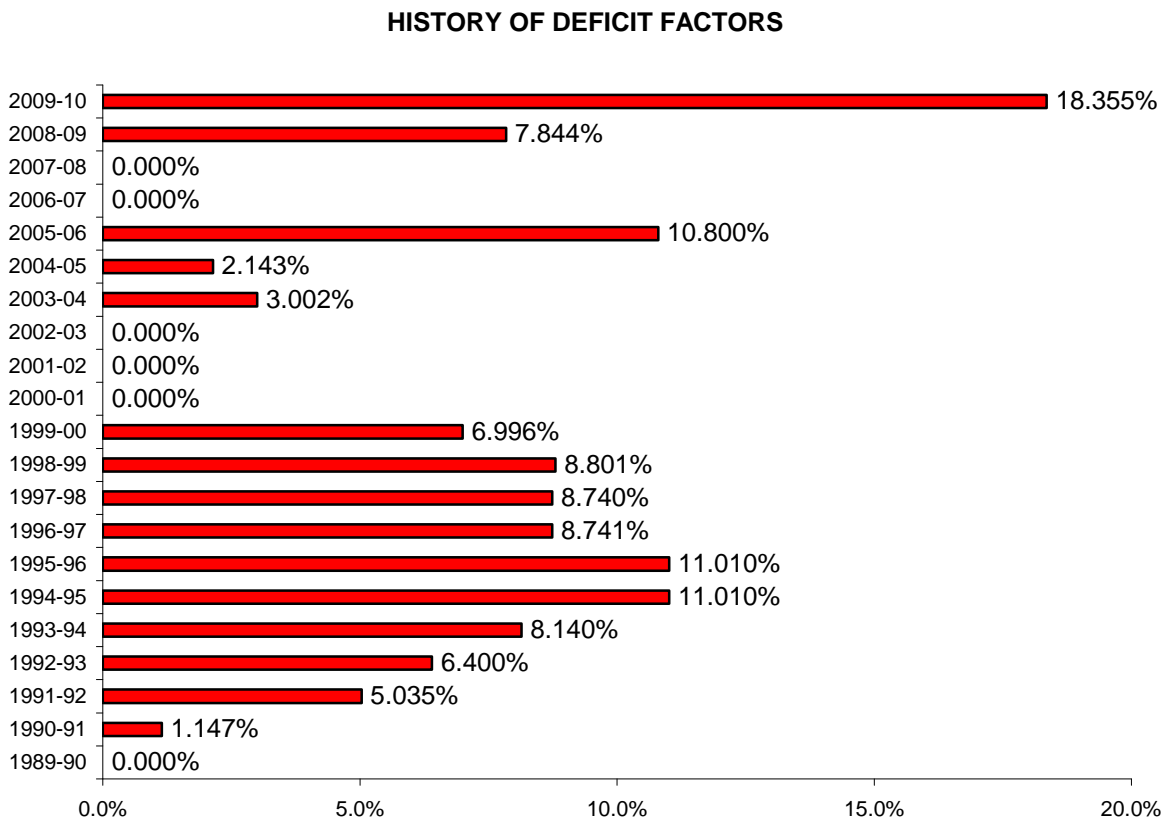


During the 2008-2009 school year, Cabrillo Unified became a “basic aid” district. In normal financial circumstances, a district would have to “grow” into basic aid status. This would happen because property tax values would grow to exceed the district’s statutory revenue limit calculation. However, for Cabrillo (and many other districts in California this year) the State’s severe deficit to revenue limit income caused us to “fall”

into basic aid status. This means the State's deficit of almost 8% to the statutory revenue limit income for 2008-09 gives Cabrillo 92 cents on every revenue limit dollar actually owed, which caused the total revenue limit income to fall below what our district's property tax revenues were.

Cabrillo will be experiencing an even greater decline in general fund revenues in the 2009-2010 and subsequent years due to the State's imposing an 18.355% deficit to statutory revenue limit income.

Over the years the State has used this method to balance its budget at the State level, imposing cuts to school districts throughout California. Only six times in the last twenty one years has the State fully funded the revenue limit. The following chart shows the history of revenue limit deficits in California:



### Financial Analysis of the District's Funds

Despite these imposing reductions to our funding, Cabrillo is fiscally solvent and is working to stay fiscally solvent. The positive financial results of the district as a whole are also reflected in its governmental funds. At June 30, 2009, the district's governmental funds reported a combined fund balance of \$19.2 million. This is a decrease of \$6.3 million from 2008 and is the result of both reductions in funding received from the State as well as completion of the new construction at Cunha Intermediate.

Of the district's governmental funds, five had revenues that exceeded expenditures in 2009. The funds showing deficits had adequate reserves to cover these shortfalls.

## **General Fund Budgetary Highlights**

The district's 2008-2009 General Fund operating budget was adopted by the Governing Board in June of 2008. As adopted, projected expenditures totaled \$27.5 million. Budgeted revenues totaled \$27.4 million, with expenditures projected to exceed revenues by approximately \$77,000.

There were several formal revisions made to the budget during the year. These revisions fell into three main categories:

- ❖ Increases to both estimated income and appropriations due to the receipt of new grant awards or donations.
- ❖ Decreases to estimated income due to mid-year reductions by the state of revenues.
- ❖ The budgeting of carryover balances from prior years. It is district policy to not budget expenditure totals carried over from a prior year until after the unaudited actual balances for that year have been calculated.
- ❖ Increases in appropriations to prevent budget overruns.

During the year, \$254 thousand less in revenue limit income was budgeted due to reductions at the State level. In addition \$312 thousand more in federal revenues was budgeted due mainly to receiving Federal stimulus funds. State revenue budgets decreased by approximate \$323 thousand. Local grants increased during the year by approximately \$910 thousand. Budgeted expenditures increased by \$2.8 million mainly from categorical program carryover amounts from the 2007-08 school year. As revised, the final General Fund Budget totaled \$30.0 million, with expenditures projected to exceed revenues by \$2.1 million.

While the final budget projected a deficit of \$77 thousand, the actual results for the year reflected a decrease to the fund balance of \$83 thousand, with a resulting ending fund balance of over \$2.9 million. Comparing the actual results to the final budget discloses the following regarding this turnaround:

- ❖ Actual Revenue Limit income, composed of state aid and local property taxes, was more than budgeted due to Cabrillo becoming basic aid, thereby cushioning the reduction in revenue limit.
- ❖ Federal revenue was more than budgeted due mainly to early receipt of 09-10 stimulus dollars. Unexpended federal revenue at year-end was deferred and re-budgeted in the following year to allow for the balancing of program revenue with the related expenditures.
- ❖ State revenue was \$127 thousand less than budgeted.

- ❖ Other local revenue was \$328 thousand less than budgeted as unexpended revenue received from donations was deferred to the following year.
- ❖ The salaries of personnel were \$81 thousand lower than budgeted.
- ❖ The books and supplies expenditure category was less than the amount budgeted. The district has historically used this category to account for any funds reserved but not fully budgeted to other expenditure categories. Reserved, but unexpended, balances have been carried forward to the following year.
- ❖ The services and other operating expenditures category was lower than budget. This was due primarily to unrealized special education services.

The district's stronger financial condition at June 30, 2009 will be tested during 2010 and in future operating years as a result of the decline of economic conditions at the national and state levels. The district's plan for moving forward in these unsure times is discussed more fully in the "Economic Factors and Next Year's Budgets and Rates" section found later in this document.

### Capital Asset and Debt Administration

#### Capital Assets at Year-End (Net of Depreciation) 2008-2009

	Government-Wide Activities	
	2009	2008
Land	\$ 1,456,448	\$ 1,456,448
Improvement of Sites	\$ 665,581	\$ 703,213
Buildings	\$ 42,778,974	\$ 24,706,057
Machinery and Equipment	\$ 299,829	\$ 346,355
Construction in Progress	\$ -	\$ 13,161,256
Totals	\$ 45,200,832	\$ 40,373,329

Capital assets in the table above are reflected at June 30, 2009, net of depreciation. Capital assets increased by \$4.8 million over 2008 in Buildings. The district uses \$15,000 as its capitalization threshold. Depreciation on each capitalized asset has been calculated using the straight-line method over applicable useful lives. The amount shown for Construction in Progress for 2009 shows the completion of the new library and classroom buildings at Cunha Intermediate School. Other construction projects at the middle school will begin in 2010.

