PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 9, 2019

NEW ISSUE -- FULL BOOK-ENTRY **RATINGS: Moody's: "Aa2"; S&P: "AA"**
See "RATINGS" herein

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the Series A Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest on the Series B Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income tax. See "TAX MATTERS" with respect to tax consequences relating to the Bonds.

$38,015,000*
CABRILLO COMMUNITY COLLEGE DISTRICT
(Santa Cruz, Monterey and San Benito Counties, California)
2019 General Obligation Refunding Bonds, Series A
(Tax-Exempt)

$18,285,000*
CABRILLO COMMUNITY COLLEGE DISTRICT
(Santa Cruz, Monterey and San Benito Counties, California)
2019 General Obligation Refunding Bonds, Series B
(Federally Taxable)

Dated: Date of Delivery **Due: August 1, as shown on inside front cover**

This cover page contains information for general reference only. It is not a summary of this issue. Investors must read the entire official statement to obtain information essential to the making of an informed investment decision. Capitalized terms used on this cover page and not otherwise defined shall have the meanings set forth herein.

The Cabrillo Community College District (Santa Cruz, Monterey and San Benito Counties, California) 2019 General Obligation Refunding Bonds, Series A (Tax-Exempt) (the "Series A Bonds") in the aggregate principal amount of $38,015,000* are being issued by the Cabrillo Community College District (the "District") to (i) refund all of the District's remaining outstanding Election of 2004 General Obligation Bonds, Series B, and (ii) pay the costs of issuance of the Series A Bonds.

The Cabrillo Community College District (Santa Cruz, Monterey and San Benito Counties, California) 2019 General Obligation Refunding Bonds, Series B (Federally Taxable) (the "Series B Bonds" and, together with the Series A Bonds, the "Bonds") in the aggregate principal amount of $18,285,000* are being issued by the District to (i) refund a portion of the District's outstanding 2012 General Obligation Refunding Bonds, (ii) fund capitalized interest on a portion of the Series A Bonds, and (iii) pay the costs of issuance of the Series B Bonds.

The Bonds are general obligations of the District payable solely from *ad valorem* property taxes. The Boards of Supervisors of Santa Cruz, Monterey and San Benito Counties are empowered and obligated to annually levy such *ad valorem* property taxes upon all property subject to taxation by the District without limitation of rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of the principal of and interest on the Bonds.

The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (collectively referred to herein as "DTC"). Purchasers of the Bonds (the "Beneficial Owners") will not receive physical certificates representing their interests in the Bonds.

The Bonds will be issued as current interest bonds, such that interest thereon will accrue from the Date of Delivery and be payable semiannually on February 1 and August 1 of each year, commencing February 1, 2020. The Bonds are issuable as fully registered Bonds in denominations of $5,000 or any integral multiple thereof.

Payments of principal of and interest on the Bonds will be made by The Bank of New York Mellon Trust Company, N.A., as paying agent, bond registrar, authentication agent and transfer agent (collectively, the "Paying Agent"), to DTC for subsequent disbursement to DTC Participants who will remit such payments to the Beneficial Owners of the Bonds. See "THE BONDS – Book-Entry Only System" herein.

The Series A Bonds are subject to optional redemption prior to their stated maturity dates as described herein. The Series B Bonds are not subject to optional redemption prior to their stated maturity dates.

MATURITY SCHEDULES*
(see inside front cover pages)

*The Bonds are offered when, as and if issued, and received by the Underwriter subject to the approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel and Disclosure Counsel. The Bonds, in book-entry form, will be available for delivery through the facilities of the Depository Trust Company in New York, New York, on or about October 8, 2019.**

PiperJaffray

Dated: September __, 2019

* Preliminary, subject to change.

MATURITY SCHEDULES

$38,015,000*
CABRILLO COMMUNITY COLLEGE DISTRICT
(Santa Cruz, Monterey and San Benito Counties, California)
2019 General Obligation Refunding Bonds, Series A (Tax-Exempt)

Base CUSIP†: 127109

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP†
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
2035				
2036				
2037				
2038				
2039				

$18,285,000*
CABRILLO COMMUNITY COLLEGE DISTRICT
(Santa Cruz, Monterey and San Benito Counties, California)
2019 General Obligation Refunding Bonds, Series B (Federally Taxable)

Base CUSIP†: 127109

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP†
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				

* Preliminary, subject to change.

† CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services ("CGS"), managed by S&P Capital IQ on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. None of the Underwriter, the Municipal Advisor or the District is responsible for the selection, uses or correctness of the CUSIP numbers set forth herein. CUSIP numbers have been assigned by an independent company not affiliated with the District, the Municipal Advisor or the Underwriter and are included solely for the convenience of the registered owners of the applicable Bonds. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

(1) Yield to call at par on August 1, ____.

This Official Statement does not constitute an offering of any security other than the original offering of the Bonds of the District. No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations other than as contained in this Official Statement, and if given or made, such other information or representation not so authorized should not be relied upon as having been given or authorized by the District.

The issuance and sale of the Bonds have not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder by Section 3(a)2 and 3(a)12, respectively, for the issuance and sale of municipal securities. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

Certain information set forth herein has been obtained from sources outside of the District which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

When used in this Official Statement and in any continuing disclosure by the District in any press release and in any oral statement made with the approval of an authorized officer of the District or any other entity described or referenced in this Official Statement, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," "forecast," "expect," "intend" and similar expressions identify "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

The Underwriter has provided the following sentence for inclusion in this Official Statement:

> "The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or the completeness of such information."

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN SECURITIES DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

The District maintains a website. However, the information presented on such website is not part of this Official Statement and should not be relied upon in making an investment decision with respect to the Bonds.

CABRILLO COMMUNITY COLLEGE DISTRICT

PROFESSIONAL SERVICES

Bond Counsel and Disclosure Counsel

Stradling Yocca Carlson & Rauth,
a Professional Corporation
San Francisco, California

Paying Agent and Escrow Agent

The Bank of New York Mellon Trust Company, N.A.
Dallas, Texas

Verification Agent

Causey Demgen & Moore P.C.
Denver, Colorado

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$18,285,000*
CABRILLO COMMUNITY COLLEGE DISTRICT
(Santa Cruz, Monterey and San Benito Counties, California)
2019 General Obligation Refunding Bonds, Series B
(Federally Taxable)

INTRODUCTION

This Official Statement, which includes the cover page, inside cover page and appendices hereto, provides information in connection with the sale of Cabrillo Community College District (Santa Cruz, Monterey and San Benito Counties, California) 2019 General Obligation Refunding Bonds, Series A (Tax-Exempt) (the "Series A Bonds") and Cabrillo Community College District (Santa Cruz, Monterey and San Benito Counties, California) 2019 General Obligation Refunding Bonds, Series B (Federally Taxable) (the "Series B Bonds" and, together with the Series A Bonds, the "Bonds").

This Introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page, inside cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement.

The District

The Cabrillo Community College District (the "District") was established on October 21, 1958 and encompasses an area of approximately 105 square miles in Santa Cruz County (the "County"), the northern portion of Monterey County ("Monterey County"), and the western portion of San Benito County ("San Benito County," and together with the County and Monterey County, the "Counties"). The District's service area includes the cities of Santa Cruz, Watsonville, Capitola and Scotts Valley, as well as the unincorporated community of Aptos. The District currently operates one community college, Cabrillo College (the "College") in Aptos, as well as an education center in Watsonville. The College is fully accredited by the Accrediting Commission for Community and Junior Colleges ("ACCJC"). For fiscal year 2018-19, the District's full time equivalent student ("FTES") count is 10,301 students, and taxable property within the District has an assessed valuation of $46,156,771,611. For fiscal year 2019-20, the District has budgeted a FTES count of 9,895.

The District is governed by a seven-member Board of Trustees (the "Board"), each member of which is elected to a four-year term. Elections for positions to the Board are held every two years, alternating between three and four available positions. The management and policies of the District are administered by a Superintendent/President appointed by the Board who is responsible for day-to-day District operations as well as the supervision of the District's other key personnel. Dr. Matthew Wetstein is the District Superintendent/President.

For more information regarding the District's tax base, see "TAX BASE FOR REPAYMENT OF BONDS" herein. See "FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA" and "CABRILLO COMMUNITY COLLEGE DISTRICT" herein for more general information regarding the District and its finances. The District's audited financial statement for fiscal year ended June 30, 2018 is attached hereto as APPENDIX A and should be read in its entirety.

* Preliminary, subject to change.

Security and Sources of Payment for the Bonds

The Bonds are general obligations of the District payable solely from the proceeds of *ad valorem* property taxes. The Boards of Supervisors of the Counties are empowered and obligated to annually levy such *ad valorem* property taxes upon all property within the District subject to taxation by the District without limitation of rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of the principal of and interest on the Bonds. See "THE BONDS – Security and Sources of Payment" and "TAX BASE FOR REPAYMENT OF BONDS" herein.

Purpose of Issue

The proceeds of the Series A Bonds will be used to (i) refund all of the District's remaining outstanding Election of 2004 General Obligation Bonds, Series B (the "2004 Series B Bonds"), and (ii) pay the costs of issuance of the Series A Bonds. The 2004 Series B Bonds to be refunded with proceeds of the Series A Bonds are referred to herein as the "Refunded 2004 Series B Bonds."

The proceeds of the Series B Bonds will be used to (i) refund a portion of the District's outstanding 2012 General Obligation Refunding Bonds (the "2012 Refunding Bonds" and, together with the 2004 Series B Bonds, the "Prior Bonds"), (ii) fund capitalized interest on a portion of the Series A Bonds, and (iii) pay the costs of issuance of the Series B Bonds. The 2012 Refunding Bonds to be refunded with proceeds of the Series B Bonds are referred to herein as the "Refunded 2012 Refunding Bonds."

See also "REFUNDING PLAN" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

Description of the Bonds

Form and Registration. The Bonds will be issued in fully registered form only (without coupons), initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to actual purchasers of the Bonds (the "Beneficial Owners") in the denominations set forth on the inside cover, under the book-entry only system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. See "THE BONDS – Book-Entry Only System" herein. In event that the book-entry only system described below is no longer used with respect to the Bonds, the Bonds will be registered in accordance with the Resolution described herein. See "THE BONDS – Discontinuation of Book-Entry Only System; Payment To Beneficial Owners" herein.

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the "Owners" or "Holders" of the Bonds (other than under the caption "— Tax Matters" herein and "TAX MATTERS" attached hereto will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds.

Denominations. Individual purchases of interests in the Bonds will be available to purchasers of the Bonds in the denominations of $5,000 principal amount or any integral multiple thereof.

Redemption.* The Series A Bonds are subject to optional and mandatory sinking fund redemption prior to their stated maturity dates, as further described herein. The Series B Bonds are not subject to redemption prior to their stated maturity dates. See "THE BONDS – Redemption" herein.

Payments. The Bonds will be issued as current interest bonds, such that interest thereon will accrue from the initial date of delivery of the Bonds (the "Date of Delivery") and be payable semiannually on each February 1 and August 1 (each a "Bond Payment Date"), commencing February 1, 2020. Principal of the Bonds is payable on August 1 in the amounts and years as set forth on the inside cover page hereof.

Payments of the principal of and interest on the Bonds will be made by The Bank of New York Mellon Trust Company, N.A., as the designated paying agent, bond registrar and transfer agent (the "Paying Agent"), to DTC for subsequent disbursement through DTC Participants (defined herein) to the Beneficial Owners. See also "THE BONDS – Book-Entry Only System" herein.

Tax Matters

Series A Bonds. In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California ("Bond Counsel"), based on existing statutes, regulations, rulings and judicial decisions, and assuming certain representations and compliance with certain covenants and requirements described herein, interest on the Series A Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest on the Series A Bonds is exempt from State of California (the "State") personal income tax. See "TAX MATTERS – Series A Bonds" herein.

Series B Bonds. In the opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest on the Series B Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended. In the further opinion of Bond Counsel, interest on the Series B Bonds is exempt from State personal income tax. See "TAX MATTERS – Series B Bonds" herein.

Authority for Issuance of the Bonds

The Bonds are issued pursuant to certain provisions of the Government Code and other applicable law, and pursuant to a resolution adopted by the Board. See "THE BONDS – Authority for Issuance of the Bonds" herein.

Offering and Delivery of the Bonds

The Bonds are offered when, as and if issued, subject to approval as to the validity by Bond Counsel. It is anticipated that the Bonds will be available for delivery through the facilities of DTC in New York, New York, on or about October 8, 2019.*

Bond Owner's Risks

The Bonds are general obligations of the District payable solely from *ad valorem* property taxes which may be levied on all taxable property in the District, without limitation as to rate or amount (except with respect to certain personal property which is taxable at limited rates). For more complete

* Preliminary, subject to change.

information regarding the taxation of property within the District and certain other considerations related thereto, see "TAX BASE FOR REPAYMENT OF BONDS" and "LIMITATION ON REMEDIES; BANKRUPTCY" herein.

Continuing Disclosure

The District will covenant for the benefit of Owners and Beneficial Owners to make available certain financial information and operating data relating to the District and to provide notices of the occurrence of certain enumerated events, in compliance with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 (collectively, the "Rule"). See "LEGAL MATTERS – Continuing Disclosure" herein. The specific nature of the information to be made available and of the notices of material events required to be provided are summarized in form of the Continuing Disclosure Certificate in "APPENDIX C" attached hereto.

Professionals Involved in the Offering

Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California is acting as Bond Counsel and Disclosure Counsel to the District with respect to the Bonds. Stradling Yocca Carlson & Rauth, a Professional Corporation, will receive compensation from the District contingent upon the sale and delivery of the Bonds. The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, has been appointed as Paying Agent for the Bonds, and as Escrow Agent (as defined herein) with respect to the Refunded Bonds. Causey Demgen & Moore P.C., Denver, Colorado is acting as verification agent for the Bonds.

Forward Looking Statements

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "intend," "project," "budget" or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information regarding the District herein.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of documents referred to herein and information concerning the Bonds are available from the Assistant Superintendent/Vice President, Administrative Services, Cabrillo Community College District, 6500 Soquel Drive, Aptos, California 95003. The District may impose a charge for copying, mailing and handling.

No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations other than as contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the District. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. The summaries and references to documents, statutes and constitutional provisions referred to herein do not purport to be comprehensive or definitive, and are qualified in their entireties by reference to each of such documents, statutes and constitutional provisions.

Certain information set forth herein, other than that provided by the District, has been obtained from official sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

Capitalized terms used but not otherwise defined herein shall have the meanings assigned to such terms in the Resolution (defined herein).

THE BONDS

Authority for Issuance

The Bonds are issued pursuant to the provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code, commencing with Section 53550 *et seq.*, and other applicable law, and pursuant to a resolution adopted by the Board on August 5, 2019 (the "Resolution").

Security and Sources of Payment

The Bonds are general obligations of the District payable solely from the proceeds of *ad valorem* property taxes. The Boards of Supervisors of the Counties are empowered and obligated to levy such *ad valorem* property taxes, without limitation as to rate or amount, upon all property within the District subject to taxation thereby (except certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Bonds when due. Such *ad valorem* property taxes will be levied annually in addition to all other taxes in an amount sufficient to pay the principal of and interest thereon when due, as described above. The levy of *ad valorem* property taxes for payment of the Bonds may include an allowance for an annual reserve, established for the purpose of avoiding fluctuating tax levies. The Counties, however, are not obligated to establish or maintain such a reserve for any of the Bonds, and the District can make no representation that the Counties will do so.

Such taxes, when collected, will be placed by the Counties in the respective Debt Service Funds (defined herein) created by the Resolution, which funds are required to be segregated and maintained by the County and which are designated for the payment of the Series A Bonds and Series B Bonds and interest thereon, as applicable, when due, and for no other purpose. Pursuant to the Resolution, the

District has pledged funds on deposit in the respective Debt Service Funds to the payment of the applicable series of Bonds. Although the Counties are obligated to levy *ad valorem* property taxes for the payment of the Bonds as described above, and the County will maintain the Debt Service Funds, the Bonds are not a debt of any of the Counties.

Moneys in the Debt Service Fund, to the extent necessary to pay the principal of and interest on the applicable series of Bonds as the same become due and payable, will be transferred to the Paying Agent. The Paying Agent will in turn remit the funds to DTC for remittance of such principal and interest to its Participants (as defined herein) for subsequent disbursement to the respective Beneficial Owners of such Bonds.

The amount of the annual *ad valorem* property taxes levied by the Counties to repay the Bonds, as described above, will be determined by the relationship between the assessed valuation of taxable property in the District and the amount of debt service due on the Bonds in any year. Fluctuations in the annual debt service on the Bonds and the assessed value of taxable property in the District may cause the annual tax rates to fluctuate. Economic and other factors beyond the District's control, such as general market decline in land values, disruption in financial markets that may reduce the availability of financing for purchasers of property, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, flood, fire, wildfire, drought or toxic contamination, could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the respective annual tax rates. For further information regarding the District's assessed valuation, tax rates, overlapping debt, and other matters concerning taxation, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIIIA of the California Constitution" and "TAX BASE FOR REPAYMENT OF BONDS" herein.

Statutory Lien

Pursuant to California Government Code Section 53515, the Bonds will be secured by a statutory lien on all revenues received pursuant to the levy and collection of *ad valorem* property taxes for the payment thereof. The lien automatically attaches, without further action or authorization by the Board, and is valid and binding from the time the Bonds are executed and delivered. The revenues received pursuant to the levy and collection of the *ad valorem* property tax will be immediately subject to the lien, and such lien will be enforceable against the District, its successor, transferees and creditors, and all other parties asserting rights therein, irrespective of whether such parties have notice of the lien and without the need for physical delivery, recordation, filing or further act.

This statutory lien, by its terms, secures not only the Bonds, but also any other bonds of the District issued after January 1, 2016 and payable, both as to principal and interest, from the proceeds of *ad valorem* property taxes that may be levied pursuant to paragraphs (2) and (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution. The statutory lien provision does not specify the relative priority of obligations so secured or a method of allocation in the event that the revenues received pursuant to the levy and collection of such *ad valorem* property taxes are insufficient to pay all amounts then due and owing that are secured by the statutory lien.

General Provisions

The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee for DTC. See "— Book-Entry Only System" herein. Beneficial

Owners will not receive certificates representing their interest in the Bonds, but will instead receive credit balances on the books of their respective nominees. The Bonds will be dated as of the Date of Delivery.

Interest on the Bonds accrues from the Date of Delivery, and is payable semiannually on each Bond Payment Date, commencing February 1, 2020. Interest on the Bonds will be computed on the basis of a 360-day year of twelve, 30-day months. Each Bond will bear interest from the Bond Payment Date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the 16th day of the month next preceding any Bond Payment Date to that Bond Payment Date, inclusive, in which event it will bear interest from such Bond Payment Date, or unless it is authenticated on or before January 15, 2020, in which event it will bear interest from the Date of Delivery. The Bonds are issuable in denominations of $5,000 principal amount or any integral multiple thereof, and mature on August 1, in the years and amounts set forth on the inside cover pages hereof.

Payment of interest on any Bond on any Bond Payment Date will be made to the person appearing on the registration books of the Paying Agent as the registered Owner thereof as of the 15^{th} day of the month immediately preceding such Bond Payment Date (the "Record Date"), such interest to be paid by wire transfer to the bank and account number on file with the Paying Agent as of the Record Date. The principal of and redemption premiums, if any, payable on the Bonds shall be payable upon maturity upon surrender at the designated office of the Paying Agent. The principal of, and interest, and redemption premiums, if any, on the Bonds shall be payable in lawful money of the United States of America. The Paying Agent is authorized to pay the Bonds when duly presented for payment at maturity, and to cancel all Bonds upon payment thereof. So long as the Bonds are held in the book-entry system of DTC, all payments of principal of and interest on the Bonds will be made by the Paying Agent to Cede & Co. (as a nominee of DTC), as the registered owner of the Bonds.

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Annual Debt Service

The following table shows the debt service schedule with respect to the Bonds (assuming no optional redemptions are made):

Year Ending (August 1)	Series A Bonds Annual Principal Payment	Series A Bonds Annual Interest Payment(1)	Series B Bonds Annual Principal Payment	Series B Bonds Annual Interest Payment(1)	Total Annual Debt Service
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
2029					
2030					
2031					
2032					
2033					
2034					
2035					
2036					
2037					
2038					
2039					
TOTAL					

(1) Interest payments on the Bonds will be made semiannually on February 1 and August 1 of each year, commencing February 1, 2020.

See "CABRILLO COMMUNITY COLLEGE DISTRICT – District Debt Structure – General Obligation Bonds" herein for a schedule of the combined debt service requirements for all of the District's outstanding general obligation bonds.

Redemption

Optional Redemption.* The Series A Bonds maturing on or before August 1, ____ are not subject to redemption prior to their respective maturity dates. The Series A Bonds maturing on or after August 1, ____ are subject to redemption prior to their respective stated maturity dates at the option of the District, from any source of available funds, in whole or in part, on any date on or after August 1, ____, at a redemption price equal to the principal amount of the Bonds called for redemption, together with interest accrued thereon to the date of redemption, without premium.

The Series B Bonds are not subject to redemption prior to their respective maturity dates.

* Preliminary, subject to change.

Mandatory Sinking Fund Redemption.[*] The Series A Bonds maturing on August 1, 20__, are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 20__ at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium. The principal amount of such Series A Bonds to be so redeemed and the dates therefor and the final maturity date is as indicated in the following table:

Redemption Date (August 1)	**Principal Amount to be Redeemed**
Total	

Selection of Bonds for Redemption. Whenever provision is made for the redemption of Bonds and less than all Bonds are to be redeemed, the Paying Agent, upon written instruction from the District, shall select Bonds for redemption as directed by the District, and if not directed, in inverse order of maturity. Within a maturity, the Paying Agent shall select Bonds for redemption by lot. Redemption by lot shall be in such manner as the Paying Agent shall determine; provided, however, that with respect to redemption by lot, the portion of any Bond to be redeemed in part shall be in the principal amount of $5,000 or any integral multiple thereof.

Notice of Redemption. When redemption is authorized or required pursuant to the Resolution, the Paying Agent, upon written instruction from the District, will give notice (a "Redemption Notice") of the redemption of the Bonds (or portions thereof). Each Redemption Notice will specify (a) the Bonds or designated portions thereof (in the case of redemption of the Bonds in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Paying Agent, (d) the redemption price, (e) the CUSIP numbers (if any) assigned to the Bonds to be redeemed, (f) the Bond numbers of the Bonds to be redeemed in whole or in part and, in the case of any Bond to be redeemed in part only, the portion of the principal amount of such Bond to be redeemed, and (g) the original issue date, interest rate and stated maturity date of each Bond to be redeemed in whole or in part. Such Redemption Notice will further state that on the specified date there will become due and payable upon each Bond or portion thereof being redeemed at the redemption price thereof, together with the interest accrued to the redemption date thereon, and that from and after such date, interest thereon will cease to accrue.

The Paying Agent will take the following actions with respect to each such Redemption Notice: (a) at least 20 but not more than 45 days prior to the redemption date, such Redemption Notice will be given to the respective Owners of Bonds designated for redemption by registered or certified mail, postage prepaid, at their addresses appearing on the bond register; (b) at least 20 but not more than 45 days prior to the redemption date, such Redemption Notice will be given by registered or certified mail, postage prepaid, telephonically confirmed facsimile transmission, or overnight delivery service, to the Securities Depository; (c) at least 20 but not more than 45 days prior to the redemption date, such Redemption Notice will be given by registered or certified mail, postage prepaid, or overnight delivery service, to one of the Information Services; and (d) provide such Redemption Notice to such other persons as may be required pursuant to the Continuing Disclosure Certificate.

[*] Preliminary, subject to change.

"Information Services" means the Municipal Securities Rulemaking Board's Electronic Municipal Market Access.

"Securities Depository" shall mean The Depository Trust Company, 55 Water Street, New York, New York 10041.

A certificate of the Paying Agent to the effect that a Redemption Notice has been given as provided in the Resolution will be conclusive as against all parties. Neither failure to receive any Redemption Notice nor any defect in any such Redemption Notice so given will affect the sufficiency of the proceedings for the redemption of the affected Bonds. Each check issued or other transfer of funds made by the Paying Agent for the purpose of redeeming Bonds will bear or include the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

Payment of Redeemed Bonds. When notice of redemption has been given substantially as described above, and, when the amount necessary for the redemption of the Bonds called for redemption (principal, interest, and premium, if any) is irrevocably set aside in trust for that purpose, as described in "—Defeasance" herein, the Bonds designated for redemption in such notice will become due and payable on the date fixed for redemption thereof and upon presentation and surrender of said Bonds at the place specified in the notice of redemption, said Bonds will be redeemed and paid at the redemption price out of such funds. All unpaid interest payable at or prior to the redemption date will continue to be payable to the respective Owners, but without interest thereon.

Partial Redemption of Bonds. Upon the surrender of any Bond redeemed in part only, the Paying Agent will execute and deliver to the Owner thereof a new Bond or Bonds of like tenor and maturity and of authorized denominations equal in principal amounts to the unredeemed portion of the Bond surrendered. Such partial redemption is valid upon payment of the amount required to be paid to such Owner, and the District will be released and discharged thereupon from all liability to the extent of such payment.

Effect of Notice of Redemption. If on the applicable designated redemption date, money for the redemption of the Bonds to be redeemed, together with interest accrued to such redemption date, is held by an independent escrow agent selected by the District so as to be available therefor on such redemption date as described in "—Defeasance," and if Redemption Notice thereof will have been given substantially as described above, then from and after such redemption date, interest on the Bonds to be redeemed shall cease to accrue and become payable.

Conditional Redemption Notice. With respect to any Redemption Notice in connection with the optional redemption of Bonds (or portions thereof) as described above, unless upon the giving of such notice such Bonds or portions thereof shall be deemed to have been defeased as described in "—Defeasance" herein, such Redemption Notice will state that such redemption will be conditional upon the receipt by the Paying Agent (or an independent escrow agent selected by the District), on or prior to the date fixed for such redemption, of the moneys necessary and sufficient to pay the principal of, premium, if any, and interest on, such Bonds (or portions thereof) to be redeemed, and that if such moneys shall not have been so received said Redemption Notice will be of no force and effect, no portion of the Bonds will be subject to redemption on such date and such Bonds will not be required to be redeemed on such date. In the event that such Redemption Notice contains such a condition and such moneys are not so received, the redemption will not be made and the Paying Agent will within a reasonable time thereafter give notice to the persons to whom and in the manner in which the Redemption Notice was given that such moneys were not so received. In addition, the District shall have the right to rescind any Redemption Notice, by written notice to the Paying Agent, on or prior to the date fixed for such redemption. The Paying Agent will distribute a notice of such rescission in the same manner as the Redemption Notice was originally provided.

Bonds No Longer Outstanding. When any Bonds (or portions thereof), which have been duly called for redemption prior to maturity, or with respect to which irrevocable instructions to call for redemption prior to maturity at the earliest redemption date have been given to the Paying Agent, in form satisfactory to it, and sufficient moneys shall be irrevocably held in trust for the payment of the redemption price of such Bonds or portions thereof, and, accrued interest thereon to the date fixed for redemption, then such Bonds will no longer be deemed outstanding and shall be surrendered to the Paying Agent for cancellation.

Book-Entry Only System

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but none of the District, the Municipal Advisor, nor the Underwriter take any responsibility for the accuracy or completeness thereof. The District and the Underwriter cannot and do not give any assurances that DTC, DTC Participants or Indirect Participants (as defined herein) will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "MMI Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company, New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants" and together with the Direct Participants, the "Participants"). DTC has an S&P (as defined herein) rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. The information set forth on such website is not incorporated by reference herein.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each Beneficial Owner is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchases. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, defaults, and proposed amendments to the Resolution. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and distributions on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds or distributions to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered. The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

Discontinuation of Book-Entry Only System; Payment to Beneficial Owners

So long as any of the Bonds remain outstanding, the District will cause the Paying Agent to maintain at its designated office all books and records necessary for the registration, exchange and transfer of such Bonds, which shall at all times be open to inspection by the District, and, upon presentation for such purpose, the Paying Agent shall, under such reasonable regulations as it may prescribe, register, exchange or transfer or cause to be registered, exchanged or transferred, on said books, Bonds as provided in the Resolution.

In the event that the book-entry system described above is no longer used with respect to the Bonds, the following provisions will govern the payment, transfer and exchange of the Bonds.

The principal of the Bonds and any premium and interest upon the redemption thereof prior to the maturity will be payable in lawful money of the United States of America upon presentation and surrender of the Bonds at the designated office of the Paying Agent, initially located in Dallas, Texas. Interest on the Bonds will be paid by the Paying Agent by wire transfer to the bank and account number on file with the Paying Agent as of the Record Date.

Any Bond may be exchanged for a Bond of like series, tenor, maturity and principal amount upon presentation and surrender at the designated office of the Paying Agent, together with a request for exchange signed by the registered owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred only on the Bond registration books upon presentation and surrender of the Bond at such designated office of the Paying Agent together with an assignment executed by the registered owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the Paying Agent shall complete, authenticate and deliver a new Bond or Bonds of like tenor and of any authorized denomination or denominations requested by the owner equal to the principal amount of the Bond surrendered and bearing or accruing interest at the same rate and maturing on the same date.

Neither the District nor the Paying Agent will be required to (a) issue or transfer any Bonds during a period beginning with the opening of business on the 16th day next preceding either any Bond Payment Date or any date of selection of Bonds to be redeemed and ending with the close of business on the Bond Payment Date or any day on which the applicable notice of redemption is given or (b) transfer any Bonds which have been selected or called for redemption in whole or in part.

Defeasance

All or any portion of the outstanding maturities of the Bonds may be defeased at any time prior to maturity in the following ways:

(a) Cash. By irrevocably depositing with an independent escrow agent selected by the District an amount of cash which, together with any amounts transferred from the Debt Service Fund, is sufficient to pay and discharge all Bonds outstanding and designated for defeasance (including all principal thereof, accrued interest thereon and premium, if any) at or before their maturity date; or

(b) Government Obligations. By irrevocably depositing with an independent escrow agent selected by the District noncallable Government Obligations (as defined herein) together with any amounts transferred from the Debt Service Fund, and any other cash, if required, in such amount as will, together with interest to accrue thereon, in the opinion of an independent certified public accountant, be fully sufficient to pay and discharge all Bonds outstanding and designated for defeasance (including all principal thereof, accrued interest thereon, and premium, if any), at or before their maturity date;

then, notwithstanding that any such maturities of Bonds shall not have been surrendered for payment, all obligations of the District and the Paying Agent with respect to all outstanding Bonds shall cease and terminate, except only the obligation of the Paying Agent or an independent escrow agent selected by the District to pay or cause to be paid from funds deposited pursuant to paragraphs (a) or (b) above, to the Owners of the Bonds not so surrendered and paid all sums due with respect thereto.

Direct and general obligations of the United States of America, obligations that are unconditionally guaranteed as to principal and interest by the United States of America (which may consist of obligations of the Resolution Funding Corporation that constitute interest strips), or obligations secured or otherwise guaranteed, directly or indirectly, as to principal and interest by a pledge of the full faith and credit of the United States of America. In the case of direct and general obligations of the United States of America, Government Obligations shall include evidences of direct ownership of proportionate interests in future interest or principal payments of such obligations. Investments in such proportionate interests must be limited to circumstances where (a) a bank or trust company acts as custodian and holds the underlying United States obligations; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States obligations; and (c) the underlying United States obligations are held in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated; provided that all such obligations are rated or assessed at least as high as direct and general obligations of the United States of America by S&P Global Ratings ("S&P") or by Moody's Investors Service ("Moody's").

REFUNDING PLAN

Series A Bonds. The Series A Bonds are being issued by the District to (i) refund the Refunded 2004 Series B Bonds, and (ii) pay the costs of issuance of the Series A Bonds.

The net proceeds from the sale of the Series A Bonds will be paid to The Bank of New York Mellon Trust Company, N.A., acting as escrow agent (the "Escrow Agent"), to the credit of an escrow fund (the "Series A Escrow Fund") established pursuant to an escrow agreement relating to the Refunded Bonds (the "Escrow Agreement") by and between the District and the Escrow Agent. Pursuant to the Escrow Agreement, the amount deposited in the Series A Escrow Fund will be used to purchase certain non-callable direct and general obligations of the United States of America, or non-callable obligations the payment of which is unconditionally guaranteed by the United States of America, the principal of and interest on which will be sufficient, together with any monies deposited in the Series A Escrow Fund and held as cash, to enable the Escrow Agent to pay the accreted value of the Refunded 2004 Series B Bonds on the first optional redemption date therefor. Information regarding specific maturities of the Refunded 2004 Series B Bonds is listed in the following table.

REFUNDED 2004 SERIES B BONDS*[*]*
Cabrillo Community College District
Election of 2004 General Obligation Bonds, Series B

Maturity Date (August 1)	Denominational Amount	Accretion Rate	Redemption Date	Redemption Price (Accreted Value)
2029	$2,889,811.00	4.79%	10/18/2019	$5,222,692.00
2030	2,842,725.60	4.80	10/18/2019	5,143,881.60
2031	2,796,001.40	4.81	10/18/2019	5,065,568.30
2032	2,749,624.50	4.82	10/18/2019	4,987,563.00
2033	2,701,985.75	4.83	10/18/2019	4,907,102.50
2034	2,654,558.50	4.84	10/18/2019	4,826,959.50
2037	2,767,330.50	4.86	10/18/2019	5,044,189.50
2038	2,708,289.50	4.87	10/18/2019	4,942,658.85
2039	2,658,177.90	4.87	10/18/2019	4,851,391.50

The sufficiency of the amounts on deposit in the Series A Escrow Fund, together with realizable interest and earnings thereon, to pay the redemption price of the Refunded 2004 Series B Bonds as described above will be verified by Causey Demgen & Moore P.C. (the "Verification Agent"). As a result of the deposit and application of funds so provided in the Escrow Agreement, and assuming the accuracy of the computations of the Underwriter and the Verification Agent, the Refunded 2004 Series B Bonds will be defeased and the obligation of the Counties to levy *ad valorem* property taxes for payment of the Refunded 2004 Series B Bonds will terminate. See "LEGAL MATTERS – Escrow Verification" herein.

Any accrued interest on the Series A Bonds, when received by the District from the sale of the Series A Bonds, any surplus moneys in the Series A Escrow Fund, when received by the District following the redemption of the Refunded 2004 Series B Bonds, and any other excess proceeds of the Series A Bonds not needed for the authorized purposes for which the Series A Bonds are being issued, will be kept separate and apart in the fund held by the County and designated as the "Cabrillo Community College District 2019 General Obligation Refunding Bonds, Series A Debt Service Fund" (the "Series A Bonds Debt Service Fund") and applied to the payment of principal of and interest on the Series A Bonds.

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[*] Preliminary, subject to change.

If, after payment in full of the Series A Bonds, there remain excess proceeds, any such excess amounts shall be transferred to the general fund of the District.

Series B Bonds. The Series B Bonds are being issued by the District to (i) refund the Refunded 2012 Refunding Bonds, (ii) fund capitalized interest on a portion of the Series A Bonds, and (iii) pay the costs of issuance of the Series B Bonds.

A portion of the proceeds of the Series B Bonds will be deposited in the Series A Debt Service Fund and be used to pay interest coming due on the Series A Bonds. The net proceeds from the sale of the Series B Bonds will be paid to the Escrow Agent, to the credit of an escrow fund (the "Series B Escrow Fund") established pursuant to the Escrow Agreement. Pursuant to the Escrow Agreement, the amount deposited in the Series B Escrow Fund will be used to purchase certain non-callable direct and general obligations of the United States of America, or non-callable obligations the payment of which is unconditionally guaranteed by the United States of America, the principal of and interest on which will be sufficient, together with any monies deposited in the Series B Escrow Fund and held as cash, to enable the Escrow Agent to pay the redemption price of the Refunded 2012 Refunding Bonds on the first optional redemption date therefor, as well as the interest due thereon on and before such date. Information regarding specific maturities of the Refunded 2012 Refunding Bonds is listed in the following table.