## Outstanding Debt at Year End

	Government-Wide Activities	
	2009	2008
General Obligation Bonds	\$ 18,675,763	\$ 21,115,763
Compensated Absences	\$ 374,395	\$ 351,963
Capital Leases	\$ -	\$ -
Other General Long-Term Debt	\$ -	\$ -
<b>Totals</b>	<b>\$ 19,050,158</b>	<b>\$ 21,467,726</b>

Outstanding Debt decreased by \$2.4 million from 2008 due mainly to payment of General Obligation Bonds made during the year.

The notes to the financial statements are an integral part of the financial presentation and contain more detailed information as to interest, principal, retirement amounts, and future debt retirement dates.

### Current Economic Factors and Next Year's Budgets and Rates

The district's fiscal 2009 budget was initially prepared using a 0% Cost of Living Adjustment (COLA). However, during the year the State made substantial reductions to both revenue limit deficits and state categorical program entitlements. A conservative projection in student enrollment had also been made. The increases in health insurance costs continue add an additional burden to a tight budget.

Factors impacting the 2009-2010 district budgets include the following:

- ❖ Enrollment remains relatively stable from the previous year. Expenditure budgets have been increased for health and welfare premium increases.
- ❖ Federal program revenues continue to decline as education budgets are reduced on a national level.
- ❖ Special Education costs continue to be volatile. While mandated services continue to expand, funding from Federal and State resources continue to decline.
- ❖ The State's budget forecasts continue to show structural problems with the State budget. The District is relying on its Special Reserve Fund to cushion this blow in the short term. In the long term the District will be looking at making permanent expenditure reductions to its budget in order to resolve the structural budget problem created by reductions in revenues from the State.

- ❖ After many years of delay, the new library and classroom building at Cunha were occupied. The Building Fund will continue to decrease as further planned construction projects are finished.

Despite these uncertain times, Cabrillo Unified continues to move forward with established programs and goals. Our dedication to our students and staff remains top priority.

### **Contacting the District's Financial Management**

This financial report is designed to provide our parents, citizens, taxpayers, 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 any questions regarding this report or need additional financial information, contact Ms. Diane Stupi, Director of Fiscal Services, Cabrillo Unified School District, 498 Kelly Avenue, Half Moon Bay, CA 94019.

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*Basic Financial Statements*

**Cabrillo Unified School District**

## Statement of Net Assets

June 30, 2009

	Governmental Activities
<b>Assets</b>	
Current assets:	
Cash in county treasury	\$ 23,672,615
Cash in revolving fund	25,000
Cash with fiscal agent	2,531,291
Accounts receivable	753,233
Due from grantor government	1,897,477
Stores inventories	42,008
Total current assets	<u>28,921,624</u>
Capital assets - noncurrent:	
Land	1,456,448
Sites and improvements	756,772
Building and improvements	52,582,937
Equipment	915,182
Less: accumulated depreciation	(10,510,507)
Capital assets - net	<u>45,200,832</u>
Total Assets	<u>\$ 74,122,456</u>
<b>Liabilities</b>	
Accounts payable	\$ 1,266,855
Due to grantor government	5,124,405
Unearned revenue	836,970
Accrued interest	60,000
Current loans payable	2,524,521
Total current liabilities:	<u>9,812,751</u>
Long-term liabilities:	
Due within one year:	
General obligation bonds payable	2,720,000
Total due within one year	<u>2,720,000</u>
Due after one year:	
General obligation bonds payable	15,955,763
Compensated absences payable	374,395
Total due after one year	<u>16,330,158</u>
Total long-term liabilities	<u>19,050,158</u>
Total Liabilities	<u>\$ 28,862,909</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	<u>\$ 26,525,069</u>
Restricted for:	
Capital projects	9,542,895
Debt service	3,328,863
Educational programs	5,787,451
Other purposes (expendable)	75,269
Other purposes (nonexpendable)	-
Total Restricted net assets	<u>18,734,478</u>
Unrestricted	-
Total Net Assets	<u>\$ 45,259,547</u>

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, 2009

		Program Revenues		Net (Expense)
	Expenses	Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Assets
Governmental activities				
Instruction	\$ 17,082,776	\$ 153,413	\$ 1,980,784	\$ (14,948,579)
Instruction-related services:				
Supervision of instruction	1,569,978	9,146	1,307,014	(253,818)
Instruction library, media and technology	505,866	3,942	45,262	(456,662)
School site administration	2,150,336	2,343	58,570	(2,089,423)
Pupil services:				
Home-to-school transportation	496,766	-	395,283	(101,483)
Food services	934,742	248,383	773,660	87,301
All other pupil services	1,909,941	7,794	553,404	(1,348,743)
General administration:				
Data processing	143,449	-	-	(143,449)
All other general administration	1,615,915	13,373	162,302	(1,440,240)
Plant services	2,347,193	104,187	95,840	(2,147,166)
Community services	320,660	9,642	233,886	(77,132)
Other educational programs	371,769	4,324	136,376	(231,069)
Payments to other agencies	542,644	-	11,602	(531,042)
Interest on long-term debt	219,208	-	-	(219,208)
Total governmental activities	\$ 30,211,243	\$ 556,547	\$ 5,753,983	(23,900,713)
General revenues:				
Taxes and subventions:				
Taxes levied for general purposes				20,459,427
Taxes levied for debt service				2,876,920
Federal and state aid non restricted to specific purposes				2,159,379
Interest and investment earnings				(712,196)
Miscellaneous				258,470
Special Item - loss on disposal of capital assets				(184,443)
Total general revenues				24,857,557
Change in net assets				956,844
Net assets beginning				44,302,703
Net assets ending				\$ 45,259,547

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

**Cabrillo Unified School District**  
 Governmental Funds  
 Balance Sheet  
 June 30, 2009

	General Fund	Special Reserve Fund for Other Than Capital Outlay	Building Fund	Bond Interest and Redemption Funds	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash in county treasury	\$ 7,557,040	\$ 2,913,595	\$ 8,785,998	\$ 3,371,811	\$ 1,044,171	\$ 23,672,615
Cash in revolving fund	25,000	-	-	-	-	25,000
Cash with fiscal agent	2,526,913	-	4,378	-	-	2,531,291
Accounts receivable	657,155	16,693	56,913	17,052	5,420	753,233
Due from grantor government	1,763,681	-	-	-	133,796	1,897,477
Due from other funds	216,367	-	3,030	-	213,631	433,028
Prepaid items and inventory	25,842	-	-	-	16,166	42,008
<b>Total Assets</b>	<b>\$ 12,771,998</b>	<b>\$ 2,930,288</b>	<b>\$ 8,850,319</b>	<b>\$ 3,388,863</b>	<b>\$ 1,413,184</b>	<b>\$ 29,354,652</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 1,119,043	\$ -	\$ 48,599	\$ -	\$ 99,213	\$ 1,266,855
Due to grantor government	5,124,405	-	-	-	-	5,124,405
Due to other funds	214,829	-	17,320	-	200,879	433,028
Deferred revenue	824,950	-	-	-	12,020	836,970
Current loans payable	2,524,521	-	-	-	-	2,524,521
<b>Total Liabilities</b>	<b>9,807,748</b>	<b>-</b>	<b>65,919</b>	<b>-</b>	<b>312,112</b>	<b>10,185,779</b>
<b>Fund balances:</b>						
<b>Reserved for:</b>						
Revolving fund	25,000	-	-	-	-	25,000
Stores inventory	25,842	-	-	-	16,166	42,008
Legally restricted balances	670,973	-	-	-	-	670,973
Debt service	-	-	-	3,388,863	-	3,388,863
<b>Unreserved:</b>						
<b>Designated for:</b>						
Other program carryovers	1,413,645	2,930,288	-	-	316,739	4,660,672
Economic uncertainty	828,790	-	-	-	-	828,790
Capital outlay	-	-	8,784,400	-	758,495	9,542,895
Facilities	-	-	-	-	9,672	9,672
<b>Total Fund Balances</b>	<b>2,964,250</b>	<b>2,930,288</b>	<b>8,784,400</b>	<b>3,388,863</b>	<b>1,101,072</b>	<b>19,168,873</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 12,771,998</b>	<b>\$ 2,930,288</b>	<b>\$ 8,850,319</b>	<b>\$ 3,388,863</b>	<b>\$ 1,413,184</b>	<b>\$ 29,354,652</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 Assets  
 June 30, 2009