REFUNDED 2012 REFUNDING BONDS**
Cabrillo Community College District
2012 General Obligation Refunding Bonds

Maturity Date (August 1)	Principal Amount	Interest Rate	Redemption Date	Redemption Price (% of Par Amount)
2023	$2,595,000	5.000%	8/1/2022	100%
2024	2,860,000	5.000	8/1/2022	100
2025	2,940,000	5.000	8/1/2022	100
2025	200,000	4.000	8/1/2022	100
2026	1,990,000	5.000	8/1/2022	100
2026	1,450,000	4.000	8/1/2022	100
2027	3,655,000	5.000	8/1/2022	100
2027	100,000	3.125	8/1/2022	100

The sufficiency of the amounts on deposit in the Series B Escrow Fund, together with realizable interest and earnings thereon, to pay the redemption price of the Refunded 2012 Refunding Bonds as described above will be verified by the Verification Agent. As a result of the deposit and application of funds so provided in the Escrow Agreement, and assuming the accuracy of the computations of the Underwriter and the Verification Agent, the Refunded 2012 Refunding Bonds will be defeased and the obligation of the Counties to levy *ad valorem* property taxes for payment of the Refunded 2012 Refunding Bonds will terminate. See "LEGAL MATTERS – Escrow Verification" herein.

Any accrued interest on the Series B Bonds, when received by the District from the sale of the Series B Bonds, any surplus moneys in the Series B Escrow Fund, when received by the District following the redemption of the Refunded 2012 Refunding Bonds, and any other excess proceeds of the Series B Bonds not needed for the authorized purposes for which the Series B Bonds are being issued, will be kept separate and apart in the fund held by the County and designated as the "Cabrillo Community College District 2019 General Obligation Refunding Bonds, Series B Debt Service Fund" (the "Series B Bonds Debt Service Fund" and, together with the Series A Bonds Debt Service Fund, the "Debt Service

* Preliminary, subject to change.

Funds") and applied to the payment of principal of and interest on the Series B Bonds. If, after payment in full of the Series B Bonds, there remain excess proceeds, any such excess amounts shall be transferred to the general fund of the District.

Investment of Funds. Moneys in the Debt Service Funds are expected to be invested through the Santa Cruz County Investment Pool. See "APPENDIX E – SANTA CRUZ COUNTY INVESTMENT POOL" attached hereto.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the Bonds are as follows:

	Series A Bonds	Series B Bonds
Sources of Funds		
Principal Amount of the Bonds		
Original Issue [Premium/Discount]		
Total Sources		
Uses of Funds		
Escrow Funds		
Series A Debt Service Fund		
Costs of Issuance[(1)]		
Total Uses		

(1) Reflects all costs of issuance, including but not limited to the Underwriter's discount, legal fees, municipal advisor fees, printing costs, rating agencies fees, and the costs and fees of the Paying Agent, Verification Agent and Escrow Agent.

TAX BASE FOR REPAYMENT OF BONDS

The information in this section describes ad valorem *property taxation, assessed valuation, and other measures of the tax base of the District. The Bonds are payable solely from* ad valorem *property taxes levied and collected by the Counties on taxable property in the District, which taxes are unlimited as to rate or amount. The District's general fund is not a source for the repayment of the Bonds.*

Ad Valorem Property Taxation

District property taxes are assessed and collected by the Counties at the same time and on the same tax rolls as county, city and special district property taxes. Assessed valuations are the same for both District and county taxing purposes.

Taxes are levied for each fiscal year on taxable real and personal property which is located in the District as of the preceding January 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State assessed public utilities property and real property having a tax lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Unsecured property is assessed on the "unsecured roll." Unsecured property comprises all property not attached to land, such as personal property or business property. Boats and airplanes are examples of unsecured property. A supplemental roll is developed when property changes hands or new construction is completed. Each of the Counties levies and collects all property taxes for property falling within the respective county's taxing boundaries.

The valuation of secured property is established as of January 1 and is subsequently equalized in August. Property taxes on the secured roll are payable in two installments, due November 1 and February 1 of the calendar year. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent installment plus any additional amount determined by the tax-collecting authority of each of the Counties. After the second installment of taxes on the secured roll is delinquent, the tax-collecting authority of each of the Counties will collect a cost of $10 for preparing the delinquent tax records and giving notice of the delinquency. Property on the secured roll with delinquent taxes is declared tax-defaulted on July 1 of the calendar year. Such property may thereafter be redeemed, until the right of redemption is terminated, by payment of the delinquent taxes and the delinquency penalty, plus a $15 redemption fee and a redemption penalty of 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the tax-collecting authority of each of the Counties.

Property taxes on the unsecured roll as of July 31 become delinquent if they are not paid by August 31 and are thereafter subject to a delinquent penalty of 10%. Taxes added to the unsecured tax roll after July 31, if unpaid, are delinquent and subject to a penalty of 10% on the last day of the month succeeding the month of enrollment. In the case of unsecured property taxes, an additional penalty of 1.5% per month begins to accrue when such taxes remain unpaid on the last day of the second month after the 10% penalty attaches. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the assessee; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on specific property of the assessee; (3) filing a certificate of delinquency for record in the county recorder's office in order to obtain a lien on specified property of the assessee; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee. See also "– Tax Levies, Collections and Delinquencies" herein.

State law exempts from taxation $7,000 of the full cash value of an owner-occupied dwelling, but this exemption does not result in any loss of revenue to local agencies, since the State reimburses local agencies for the value of the exemptions.

All property is assessed using full cash value as defined by Article XIIIA of the State Constitution. State law provides exemptions from *ad valorem* property taxation for certain classes of property, such as churches, colleges, non-profit hospitals, and charitable institutions.

Assessed valuation growth allowed under Article XIIIA (new construction, certain changes of ownership, 2% inflation) is allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies, including K-14 school districts (as defined herein), share the growth of "base" revenues from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year.

Assessed Valuations

The table below and on the following page shows the assessed valuations for the territory within the District for fiscal years 2014-15 through 2018-19, each as of the date the equalized assessment tax roll is established in August of each year.

ASSESSED VALUATIONS
Fiscal Years 2014-15 through 2018-19
Cabrillo Community College District

	Local Secured	Utility	Unsecured	Total
		Santa Cruz County Portion		
2014-15	$34,598,930,641	$296,615	$820,697,026	$35,419,924,282
2015-16	36,813,381,589	296,615	870,686,253	37,684,364,457
2016-17	38,707,498,825	279,315	872,830,438	39,580,608,578
2017-18	40,920,731,004	279,315	932,881,875	41,853,892,194
2018-19	43,483,047,722	385,847	978,286,436	44,461,720,005
		Monterey County Portion		
2014-15	$1,128,256,534	$2,124,427	$57,997,811	$1,188,378,772
2015-16	1,195,662,476	2,124,427	58,343,119	1,256,130,022
2016-17	1,261,845,516	2,095,023	59,333,861	1,323,274,400
2017-18	1,323,213,409	2,095,023	70,532,741	1,395,841,173
2018-19	1,393,853,022	2,095,023	71,645,522	1,467,593,567
		San Benito County Portion		
2014-15	$163,138,292	--	$1,629,287	$164,767,579
2015-16	179,640,438	--	1,029,658	180,670,096
2016-17	189,350,688	--	1,750,683	191,101,371
2017-18	203,569,983	--	2,441,875	206,011,858
2018-19	222,788,429	--	4,669,610	227,458,039
		Total District		
2014-15	$35,890,325,467	$2,421,042	$880,324,124	$36,773,070,633
2015-16	38,188,684,503	2,421,042	930,059,030	39,121,164,575
2016-17	40,158,695,029	2,374,338	933,914,982	41,094,984,349
2017-18	42,447,514,396	2,374,338	1,005,856,491	43,455,745,225
2018-19	45,099,689,173	2,480,870	1,054,601,568	46,156,771,611

Source: California Municipal Statistics, Inc.

Economic and other factors beyond the District's control, such as general market decline in property values, disruption in financial markets that may reduce availability of financing for purchasers of property, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, flood, fire, drought or toxic contamination, could cause a reduction in the assessed value of taxable property within the District. Any such reduction would result in a corresponding increase in the annual tax rate levied by the Counties to pay the debt service with respect to the Bonds. See "THE BONDS – Security and Sources of Payment" herein.

Appeals and Adjustments of Assessed Valuation. Under State law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization (the "SBE"), with the appropriate county board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed. Such reductions are subject to yearly reappraisals and may be adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIIIA. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIIIA of the California Constitution" herein.

A second type of assessment appeal involves a challenge to the base year value of an assessed property. Appeals for reduction in the base year value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

In addition to the above-described taxpayer appeals, county assessors may independently reduce assessed valuations based on changes in the market value of property, or for other factors such as the complete or partial destruction of taxable property caused by natural or man-made disasters such as earthquakes, floods, fire, drought or toxic contamination pursuant to relevant provisions of the State Constitution. See also "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIIIA of the California Constitution" herein. Such reductions are subject to yearly reappraisals by the county assessor and may be adjusted back to their original values when real estate market conditions improve. Once property has regained its prior assessed value, adjusted for inflation, it once again is subject to the annual inflationary growth rate factor allowed under Article XIIIA.

The District does not have information regarding pending appeals of assessed valuation of property within the District. No assurance can be given that property tax appeals currently pending or in the future, or actions by county assessors, will not significantly reduce the assessed valuation of property within the District.

Assembly Bill 102. On June 27, 2017, the Governor signed into law Assembly Bill 102 ("AB 102"). AB 102 restructures the functions of the SBE and creates two new separate agencies: (i) the California Department of Tax and Fee Administration, and (ii) the Office of Tax Appeals. Under AB 102, the California Department of Tax and Fee Administration will take over programs previously in the SBE Property Tax Department, such as the Tax Area Services Section, which is responsible for maintaining all property tax-rate area maps and for maintaining special revenue district boundaries. Under AB 102, the SBE will continue to perform the duties assigned by the State Constitution related to property taxes, however, beginning January 1, 2018, the SBE will only hear appeals related to the programs that it constitutionally administers and the Office of Tax Appeals will hear tax appeals on all other taxes and fee matters, such as sales and use tax and other special taxes and fees. AB 102 obligates the Office of Tax Appeals to adopt regulations as necessary to carry out its duties, powers, and responsibilities. No assurances can be given as to the effect of such regulations on the appeals process or on the assessed valuation of property within the District.

Assessed Valuation by Jurisdiction

The following is an analysis of the assessed valuation of property within the District by jurisdiction for fiscal year 2018-19.

ASSESSED VALUATION BY JURISDICTION
Fiscal Year 2018-19
Cabrillo Community College District

Jurisdiction:	Assessed Valuation in District	% of District	Assessed Valuation of Jurisdiction	% of Jurisdiction in District
City of Capitola	$2,499,049,117	5.41%	$2,499,049,117	100.00%
City of Santa Cruz	9,799,321,198	21.23	9,799,321,198	100.00
City of Scotts Valley	2,824,394,932	6.12	2,824,394,932	100.00
City of Watsonville	4,217,056,153	9.14	4,217,056,153	100.00
Unincorporated Monterey County	1,467,593,567	3.18	33,338,499,036	4.40
Unincorporated San Benito County	227,458,039	0.49	4,236,800,027	5.37
Unincorporated Santa Cruz County	25,121,898,605	54.43	26,480,602,928	94.87
Total District	$46,156,771,611	100.00%		
Summary by County:				
Monterey County	$1,467,593,567	3.18%	$66,729,286,211	2.20%
San Benito County	227,458,039	0.49	8,428,900,747	2.70
Santa Cruz County	44,461,720,005	96.33	45,820,424,328	97.03
Total District	$46,156,771,611	100.00%		

Source: California Municipal Statistics, Inc.

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Assessed Valuation and Parcels by Land Use

The following shows a per-parcel analysis of the distribution of taxable property within the District by principal use, and the fiscal year 2018-19 assessed valuation of such parcels (excluding utility and unsecured assessed valuations).

ASSESSED VALUATION AND PARCELS BY LAND USE
Fiscal Year 2018-19
Cabrillo Community College District

Non-Residential:	2018-19 Assessed Valuation [1]	% of Total	No. of Parcels	% of Total
Agricultural/Rural	$1,335,432,069	2.96%	6,371	6.22%
Commercial	3,124,652,425	6.93	2,958	2.89
Vacant Commercial	119,819,814	0.27	352	0.34
Hotel/Motel	410,693,379	0.91	190	0.19
Industrial	1,343,150,969	2.98	652	0.64
Vacant Industrial	44,615,564	0.10	102	0.10
Recreational	158,881,984	0.35	228	0.22
Government/Social/Institutional	262,128,508	0.58	2,723	2.66
Miscellaneous	10,721,446	0.02	1,966	1.92
Subtotal Non-Residential	$6,810,096,158	15.10%	15,542	15.18%
Residential:				
Single Family Residence	$30,475,706,864	67.57%	59,539	58.14%
Condominium/Townhouse	3,847,587,075	8.53	9,520	9.30
Mobile Home	465,943,560	1.03	4,852	4.74
Mobile Home Park	272,189,654	0.60	158	0.15
2-4 Residential Units	1,844,241,453	4.09	3,782	3.69
5+ Residential Units/Apartments	1,073,009,491	2.38	738	0.72
Miscellaneous Residential	125,734,841	0.28	487	0.48
Vacant Residential	185,180,077	0.41	7,794	7.61
Subtotal Residential	$38,289,593,015	84.90%	86,870	84.82%
Total	$45,099,689,173	100.00%	102,412	100.00%

(1) Reflects local secured assessed valuation, excluding tax-exempt property.
Source: California Municipal Statistics, Inc.

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Assessed Valuation of Single Family Homes

The following table displays the per-parcel analysis of single family residences within the District, in terms of their 2018-19 assessed valuation.

ASSESSED VALUATION OF SINGLE FAMILY HOMES
Fiscal Year 2018-19
Cabrillo Community College District

	No. of Parcels	2018-19 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	59,539	$30,475,706,864	$511,861	$418,687

2018-19 Assessed Valuation	No. of Parcels (1)	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $49,999	1,793	3.011%	3.011%	$62,467,446	0.205%	0.205%
50,000 - 99,999	4,291	7.207	10.219	318,588,514	1.045	1.250
100,000 - 149,999	3,560	5.979	16.198	444,098,616	1.457	2.708
150,000 - 199,999	3,312	5.563	21.761	578,850,196	1.899	4.607
200,000 - 249,999	3,697	6.209	27.970	834,260,474	2.737	7.344
250,000 - 299,999	4,034	6.775	34.745	1,109,400,353	3.640	10.985
300,000 - 349,999	4,098	6.883	41.628	1,330,040,523	4.364	15.349
350,000 - 399,999	3,721	6.250	47.878	1,392,941,952	4.571	19.920
400,000 - 449,999	3,362	5.647	53.525	1,427,373,724	4.684	24.603
450,000 - 499,999	3,093	5.195	58.719	1,468,108,987	4.817	29.421
500,000 - 549,999	2,738	4.599	63.318	1,434,835,388	4.708	34.129
550,000 - 599,999	2,592	4.353	67.672	1,489,350,312	4.887	39.016
600,000 - 649,999	2,400	4.031	71.703	1,500,010,356	4.922	43.938
650,000 - 699,999	2,305	3.871	75.574	1,555,540,500	5.104	49.042
700,000 - 749,999	2,163	3.633	79.207	1,566,526,073	5.140	54.182
750,000 - 799,999	1,770	2.973	82.180	1,372,211,845	4.503	58.685
800,000 - 849,999	1,787	3.001	85.181	1,473,262,775	4.834	63.519
850,000 - 899,999	1,469	2.467	87.648	1,283,689,727	4.212	67.731
900,000 - 949,999	1,120	1.881	89.530	1,035,489,459	3.398	71.129
950,000 - 999,999	928	1.559	91.088	904,224,211	2.967	74.096
1,000,000 and greater	5,306	8.912	100.000	7,894,435,433	25.904	100.000
Total	59,539	100.000%		$30,475,706,864	100.000%	

(1) Improved single family residential parcels. Excludes condominiums and parcels with multiple family units.
Source: California Municipal Statistics, Inc.

Alternative Method of Tax Apportionment - Teeter Plan

San Benito and Santa Cruz Counties. The Boards of Supervisors of the County and of San Benito County (each a "Teeter Plan County") have each approved, respectively, the implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (a "Teeter Plan"), as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code. Under the respective Teeter Plan for each Teeter Plan County, each Teeter Plan County apportions secured property taxes on an accrual basis when due (irrespective of actual collections) to its local political subdivisions, including the District, for which the respective Teeter Plan County acts as the tax-levying or tax-collecting agency.

The Teeter Plan for each Teeter Plan County is applicable to all tax levies for which such county acts as the tax-levying or tax-collecting agency, or for which such county's treasury is the legal depository of the tax collections.

The *ad valorem* property tax to be levied in each Teeter Plan County to pay the interest on and principal of general obligation bonds of the District will be subject to the respective Teeter Plan of each Teeter Plan County. The District will receive 100% of the *ad valorem* property tax levied in each Teeter Plan County to pay such bonds irrespective of actual delinquencies in the collection of the tax by each Teeter Plan County.

The respective Teeter Plan of each Teeter Plan County is to remain in effect unless the Board of Supervisors of the applicable Teeter Plan County orders its discontinuance or unless, prior to the commencement of any fiscal year of the applicable Teeter Plan County (which commences on July 1 for each Teeter Plan County), the Board of Supervisors of the applicable Teeter Plan County receives a petition for its discontinuance joined in by a resolution adopted by at least two-thirds of the participating revenue districts in the applicable Teeter Plan County, in which event the Board of Supervisors of the applicable Teeter Plan County is to order discontinuance of such Teeter Plan effective at the commencement of the subsequent fiscal year. The Board of Supervisors of each Teeter Plan County may, by resolution adopted not later than July 15 of the fiscal year for which it is to apply, after holding a public hearing on the matter, discontinue the procedures under its respective Teeter Plan with respect to any tax levying agency or assessment levying agency in such county if the rate of secure tax delinquency in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured rolls for that agency. In the event the Board of Supervisors of either Teeter Plan County is to order discontinuance of its county's Teeter Plan subsequent to its implementation, only those secured property taxes actually collected would be allocated to political subdivisions (including the District) for which such county acts as the tax-levying or tax-collecting agency.

Monterey County. Monterey County has <u>not</u> adopted the Teeter Plan, and consequently the Teeter Plan is not available to local taxing entities within Monterey County, such as the District. The District's receipt of property taxes from those portions of Monterey County subject to taxation by the District is therefore subject to delinquencies. The following table shows secured tax chargers and delinquencies for the portions of the District in Monterey County.