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Total fund balances - governmental funds		\$ 19,168,873
Amounts reported in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Capital assets at cost	\$ 55,711,339	
Accumulated depreciation	<u>(10,510,507)</u>	45,200,832
Interest payable on long-term debt does not require the use of current financial resources and, therefore, are not reported in the governmental funds.		
		(60,000)
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consists of:		
General obligation bonds	18,675,763	
Compensated absences (vacation)	<u>374,395</u>	<u>(19,050,158)</u>
Total net assets - governmental activities		<u><u>\$ 45,259,547</u></u>

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

**Cabrillo Unified School District**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Fiscal Year Ended June 30, 2009**

	General Fund	Special Reserve Fund for Other Than Capital Outlay	Building Fund	Bond Interest and Redemption Funds	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
Revenue limit sources	\$ 20,430,113	\$ -	\$ -	\$ -	\$ -	\$ 20,430,113
Federal revenue	2,350,195	-	-	-	675,214	3,025,409
Other state	3,457,409	-	-	18,028	221,981	3,697,418
Other local	1,321,079	(78,700)	15,846	2,838,316	103,049	4,199,590
<b>Total revenues</b>	<b>27,558,796</b>	<b>(78,700)</b>	<b>15,846</b>	<b>2,856,344</b>	<b>1,000,244</b>	<b>31,352,530</b>
<b>Expenditures:</b>						
<b>Current</b>						
Instruction	16,137,965	-	-	-	62,789	16,200,754
<b>Instruction-related services:</b>						
Supervision of instruction	1,558,852	-	-	-	11,126	1,569,978
Instruction library, media and technology	488,591	-	-	-	4,268	492,859
School site administration	2,113,047	-	-	-	32,695	2,145,742
<b>Pupil services:</b>						
Home-to-school transportation	463,417	-	-	-	-	463,417
Food services	-	-	-	-	934,742	934,742
All other pupil services	1,909,941	-	-	-	-	1,909,941
<b>General administration:</b>						
Data processing	143,449	-	-	-	-	143,449
All other general administration	1,564,837	-	-	-	42,799	1,607,636
Plant services	1,892,340	-	21,829	-	429,386	2,343,555
Facilities acquisition and construction	-	-	5,844,758	-	89,645	5,934,403
Community services	231,362	-	-	-	89,298	320,660
Other educational programs	371,769	-	-	-	-	371,769
Payments to other agencies	542,644	-	-	-	-	542,644
<b>Debt service:</b>						
Principal	-	-	-	2,440,000	-	2,440,000
Interest and fees	64,541	-	-	207,600	-	272,141
<b>Total expenditures</b>	<b>27,482,755</b>	<b>-</b>	<b>5,866,587</b>	<b>2,647,600</b>	<b>1,696,748</b>	<b>37,693,690</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>76,041</b>	<b>(78,700)</b>	<b>(5,850,741)</b>	<b>208,744</b>	<b>(696,504)</b>	<b>(6,341,160)</b>
<b>Other financing sources (uses):</b>						
Transfers in	3,035	-	9,666,070	-	143,545	9,812,650
Transfers out	(143,545)	-	-	-	(9,669,105)	(9,812,650)
<b>Total other financing sources (uses)</b>	<b>(140,510)</b>	<b>-</b>	<b>9,666,070</b>	<b>-</b>	<b>(9,525,560)</b>	<b>-</b>
<b>Net changes in fund balances</b>	<b>(64,469)</b>	<b>(78,700)</b>	<b>3,815,329</b>	<b>208,744</b>	<b>(10,222,064)</b>	<b>(6,341,160)</b>
<b>Fund balances beginning</b>	<b>3,028,719</b>	<b>3,008,988</b>	<b>4,969,071</b>	<b>3,180,119</b>	<b>11,323,136</b>	<b>25,510,033</b>
<b>Fund balances ending</b>	<b>\$ 2,964,250</b>	<b>\$ 2,930,288</b>	<b>\$ 8,784,400</b>	<b>\$ 3,388,863</b>	<b>\$ 1,101,072</b>	<b>\$ 19,168,873</b>

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 and Expenditures and Changes in Fund Balances  
 to the Statement of Activities  
 For the Fiscal Year Ended June 30, 2009

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Total net change in fund balances - governmental funds \$ (6,341,160)

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital outlay capitalized	\$ 5,894,042	
Depreciation expense	<u>(882,096)</u>	5,011,946

Governmental funds do not report loss on disposal of capital assets. However, in the government-wide statement of activities and changes in net assets, the cost to dispose of capital assets, net any proceeds, is accounted for as a special item. (184,443)

The governmental funds report debt proceeds as an other financing source, while repayment of debt principal is reported as an expenditure. Also, governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of long-term debt and related items is as follows:

Repayment of bond principal	2,440,000
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In the statement of activities, compensated absences are measured by the amount earned during the year. In governmental funds, however, expenditures for those items are measured by the amount of financial resources used (essentially the amounts paid). This year vacation earned exceeded the amounts used by: (22,432)

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. 52,933

Changes in net assets of governmental activities	<u><u>\$ 956,844</u></u>
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The notes to the financial statements are an integral part of this statement.

**Cabrillo Unified School District**  
 Fiduciary Funds  
 Statement of Fiduciary Assets and Liabilities  
 June 30, 2009

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	<u>School Scholarship Fund</u>	<u>Associated Student Body Agency Fund</u>	<u>Total</u>
<b>Assets:</b>			
Cash on hand and in banks	\$ 93,466	\$ 175,484	\$ 268,950
Total Assets	<u>\$ 93,466</u>	<u>\$ 175,484</u>	<u>\$ 268,950</u>
<b>Liabilities:</b>			
Due to student groups	\$ -	\$ 175,484	\$ 175,484
Total Liabilities	<u>-</u>	<u>175,484</u>	<u>175,484</u>
<b>Net Assets:</b>			
Restricted	<u>93,466</u>	<u>-</u>	<u>93,466</u>
Total Net Assets	<u>\$ 93,466</u>	<u>\$ -</u>	<u>\$ 93,466</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 Assets  
For the Fiscal Year Ended June 30, 2009

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	<u>School Scholarship Fund</u>
Additions	
Other Local	\$ 100,839
Deductions	
Scholarships	<u>80,867</u>
Changes in net assets	19,972
Net assets beginning	<u>73,494</u>
Net assets ending	<u><u>\$ 93,466</u></u>

The notes to the financial statements are in 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, 2009

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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 account 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. 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.

The District does not have any component units and is not a component unit of any reporting entity for the fiscal year ended June 30, 2009.

C. Basis of Presentation

***Government-wide Financial Statements:***

The government-wide financial statements (i.e., the statement of net assets 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 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

**Cabrillo Unified School District**  
Notes to the Basic Financial Statements  
For the Year Ended June 30, 2009

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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 and current liabilities 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 90 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. Eligibility requirements include timing

**Cabrillo Unified School District**  
Notes to the Basic Financial Statements  
For the Year Ended June 30, 2009

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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.

**Unearned/Deferred revenue:**

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

**Expenses/Expenditures:**

Using 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, than 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, liabilities, fund equity or retained earnings, revenues, and expenditures or expenses, as appropriate. The 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, non-major, and fiduciary funds as follows:

**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.

**Cabrillo Unified School District**  
Notes to the Basic Financial Statements  
For the Year Ended June 30, 2009

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The *Special Reserve Fund for Other Than Capital Projects* was established to account for resources reserved for general operating purposes.

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 legally restricted to expenditures for specific purposes. The District maintains five 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 the acquisition and construction of all major governmental general fixed assets. The District maintains one nonmajor capital projects fund:

- The *County School Facilities Fund* is used to account for apportionments from the State Schools Facilities Fund authorized by the State Allocation Board for new school facility construction, modernization projects and facility hardship grants.
- 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.

**Cabrillo Unified School District**  
Notes to the Basic Financial Statements  
For the Year Ended June 30, 2009

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- *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.

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. 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 except for non-interest bearing accounts which are completely insured. 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

**Cabrillo Unified School District**  
Notes to the Basic Financial Statements  
For the Year Ended June 30, 2009

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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) Stores Inventories and Prepaid Expenditures

*Stores inventories*

Stores 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 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 Assets.

c) 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. Contributed assets are reported at fair market value as of the date received. 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 system and equipment	5
Office equipment	5

**Cabrillo Unified School District**  
Notes to the Basic Financial Statements  
For the Year Ended June 30, 2009

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d) Deferred Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred and timing requirements have been met. Unearned revenue is recorded to the extent that cash received on specific projects and programs exceeds qualified expenditures. Deferred revenue in the funds is recorded for grant and entitlement receivables that are not available within ninety days of year end and for cash receipts from grants and entitlements for which the District has not met the eligibility requirements for recognizing revenue.

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 Assets. Bond premiums and discounts as well as issuance costs are deferred and amortized over the life of the bonds using the effective-interest method. Bonds payable are reported net of applicable bond premium or discount. Bond issuance costs are reported as prepaid expenditures and amortized over the term of the related debt.

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.

**Cabrillo Unified School District**  
Notes to the Basic Financial Statements  
For the Year Ended June 30, 2009

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g) Fund Balance Reserves and Designations

Reservations of the ending fund balance indicate the portions of fund balance not appropriable for expenditure or amounts legally segregated for a specific future use. The reserves for revolving fund, stores inventory, and prepaid expenditures reflect the portions of fund balance represented by each respective account. These amounts are not available for appropriation and expenditure at the balance sheet date.

*Legally Restricted Balances* reflect reserved amounts to be expended for federal and state funded educational programs.

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

*Designations for economic uncertainty* reflect the 3% of minimum reserves in pursuant of state regulations.

*Designated fund balances* indicate tentative plans for financial resource utilization in a future period.

h) Net Assets

Net asset represent the difference between assets and liabilities. Net assets invested in capital assets net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their 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 assets are 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.

*Other Purposes (Expendable)* reflect the fluctuations of the fair market values for the cash investment in the county pool.

**Cabrillo Unified School District**  
Notes to the Basic Financial Statements  
For the Year Ended June 30, 2009

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i) Revenue Limit/Property Tax

The District's revenue limit is received from a combination of local property taxes, state apportionments, and other local sources.

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 January 1, which is also the lien date. Property taxes on the secured roll are due on November 1 and February 1, and taxes become delinquent after December 10 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.

The California Department of Education reduces the District's entitlement by the District's local property tax revenue. The balance is paid from the state General Fund, and is known as the State Apportionment.

The District's base revenue limit is the amount of general purpose tax revenue, per average daily attendance (ADA), that the District is entitled to by law. This amount is multiplied by the second period ADA to derive the District's total entitlement.

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.

**Cabrillo Unified School District**  
Notes to the Basic Financial Statements  
For the Year Ended June 30, 2009

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k) Interfund Transactions

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, 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 eliminated as part of the reconciliation to the government-wide financial statements.

I. Upcoming Accounting and Reporting Changes

The Government Accounting Standards Board has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Governments also are required to classify and report amounts in the appropriate fund balance classifications by applying their accounting policies that determine whether restricted, committed, assigned, and unassigned amounts are considered to have been spent. Disclosure of the policies in the notes to the financial statements is required. The definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent

**Cabrillo Unified School District**  
Notes to the Basic Financial Statements  
For the Year Ended June 30, 2009

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**2. CASH AND INVESTMENTS**

A summary of cash and investments as of June 30, 2009 is as follows:

Deposit or Investment	Carrying Amount	Fair Value	Investment Rating
<i>Government-Wide Statements:</i>			
Cash in county treasury investment pool	\$ 23,672,615	\$ 23,745,527	AA
Cash in revolving fund	25,000	25,000	n/a
Cash with fiscal agent	2,531,291	2,531,291	n/a
<b>Total Government-Wide Cash and Investments</b>	<b>26,228,906</b>	<b>26,301,818</b>	
<i>Fiduciary Funds:</i>			
Cash in banks	268,950	268,950	n/a
<b>Total Cash and Investments</b>	<b>\$ 26,497,856</b>	<b>\$ 26,570,768</b>	

*Cash in Banks and in Revolving Funds*

Cash balances in banks and revolving funds are insured up to \$250,000 by the Federal Deposit Insurance Corporation ("FDIC"). These accounts are held within various financial institutions. As of June 30, 2009, the bank balance of the District's accounts with banks was \$269,979, which was fully insured by FDIC. The carrying amount of all deposits is noted below in the summary of cash and investments.

*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 financial statements at amounts based upon the District's pro rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

*Policies and Practices*

The District is authorized under California Government Code 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.

**Cabrillo Unified School District**  
Notes to the Basic Financial Statements  
For the Year Ended June 30, 2009

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*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 \$1.125 billion and an amortized book value of \$1.21 billion. The average maturity of the pool was 1 year with an average duration of .9 years and holds no derivative products.

*Credit Risk*

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

*Custodial Credit Risk – Deposits*

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

*Concentration of Credit Risk*

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government code. District investments that are greater than 5 percent of total investments are in either an external investment pool or mutual funds and are therefore exempt.

*Investment Loss in County Investment Pool*

The District pools its cash with the San Mateo County Treasurer's investment pool ("the pool") as required by state law. In fiscal year 2008-09, the pool realized significant losses from investments due to declines in market values. As a result, the District incurred a loss of \$1,380,693 in the financial statements.

**Cabrillo Unified School District**  
Notes to the Basic Financial Statements  
For the Year Ended June 30, 2009

**3. ACCOUNTS RECEIVABLE**

Accounts receivable consisted of the following as of June 30, 2009:

Receivables	General Fund	Special Reserve Fund for Other Than Capital Outlay	Building Fund	Bond Interest & Redemption Fund	Nonmajor Funds	Total
<b>Federal Government:</b>						
Local Assistance, IDEA	\$ 142,724	\$ -	\$ -	\$ -	\$ -	\$ 142,724
Workability II	41,207	-	-	-	-	41,207
Title II Part A	59,971	-	-	-	-	59,971
Child Nutrition	-	-	-	-	119,071	119,071
Other Categorical	57,334	-	-	-	-	57,334
<b>State Government:</b>						
Lottery	165,932	-	-	-	-	165,932
Class Size Reduction	338,784	-	-	-	-	338,784
NCLB Title I	105,403	-	-	-	-	105,403
After School Education and Safety	112,500	-	-	-	-	112,500
Special Education	158,365	-	-	-	-	158,365
Supplemental Counseling	94,835	-	-	-	-	94,835
Other Categorical	269,999	-	-	-	-	269,999
Other State Resources	-	-	-	-	14,940	14,940
<b>Local Government:</b>						
Interest	56,339	16,693	51,861	17,052	5,205	147,150
Other Categorical	510,509	-	-	-	-	510,509
Other Local Resources	306,934	-	5,052	-	-	311,986
<b>Total Receivables</b>	<b>2,420,836</b>	<b>16,693</b>	<b>56,913</b>	<b>17,052</b>	<b>139,216</b>	<b>2,650,710</b>
<b>Due From Other Governments</b>	<b>(1,763,681)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(133,796)</b>	<b>(1,897,477)</b>
<b>Accounts Receivable</b>	<b>\$ 657,155</b>	<b>\$ 16,693</b>	<b>\$ 56,913</b>	<b>\$ 17,052</b>	<b>\$ 5,420</b>	<b>\$ 753,233</b>