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SECURED TAX CHARGES AND DELINQUENCIES
(MONTEREY COUNTY PORTION ONLY)
Fiscal Years 2012-13 through 2017-18
Cabrillo Community College District

	Secured Tax Charge[1]	Amount Delinquent (as of June 30)	Percent Delinquent (as of June 30)
2012-13	$671,150.00	$10,315.86	1.54%
2013-14	689,637.00	7,710.72	1.12
2014-15	722,764.00	7,451.74	1.03
2015-16	766,463.00	6,945.76	0.91
2016-17	859,888.00	8,024.38	0.93
2017-18	908,371.00	7,938.04	0.87

	Secured Tax Charge[2]	Amount Delinquent (as of June 30)	Percent Delinquent (as of June 30)
2012-13	$421,851.00	$7,769.87	1.84%
2013-14	433,537.00	6,769.01	1.56
2014-15	413,867.00	6,769.01	1.35
2015-16	435,849.00	3,727.11	0.86
2016-17	407,619.00	4,193.64	1.03
2017-18	319,006.00	2,907.06	0.91

(1) 1% General fund apportionment.
(2) Bond debt service levy.
Source: California Municipal Statistics, Inc.

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Principal Taxpayers

The following table lists the major taxpayers in the District in terms of their 2018-19 secured assessed valuations.

LARGEST LOCAL SECURED TAXPAYERS
Fiscal Year 2018-19
Cabrillo Community College District

	Property Owner	Primary Land Use	2018-19 Assessed Valuation	% of Total [1]
1.	Granite Rock Company	Industrial	$96,494,774	0.21%
2.	Santa Cruz Seaside Co.	Beach Concessions	96,176,514	0.21
3.	MGP XI Capitola LLC	Shopping Center	95,486,711	0.21
4.	Watsonville Hospital Corporation	Hospital	53,878,275	0.12
5.	Rancho Del Mar Center LLC	Shopping Center	53,740,236	0.12
6.	BEI-Scott Company LLC	Commercial	50,474,248	0.11
7.	Safeway Inc.	Supermarket	49,851,254	0.11
8.	Cypress Point RE Investors LLC	Apartments	47,502,072	0.11
9.	Selby Development Group LLC	Apartments	41,435,460	0.09
10.	A7PP HSV LLC	Hotel	39,817,429	0.09
11.	George Ow, Jr. Trust	Shopping Center	38,200,482	0.08
12.	Santa Cruz Shaffer Road Investors	Apartments	38,066,943	0.08
13.	Driscroll Strawberry Associates Inc.	Food Processing	36,566,267	0.08
14.	Pot Belly Beach Club	Recreational	35,177,866	0.08
15.	Golden Star Santa Cruz LLC	Apartments	34,437,240	0.08
16.	S C Beach Hotel Partners LLC	Hotel	29,312,111	0.06
17.	Ow Family – Lee Road LLC	Industrial	28,751,250	0.06
18.	1440 Devco LLC	Adult Learning Center	28,505,018	0.06
19.	Monterey Mushrooms Inc.	Food Processing	28,247,682	0.06
20.	Fit Ren Oak Tree Villa LP	Assisted Living Facility	27,867,751	0.06
			$949,989,583	2.11%

(1) The District's fiscal year 2018-19 local secured assessed valuation is $45,099,689,173.
Source: California Municipal Statistics, Inc.

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Tax Rates

A representative tax rate area ("TRA") located within the District is TRA 01-032. The table below demonstrates the total *ad valorem* property tax rates, as a percentage of assessed valuation, levied by all taxing entities in this TRA during the five-year period from fiscal years 2014-15 through 2018-19.

TYPICAL TAX RATES
Fiscal Years 2014-15 through 2018-19
Cabrillo Community College District

	2014-15	2015-16	2016-17	2017-18	2018-19
General Tax Rate	1.000000%	1.000000%	1.000000%	1.000000%	1.000000%
City of Santa Cruz	.005778	.005542	.005336	.005141	.004908
Santa Cruz City School District	.020800	.020131	.019055	.045273	.043535
Santa Cruz City High School District	.020866	.019606	.018482	.044614	.042720
Cabrillo Community College District	.036941	.036693	.032597	.024250	.021023
Total Tax Rate	1.084385%	1.081972%	1.075470%	1.119278%	1.112186%

Source: California Municipal Statistics, Inc.

Statement of Direct and Overlapping Debt

Set forth on the following page is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc., dated as of August 1, 2019, for debt issued as of July 25, 2019. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District in whole or in part. Such long-term obligations generally are not payable from revenues of the District (except as indicated) nor are they necessarily obligations secured by land within the District. In many cases long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

The first column in the table names each public agency which has outstanding debt as of the date of the report and whose territory overlaps the District in whole or in part. The second column shows the percentage of each overlapping agency's assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount shown in the third column, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT
Cabrillo Community College District

2018-19 Assessed Valuation: $46,156,771,611

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 8/1/19
Cabrillo Joint Community College District	**100.000%**	**$96,600,520**[(1)]
Santa Cruz City High School District	100.000	115,223,871
Pajaro Valley Joint Unified School District	100.000	168,949,830
San Lorenzo Unified School District	100.000	21,711,478
Scotts Valley Unified School District	100.000	39,770,000
Live Oak School District	100.000	10,231,000
Santa Cruz School District	100.000	56,468,372
Soquel Union School District	100.000	46,555,000
Other School Districts	Various	8,162,801
City of Santa Cruz	100.000	4,915,000
Santa Cruz County Community Facilities District No. 1	100.000	7,770,000
City of Scotts Valley Community Facilities District No. 97-1	100.000	3,140,000
Santa Cruz Libraries Authority Community Facilities District No. 2016-1	96.722	20,234,242
Monterey County Water Resources Authority, Zone 2-C	0.952	208,107
1915 Act Bonds	100.000	8,171,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$608,111,221
OVERLAPPING GENERAL FUND DEBT:		
Santa Cruz County General Fund Obligations	97.035%	$62,660,506
Santa Cruz County Office of Education Certificates of Participation	97.035	8,263,494
Monterey County General Fund Obligations	2.199	3,466,806
Monterey County Office of Education Certificates of Participation	2.199	31,116
San Benito County General Fund Obligations	2.699	201,885
Pajaro Valley Unified School District General Fund Obligations	100.000	15,335,000
Scotts Valley Unified School District Certificates of Participation	100.000	9,790,000
Santa Cruz City School District Certificates of Participation	100.000	1,135,000
Live Oak School District Certificates of Participation	100.000	12,208,973
Loma-Prieta Joint Union School District Certificates of Participation	0.911	3,006
Los Gatos-Saratoga Joint Union High School District General Fund Obligations	0.093	3,290
Santa Cruz Union High School District General Fund Obligations	100.000	2,449,814
City of Santa Cruz General Fund and Pension Obligation Bonds	100.000	21,428,227
City of Scotts Valley General Fund and Pension Obligation Bonds	100.000	11,795,000
Other City General Fund and Pension Obligation Bonds	100.000	3,174,430
Pajaro-Sunny Mesa Community Service District General Fund Obligations	71.435	196,446
TOTAL OVERLAPPING GENERAL FUND DEBT		$152,142,993
Less: Monterey County obligations supported by medical center revenues		803,950
TOTAL OVERLAPPING GENERAL FUND DEBT		$151,339,043
OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):		$239,665,000
GROSS COMBINED TOTAL DEBT		$999,919,214[(2)]
NET COMBINED TOTAL DEBT		$999,115,264

Ratios to 2018-19 Assessed Valuation:
Direct Debt ($96,600,520)..0.21%
Total Direct and Overlapping Tax and Assessment Debt 1.32%
Gross Combined Total Debt 2.17%
Net Combined Total Debt..2.16%

Ratios to Redevelopment Incremental Valuation ($11,427,785,326):
Total Overlapping Tax Increment Debt 2.10%

(1) Excludes the Bonds, and includes the Prior Bonds to be refunded with proceeds of the Bonds.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.
Source: California Municipal Statistics, Inc.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

The principal of and interest on the Bonds are payable from the proceeds of an ad valorem *property tax required to be levied by the Counties on taxable property within the District in an amount sufficient for the payment thereof. See "THE BONDS – Security and Sources of Payment" herein. Articles XIIIA, XIIIB, XIIIC and XIIID of the State Constitution, Propositions 98 and 111, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the Counties to levy taxes on behalf of the District and the District to spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such information that these laws impose any limitation on the ability of the Counties to levy taxes for payment of the principal of and interest on the Bonds.*

Article XIIIA of the California Constitution

Article XIIIA ("Article XIIIA") of the State Constitution limits the amount of *ad valorem* property taxes on real property to 1% of "full cash value" as determined by the county assessor of each county. Article XIIIA defines "full cash value" to mean "the county assessor's valuation of real property as shown on the fiscal year 1975-76 bill under "full cash value," or thereafter, the appraised value of real property when purchased, newly constructed or a change in ownership has occurred after the 1975 assessment," subject to exemptions in certain circumstances of property transfer or reconstruction. Determined in this manner, the "full cash value" is also referred to as the "base year value." The full cash value is subject to annual adjustment to reflect increases, not to exceed 2% for any year, or decreases in the consumer price index or comparable local data, or to reflect reductions in property value caused by damage, destruction or other factors.

Article XIIIA has been amended to allow for temporary reductions of assessed value in instances where the fair market value of real property falls below the adjusted base year value described above. Proposition 8—approved by State voters in November of 1978—provides for the enrollment of the lesser of the base year value or the market value of real property, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property, or other factors causing a similar decline. In these instances, the market value is required to be reviewed annually until the market value exceeds the adjusted base year value. Reductions in assessed value could result in a corresponding increase in the annual tax rates levied by the Counties to pay debt service on the Bonds. See "THE BONDS – Security and Sources of Payment" and "TAX BASE FOR REPAYMENT OF BONDS – Assessed Valuations" herein.

Article XIIIA requires a vote of two-thirds or more of the qualified electorate of a city, county, special district or other public agency to impose special taxes, while totally precluding the imposition of any additional *ad valorem*, sales or transaction tax on real property. Article XIIIA exempts from the 1% tax limitation any taxes above that level required to pay debt service (i) on any indebtedness approved by the voters prior to July 1, 1978, or (ii) as the result of an amendment approved by State voters on June 3, 1986, on any bonded indebtedness approved by two-thirds or more of the votes cast by the voters for the acquisition or improvement of real property on or after July 1, 1978, or (iii) on bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% or more of the votes cast on the proposition, but only if certain accountability measures are included in the proposition. The tax for the payment of the Bonds falls within the exception described in item (iii) of the immediately preceding sentence. In addition, Article XIIIA requires the approval of two-thirds or more of all members of the Legislature of the State (the "State Legislature") to change any State taxes for the purpose of increasing tax revenues.

Split Roll Property Tax Ballot Measure. On October 15, 2018, a proposed ballot initiative became eligible for the November 2020 Statewide ballot (the "2020 Ballot Measure"). If approved by a majority of voters casting a ballot at the November 2020 Statewide election, the 2020 Ballot Measure would amend Article XIIIA such that the "full cash value" of commercial and industrial real property that is not zoned for commercial agricultural production, for each lien date, would be equal to the fair market value of that property. If passed, the 2020 Ballot Measure would not affect the "full cash value" of residential property or real property used for commercial agricultural production, which would continue to be subject to annual increases not to exceed 2%. After compensating the State General Fund for resulting reductions in State personal income tax and corporate tax revenues, and compensating cities, counties and special districts for the cost of implementing the 2020 Ballot Measure, approximately 40% of the remaining additional tax revenues generated as a result of the 2020 Ballot Measure would be deposited into a fund created pursuant to the 2020 Ballot Measure called the Local School and Community College Property Tax Fund, with such funds being used to supplement, and not replace, existing funding school districts and community college districts receive under the State's constitutional minimum funding requirement. The District cannot predict whether the 2020 Ballot Measure will appear on the Statewide ballot at the November 2020 election or, if it does, whether the 2020 Ballot Measure will be approved by a majority of voters casting a ballot. If approved, the District cannot make any assurance as to what effect the implementation of the 2020 Ballot Measure will have on District revenues or the assessed valuation of real property in the District.

Legislation Implementing Article XIIIA

Legislation has been enacted and amended a number of times since 1978 to implement Article XIIIA. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by the relevant county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

Increases of assessed valuation resulting from reappraisals of property due to new construction or change in ownership or from the annual adjustment not to exceed 2% are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

All taxable property value included in this Official Statement is shown at 100% of taxable value (unless noted differently) and all tax rates reflect the $1 per $100 of taxable value.

Both the United States Supreme Court and the State Supreme Court have upheld the general validity of Article XIIIA.

State-Assessed Utility Property

Some amount of property tax revenue of the District is derived from utility property which is considered part of a utility system with components located in many taxing jurisdictions. Under the State Constitution, such property is assessed by the State Board of Equalization ("SBE") as part of a "going concern" rather than as individual pieces of real or personal property. Such State-assessed unitary and certain other property is allocated to counties by the SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year. So long as the District is not a basic aid district, taxes lost through any reduction in assessed valuation will be compensated by the State as equalization aid under the State's financing formula for community college districts. See "FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA – Major Revenues" herein.

Proposition 50 and Proposition 171

On June 3, 1986, the voters of the State approved Proposition 50. Proposition 50 amends Section 2 of Article XIIIA of the State Constitution to allow owners of property that was "substantially damaged or destroyed" by a disaster, as declared by the Governor (the "Damaged Property"), to transfer their existing base year value (the "Original Base Year Value") to a comparable replacement property within the same county, which is acquired or constructed within five years after the disaster. At the time of such transfer, the Damaged Property will be reassessed at its full cash value immediately prior to damage or destruction (the "Original Cash Value"); however, such property will retain its base year value notwithstanding such a transfer. Property is substantially damaged or destroyed if either the land or the improvements sustain physical damage amounting to more than 50% of either the land or improvements full cash value immediately prior to the disaster. There is no filing deadline, but the assessor can only correct four years of assessments when the owner fails to file a claim within four years of acquiring a replacement property.

Under Proposition 50, the base year value of the replacement property (the "Replacement Base Year Value") depends on the relation of the full cash value of the replacement property (the "Replacement Cash Value") to the Original Cash Value: if the Replacement Cash Value exceeds 120% of the Original Cash Value, then the Replacement Base Year Value is calculated by combining the Original Base Year Value with such excessive Replacement Cash Value; if the Replacement Cash Value does not exceed 120% of the Original Cash Value, then the Replacement Base Year Value equals the Original Base Year Value; if the Replacement Cash Value is less than the Original Cash Value, then the Replacement Base Year Value equals the Replacement Cash Value. The replacement property must be comparable in size, utility, and function to the Damaged Property.

On November 2, 1993, the voters of the State approved Proposition 171. Proposition 171 amends subdivision (e) of Section 2 of Article XIIIA of the State Constitution to allow owners of Damaged Property to transfer their Original Base Year Value to a "comparable replacement property" located within another county in the State, which is acquired or newly constructed within three years after the disaster.

Intra-county transfers under Proposition 171 are more restrictive than inter-county transfers under Proposition 50. For example, Proposition 171 (1) only applies to (a) structures that are owned and occupied by property owners as their principal place of residence and (b) land of a "reasonable size that is used as a site for a residence;" (2) explicitly does not apply to property owned by firms, partnerships, associations, corporations, companies, or legal entities of any kind; (3) only applies to replacement property located in a county that adopted an ordinance allowing Proposition 171 transfers; (4) claims must be timely filed within three years of the date of purchase or completion of new construction; and (5) only applies to comparable replacement property, which has a full cash value that is of "equal or lesser value" than the Original Cash Value.

Within the context of Proposition 171, "equal or lesser value" means that the amount of the Replacement Cash Value does not exceed either (1) 105% of the Original Cash Value when the replacement property is acquired or constructed within one year of the destruction, (2) 110% of the Original Cash Value when the replacement property is acquired or constructed within two years of the destruction, or (3) 115% of the Original Cash Value when the replacement property is acquired or constructed within three years of the destruction.

Article XIIIB of the California Constitution

Article XIIIB of the State Constitution ("Article XIIIB"), as subsequently amended by Propositions 98 and 111, respectively, limits the annual appropriations of the State and of any city, county, school district, community college district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and in population and for transfers in the financial responsibility for providing services and for certain declared emergencies. As amended, Article XIIIB defines:

(a) "change in the cost of living" with respect to school districts and community college districts (collectively, "K-14 school districts") to mean the percentage change in State per capita income from the preceding year, and

(b) "change in population" with respect to K-14 school districts to mean the percentage change in the average daily attendance of such K-14 school district from the preceding fiscal year.

For fiscal years beginning on or after July 1, 1990, the appropriations limit of each entity of government shall be the appropriations limit for fiscal year 1986-87 adjusted for the changes made from that fiscal year pursuant to the provisions of Article XIIIB, as amended.

The appropriations of an entity of local government subject to Article XIIIB limitations include the proceeds of taxes levied by or for that entity and the proceeds of certain state subventions to that entity. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to the entity from (a) regulatory licenses, user charges and user fees (but only to the extent that these proceeds exceed the reasonable costs in providing the regulation, product or service), and (b) the investment of tax revenues.

Appropriations subject to limitation do not include (a) refunds of taxes, (b) appropriations for debt service, such as the Bonds, (c) appropriations required to comply with certain mandates of the courts or the federal government, (d) appropriations of certain special districts, (e) appropriations for all qualified capital outlay projects as defined by the State Legislature, (f) appropriations derived from certain fuel and vehicle taxes and (g) appropriations derived from certain taxes on tobacco products.

Article XIIIB includes a requirement that all revenues received by an entity of government other than the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be returned by a revision of tax rates or fee schedules within the next two subsequent fiscal years.

Article XIIIB also includes a requirement that 50% of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be transferred and allocated to the State School Fund pursuant to Section 8.5 of Article XVI of the State Constitution. See "—Propositions 98 and 111" herein.

Article XIIIC and Article XIIID of the California Constitution

On November 5, 1996, State voters approved Proposition 218, popularly known as the "Right to Vote on Taxes Act." Proposition 218 added to the State Constitution Articles XIIIC and XIIID (respectively, "Article XIIIC" and "Article XIIID"), which contain a number of provisions affecting the ability of local agencies, including K-14 school districts, to levy and collect both existing and future taxes, assessments, fees and charges.