**Cabrillo Unified School District**  
Notes to the Basic Financial Statements  
For the Year Ended June 30, 2009

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**4. CAPITAL ASSETS AND DEPRECIATION**

Capital asset activities for the year ended June 30, 2009 were as follows:

Capital Assets	Balance July 1, 2008	Adjustments & Additions	Deletions	Balance June 30, 2009
Land - not depreciable	\$ 1,456,448	\$ -	\$ -	\$ 1,456,448
Sites and improvements	-	756,772	-	756,772
Buildings and improvements	34,628,240	18,298,526	343,829	52,582,937
Furniture and equipment	915,182	-	-	915,182
Work-in-progress	13,161,256	-	13,161,256	-
<b>Total capital assets</b>	<b>50,161,126</b>	<b>19,055,298</b>	<b>13,505,085</b>	<b>55,711,339</b>
Less accumulated depreciation for:				
Sites and improvements	-	91,191	-	91,191
Buildings and improvements	9,218,969	744,380	159,386	9,803,963
Furniture and equipment	568,828	46,525	-	615,353
<b>Total accumulated depreciation</b>	<b>9,787,797</b>	<b>882,096</b>	<b>159,386</b>	<b>10,510,507</b>
<b>Total capital assets - net depreciation</b>	<b>\$ 40,373,329</b>	<b>\$ 18,173,202</b>	<b>\$ 13,345,699</b>	<b>\$ 45,200,832</b>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 819,229
Instruction library, media and technology	13,007
School site administration	4,594
Home-to-school transportation	33,349
All other general administration	8,279
Plant services	3,638
<b>Total depreciation expense</b>	<b>\$ 882,096</b>

**Cabrillo Unified School District**  
Notes to the Basic Financial Statements  
For the Year Ended June 30, 2009

**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.

Interfund Receivables/Payables (Due From/Due To)

Interfund receivables and payables consisted of the following as of June 30, 2009:

Due To (Payable-in)	Due From (Receivable-in)			
	General Fund	Building Fund	Nonmajor Funds	Total Due To
General Fund	\$ -	\$ 2,842	\$ 211,987	\$ 214,829
Building Fund	15,676	-	1,644	17,320
Nonmajor Funds	200,691	188	-	200,879
<b>Total Due From</b>	<b>\$ 216,367</b>	<b>\$ 3,030</b>	<b>\$ 213,631</b>	<b>\$ 433,028</b>

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended. Interfund transfers consisted of the following for the fiscal year ended June 30, 2009:

<b>Fund Receiving Transfers</b>	<b>Fund Making Transfers</b>	<b>Amount</b>
General Fund	Adult Education Fund	\$ 3,035 <b>1</b>
Deferred Maintenance	General Fund	143,545 <b>2</b>
Building Fund	County Schools Facilities Fund	9,666,070 <b>3</b>
		<u>\$9,812,650</u>

**1** Transfer for interprogram charges and indirect support  
**2** District's 50% contribution of state deferred maintenance allotment  
**3** Transfer for modernization projects

**Cabrillo Unified School District**  
Notes to the Basic Financial Statements  
For the Year Ended June 30, 2009

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**6. TAX AND REVENUE ANTICIPATION NOTES**

On July 6, 2008, the District issued \$2,450,000 of Tax and Revenue Anticipation Notes (TRANS) maturing on July 6, 2009, with an interest rate of 3%. Interest expense accrued from the TRANS was \$74,521 for the year ended June 30, 2009.

The TRANS are a general obligation of the District, and are payable from revenues and cash receipts to be generated by the District. There are no contractual obligations related to the issuance other than the TRANS agreement. The funds were used to supplement cash flow.

**7. LONG-TERM DEBT**

Schedule of Changes in Long-term Debt

A schedule of changes in long-term debt for the fiscal year ended June 30, 2009, is shown below:

Long Term Debt	Balance			Balance June 30, 2009	Due Within One Year
	July 1, 2008	Additions	Deductions		
General Obligation Bonds	\$ 21,115,763	\$ -	\$ 2,440,000	18,675,763	\$ 2,720,000
Compensated Absences	351,963	22,432	-	374,395	-
<b>Total Long-Term Debt</b>	<b>\$ 21,467,726</b>	<b>\$ 22,432</b>	<b>\$ 2,440,000</b>	<b>\$ 19,050,158</b>	<b>\$ 2,720,000</b>

Payments on the general obligation bonds are made from the Bond Interest and Redemption Fund using local revenues. Compensated absences are paid by the fund for which the employee worked.

**Cabrillo Unified School District**  
Notes to the Basic Financial Statements  
For the Year Ended June 30, 2009

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General Obligation Bonds Payable

On August 1, 1996, the District issued \$34,996,263 in General Obligation Bonds (the “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.

Bond	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds		Bonds
					Outstanding July 1, 2007	Redeemed	Outstanding June 30, 2008
1996	8/1/96	8/1/21	3.75-6.0%	34,996,263	21,115,763	2,440,000	18,675,763

The annual debt service requirements of the Series A bonds as of June 30, 2009 are as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2010	\$ 2,720,000	\$ 892,907	\$ 3,612,907
2011	1,388,346	1,734,204	3,122,550
2012	1,378,246	1,923,444	3,301,690
2013	1,364,866	2,124,002	3,488,868
2014	1,352,130	2,337,550	3,689,680
2015-2019	6,611,370	15,220,132	21,831,503
2020-2024	3,860,805	10,138,578	13,999,383
<b>Total</b>	<b>\$ 18,675,763</b>	<b>\$ 34,370,817</b>	<b>\$ 53,046,580</b>

**Cabrillo Unified School District**  
Notes to the Basic Financial Statements  
For the Year Ended June 30, 2009

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**8. 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 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:

<i>Risk Management JPA's</i>	<b>SMCSIG</b> June 30, 2008
Total Assets	\$ 14,041,771
Total Liabilities	6,709,086
Total Equity	7,332,685
Total Revenues	32,589,944
Total Expenditures	29,905,075

**9. COMMITMENTS AND CONTINGENCIES**

A. 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.

B. 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.

**Cabrillo Unified School District**  
Notes to the Basic Financial Statements  
For the Year Ended June 30, 2009

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**10. EMPLOYEE RETIREMENT SYSTEMS**

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System ("STRS"), and classified employees are members of the Public Employees' Retirement System ("PERS").

**A. State Teachers' Retirement System**

a) Plan Description

The District contributes to the 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 require supplementary information. Copies of the STRS annual financial report may be obtained from the STRS, 7667 Folsom Boulevard, Sacramento, California 95826.

b) Funding Policy

Active plan members are required to contribute 8.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2009 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal year ended June 30, 2009, 2008, and 2007 were \$1,087,149, \$1,118,509, and \$1,263,859, respectively, and equal 100% of the required contributions for each year.

**B. Public Employees' Retirement System**

a) Plan Description

The District contributes to PERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by PERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employee's Retirement Law. PERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the PERS annual financial report may be obtained from the PERS Executive Office, 400 P Street, Sacramento, CA 95814.

**Cabrillo Unified School District**  
Notes to the Basic Financial Statements  
For the Year Ended June 30, 2009

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b) Funding Policy

Active plan members are required to contribute 7.0% of their salary, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the PERS Board of Administration. The required employer contribution rate for fiscal year 2009 was 9.428% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contribution to PERS for the fiscal year ended June 30, 2009, 2008, and 2007 were \$730,206, \$399,927, and \$512,819, respectively, and equal 100% of the required contributions for each year.

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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, 2009

	<u>Budgeted Amounts</u>		Actual (GAAP Basis)	Variance with Final Budget Positive - (Negative)
	Original	Final		
Revenues:				
Revenue limit sources	\$ 20,129,749	\$ 20,130,479	\$ 20,430,113	\$ 299,634
Federal revenues	1,400,818	1,714,889	2,350,195	635,306
Other state	3,907,487	3,506,743	3,457,409	(49,334)
Other local	1,981,450	2,748,842	1,321,079	(1,427,763)
Total revenues	<u>27,419,504</u>	<u>28,100,953</u>	<u>27,558,796</u>	<u>(542,157)</u>
Expenditures:				
Certificated salaries	13,636,029	13,674,886	13,490,044	184,842
Classified salaries	3,826,830	4,314,231	4,392,442	(78,211)
Employee benefits	6,305,445	6,279,240	6,064,481	214,759
Books and supplies	1,072,282	2,777,556	859,528	1,918,028
Services and other operating expenditures	1,950,171	2,360,248	2,176,415	183,833
Other outgo	562,371	558,061	499,845	58,216
Total expenditures	<u>27,353,128</u>	<u>29,964,222</u>	<u>27,482,755</u>	<u>2,481,467</u>
Excess (deficiency) of revenues over (under) expenditures	<u>66,376</u>	<u>(1,863,269)</u>	<u>76,041</u>	<u>1,939,310</u>
Other financing sources (uses):				
Transfers in	-	5,340	3,035	(2,305)
Transfers out	(143,545)	(143,545)	(143,545)	-
Total other financing sources (uses)	<u>(143,545)</u>	<u>(138,205)</u>	<u>(140,510)</u>	<u>(2,305)</u>
Change in fund balance	(77,169)	(2,001,474)	(64,469)	1,937,005
Fund balances beginning	<u>3,028,719</u>	<u>3,028,719</u>	<u>3,028,719</u>	<u>-</u>
Fund balances ending	<u>\$ 2,951,550</u>	<u>\$ 1,027,245</u>	<u>\$ 2,964,250</u>	<u>\$ 1,937,005</u>

SUPPLEMENTARY  
INFORMATION

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*Nonmajor Governmental Funds  
Combining Schedules*

**Cabrillo Unified School District**  
Nonmajor Governmental Funds  
Combining Balance Sheet  
June 30, 2009

	Special Revenue Funds				Capital Projects Fund		Total Nonmajor Governmental Funds
	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	
<b>Assets</b>							
Cash in county treasury	\$ 4,012	\$ 78,588	\$ 65,562	\$ 111,322	\$ 775,070	\$ 9,617	\$ 1,044,171
Accounts receivable	112	415	359	-	4,479	55	5,420
Due from grantor government	14,940	-	118,856	-	-	-	133,796
Due from other funds	4,905	825	89,083	118,818	-	-	213,631
Prepaid items and inventory	-	-	16,166	-	-	-	16,166
<b>Total Assets</b>	<b>\$ 23,969</b>	<b>\$ 79,828</b>	<b>\$ 290,026</b>	<b>\$ 230,140</b>	<b>\$ 779,549</b>	<b>\$ 9,672</b>	<b>\$ 1,413,184</b>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities:</b>							
Accounts payable	\$ 525	\$ -	\$ 76,223	\$ 5,862	\$ 16,603	\$ -	\$ 99,213
Due to grantor governments	-	-	-	-	-	-	-
Due to other funds	11,348	18,445	73,551	93,084	4,451	-	200,879
Deferred revenue	-	-	12,020	-	-	-	12,020
<b>Total Liabilities</b>	<b>11,873</b>	<b>18,445</b>	<b>161,794</b>	<b>98,946</b>	<b>21,054</b>	<b>-</b>	<b>312,112</b>
<b>Fund Balances:</b>							
Reserved for debt service	-	-	-	-	-	-	-
Reserved for stores inventory	-	-	16,166	-	-	-	16,166
Legally restricted balances	-	-	-	-	-	-	-
Unreserved:							
Designated for:							
Capital outlay	-	-	-	-	758,495	-	758,495
Facilities	-	-	-	-	-	9,672	9,672
Other program carryovers	12,096	61,383	112,066	131,194	-	-	316,739
<b>Total Fund Balances</b>	<b>12,096</b>	<b>61,383</b>	<b>128,232</b>	<b>131,194</b>	<b>758,495</b>	<b>9,672</b>	<b>1,101,072</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 23,969</b>	<b>\$ 79,828</b>	<b>\$ 290,026</b>	<b>\$ 230,140</b>	<b>\$ 779,549</b>	<b>\$ 9,672</b>	<b>\$ 1,413,184</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, 2009

	Special Revenue Funds				Capital Projects Fund		Total Nonmajor Governmental Funds
	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	
	Revenues:						
Revenue limit sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal revenue	-	-	675,214	-	-	-	675,214
Other state	104,940	-	134,717	(17,676)	-	-	221,981
Other local	1,128	109,285	261,704	(308)	127,140	(395,900)	103,049
<b>Total revenues</b>	<b>106,068</b>	<b>109,285</b>	<b>1,071,635</b>	<b>(17,984)</b>	<b>127,140</b>	<b>(395,900)</b>	<b>1,000,244</b>
Expenditures:							
Current							
Instruction	62,789	-	-	-	-	-	62,789
Instruction-related services:							
Supervision of instruction	5,361	5,765	-	-	-	-	11,126
Instruction library, media and technology	4,268	-	-	-	-	-	4,268
School site administration	32,695	-	-	-	-	-	32,695
Pupil services:							
Food services	-	-	934,742	-	-	-	934,742
General administration:							
All other general administration	-	-	42,799	-	-	-	42,799
Plant services	3,336	471	2,095	342,285	81,199	-	429,386
Facilities acquisition and construction	-	-	-	2,107	87,538	-	89,645
Community services	-	89,298	-	-	-	-	89,298
Debt service:							
Principal	-	-	-	-	-	-	-
Interest and Fees	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>108,449</b>	<b>95,534</b>	<b>979,636</b>	<b>344,392</b>	<b>168,737</b>	<b>-</b>	<b>1,696,748</b>
Excess (deficiency) of revenues over (under) expenditures	(2,381)	13,751	91,999	(362,376)	(41,597)	(395,900)	(696,504)
Other financing sources (uses):							
Transfers in	-	-	-	143,545	-	-	143,545
Transfers out	(3,035)	-	-	-	-	(9,666,070)	(9,669,105)
<b>Total other financing sources (uses)</b>	<b>(3,035)</b>	<b>-</b>	<b>-</b>	<b>143,545</b>	<b>-</b>	<b>(9,666,070)</b>	<b>(9,525,560)</b>
Change in fund balances	(5,416)	13,751	91,999	(218,831)	(41,597)	(10,061,970)	(10,222,064)
Fund balances beginning	17,512	47,632	36,233	350,025	800,092	10,071,642	11,323,136
Fund balances ending	\$ 12,096	\$ 61,383	\$ 128,232	\$ 131,194	\$ 758,495	\$ 9,672	\$ 1,101,072

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STATE AND FEDERAL  
AWARD COMPLIANCE  
SECTION

## Cabrillo Unified School District

Organization

June 30, 2009

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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, 2009, was comprised of the following members:

### Governing Board

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Kirk Riemer	President	December 2010
Dwight Wilson	Vice President	December 2010
Jolanda Schreurs	Clerk	December 2010
John Moseley	Member	December 2012
Charles Gardner	Member	December 2012