According to the "Title and Summary" of Proposition 218 prepared by the State Attorney General, Proposition 218 limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." Among other things, Article XIIIC establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes), prohibits special purpose government agencies such as K-14 school districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIIIC further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIIIA of the State Constitution and special taxes approved by a two-thirds vote under Article XIIIA, Section 4. Article XIIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIIIC or XIIID will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

The District does not impose any taxes, assessments, or property-related fees or charges which are subject to the provisions of Proposition 218. It does, however, receive a portion of the basic 1% *ad valorem* property tax levied and collected by the Counties pursuant to Article XIIIA of the State Constitution. The provisions of Proposition 218 may have an indirect effect on the District, such as by limiting or reducing the revenues otherwise available to other local governments whose boundaries encompass property located within the District thereby causing such local governments to reduce service levels and possibly adversely affecting the value of property within the District.

Proposition 26

On November 2, 2010, State voters approved Proposition 26. Proposition 26 amends Article XIIIC of the State Constitution to expand the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity.

Propositions 98 and 111

On November 8, 1988, State voters approved Proposition 98, a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" (the "Accountability Act"). Certain provisions of the Accountability Act, have, however, been modified by Proposition 111, discussed below, the provisions of which became effective on July 1, 1990. The Accountability Act changed State funding of public education below the university level and the operation of the State's appropriations limit. The Accountability Act guarantees State funding for K-14 school districts at a level equal to the greater of (a) the same percentage of the State general fund revenues as the percentage appropriated to such districts in the 1986-87 fiscal year, or (b) the amount actually appropriated to such districts from the State general fund in the previous fiscal year, adjusted for increases in enrollment and changes in the cost of living. The Accountability Act permits the State Legislature to suspend this formula for a one-year period.

The Accountability Act also changed how tax revenues in excess of the State appropriations limit are distributed. Any excess State tax revenues up to a specified amount are, instead of returned to taxpayers, transferred to K-14 school districts. Any such transfer to K-14 school districts is excluded from the appropriations limit for K-14 school districts and the K-14 school district appropriations limit for the next year will automatically be increased by the amount of such transfer. These additional moneys would enter the base funding calculation for K-14 school districts for subsequent years, creating further pressure on other portions of the State budget, particularly if revenues decline in a year following an Article XIIIB surplus. The maximum amount of excess tax revenues which can be transferred to K-14 school districts is 4% of the minimum State spending for education mandated by the Accountability Act.

Since the Accountability Act is unclear in some details, there can be no assurances that the State Legislature or a court might not interpret the Accountability Act to require a different percentage of State general fund revenues to be allocated to K-14 school districts, or to apply the relevant percentage to the State's budgets in a different way than is proposed in the State budget for each fiscal year.

On June 5, 1990, State voters approved Proposition 111 (Senate Constitutional Amendment No. 1) called the "Traffic Congestion Relief and Spending Limitation Act of 1990" ("Proposition 111") which further modified Article XIIIB and Sections 8 and 8.5 of Article XVI of the State Constitution with respect to appropriations limitations and education funding priority and allocation. Proposition 111 took effect on July 1, 1990.

The most significant provisions of Proposition 111 are summarized as follows:

a. Annual Adjustments to Spending Limit. The annual adjustments to the Article XIIIB spending limit were liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price Index, the "change in the cost of living" is now measured by the change in State per capita personal income. The definition of "change in population" specifies that a portion of the State's spending limit is to be adjusted to reflect changes in pupil attendance.

b. Treatment of Excess Tax Revenues. "Excess" tax revenues with respect to Article XIIIB are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess is to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of such districts' minimum funding level. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into such districts' base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit is not to be increased by this amount.

c. Exclusions from Spending Limit. Two exceptions were added to the calculation of appropriations which are subject to the Article XIIIB spending limit. First, all appropriations for "qualified capital outlay projects," as defined by the Legislature, are excluded. Also, any increases in gasoline taxes above the 1990 level (then nine cents per gallon), sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990 are all excluded. These latter provisions were necessary to make effective the transportation funding package approved by the State Legislature and the Governor, which was expected to raise over $15 billion in additional taxes from 1990 through 2000 to fund transportation programs.

d. Recalculation of Appropriations Limit. The Article XIIIB appropriations limit for each unit of government, including the State, is to be recalculated beginning in fiscal year 1990-91. It is based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Proposition 111 had been in effect.

e. School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) a certain percentage of State general fund revenues (Test 1) or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIIIB by reference to per capita personal income) and enrollment (Test 2). Under Proposition 111, K-14 school districts will receive the greater of (1) Test 1, (2) Test 2, or (3) Test 3, which will replace Test 2 in any year when growth in per capita State general fund revenues from the prior year is less than the annual growth in State per capita personal income. Under Test 3, K-14 school districts will receive the amount appropriated in the prior year adjusted for change in enrollment and per capita State general fund revenues, plus an additional small adjustment factor. If Test 3 is used in any year, the difference between Test 3 and Test 2 will become a "credit" to K-14 school districts which will be paid in future years when State general fund revenue growth exceeds personal income growth.

Proposition 39

On November 7, 2000, State voters approved an amendment (commonly known as "Proposition 39") to the State Constitution. This amendment (1) allows school facilities bond measures to be approved by 55% (rather than two-thirds) of the voters in local elections and permits property taxes to exceed the current 1% limit in order to repay the bonds and (2) changes existing statutory law regarding charter school facilities. As adopted, the constitutional amendments may be changed only with another Statewide vote of the people. The statutory provisions could be changed by a majority vote of both houses of the State Legislature and approval by the Governor, but only to further the purposes of the proposition. The local school jurisdictions affected by this proposition are K-14 school districts, including the District, and county offices of education. As noted above, the State Constitution previously limited property taxes to 1% of the value of property. Prior to the approval of Proposition 39, property taxes could only exceed this limit to pay for (1) any local government debts approved by the voters prior to July 1, 1978 or (2) bonds to acquire or improve real property that receive two-thirds voter approval after July 1, 1978.

The 55% vote requirement authorized by Proposition 39 applies only if the local bond measure presented to the voters includes: (1) a requirement that the bond funds can be used only for construction, rehabilitation, equipping of school facilities, or the acquisition or lease of real property for school facilities; (2) a specific list of school projects to be funded and certification that the governing board has evaluated safety, class size reduction, and information technology needs in developing the list; and (3) a requirement that the governing board conduct annual, independent financial and performance audits until all bond funds have been spent to ensure that the bond funds have been used only for the projects listed in the measure. Legislation approved in June 2000 placed certain limitations on local school bonds to be approved by 55% of the voters. These provisions require that the tax rate projected to be levied as the result of any single election be no more than $60 (for a unified school district), $30 (for an elementary school district or high school district), or $25 (for a community college district, such as the District), per $100,000 of taxable property value, when assessed valuation is projected to increase in accordance with Article XIIIA of the Constitution. These requirements are not part of Proposition 39 and can be changed with a majority vote of both houses of the State Legislature and approval by the Governor. See "-Article XIIIA of the California Constitution" herein.

Jarvis vs. Connell

On May 29, 2002, the State Court of Appeal for the Second District decided the case of *Howard Jarvis Taxpayers Association, et al. v. Kathleen Connell* (as Controller of the State). The Court of Appeal held that either a final budget bill, an emergency appropriation, a self-executing authorization pursuant to State statutes (such as continuing appropriations) or the State Constitution or a federal mandate is necessary for the State Controller to disburse funds. The foregoing requirement could apply to amounts budgeted by the District as being received from the State. To the extent the holding in such case would apply to State payments reflected in the District's budget, the requirement that there be either a final budget bill or an emergency appropriation may result in the delay of such payments to the District if such required legislative action is delayed, unless the payments are self-executing authorizations or are subject to a federal mandate. On May 1, 2003, the State Supreme Court upheld the holding of the Court of Appeal, stating that the Controller is not authorized under State law to disburse funds prior to the enactment of a budget or other proper appropriation, but under federal law, the Controller is required, notwithstanding a budget impasse and the limitations imposed by State law, to timely pay those State employees who are subject to the minimum wage and overtime compensation provisions of the federal Fair Labor Standards Act.

Proposition 1A and Proposition 22

On November 2, 2004, State voters approved Proposition 1A, which amends the State Constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State cannot (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to K-14 school districts, (iii) change how property tax revenues are shared among local governments without two-thirds approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Proposition 1A allows the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also amends the State Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to schools or community colleges or to those mandates relating to employee rights.

Proposition 22, The Local Taxpayer, Public Safety, and Transportation Protection Act, approved by State voters on November 2, 2010, prohibits the State from enacting new laws that require redevelopment agencies to shift funds to K-14 school districts or other agencies and eliminates the State's authority to shift property taxes temporarily during a severe financial hardship of the State. In addition, Proposition 22 restricts the State's authority to use State fuel tax revenues to pay debt service on State transportation bonds, to borrow or change the distribution of State fuel tax revenues, and to use vehicle license fee revenues to reimburse local governments for State mandated costs. Proposition 22 impacts resources in the State's general fund and transportation funds, the State's main funding source for K-14 school districts, as well as universities, prisons and health and social services programs. According to an analysis of Proposition 22 submitted by the Legislative Analyst's Office (the "LAO") on July 15, 2010, the expected reduction in resources available for the State to spend on these other programs as a consequence of the passage of Proposition 22 was expected to be approximately $1 billion in fiscal year 2010-11, with an estimated immediate fiscal effect equal to approximately 1% of the State's total general fund spending. The longer-term effect of Proposition 22, according to the LAO analysis, was expected to be an increase in the State's general fund costs by approximately $1 billion annually for several decades.

Proposition 55

The California Children's Education and Health Care Protection Act of 2016 (also known as "Proposition 55") is a constitutional amendment approved by the voters of the State on November 6, 2018. Proposition 55 extends, through 2030, the increases to personal income tax rates for high-income taxpayers that were approved as part of Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "Proposition 30"). Proposition 30 increased the marginal personal income tax rate by: (i) 1% for taxable income over $250,000 but less than $300,001 for single filers (over $500,000 but less than $600,001 for joint filers and over $340,000 but less than $408,001 for head-of-household filers), (ii) 2% for taxable income over $300,000 but less than $500,001 for single filers (over $600,000 but less than $1,000,001 for joint filers and over $408,000 but less than $680,001 for head-of-household filers), and (iii) 3% for taxable income over $500,000 for single filers (over $1,000,000 for joint filers and over $680,000 for head-of-household filers).

The revenues generated from the personal income tax increases will be included in the calculation of the Proposition 98 Minimum Funding Guarantee (defined herein) for school districts and community college districts. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES – Propositions 98 and 111" herein. From an accounting perspective, the revenues generated from the personal income tax increases are being deposited into the State account created pursuant to Proposition 30 called the Education Protection Account (the "EPA"). Pursuant to Proposition 30, funds in the EPA will be allocated quarterly, with 89% of such funds provided to school districts and 11% provided to community college districts. The funds will be distributed to school districts and community college districts in the same manner as existing unrestricted per-student funding, except that no school district will receive less than $200 per unit of ADA and no community college district will receive less than $100 per full time equivalent student. The governing board of each school district and community college district is granted sole authority to determine how the moneys received from the EPA are spent, provided that the appropriate governing board is required to make these spending determinations in open session at a public meeting and such local governing board is prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

Proposition 2

On November 4, 2014, State voters approved the Rainy Day Budget Stabilization Fund Act (also known as "Proposition 2"). Proposition 2 is a legislatively-referred constitutional amendment which makes certain changes to State budgeting practices, including substantially revising the conditions under which transfers are made to and from the State's Budget Stabilization Account (the "BSA") established by the California Balanced Budget Act of 2004 (also known as Proposition 58).

Under Proposition 2, and beginning in fiscal year 2015-16 and each fiscal year thereafter, the State will generally be required to annually transfer to the BSA an amount equal to 1.5% of estimated State general fund revenues (the "Annual BSA Transfer"). Supplemental transfers to the BSA (a "Supplemental BSA Transfer") are also required in any fiscal year in which the estimated State general fund revenues that are allocable to capital gains taxes exceed 8% of the total estimated general fund tax revenues. Such excess capital gains taxes—net of any portion thereof owed to K-14 school districts pursuant to Proposition 98—will be transferred to the BSA. Proposition 2 also increases the maximum size of the BSA to an amount equal to 10% of estimated State general fund revenues for any given fiscal year. In any fiscal year in which a required transfer to the BSA would result in an amount in excess of the 10% threshold, Proposition 2 requires such excess to be expended on State infrastructure, including deferred maintenance.

For the first 15-year period ending with the 2029-30 fiscal year, Proposition 2 provides that half of any required transfer to the BSA, either annual or supplemental, must be appropriated to reduce certain State liabilities, including making certain payments owed to K-14 school districts, repaying State interfund borrowing, reimbursing local governments for State mandated services, and reducing or prefunding accrued liabilities associated with State-level pension and retirement benefits. Following the initial 15-year period, the Governor and the State Legislature are given discretion to apply up to half of any required transfer to the BSA to the reduction of such State liabilities. Any amount not applied towards such reduction must be transferred to the BSA or applied to infrastructure, as described above.

Proposition 2 changes the conditions under which the Governor and the State Legislature may draw upon or reduce transfers to the BSA. The Governor does not retain unilateral discretion to suspend transfers to the BSA, nor does the State Legislature retain discretion to transfer funds from the BSA for any reason, as previously provided by law. Rather, the Governor must declare a "budget emergency," defined as an emergency within the meaning of Article XIIIB of the State Constitution or a determination that estimated resources are inadequate to fund State general fund expenditures, for the current or ensuing fiscal year, at a level equal to the highest level of State spending within the three immediately preceding fiscal years. Any such declaration must be followed by a legislative bill providing for a reduction or transfer. Draws on the BSA are limited to the amount necessary to address the budget emergency, and no draw in any fiscal year may exceed 50% of funds on deposit in the BSA unless a budget emergency was declared in the preceding fiscal year.

Proposition 2 also requires the creation of the Public School System Stabilization Account (the "PSSSA") into which transfers will be made in any fiscal year in which a Supplemental BSA Transfer is required (as described above). Such transfer will be equal to the portion of capital gains taxes above the 8% threshold that would be otherwise paid to K-14 school districts as part of the minimum funding guarantee. A transfer to the PSSSA will only be made if certain additional conditions are met, as follows: (i) the minimum funding guarantee was not suspended in the immediately preceding fiscal year, (ii) the operative Proposition 98 formula for the fiscal year in which a PSSSA transfer might be made is "Test 1," (iii) no maintenance factor obligation is being created in the budgetary legislation for the fiscal year in which a PSSSA transfer might be made, (iv) all prior maintenance factor obligations have been fully repaid, and (v) the minimum funding guarantee for the fiscal year in which a PSSSA transfer might be made is higher than the immediately preceding fiscal year, as adjusted for ADA growth and cost of living. Proposition 2 caps the size of the PSSSA at 10% of the estimated minimum funding guarantee in any fiscal year, and any excess funds must be paid to K-14 school districts. Reductions to any required transfer to the PSSSA, or draws on the PSSSA, are subject to the same budget emergency requirements described above. However, Proposition 2 also mandates draws on the PSSSA in any fiscal year in which the estimated minimum funding guarantee is less than the prior year's funding level, as adjusted for ADA growth and cost of living.

Proposition 51

The Kindergarten Through Community College Public Education Facilities Bond Act of 2016 (also known as Proposition 51) is an initiative that was approved by State voters on June 5, 2018. Proposition 51 authorizes the sale and issuance of $9 billion in State general obligation bonds for the new construction and modernization of K-14 facilities.

K-12 School Facilities. Proposition 51 includes $3 billion for the new construction of K-12 facilities and an additional $3 billion for the modernization of existing K-12 facilities. K-12 school districts will be required to pay for 50% of the new construction costs and 40% of the modernization costs with local revenues. If a school district lacks sufficient local funding, it may apply for additional State grant funding, up to 100% of the project costs. In addition, a total of $1 billion will be available for the modernization and new construction of charter school ($500 million) and technical education ($500 million) facilities. Generally, 50% of modernization and new construction project costs for charter school and technical education facilities must come from local revenues. However, schools that cannot cover their local share for these two types of projects may apply for State loans. State loans must be repaid over a maximum of 30 years for charter school facilities and 15 years for career technical education facilities. For career technical education facilities, State grants are capped at $3 million for a new facility and $1.5 million for a modernized facility. Charter schools must be deemed financially sound before project approval.

Community College Facilities. Proposition 51 includes $2 billion for community college district facility projects, including buying land, constructing new buildings, modernizing existing buildings, and purchasing equipment. In order to receive funding, community college districts must submit project proposals to the Chancellor of the community college system, who then decides which projects to submit to the Legislature and Governor based on a scoring system that factors in the amount of local funds contributed to the project. The Governor and Legislature will select among eligible projects as part of the annual State budget process.

The District makes no guarantees that it will either pursue or qualify for Proposition 51 State facilities funding.

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC and Article XIIID of the State Constitution and Propositions 22, 26, 30, 39, 98, 55 and 51 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted further affecting District revenues or the District's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA

The information in this section concerning State funding of community college districts is provided as supplementary information only, and it should not be inferred from the inclusion of the information under this heading that the principal of and interest on the Bonds is payable from the general fund of the District. The Bonds are payable solely from the proceeds of an ad valorem *property tax required to be levied by the Counties on taxable property within the District in an amount sufficient for the payment thereof. See "THE BONDS – Security and Sources of Payment" herein.*

Major Revenues

General. California community college districts (other than "community supported" Basic Aid districts, as described below) receive a majority of their funding from the State, and the balance from local and federal sources. State funds include general apportionment, categorical funds, capital construction, lottery funds, and other minor sources. Every community college district receives the same amount of State lottery funds on a per-student basis (which is generally less than 3%), although lottery funds are not categorical funds as they are not for particular programs or students. The initiative authorizing the lottery requires the funds to be used for instructional purposes, and prohibits their use for capital purposes.

The major local revenue source is local property taxes that are collected from within district boundaries, with student enrollment fees accounting for the most of the remainder. A small part of a community college district's budget is from local sources other than property taxes and student enrollment fees, such as interest income, donations, educational foundation contributions and sales or leases of property.

The sum of property taxes, student enrollment fees, EPA funds, and State aid comprise a district's revenue limit. State funding is generally subject to the appropriation of funds in the State's annual budget. Thus, decreases in State revenues may affect appropriations made by the State Legislature to community college districts.

"Basic Aid" community college districts (also referred to "community supported" districts) are those districts whose local property taxes, student enrollment fee collections, and Education Protection Account funds exceed the revenue allocation determined by the current State funding model. Thus, Basic Aid districts do not receive any general apportionment funding from the State. The current law in the State allows these districts to keep the excess funds without penalty. The implication for Basic Aid districts is that legislatively determined annual COLAs and other politically determined factors are less significant in determining such districts primary funding sources. Rather, property tax growth and the local economy become the determining factors. The District is not currently a Basic Aid district.