### Administration

Robert Gaskill, Ed.D.  
Superintendent

**Cabrillo Unified School District**  
 Schedule of Average Daily Attendance  
 For the Fiscal Year Ended June 30, 2009

	<u>Second Period Report</u>	<u>Annual Report</u>
Elementary:		
Kindergarten	266	266
Grades one through three	735	735
Grades four through six	736	736
Grades seven and eight	437	438
Special education	41	41
Elementary Totals	<u>2,215</u>	<u>2,216</u>
High School:		
Grades nine through twelve, regular classes	951	946
Continuation education	35	34
Home and hospital	1	1
Special education	14	14
High School Totals	<u>1,001</u>	<u>995</u>
Classes for Adults:		
Concurrently enrolled	9	9
Not concurrently enrolled	30	28
Classes for Adults Totals	<u>39</u>	<u>37</u>
ADA Totals	<u>3,255</u>	<u>3,248</u>
<u>Summer School</u>	<u>Hours of Attendance</u>	<u>Hours of Attendance</u>
Elementary	32,014	34,321
High School	82,189	114,571
Total	<u>114,203</u>	<u>148,892</u>

**Cabrillo Unified School District**  
 Schedule of Instructional Time Offered  
 For the Fiscal Year Ended June 30, 2009

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<u>Grade Level</u>	<u>1982-83 Actual Minutes</u>	<u>1986-87 Minutes Requirements</u>	<u>2008-09 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Number of Days Multitrack Calendar</u>	<u>Status</u>
Kindergarten	36,000	36,000	46,333	180	0	In compliance
Grade 1	43,700	50,400	57,236	180	0	In compliance
Grade 2	43,700	50,400	57,236	180	0	In compliance
Grade 3	43,700	50,400	57,236	180	0	In compliance
Grade 4	56,400	54,000	62,422	180	0	In compliance
Grade 5	56,400	54,000	62,422	180	0	In compliance
Grade 6	56,400	54,000	62,195	180	0	In compliance
Grade 7	58,747	54,000	61,285	180	0	In compliance
Grade 8	58,747	54,000	61,285	180	0	In compliance
Grade 9	64,590	64,800	68,131	180	0	In compliance
Grade 10	64,590	64,800	68,131	180	0	In compliance
Grade 11	64,590	64,800	68,131	180	0	In compliance
Grade 12	64,590	64,800	68,131	180	0	In compliance

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirement, whichever is greater, as required by Educational Code Section 46201.

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 instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46201 through 46206.

**Cabrillo Unified School District**  
Schedule of Financial Trends and Analysis  
For the Fiscal Year Ended June 30, 2009

	(Budget <sup>1</sup> ) 2010	2009	2008	2007
<u>General Fund</u>				
Revenues and other financial sources	\$ 29,406,022	\$ 27,561,831	\$ 28,151,831	\$ 31,464,276
Expenditures	30,148,186	27,482,755	27,528,833	28,176,685
Other uses and transfers (out)	143,545	143,545	143,545	2,153,247
Total outgo	30,291,731	27,626,300	27,672,378	30,329,932
Change in fund balance	\$ (885,709)	\$ (64,469)	\$ 479,453	\$ 1,134,344
Ending fund balance	\$ 2,078,541	\$ 2,964,250	\$ 3,028,719	\$ 2,549,266
Available reserves <sup>2</sup>	\$ 908,752	\$ 828,790	\$ 1,666,446	\$ 914,736
Designated for economic uncertainty	\$ 908,752	\$ 828,790	\$ 830,175	\$ 909,898
Undesignated fund balance	\$ -	\$ -	\$ 836,271	\$ 4,838
Available reserves as a percentage of total outgo	3.0%	3.0%	6.0%	3.0%
Total long-term debt	\$ 15,955,763	\$ 18,675,763	\$ 21,115,763	\$ 23,629,116
Average daily attendance at P-2	3,214	3,255	3,223	3,245

Average daily attendance has increased by 10 over the past three years. The district anticipates a decrease of 41 ADA.

The general fund balance has increased by \$414,984 over the past three years. 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 incurred an operating surplus in the past three years. Total long-term debt has decreased by \$4,953,353 over the past three years.

<sup>1</sup> Budget numbers are based on the first adopted budget of the fiscal year 2009/10.

<sup>2</sup> Available reserves consist of all undesignated fund balances and all funds designated for economic uncertainty within the general fund and special reserve fund for other than capital outlay projects.

**Cabrillo Unified School District**  
Schedule of Expenditures of Federal and State Awards  
For the Fiscal Year Ended June 30, 2009

<u>PROGRAM NAME</u>	<u>Federal Catalog Number</u>	<u>Program Expenditures</u>
U. S. DEPARTMENT OF AGRICULTURE		
National School Lunch Program <sup>(1)</sup>	10.557	<u>\$ 583,360</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE		<u>583,360</u>
U. S. DEPARTMENT OF EDUCATION		
Title I: Block Grant	84.010	347,716
Migrant Education	84.011	233,694
IDEA Local Assistance	84.027	609,891
Department of Rehab. Workability	84.158	57,964
Title IV: Drug Free Schools	84.186	2,694
Title V: Innovative Strategies	84.298	1,896
Title III: Immigrant	84.365	57,284
Title II: Part A Teacher Quality	84.367	<u>66,079</u>
TOTAL U. S. DEPARTMENT OF EDUCATION		<u>1,377,218</u>
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Medi-Cal Billing	93.778	<u>20,954</u>
TOTAL U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		<u>20,954</u>
<b>TOTAL FEDERAL PROGRAMS</b>		<u><u>\$ 1,981,532</u></u>

<sup>(1)</sup> Audited as major program

**Cabrillo Unified School District**  
 Reconciliation of Annual Financial and Budget Report (SACS)  
 With Audited Financial Statements  
 For the Fiscal Year Ended June 30, 2009

	General Fund	Special Reserve Fund for Other Than Capital Outlay	Building Fund	Bond Interest and Redemption Fund	Other Nonmajor Governmental Funds	Capital Assets	Long-term Liabilities
June 30, 2009 Annual Financial and Budget Report (SACS) Fund Balances, Capital Assets & Long-term Liabilities	\$ 2,964,250	\$ 2,930,288	\$ 8,784,400	\$ 3,388,863	\$ 1,101,072	\$ 39,912,735	\$ 19,034,079
Adjustments & Reclassifications:							
Adjustments to beginning balance	-	-	-	-	-	460,594	-
Additions to buildings and improvements	-	-	-	-	-	5,894,042	-
Depreciation expense	-	-	-	-	-	(882,096)	-
Loss of disposal of capital assets	-	-	-	-	-	(184,443)	-
Adjustment to compensated absences	-	-	-	-	-	-	16,079
June 30, 2009 Audited Financial Statements Fund Balances, Capital Assets & Long-term Liabilities	<u>\$ 2,964,250</u>	<u>\$ 2,930,288</u>	<u>\$ 8,784,400</u>	<u>\$ 3,388,863</u>	<u>\$ 1,101,072</u>	<u>\$ 45,200,832</u>	<u>\$ 19,050,158</u>

**Cabrillo Unified School District**  
Excess Sick Leave  
For the Fiscal Year Ended June 30, 2009

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Section 19833.5 (a)(3)(c) Disclosure

Cabrillo Unified School District provides more than 12 sick leave days in a school year to the following group of employee who is a CalSTRS member:

Assistant Superintendent      15 Days

**Cabrillo Unified School District**  
Notes to Supplementary Information  
For the Fiscal Year Ended June 30, 2009

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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. 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 46201 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

OMB Circular A-133 requires a disclosure of the financial activities of all federally funded programs. This schedule was prepared to comply with OMB Circular A-133 and state 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.

F. Schedule of Excess Sick Leave

This schedule provides information on whether the District grants excess sick leave, as that term is defined in subdivision (c) of Education Code Section 22170.5, to employees who are members of the California State Teachers Retirement System.

**Cabrillo Unified School District**  
Notes to Supplementary Information  
For the Fiscal Year Ended June 30, 2009

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**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.