Enrollment Based Funding. California community college districts apportionments were previously funded pursuant to a system established by Senate Bill 361 ("SB 361"). SB 361 provided for a basic allocation (a "Basic Allocation") based on the number of colleges, state-approved education centers and total enrollment, together with funding based on per-student rates for credit FTES, non-credit FTES and career development and college preparation ("CDCP") non-credit FTES.

SB 361 specified that, commencing with the 2006-07 fiscal year the minimum funding per FTES would be: (a) not less than $4,367 per credit FTES; (b) at a uniform rate of $2,626 per non-credit FTES; and (c) $3,092 per CDCP FTES. Although CDCP FTES were initially funded at a lower rate than credit FTES, subsequent legislation effective as of the 2015-16 fiscal year set the minimum funding for CDCP

FTES at the same level as credit FTES. Each such minimum funding rate was subject to cost of living adjustments (each, a "COLA"), if any, funded through the State budgeting legislation in each fiscal year.

One unit of FTES is equivalent to 525 student contact hours, which is determined based on a State formula of one student multiplied by 15 weekly contact hours multiplied by 35 weeks. Accordingly, the number of FTES in the District may not equal the number of students enrolled in the District.

In each fiscal year, the State budget established an enrollment cap on the maximum number of resident FTES, known as the "funded" FTES, for which a community college district would receive a revenue allocation. A district's enrollment cap was based on the previous fiscal year's reported FTES, plus the growth allowance provided for by the State budget, if any. All student hours in excess of the enrollment cap were considered "unfunded" FTES. Nonresident and international students are excluded from the State funding formula and pay full tuition.

Student Centered Funding Formula. Assembly Bill 1809 ("AB 1809"), the higher education trailer bill passed as part of the State budget for fiscal year 2018-19, implemented a new funding mechanism for community college districts referred to as the "Student Centered Funding Formula," (the "SCFF"). The SCFF includes three components: (1) a base allocation (the "Base Allocation") driven primarily by enrollment, (2) a supplemental allocation (the "Supplemental Allocation") based on the number of certain types of low-income students, and (3) a student success allocation (the "Student Success Allocation") calculated using various performance-based metrics.

The SCFF includes several hold-harmless provisions to provide districts greater financial stability in transitioning to the new formula: (i) for fiscal years 2018-19 through 2021-22, community college districts will receive no less in total apportionment funding than they received in 2017-18, adjusted for COLAs; (ii) for fiscal year 2021-22 and onward, districts will receive no less in apportionment funding per-student than they received in fiscal year 2017-18; and (iii) beginning in fiscal year 2018-19, districts will receive the greater of the amount calculated by the SCFF for the current or prior year (excluding amounts districts receive pursuant to the provision summarized in (i) above.)

<u>Base Allocation.</u> The Base Allocation is composed of (1) the Basic Allocation, determined consistent with the prior funding formula (see "—Enrollment Based Funding" herein), and (2) funding for credit, non-credit and CDCP FTES. The Base Allocation is expected to constitute approximately 65% of Statewide funding for community college districts in fiscal year 2019-20 and 60% in fiscal years 2020-21 and onward.

The SCFF provides minimum funding levels for credit FTES for the first three fiscal years, as follows: (i) \$3,727 for fiscal year 2018-19, (ii) \$3,387 for fiscal year 2019-20, adjusted for COLAs and other base adjustments, and (iii) \$3,046 for fiscal year 2020-21, adjusted for COLAs and other base adjustments in both the then-current and prior fiscal year. Notwithstanding the foregoing, the SCFF provides higher credit FTES funding rates for certain districts, which do not include the District, that were entitled to higher funding rates under the prior funding formula. Beginning in fiscal year 2021-22, the provision of COLAs and other adjustments will be subject to appropriation therefor in the annual State budget. Total funding for credit FTES will be based on a rolling three-year average of the funded credit FTES from the current fiscal year and the two immediately preceding fiscal years.

Funding levels for non-credit and CDCP FTES are determined consistent with the prior funding formula. See "—Enrollment Based Funding" herein. Total funding for these categories will be based on actual non-credit and CDCP FTES for the most recent fiscal year.

For fiscal year 2019-20, the District has budgeted the receipt of a Base Allocation equal to $10,396,032.

The table below shows a breakdown of the District's historical resident FTES figures for the last nine fiscal years, and a projection for the current fiscal year.

RESIDENT FULL TIME EQUIVALENT STUDENTS
Fiscal Years 2009-10 through 2019-20
Cabrillo Community College District

Fiscal Year	Funded FTES	Unfunded FTES	Total FTES
2010-11	11,604	413	12,017
2011-12	10,683	1,800	12,483
2012-13	10,833	0	10,833
2013-14	10,833	0	10,233
2014-15	10,887	0	10,887
2015-16	10,393	0	10,393
2016-17	8,943	0	8,943
2017-18	10,087	0	10,087
2018-19	10,301	0	10,301
2019-20(1)	9,895	0	9,895

(1) Budgeted.
Source: Cabrillo Community College District.

Supplemental Allocation. The Supplemental Allocation, accounting for approximately 20% of Statewide funding, will be distributed to districts based on their headcounts of students that qualify for Federal Pell Grants, California College Promise Grants or student fee waivers under California Education Code 76300. The SCFF provides $919 per qualifying student for fiscal year 2018-19. Beginning in fiscal year 2019-20, the provision of COLAs and other adjustments to this amount will be subject to appropriation therefor in the annual State budget. Headcounts are not unduplicated, such that districts will receive twice as much supplemental funding for a student that falls into more than one of the aforementioned categories. For fiscal year 2019-20, the District has budgeted a duplicated headcount of 8,790 qualifying students, generating a Supplemental Allocation of approximately $2,970,295.

Student Success Allocation. The Student Success Allocation will be distributed to districts based on their performance in a various student outcome metrics, including obtaining various degrees and certificates, completing transfer-level math and English courses within a student's first year, and having students obtain a regional living wage within a year of completing community college. The Student Success Allocation is expected to account for 10% of statewide funding for community college districts in fiscal year 2018-19, 15% in fiscal year 2019-20 and 20% in fiscal years 2020-21 and onward. Each metric is assigned a point value, with some metrics are weighted more than others. A single student outcome with more points will generate more funding. Outcome metrics for students that qualify for Federal Pell Grants and California College Promise Grants are eligible for additional funding.

For fiscal year 2018-19, the SCFF provides a rate for all students of $440 per point, and an additional $111 per point for Pell Grant and California College Promise Grant students. For fiscal year 2019-20, these rates increase to $660 per point and $167 per point, respectively, subject to COLAs and other base adjustments. For fiscal year 2020-21, the rates increase to $880 per point and $222 per point, respectively, subject to COLAs and other base adjustments. For fiscal year 2019-20, the District has budgeted the receipt of a Student Success Allocation equal to $1,485,147. The District has also budgeted $2,044,724 of Hold-Harmless Funding for 2019-20.

Budget Procedures

On or before September 15, the board of trustees of a community college district is required under Section 58305 of the California Code of Regulations, Title V, to adopt a balanced budget. Each September, every State agency, including the Chancellor, submits to the Department of Finance ("DOF") proposals for changes in the State budget. These proposals are submitted in the form of Budget Change Proposals ("BCPs"), involving analyses of needs, proposed solutions and expected outcomes. Thereafter, the DOF makes recommendations to the governor, and by January 10 a proposed State budget is presented by the governor to the legislature. The Governor's State budget is then analyzed and discussed in committees and hearings begin in the State Assembly and Senate. In May, based on the debate, analysis and changes in the economic forecasts, the governor issues a revised budget with changes he or she can support. The law requires the legislature to submit its approved budget by June 15, and by June 30 the governor should announce his or her line item reductions and sign the State budget. In response to growing concern for accountability and with enabling legislation (AB 2910, Chapter 1486, Statutes of 1986), the Board of Governors and the Chancellor's Office have established expectations for sound district fiscal management and a process for monitoring and evaluating the financial condition to ensure the financial health of California's community college districts. In accordance with statutory and regulatory provisions, the Chancellor has been given the responsibility to identify districts at risk and, when necessary, the authority to intervene to bring about improvement in their financial condition. To stabilize a district's financial condition, the Chancellor may, as a last resort, seek an appropriation for an emergency apportionment.

The monitoring and evaluation process is designed to provide early detection and amelioration that will stabilize the financial condition of a district before an emergency apportionment is necessary. This is accomplished by (1) assessing the financial condition of districts through the use of various information sources and (2) taking appropriate and timely follow-up action to bring about improvement in a district's financial condition, as needed. A variety of instruments and sources of information are used to provide a composite of each district's financial condition, including quarterly financial status reports, annual financial and budget reports, attendance reports, annual district audit reports, district input and other financial records. In assessing each district's financial condition, the Chancellor will pay special attention to each district's general fund balance, spending pattern, and full-time equivalent student patterns. Those districts with greater financial difficulty will receive follow-up visits from the Chancellor's Office where financial solutions to the district's problems will be addressed and implemented.

See "CABRILLO COMMUNITY COLLEGE DISTRICT – General Fund Budgeting" herein for more information regarding the District's recent budgeting trends.

Minimum Funding Guarantees for California Community College Districts Under Propositions 98 and 111

General. In 1988, California voters approved Proposition 98, an initiative that amended Article XVI of the State Constitution and provided specific procedures to determine a minimum guarantee for annual K-14 funding. The constitutional provision links the K-14 funding formulas to growth factors that are also used to compute the State appropriations limit. Proposition 111 (Senate Constitutional Amendment 1), adopted in June 1990, among other things, changed some earlier school funding provisions of Proposition 98 relating to the treatment of revenues in excess of the State spending limit and added a third funding test ("Test 3") to calculate the annual funding guarantee. This third calculation is operative in years in which general fund tax revenue growth is weak. The amendment also specified that under Test 2 (see below), the annual COLA for the minimum guarantee for annual K-14 funding would be the change in California's per-capita personal income, which is the same COLA used to make annual adjustments to the State appropriations limit (Article XIIIB).

Calculating Minimum Funding Guarantee. There are currently three tests which determine the minimum level of K-14 funding. Under implementing legislation for Proposition 98 (AB 198 and SB 98 of 1989), each segment of public education (K-12 districts, community college districts, and direct elementary and secondary level instructional services provided by the State) has separately calculated amounts under the Proposition 98 tests. The base year for the separate calculations is the 1989-90 fiscal year. Each year, each segment is entitled to the greater of the amounts separately computed for each under Test 1 or 2. Should the calculated amount Proposition 98 guarantee (K-14 aggregated) be less than the sum of the separate calculations, then the Proposition 98 guarantee amount shall be prorated to the three segments in proportion to the amount calculated for each. This statutory split has been suspended in every year beginning with 1992-93. In those years, community colleges received less than was required from the statutory split.

Test 1 guarantees that K-14 education will receive at least the same funding share of the State general fund budget it received in 1986-87. Initially, that share was just over 40 percent. Because of the major shifts of property tax from local government to school districts and community college districts which began in 1992-93 and increased in 1993-94, the percentage dropped to 33.0%.

Test 2 provides that K-14 education will receive as a minimum, its prior-year total funding (including State general fund and local revenues) adjusted for enrollment growth and per-capita personal income COLA.

Test 3 established pursuant to Proposition 111, provides an alternative calculation of the funding base in years in which State per-capita General Fund revenues grow more slowly than per-capita personal income. When this condition exists, K-14 minimum funding is determined based on the prior-year funding level, adjusted for changes in enrollment and COLA where the COLA is measured by the annual increase in per-capita general fund revenues, instead of the higher per-capita personal income factor. The total allocation, however, is increased by an amount equal to one-half of one percent of the prior-year funding level as a funding supplement.

In order to make up for the lower funding level under Test 3, in subsequent years K-14 education receives a maintenance allowance (also referred to as a "maintenance factor") equal to the difference between what should have been provided if the revenue conditions had not been weak and what was actually received under the Test 3 formula. This maintenance allowance is paid in subsequent years when the growth in per-capita State tax revenue outpaces the growth in per-capita personal income.

The enabling legislation to Proposition 111, Chapter 60, Statutes of 1990 (SB 98, Garamendi), further provides that K-14 education shall receive a supplemental appropriation in a Test 3 year if the annual growth rate in non-Proposition 98 per-capita appropriations exceeds the annual growth rate in per-pupil total spending.

State Assistance

California community college districts' principal funding formulas and revenue sources are derived from the budget of the State of California. The following information concerning the State of California's budgets has been obtained from publicly available information which the District believes to be reliable; however, neither the District, the Municipal Advisor nor the Underwriter take any responsibility as to the accuracy or completeness thereof and has not independently verified such information.

2019-20 Budget. On June 27, 2019, the Governor signed into law the State budget for fiscal year 2019-20 (the "2019-20 Budget"). The following information is drawn from the State Department of Finance's summary of the 2019-20 Budget.

For fiscal year 2018-19, the 2019-20 Budget projects total general fund revenues and transfers of $138 billion and total expenditures of $142.7 billion. The State is projected to end the 2018-19 fiscal year with total available general fund reserves of $20.7 billion, including $5.4 billion in the traditional general fund reserve, $14.4 billion in the BSA and $900 million in the Safety Net Reserve Fund for the CalWORKs and Medi-Cal programs. For fiscal year 2019-20, the 2019-20 Budget projects total general fund revenues and transfers of $143.8 billion and authorizes expenditures of $147.8 billion. The State is projected to end the 2019-20 fiscal year with total available general fund reserves of $18.8 billion, including $1.4 billion in the traditional general fund reserve, $16.5 billion in the BSA and $900 million in the Safety Net Reserve Fund. The 2019-20 Budget also authorizes a deposit to the PSSSA of $376.5 million in order to comply with Proposition 2.

For fiscal year 2019-20, the Budget sets the minimum funding guarantee at $81.1 billion. Other significant features with respect to community college funding include the following:

- *Student Centered Funding Formula* – An ongoing increase of $254.7 million in Proposition 98 funding to support the SCFF, including (i) an increase of $230 million to support a 3.26% COLA for total apportionment growth, and (ii) an increase of $24.7 million to fund 0.55% of enrollment growth.

- *Settle-Up Payment* - An increase of $686.6 million for K-14 school districts to pay the balance of past-year Proposition 98 funding owed through fiscal year 2017-18.

- *Pension Costs* – A $3.15 billion payment from non-Proposition 98 funds to CalSTRS and CalPERS, to reduce long-term liabilities for K-14 school districts. Of this amount, $850 million would be provided to buy down employer contribution rates in fiscal years 2019-20 and 2020-21. With these payments, CalSTRS employer contributions will be reduced from 18.13% to 17.1% in fiscal year 2019-20, and from 19.1% to 18.4% in fiscal year 2020-21. The CalPERS employer contribution will be reduced from 20.7% to 19.7% in fiscal year 2019-20, and the projected CalPERS employer contribution is expected to be reduced from 23.6% to 22.9 % in fiscal year 2020-21. The remaining $2.3 billion would be paid towards employers' long-term unfunded liability. See also "CABRILLO COMMUNITY COLLEGE DISTRICT – Retirement Programs" herein.

- *Free College* - $42.6 million in ongoing Proposition 98 funding to support a second academic year of the California College Promise to waive enrollment fees for fist-time, full-time students.

- *Deferred Maintenance* – A one-time increase of $13.5 million in Proposition 98 funding for deferred maintenance, instructional equipment and specified water conservation projects.

- *Student Support* – An ongoing increase of $9 million in Proposition 98 funding to provide support to community college students who are homeless or are experiencing housing insecurity. The 2019-20 Budget also provides a one-time increase of $3.9 million in Proposition 98 funding to address student basic needs, including housing and food insecurity.

- *Veterans Resources* – An ongoing increase of $5 million in Proposition 98 funding for the establishment or enhancement of veterans resource centers at community colleges. In addition, the 2019-20 Budget also provides an increase of $2.25 million in Proposition 98 settle-up funds to expand veterans resource centers at specified colleges.

- *Workforce Development* – A one-time increase of $4.75 million in one-time, Proposition 98 settle-up funds to support the improvement of workforce development programs at specified community colleges.

- *Proposition 51* – a total allocation of $535.3 million in Proposition 51 bond funds for critical fire and life safety projects at campuses statewide.

Future Actions. The District cannot predict what actions will be taken in the future by the State legislature and the Governor to address changing State revenues and expenditures. The District also cannot predict the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors over which the District will have no control. Certain actions or results could produce a significant shortfall of revenue and cash, and could consequently impair the State's ability to fund schools. State budget shortfalls in future fiscal years may also have an adverse financial impact on the financial condition of the District. However, the obligation to levy *ad valorem* property taxes upon all taxable property within the District for the payment of principal of and interest on the Bonds would not be impaired.

CABRILLO COMMUNITY COLLEGE DISTRICT

The information in this section concerning the operations of the District and the District's finances is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds is payable from the general fund of the District. The Bonds are payable only from the proceeds of an ad valorem *property tax levied by the Counties for the payment thereof. See "THE BONDS – Security and Sources of Payment" herein.*

Introduction

The District was established on October 21, 1958 and encompasses an area of approximately 105 square miles in the County, the northern portion of Monterey County, and the western portion of San Benito County. The District's service area includes the cities of Santa Cruz, Watsonville, Capitola and Scotts Valley, as well as the unincorporated community of Aptos. The District currently operates one community college, Cabrillo College in Aptos, as well as an education center in Watsonville. The College is fully accredited by the ACCJC. The District has a fiscal year 2018-19 assessed valuation of $46,156,771,611 and has a fiscal year 2018-19 FTES count of 10,301. For fiscal year 2019-20, the District has budgeted a FTES count of 9,895.

Accreditation

The College is currently accredited by the ACCJC. Accreditation by the ACCJC is voluntary and designed to evaluate and enforce standards of educational quality and institutional effectiveness. Accreditation is also a form of peer review. ACCJC standards and criteria are developed and implemented by representatives from the member institutions. Although the ACCJC is not a governmental agency, and has no direct authority over the operations of the District, it is responsible for determining whether a college receives accreditation. For public colleges, the loss of accreditation would result in the loss of State and federal funding, including student financial aid.

If the ACCJC determines that a college is out of compliance with accreditation standards, it may issue several levels of sanctions, including a warning, indicating the ACCJC's concern regarding identified deficiencies. A college deviating significantly from accreditation standards may have the affected college placed on "probation" status. Finally, if a college continues to be significantly out of compliance with accreditation standards, or fails to properly respond to ACCJC recommendations with respect to prior deficiencies, the ACCJC may place the affected college on a "show cause" status, requiring the affected institution to show cause why its accreditation should not be withdrawn at the end of the stated period. For a college issued such show cause status, ACCJC policies require the development of a closure plan for the affected college, to become operative in the event such college is unable to remedy the identified deficiencies. The requirement to develop a closure plan ensures that all those affected by the potential loss of accreditation are informed as early as possible, and that the affected college has a contingency plan for the completion of programs by students and the securing of their records. The ACCJC's policy, however, does not address any State or federal laws that would bear on the ability of a community college district to close a college.

In a letter dated February 7, 2014, the ACCJC notified the District of its action to reaffirm accreditation of the College for six years. The ACCJC, at its meeting January 11-13, 2017, reviewed the Midterm Report submitted by the College and the College's implementation of its own plans for improvement identified in the College's 2013 Self-Evaluation Report, and determined that the College has maintained compliance with the ACCJC accreditation standards. In May 2019, the District submitted its institutional self-evaluation report to ACCJC, and the District expects ACCJC to conduct a visit to the College in the fall of 2019 and make a final determination as to the College's accreditation status in January 2020. The District expects ACCJC to reaffirm the College's accreditation.

Administration

The District is governed by a seven-member Board, each member of which is elected by voters within the seven trustee areas making up the District. Trustees serve four-year terms, and are elected by voters within their respective trustee area. Elections for positions to the Board are held every two years, alternating between two and three available positions. Current members of the Board, together with their offices and the dates their terms expire, are listed below:

Name	Office	Term Expires
Christina Cuevas	Chair	November 2020
Leticia Mendoza	Vice Chair	November 2020
Rachael Spencer	Clerk	November 2020
Ed Banks	Member	November 2020
Adam Spickler	Member	November 2022
Dr. Dan Rothwell	Member	November 2022
Donna Ziel	Member	November 2022

The management and policies of the District are administered by a Superintendent/President appointed by the Board who is responsible for day-to-day District operations as well as the supervision of the District's other key personnel. Dr. Matthew Wetstein is the District's current Superintendent/President. Brief biographies of key administrators follow:

Dr. Matthew Wetstein, Superintendent/President. Dr. Matthew Wetstein was appointed Superintendent/President of the District on January 8, 2018. Prior to his service at the District, Dr. Wetstein served for 6 years as the Assistant Superintendent/Vice President of Instruction and Planning at San Joaquin Delta Community College District in Stockton, California. Dr. Wetstein earned a Bachelor's degree in Political Science from the University of St. Francis in Joliet, Illinois, and a Master's and Doctoral degree in Political Science from Northern Illinois University. After his graduate work, Dr. Wetstein taught at several four-year colleges in the Midwest before taking a position as a political science faculty member at San Joaquin Delta College in 1996. His graduate training in empirical political research led him to become Dean of Planning and Research at San Joaquin Delta College, serving in that role between 2000-2003, and 2008-2012. Dr. Wetstein is a statewide leader in the Research and Planning Group for California Community Colleges, having spent six years on the board of that organization and two years as President.

Dr. Bradley Olin, Assistant Superintendent/Vice President, Administrative Services. Dr. Bradley Olin joined the district on July 1, 2019. Prior to his arrival, Dr. Olin was a member of the San Jose State University ("SJSU") Provost's leadership team as Associate Vice President for Academic Budgets and Planning. At SJSU, Dr. Olin oversaw the university's institutional research and academic budget officer functions, and his primary responsibilities included stewardship and strategic deployment of the Academic Affairs Division budget. Dr. Olin also served as SJSU's Enrollment Planning and Reporting Officer. Previously, Dr. Olin served SJSU as the Director of Budget Planning and Risk Management. Before joining SJSU, Dr. Olin served as a system wide budget officer for the California State University Chancellors' Office. In addition to his work in higher education, Dr. Olin has nearly a decade of experience serving local governments, including the City of Watsonville, in the areas of urban planning, economic development, municipal policy analysis, and program implementation. Dr. Olin holds a Bachelor's degree in Latin American studies and Spanish from Cornell College, a Master's degree in Public Administration from the University of Southern California, and an Ed.D. from California State University, Long Beach.

Labor Relations

The District currently employs 176 full-time and 373 part-time faculty professionals, 238 full-time and part-time classified employees and 42 supervisors/managers. District employees, except management and some part-time employees, are represented by two bargaining units as noted below:

BARGAINING UNITS
Cabrillo Community College District

Labor Organization	Number of Employees In Organization	Contract Expiration Date
Cabrillo College Federation of Teachers (CCFT)	549	June 30, 2022
Cabrillo Classified Employees Union (CCEU)	238	June 30, 2021

Source: Cabrillo Community College District.

Cabrillo College Foundation

The Cabrillo College Foundation (the "Foundation") is a not-for-profit public benefit corporation organized under Section 501(c)(3) of the Code. The Foundation was established to support the District's operations, primarily as a fundraising organization to provide grants and scholarships to students and support to employees, programs, a departments of the District. The Foundation's governing board consists of community members, alumni and other supporters of the Foundation. Under GASB rules, the Foundation is a component unit of the District. The Foundation is reported in separate financial statements because of differences in its financial reporting from those of the District. See "APPENDIX A – THE 2017-18 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 1 – Summary of Significant Accounting Policies" attached hereto. As of June 30, 2018, the Foundation had net assets valued at $34,832,964.

Retirement Programs

The information set forth below regarding the STRS and PERS programs, other than the information provided by the District regarding its annual contributions thereto, has been obtained from publicly available sources which are believed to be reliable but are not guaranteed as to accuracy or completeness, and should not to be construed as a representation by either the District, the Municipal Advisor, or the Underwriter.

STRS. All full-time certificated employees, as well as certain classified employees, are members of the State Teachers' Retirement System ("STRS"). STRS provides retirement, disability and survivor benefits to plan members and beneficiaries under a defined benefit program (the "STRS Defined Benefit Program"). The STRS Defined Benefit Program is funded through a combination of investment earnings and statutorily set contributions from three sources: employees, employers, and the State. Benefit provisions and contribution amounts are established by State statutes, as legislatively amended from time to time.

Prior to fiscal year 2014-15, and unlike typical defined benefit programs, none of the employee, employer nor State contribution rates to the STRS Defined Benefit Program varied annually to make up funding shortfalls or assess credits for actuarial surpluses. In recent years, the combined employer, employee and State contributions to the STRS Defined Benefit Program have not been sufficient to pay actuarially required amounts. As a result, and due to significant investment losses, the unfunded actuarial liability of the STRS Defined Benefit Program has increased significantly in recent fiscal years. In September 2013, STRS projected that the STRS Defined Benefit Program would be depleted in 31 years assuming existing contribution rates continued, and other significant actuarial assumptions were realized. In an effort to reduce the unfunded actuarial liability of the STRS Defined Benefit Program, the State passed the legislation described below to increase contribution rates.

Prior to July 1, 2014, K-14 school districts were required by such statutes to contribute 8.25% of eligible salary expenditures, while participants contributed 8% of their respective salaries. On June 24, 2014, the Governor signed AB 1469 ("AB 1469") into law as a part of the State's fiscal year 2014-15 budget. AB 1469 seeks to fully fund the unfunded actuarial obligation with respect to service credited to members of the STRS Defined Benefit Program before July 1, 2014 (the "2014 Liability"), within 32 years, by increasing member, K-14 school district and State contributions to STRS. Commencing July 1, 2014, the employee contribution rate increased over a three-year phase-in period in accordance with the following schedule:

MEMBER CONTRIBUTION RATES
STRS (Defined Benefit Program)

Effective Date	STRS Members Hired Prior to January 1, 2013	STRS Members Hired After January 1, 2013
July 1, 2014	8.150%	8.150%
July 1, 2015	9.200	8.560
July 1, 2016	10.250	9.205

Source: AB 1469.

Pursuant to the Reform Act (defined below), the contribution rates for members hired after the Implementation Date (defined below) will be adjusted if the normal cost increases by more than 1% since the last time the member contribution was set. The contribution rate for employees hired after the Implementation Date (defined below) increased from 9.205% of creditable compensation for fiscal year commencing July 1, 2017 to 10.205% of creditable compensation effective July 1, 2018. For fiscal year commencing July 1, 2019, the contribution rate for employees hired after the Implementation Date (defined below) will be 10.205%.

Pursuant to AB 1469, K-14 school districts' contribution rate will increase over a seven-year phase-in period in accordance with the following schedule:

K-14 SCHOOL DISTRICT CONTRIBUTION RATES
STRS (Defined Benefit Program)

Effective Date	K-14 school districts
July 1, 2014	8.88%
July 1, 2015	10.73
July 1, 2016	12.58
July 1, 2017	14.43
July 1, 2018	16.28
July 1, 2019	18.13
July 1, 2020	19.10

Source: AB 1469.

Based upon the recommendation from its actuary, for fiscal year 2021-22 and each fiscal year thereafter the STRS Teachers' Retirement Board (the "STRS Board"), is required to increase or decrease the K-14 school districts' contribution rate to reflect the contribution required to eliminate the remaining 2014 Liability by June 30, 2046; provided that the rate cannot change in any fiscal year by more than 1% of creditable compensation upon which members' contributions to the STRS Defined Benefit Program are based; and provided further that such contribution rate cannot exceed a maximum of 20.25%. In addition to the increased contribution rates discussed above, AB 1469 also requires the STRS Board to report to the State Legislature every five years (commencing with a report due on or before July 1, 2019) on the fiscal health of the STRS Defined Benefit Program and the unfunded actuarial obligation with respect to service credited to members of that program before July 1, 2014. The reports are also required to identify adjustments required in contribution rates for K-14 school districts and the State in order to eliminate the 2014 Liability.

On June 27, 2019, the Governor signed SB 90 ("SB 90") into law as a part of the 2019-20 Budget. Pursuant to SB 90, the State Legislature appropriated $2.246 billion to be transferred to the Teacher's Retirement Fund for the STRS Defined Benefit Program to pay in advance, on behalf of employers, part of the contributions required for fiscal years 2019-20 and 2020-21, resulting in K-14 school districts having to contribute 1.03% less in fiscal year 2019-20 and 0.70% less in fiscal year 2020-21. The remainder of the payment not committed for the reduction in employer contribution rates described above, is required to be allocated to reduce the employer's share of the unfunded actuarial obligation determined by the STRS Board upon recommendation from its actuary. See "FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA – State Assistance" herein.

The District's contributions to STRS were $1,877,629 in fiscal year 2014-15, $2,103,631 in fiscal year 2015-16, $3,108,939 in fiscal year 2016-17 and $3,599,357 for fiscal year 2017-18. The District currently projects $3,693,750 for its contribution to STRS for fiscal year 2018-19, and has budgeted a contribution of $3,788,157 to STRS in fiscal year 2019-20.

The State also contributes to STRS, currently in an amount equal to 7.328% for fiscal year 2018-19 and 7.828% for fiscal year 2019-20. The State's contribution reflects a base contribution rate of 2.017%, and a supplemental contribution rate that will vary from year to year based on statutory criteria. Based upon the recommendation from its actuary, for fiscal year 2017-18 and each fiscal year thereafter, the STRS Board is required, with certain limitations, to increase or decrease the State's contribution rates to reflect the contribution required to eliminate the unfunded actuarial accrued liability attributed to benefits in effect before July 1, 1990.

In addition, the State is currently required to make an annual general fund contribution up to 2.5% of the fiscal year covered STRS member payroll to the Supplemental Benefit Protection Account (the "SBPA"), which was established by statute to provide supplemental payments to beneficiaries whose purchasing power has fallen below 85% of the purchasing power of their initial allowance.

PERS. Classified employees working four or more hours per day are members of the Public Employees' Retirement System ("PERS"). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the State statutes, as legislatively amended from time to time. PERS operates a number of retirement plans including the Public Employees Retirement Fund ("PERF"). PERF is a multiple-employer defined benefit retirement plan. In addition to the State, employer participants at June 30, 2017 included 1,624 public agencies and 1,366 K-14 school districts and charter schools. PERS acts as the common investment and administrative agent for the member agencies. The State and K-14 school districts (for "classified employees," which generally consist of school employees other than teachers) are required by law to participate in PERF. Employees participating in PERF generally become fully vested in their retirement benefits earned to date after five years of credited service. One of the plans operated by PERS is for K-14 school districts throughout the State (the "Schools Pool").

Contributions by employers to the Schools Pool are based upon an actuarial rate determined annually and contributions by plan members vary based upon their date of hire. The District is currently required to contribute to PERS at an actuarially determined rate, which is 18.062% of eligible salary expenditures for fiscal year 2018-19, and will be 20.733% of eligible salary expenditures in fiscal year

2019-20. Participants enrolled in PERS prior to January 1, 2013 contribute at a rate established by statute, which is 7% of their respective salaries in fiscal year 2018-19 and will be 7% in fiscal year 2019-20, while participants enrolled after January 1, 2013 contribute at an actuarially determined rate, which is 7% in fiscal year 2018-19 and will be 7% in fiscal year 2019-20. See "- California Public Employees' Pension Reform Act of 2013" herein.

Pursuant to SB 90, the State Legislature appropriated $144 million for fiscal year 2019-20 and $100 million for fiscal year 2020-21 to be transferred to the Public Employees' Retirement Fund, to pay in advance, on behalf of K-14 school district employers, part of the contributions required for K-14 school district employers for such fiscal years. In addition, the State Legislature appropriated $660 million to be applied toward certain unfunded liabilities for K-14 school district employers. See "FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA – State Assistance" herein.

The District's contributions to PERS were $1,756,256 in fiscal year 2014-15, $1,521,158 in fiscal year 2015-16, $2,338,382 in fiscal year 2016-17, and $2,302,921 for fiscal year 2017-18. The District currently projects $2,523,834 for its contribution to PERS for fiscal year 2018-19, and has budgeted a contribution of $2,656,226 to PERS in fiscal year 2019-20.

State Pension Trusts. Each of STRS and PERS issues a separate comprehensive financial report that includes financial statements and required supplemental information. Copies of such financial reports may be obtained from each of STRS and PERS as follows: (i) STRS, P.O. Box 15275, Sacramento, California 95851-0275; (ii) PERS, P.O. Box 942703, Sacramento, California 94229-2703. Moreover, each of STRS and PERS maintains a website, as follows: (i) STRS: www.calstrs.com; (ii) PERS: www.calpers.ca.gov. However, the information presented in such financial reports or on such websites is not incorporated into this Official Statement by any reference.

Both STRS and PERS have substantial statewide unfunded liabilities. The amount of these unfunded liabilities will vary depending on actuarial assumptions, returns on investments, salary scales and participant contributions. The table on the following page summarizes information regarding the actuarially-determined accrued liability for both STRS and PERS. Actuarial assessments are "forward-looking" information that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or be changed in the future. Actuarial assessments will change with the future experience of the pension plans.

FUNDED STATUS
STRS (Defined Benefit Program) and PERS (Schools Pool)
(Dollar Amounts in Millions) [(1)]
Fiscal Years 2010-11 through 2017-18

STRS

Fiscal Year	Accrued Liability	Value of Trust Assets (MVA)[(2)]	Unfunded Liability (MVA)[(2)]	Value of Trust Assets (AVA)[(3)]	Unfunded Liability (AVA)[(3)]
2010-11	$208,405	$147,140	$68,365	$143,930	$64,475
2011-12	215,189	143,118	80,354	144,232	70,957
2012-13	222,281	157,176	74,374	148,614	73,667
2013-14	231,213	179,749	61,807	158,495	72,718
2014-15	241,753	180,633	72,626	165,553	76,200
2015-16	266,704	177,914	101,586	169,976	96,728
2016-17	286,950	197,718	103,468	179,689	107,261
2017-18	297,603	211,367	101,992	190,451	107,152

PERS

Fiscal Year	Accrued Liability	Value of Trust Assets (MVA)	Unfunded Liability (MVA)	Value of Trust Assets (AVA)[(3)]	Unfunded Liability (AVA)[(3)]
2010-11	$58,358	$45,901	$12,457	$51,547	$6,811
2011-12	59,439	44,854	14,585	53,791	5,648
2012-13	61,487	49,482	12,005	56,250	5,237
2013-14	65,600	56,838	8,761	--[(4)]	--[(4)]
2014-15	73,325	56,814	16,511	--[(4)]	--[(4)]
2015-16	77,544	55,785	21,759	--[(4)]	--[(4)]
2016-17	84,416	60,865	23,551	--[(4)]	--[(4)]
2017-18[(5)]	92,071	64,846	27,225	--[(4)]	--[(4)]

(1) Amounts may not add due to rounding.
(2) Reflects market value of assets, including the assets allocated to the SBPA reserve. Since the benefits provided through the SBPA are not a part of the projected benefits included in the actuarial valuations summarized above, the SBPA reserve is subtracted from the STRS Defined Benefit Program assets to arrive at the value of assets available to support benefits included in the respective actuarial valuations.
(3) Reflects actuarial value of assets.
(4) Effective for the June 30, 2014 actuarial valuation, PERS no longer uses an actuarial value of assets.
(5) On April 16, 2019, the PERS Board (defined below) approved the K-14 school district contribution rate for fiscal year 2019-20 and released certain actuarial information to be incorporated into the June 30, 2018 actuarial valuation to be released in summer 2019.

Source: PERS Schools Pool Actuarial Valuation; STRS Defined Benefit Program Actuarial Valuation.

The STRS Board has sole authority to determine the actuarial assumptions and methods used for the valuation of the STRS Defined Benefit Program. Based on the multi-year CalSTRS Experience Analysis (spanning from July 1, 2010, through June 30, 2015), on February 1, 2017, the STRS Board adopted a new set of actuarial assumptions that reflect member's increasing life expectancies and current economic trends. These new assumptions were first reflected in the STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2016 (the "2016 STRS Actuarial Valuation"). The new actuarial assumptions include, but are not limited to: (i) adopting a generational mortality methodology to reflect past improvements in life expectancies and provide a more dynamic assessment of future life spans, (ii) decreasing the investment rate of return (net of investment and administrative expenses) to 7.25% for the 2016 STRS Actuarial Valuation and 7.00% for the June 30, 2017 actuarial evaluation (the "2017 STRS Actuarial Valuation"), and (iii) decreasing the projected wage growth to 3.50% and the projected inflation rate to 2.75%. The 2017 STRS Actuarial Valuation continues using the Entry Age Normal Actuarial Cost Method.