**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 OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**4. 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.

OTHER INDEPENDENT  
AUDITOR'S REPORTS

**C. G. UHLENBERG LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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JEFFREY J. IRA, C.P.A. • KATHERINE CHAO, C.P.A.

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

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

We have audited the basic financial statements of Cabrillo Unified School District as of and for the year ended June 30, 2009, and have issued our report thereon dated November 15, 2009. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

***Internal Control over Financial Reporting***

In planning and performing our audit, we considered Cabrillo Unified School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Cabrillo Unified School District's internal control over financial reporting.

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

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

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

**C. G. UHLENBERG LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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JEFFREY J. IRA, C.P.A. • KATHERINE CHAO, C.P.A.

***Compliance and Other Matters***

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

This report is intended for the information of the audit committee, management, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*C. G. Uhlenberg LLP*

November 15, 2009  
Redwood City, California

**C. G. UHLENBERG LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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JEFFREY J. IRA, C.P.A. • KATHERINE CHAO, C.P.A.

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

***Compliance***

We have audited the compliance of Cabrillo Unified School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. Cabrillo 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Cabrillo Unified School District's management. Our responsibility is to express an opinion on Cabrillo Unified School District's compliance based on our audit.

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

In our opinion, Cabrillo Unified School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

***Internal Control over Compliance***

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable

**C. G. UHLENBERG LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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JEFFREY J. IRA, C.P.A. • KATHERINE CHAO, C.P.A.

to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

This report is intended solely for the information and use of the audit committee, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*C. G. Uhlenberg LLP*

November 15, 2009  
Redwood City, California

**C. G. UHLENBERG LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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JEFFREY J. IRA, C.P.A. • KATHERINE CHAO, C.P.A.

**INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE**

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

We have audited the accompanying financial statements of the governmental fund activities, each major fund, and the aggregate remaining fund information of the Cabrillo Unified School District, as of and for the year ended June 30, 2009, and have issued our report thereon dated November 15, 2009.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2008-09*, published by the Education Audit Appeals Panel (Audit Guide). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The District's management is responsible for the District's compliance with laws and regulations. In connection with the 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 in the Audit Guide</u>	<u>Procedures Performed</u>
Attendance Reporting	8	8
Independent Study	23	None
Continuation Education	10	None
Adult Education	9	None
Regional Occupational Center/Programs	6	Not applicable
Instructional Time:		
School Districts	6	6
County Offices of Education	3	Not applicable
Community Day Schools	9	Not applicable
Morgan-Hart Class Size Reduction	7	Not applicable
Instructional Materials:		
General Requirements	12	Not applicable
K-8 Only	1	Not applicable
Grades 9-12 Only	1	Not applicable
Ratios of Administrative Employees to Teachers	1	1
Classroom Teacher Salaries	1	1
Early Retirement Incentive	4	Not applicable
Gann Limit Calculation	1	1

**C. G. UHLENBERG LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

JEFFREY J. IRA, C.P.A. • KATHERINE CHAO, C.P.A.

<u>Description</u>	<u>Procedures in the Audit Guide</u>	<u>Procedures Performed</u>
School Accountability Report Card	3	3
Mathematics and Reading Professional Development	4	Not applicable
Class Size Reduction:		
General Requirements	7	7
Option One	3	3
Option Two	4	Not applicable
Districts or Charter Schools with Only One School Serving K-3	4	Not applicable
After School Education and Safety Program		
General Requirements	4	4
After School	4	4
Before School	5	Not applicable
Charter Schools:		
Contemporaneous Records of Attendance	1	Not applicable
Mode of Instruction	1	Not applicable
Nonclassroom-Based Instruction/Independent Study	15	Not applicable
Determination of Funding for Nonclassroom-Based Instruction	3	Not applicable
Annual Instructional Minutes - Classroom Based	3	Not applicable

We did not apply the audit procedures for the California School Age Families Education program because the District did not offer the program during the 2008-09 fiscal year. We did not perform the audit procedures for Continuation Education, Adult Education, and Full-time Independent Study programs because the ADA was under the level that requires testing.

Based on our audit, we found that, for the items tested, the Cabrillo Unified School District complied with the state laws and regulations referred to above, except as described in the Finding and Recommendations section of this report. Further, based on our examination, for items not tested, nothing came to our attention to indicate that the District had not complied with the state laws and regulations.

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it

This report is intended solely for the information and use of District management, governing board, federal awarding agencies, State Controller's Office, Department of Finance, Department of Education, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*C. G. Uhlenberg LLP*

November 15, 2009  
Redwood City, California

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FINDINGS AND  
RECOMMENDATIONS

**Cabrillo Unified School District**  
 Schedule of Findings and Questioned Costs  
 For the Fiscal Year Ended June 30, 2009

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**Section 1 - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses?	___ Yes <u>  x  </u> No
Significant deficiencies identified not considered to be material weaknesses?	___ Yes <u>  x  </u> No
Non-compliance material to financial statements noted?	___ Yes <u>  x  </u> No

**Federal Awards**

Internal control over major programs:	
Material weaknesses?	___ Yes <u>  x  </u> No
Significant deficiencies identified not considered to be material weaknesses?	___ Yes <u>  x  </u> No

Type of auditor's report issued on compliance over major programs	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 Section .510(a)	___ Yes <u>  x  </u> No

Identification of Major Programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program</u>
10.557	National School Lunch Program

Dollar threshold used to distinguish between type A and type B programs:	\$ <u>  300,000  </u>
Auditee qualified as low risk auditee?	<u>  x  </u> Yes ___ No

**State Awards**

Internal control over state programs:	
Material weaknesses?	___ Yes <u>  x  </u> No
Significant deficiencies identified not considered to be material weaknesses?	<u>  x  </u> Yes ___ No

Type of auditor's report issued on compliance over state programs:	<u>Unqualified</u>
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**Cabrillo Unified School District**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2009

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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 09-01 / Code Section 10000*

Significant Deficiency - Supplemental Instructional Hours

**CRITERIA:** The District is required to report supplemental instructional hours in the P-2 and P-Annual reports required by the State. The supplemental instructional hours are used to determine the amount of funding to be provided by the state for District programs developed to assist at risk students. It is the District's responsibility to establish internal controls that reduce the risk of reporting errors to an acceptable level.

**CONDITION:** For the fiscal years 2006-07 and 2007-08, the District over reported supplemental hours in the by 43,520 and 44,285, respectively. The actual impact of the hours reported is based on ceilings determined by the state. Using the limits established by the ceilings in 2006-07 and 2007-08, the District over reported their supplemental hours by 42,206 and 60,693, respectively.

**EFFECT OF CONDITION:** The District received more funding for the related programs than what they were originally entitled to.

**CAUSE OF CONDITION:** The excess hours were reported because the length of one period was captured as 150 minutes instead of 60 minutes in the District's attendance software, SASI. Since the District can claim up to 7,200 minutes per student for each year's summer school, the software was developed to use this figure as a control and cap the minutes for each student at 7,200. However, the application did not work as intended, leading to the reporting error as noted above.

**QUESTIONED COST:** The District has recorded an obligation of \$164,682 for fiscal year 2006-07 and 256,255 for fiscal year 2007-08.

**RECOMMENDATION:** This deficiency was discovered by the District and management has implemented the procedures noted in their corrective action plan as of the issuance of our report. The District has also revised the P2 and P-Annual and resubmitted those reports to the state.

**CORRECTIVE ACTION PLAN:** As a corrective action plan, the District has revised procedures over review and approval of changes to the data elements in SASI by the Business Office before

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any such changes may take place. Such review/approval must be documented in writing prior to implementing any change.

In addition, the hours reported in SASI will be extracted into an Excel database to ensure accuracy of total student attendance. This step is implemented to offset the failure of the 7200 maximum calculation in SASI.

Also, the District is currently researching other SIS programs and will be moving to another system beginning with the 2010-2011 school year.

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No prior year findings

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