Based on salary increases less than assumed and actuarial asset gains recognized from the current and prior years, the STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2018 (the "2018 STRS Actuarial Valuation") reports that the unfunded actuarial obligation decreased by $109 million since the 2017 STRS Actuarial Valuation and the funded ratio increased by 1.4% to 64.0% over such time period.

According to the 2018 STRS Actuarial Valuation, the future revenues from contributions and appropriations for the STRS Defined Benefit Program are projected to be approximately sufficient to finance its obligations with a projected ending funded ratio in fiscal year ending June 30, 2046 of 99.9%, except for a small portion of the unfunded actuarial obligation related to service accrued on or after July 1, 2014 for member benefits adopted after 1990, for which AB 1469 provides no authority to the STRS Board to adjust rates to pay down that portion of the unfunded actuarial obligation. This finding reflects the scheduled contribution rate increases directed by statute, assumes additional increases in the scheduled contribution rates allowed under the current law will be made, and is based on the valuation assumptions and valuation policy adopted by the STRS Board, including a 7.00% investment rate of return assumption.

In recent years, the PERS Board of Administration (the "PERS Board") has taken several steps, as described below, intended to reduce the amount of the unfunded accrued actuarial liability of its plans, including the Schools Pool.

On March 14, 2012, the PERS Board voted to lower the PERS' rate of expected price inflation and its investment rate of return (net of administrative expenses) (the "PERS Discount Rate") from 7.75% to 7.5%. On February 18, 2014, the PERS Board voted to keep the PERS Discount Rate unchanged at 7.5%. On November 17, 2015, the PERS Board approved a new funding risk mitigation policy to incrementally lower the PERS Discount Rate by establishing a mechanism whereby such rate is reduced by a minimum of 0.05% to a maximum of 0.25% in years when investment returns outperform the existing PERS Discount Rate by at least four percentage points. On December 21, 2016, the PERS Board voted to lower the PERS Discount Rate to 7.0% over a three year phase-in period in accordance with the following schedule: 7.375% for the June 30, 2017 actuarial valuation, 7.25% for the June 30, 2018 actuarial valuation and 7.00% for the June 30, 2019 actuarial valuation. The new discount rate went into effect July 1, 2017 for the State and July 1, 2018 for K-14 school districts and other public agencies. Lowering the PERS Discount Rate means employers that contract with PERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities. Active members hired after January 1, 2013, under the Reform Act (defined below) will also see their contribution rates rise.

On April 17, 2013, the PERS Board approved new actuarial policies aimed at returning PERS to fully-funded status within 30 years. The policies include a rate smoothing method with a 30-year fixed amortization period for gains and losses, a five-year increase of public agency contribution rates, including the contribution rate at the onset of such amortization period, and a five year reduction of public agency contribution rates at the end of such amortization period. The new actuarial policies were first included in the June 30, 2014 actuarial valuation and were implemented with respect the State, K-14 school districts and all other public agencies in fiscal year 2015-16.

Also, on February 20, 2014, the PERS Board approved new demographic assumptions reflecting (i) expected longer life spans of public agency employees and related increases in costs for the PERS system and (ii) trends of higher rates of retirement for certain public agency employee classes, including police officers and firefighters. The new actuarial assumptions were first reflected in the Schools Pool in the June 30, 2015 actuarial valuation. The increase in liability due to the new assumptions will be amortized over 20 years with increases phased in over five years, beginning with the contribution requirement for fiscal year 2016-17. The new demographic assumptions affect the State, K-14 school districts and all other public agencies.

The PERS Board is required to undertake an experience study every four years under its Actuarial Assumptions Policy and State law. As a result of the most recent experience study, on December 20, 2017, the PERS Board approved new actuarial assumptions, including (i) lowering the inflation rate to 2.625% for the June 30, 2018 actuarial valuation and to 2.50% for the June 30, 2019 actuarial valuation, (ii) lowering the payroll growth rate to 2.875% for the June 30, 2018 actuarial valuation and 2.75% for the June 30, 2019 actuarial valuation, and (iii) certain changes to demographic assumptions relating to the salary scale for most constituent groups, and modifications to the morality, retirement, and disability retirement rates.

On February 14, 2018, the PERS Board approved a new actuarial amortization policy with an effective date for actuarial valuations beginning on or after June 30, 2019, which includes (i) shortening the period over which actuarial gains and losses are amortized from 30 years to 20 years, (ii) requiring that amortization payments for all unfunded accrued liability bases established after the effective date be computed to remain a level dollar amount throughout the amortization period, (iii) removing the 5-year ramp-up and ramp-down on unfunded accrued liability bases attributable to assumptions changes and non-investment gains/losses established on or after the effective date and (iv) removing the 5-year ramp-down on investment gains/losses established after the effective date. While PERS expects that reducing the amortization period for certain sources of unfunded liability will increase future average funding ratios, provide faster recovery of funded status following market downturns, decrease expected cumulative contributions, and mitigate concerns over intergenerational equity, such changes may result in increases in future employer contribution rates.

On April 16, 2019, the PERS Board established the employer contribution rates for 2019-20 and released certain information from the Schools Pool Actuarial Valuation as of June 30, 2018, ahead of its summer of 2019 release date. Based on the changes in the discount rate, inflation rate, payroll growth rate and demographic assumptions, along with the expected reductions in normal cost due to the continuing transition of active members from those employees hired prior to the Implementation Date (defined below), to those hired after such date, the contribution rate for 2020-21 is projected to be 23.6%, with annual increases thereafter, resulting in a projected 26.5% employer contribution rate for fiscal year 2025-26.

The District can make no representations regarding the future program liabilities of STRS, or whether the District will be required to make additional contributions to STRS in the future above those amounts required under AB 1469. The District can also provide no assurances that the District's required contributions to PERS will not increase in the future.

California Public Employees' Pension Reform Act of 2013. On September 12, 2012, the Governor signed into law the California Public Employees' Pension Reform Act of 2013 (the "Reform Act"), which makes changes to both STRS and PERS, most substantially affecting new employees hired after January 1, 2013 (the "Implementation Date"). For STRS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor (the age factor is the percent of final compensation to which an employee is entitled for each year of service) from age 60 to 62 and increasing the eligibility of the maximum age factor of 2.4% from age 63 to 65. Similarly, for non-safety PERS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor from age 55 to 62 and increases the eligibility requirement for the maximum age factor of 2.5% to age 67. Among the other changes to PERS and STRS, the Reform Act also: (i) requires all new participants enrolled in PERS and STRS after the Implementation Date to contribute at least 50% of the total annual normal cost of their pension benefit each year as determined by an actuary, (ii) requires STRS and PERS to determine the final compensation amount for employees based upon the highest annual compensation earnable averaged over a consecutive 36-month period as the basis for calculating retirement benefits for new participants enrolled after the Implementation Date (previously 12 months for STRS members who retire with 25 years of service), and (iii) caps "pensionable compensation" for new participants enrolled after the Implementation Date at 100% of the federal Social Security contribution (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers) and benefit base for members participating in Social Security or 120% for members not participating in social security (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers), while excluding previously allowed forms of compensation under the formula such as payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off.

GASB Statement Nos. 67 and 68. On June 25, 2012, GASB approved Statements Nos. 67 and 68 ("Statements") with respect to pension accounting and financial reporting standards for state and local governments and pension plans. The new Statements, No. 67 and No. 68, replace GASB Statement No. 27 and most of Statements No. 25 and No. 50. The changes impact the accounting treatment of pension plans in which state and local governments participate. Major changes include: (1) the inclusion of unfunded pension liabilities on the government's balance sheet (currently, such unfunded liabilities are typically included as notes to the government's financial statements); (2) more components of full pension costs being shown as expenses regardless of actual contribution levels; (3) lower actuarial discount rates being required to be used for underfunded plans in certain cases for purposes of the financial statements; (4) closed amortization periods for unfunded liabilities being required to be used for certain purposes of the financial statements; and (5) the difference between expected and actual investment returns being recognized over a closed five-year smoothing period. In addition, according to GASB, Statement No. 68 means that, for pensions within the scope of the Statement, a cost-sharing employer that does not have a special funding situation is required to recognize a net pension liability, deferred outflows of resources, deferred inflows of resources related to pensions and pension expense based on its proportionate share of the net pension liability for benefits provided through the pension plan. Because the accounting standards do not require changes in funding policies, the full extent of the effect of the new standards on the District is not known at this time. The reporting requirements for pension plans took effect for the fiscal year beginning July 1, 2013 and the reporting requirements for government employers, including the District, took effect for the fiscal year beginning July 1, 2014.

As of June 30, 2018, the District's proportionate shares of the STRS and PERS net pension liabilities were $40,876,160 and $25,257,252, respectively. See "APPENDIX A – 2017-18 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT — Note 8" herein.

Other Post-Employment Benefits

Plan Description. The Cabrillo Community College District Other Post Employment Benefit Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the California Employers Retirement Benefit Trust ("CERBT"). CERBT serves as an irrevocable trust, ensuring that funds contributed into its investment trust are dedicated to serving the needs of member districts, and their employees and retirees. The Plan provides medical insurance benefits to eligible retirees and their spouses (the "Benefits"). As of June 30, 2018 membership of the Plan consisted of 131 retirees and beneficiaries currently receiving Benefits and 482 active employees.

Funding Policy. The contribution requirements of Plan members and the District are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you go financing requirements with an additional amount to prefund benefits as determined annually through agreements between the District and the bargaining units. The District contributed $1,256,950, $1,322,837 and $1,466,108 towards the Benefits in fiscal years 2015-16, 2016-17, 2017-18, respectively, all of which was used for current premiums. For fiscal year 2018-19, the District has projected its contribution to be $1,499,064, and for fiscal year 2019-20, the District has budgeted its contribution to be $1,506,980, all of which will be used for current premiums.

The District has made investments to an irrevocable trust held by CERBT to begin funding its OPEB obligations (the "Trust"). During the fiscal year ending June 30, 2017, the District deposited $6,000,000 into the Trust. The District made no deposits into the Trust in fiscal years 2017-18 or 2018-19. The District expects to review the balance of its Retiree Benefit Fund following the closing of the 2018-19 fiscal year and transfer any balance therein in excess of $3.5 million into the Trust.

Actuarial Study. The District has implemented *Governmental Accounting Standards Board Statement #74, Financial Reporting for Postemployment Benefit Plans Other Than Pensions* ("GASB 74") and *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB 75"), pursuant to which the District has commissioned and received an actuarial study of its liability with respect to the Benefits. The new GASB statements No. 74 and No. 75 (discussed below) require biennial actuarial valuations for all plans. The District's most recent actuarial study, dated as of February 14, 2019, calculated the District's accrued liability in accordance with GASB No. 74 and GASB No. 75. The study concluded that, as of a June 30, 2017 valuation date, the District's Total OPEB Liability was $15,959,205, its Fiduciary Net Position was $6,000,000 and its Net OPEB Liability was $9,959,205.

GASB Statement Nos. 74 and 75. On June 2, 2015, GASB approved Statements Nos. 74 and 75 (each, "GASB 74" and "GASB 75") with respect to pension accounting and financial reporting standards for public sector post-retirement benefit programs and the employers that sponsor them. GASB 74 replaces GASB Statements No. 43 and 57 and GASB 75 replaces GASB 45.

Most of GASB 74 applies to plans administered through trusts, contributions in which contributions are irrevocable, trust assets are dedicated to providing other post –employment benefits to plan members and trust assets are legally protected from creditors. GASB Statements No. 74 and No. 75 will require a liability for OPEB obligations, known as the Net OPEB Liability, to be recognized on the balance sheet of the plan and the participating employer's financial statements. In addition, an OPEB expense (service cost plus interest on total OPEB liability plus current-period benefit changes minus member contributions minus assumed earning on plan investments plus administrative expenses plus recognition of deferred outflows minus recognition of deferred inflows) will be recognized in the income statement of the participating employers. In the notes to its financial statements, employers providing other post-employment benefits will also have to include information regarding the year-to-year change in the Net OPEB Liability and a sensitivity analysis of the Net OPEB Liability to changes in the discount rate and healthcare trend rate. The required supplementary information will also be required to show a 10-year schedule of the plan's net OPEB liability reconciliation and related ratios, and any actuarially determined contributions and investment returns.

Under GASB 74, the measurement date must be the same as the plan's fiscal year end, but the actuarial valuation date may be any date up to 24 months prior to the measurement date. For the Total

OPEB Liability, if the valuation date is before the measurement date, the results must be projected forward from the valuation date to the measurement date using standard actuarial roll-forward techniques. For plans that are unfunded or have assets insufficient to cover the projected benefit payments, a discount rate reflecting a 20-year tax-exempt municipal bond yield or index rate must be used. For plans with assets that meet the GASB 74 requirements, a projection of the benefit payments and future Fiduciary Net Position is performed based on the funding policy and assumptions of the plan, along with the methodology specified in GASB. The Fiduciary Net Position measures the value of trust assets, adjusted for payees and receivables.

GASB No. 74 has an effective date for plan fiscal years beginning after June 15, 2016, and was first recognized in the District's financial statements for fiscal year 2016-17. GASB Statement No. 75 became effective for employer fiscal years beginning after June 15, 2017, and the District first recognized GASB No. 75 in their financial statements for fiscal year 2017-18. See also "APPENDIX A – The 2017-18 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT — Note 9" attached hereto.

Early Retirement Incentive. The District is currently offering a One-Time Retirement Incentive Program (the "Program") to faculty, classified staff, confidential staff and managers of the District. To be eligible for the Program, an employee must opt into the Program on or before September 13, 2019, specifying a retirement date of not later than June 30, 2020, and must (a) be age 55 or order on the effective date of their retirement, (b) retire into the PERS or STRS retirement system, and (c) have 10 years or more of District service credit on or before their retirement date.

For any employee participating in the Program, the District will make a lump sum payment to the employee in their final paycheck, in an amount equal to (i) $8,000, for employees with less than 15 years of service; (ii) $10,000, for employees with at least 15 years of service but less than 20 years of service; or (iii) $15,000, for employees with at least 20 years of service.

As of September 6, 2019, eleven District employees have opted into the Program, equating to a lump sum payment obligation of the District of $138,000.

Risk Management

Property and Liability Insurance Coverage. 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.

Joint Powers Authority Risk Pools. During fiscal year ending June 30, 2018, the District contracted with the Statewide Association of Community Colleges ("SWACC") joint powers authority for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year. The District is also a member of the School Excess Liability Fund, a joint powers authority established to provide risk pooling for excess liability and excess workers' compensation coverage.

Workers' Compensation. During fiscal year ending June 30, 2018, the District participated in the Northern California Community College Pool, an insurance purchasing pool for worker's compensation. The workers' compensation experience of the participating districts is calculated as one experience, and a common premium rate is applied to all districts in the pool. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall saving. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the pool.

Participation in the pool is limited to community college districts that can meet the pool's selection criteria.

Employee Medical Benefits. The District has contracted with the Self Insured Schools of California ("SISC") to provide employee medical and surgical benefits. SISC is a shared risk pool comprised of several educational agencies throughout California. Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating districts. Claims are paid for all participants regardless of claims flow. The SISC Board of Directors has a right to return monies to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool.

See also "APPENDIX A – THE 2017-18 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 11" attached hereto.

Accounting Practices

The accounting policies of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California Community College Budget and Accounting Manual. This manual, according to Section 84030 of the State Education Code, is to be followed by all State community college districts. GASB Statement No. 34 makes changes in the annual financial statements for all governmental agencies in the United States, especially in recording of fixed assets and their depreciation, and in the way the report itself is formatted. These requirements became effective on May 15, 2002 for the District, as well as for any other governmental agency with annual revenues of between $10 million and $100 million. Revenues are recognized in the period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the period in which the liability is incurred.

General Funding Budgeting

The table on the following page shows the District's combined restricted and unrestricted general fund budgets for fiscal years 2015-16 through 2019-20, unaudited results for fiscal years 2015-16 through 2017-18 and estimated results for fiscal year 2018-19.

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COMPARISON OF GENERAL FUND BUDGETS AND ACTUAL RESULTS
Fiscal Years 2015-16 through 2019-20
Cabrillo Community College District

	Fiscal Year 2015-16		Fiscal Year 2016-17		Fiscal Year 2017-18		Fiscal Year 2018-19		Fiscal Year 2019-20
REVENUES:	Budgeted[1]	Actual[1]	Budgeted[1]	Actual[1]	Budgeted[1]	Actual[1]	Budgeted[1]	Estimated Actual[2]	Budgeted[3]
Federal Revenues	$2,268,935	$2,461,859	$2,017,839	$2,379,256	$4,455,534	$3,226,158	$4,238,445	$3,097,471	$4,288,572
State Revenues	50,951,659	56,841,290	52,440,976	48,637,501	61,562,965	40,689,971	51,961,745	43,455,202	52,985,120
Local Revenues	30,335,725	33,595,680	30,979,321	37,050,687	34,892,136	39,884,609	34,731,893	42,617,730	34,861,196
TOTAL REVENUES	83,556,319	92,898,829	85,438,136	88,067,444	100,910,635	83,800,738	90,932,083	89,170,403	92,134,888
EXPENDITURES:									
Academic Salaries	29,344,576	30,138,792	31,982,228	30,924,755	34,285,987	31,451,477	32,482,293	31,759,534	32,391,747
Classified Salaries	14,837,354	14,703,170	16,253,650	15,614,670	17,826,421	16,392,312	17,980,493	17,336,907	17,087,730
Employee Benefits	16,156,302	15,284,901	18,378,603	16,027,578	20,559,242	19,367,749	19,062,045	20,868,364	20,377,359
Supplies and Materials	2,285,134	2,643,740	2,303,129	2,706,423	2,705,698	2,499,031	3,371,584	2,364,261	2,405,239
Other Operating Expenses and Services	18,966,968	17,364,956	18,758,492	19,258,174	29,609,192	12,892,375	22,535,102	12,201,619	18,805,714
Capital Outlay	653,180	1,569,449	309,567	678,939	1,575,347	1,862,832	2,348,167	2,761,990	394,545
TOTAL EXPENDITURES	82,243,514	81,705,008	87,985,669	85,210,539	106,561,887	84,465,776	97,779,684	87,292,675	91,462,334
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,312,805	11,193,821	(2,547,533)	2,856,905	(5,651,252)	(665,038)	(6,847,601)	1,877,728	672,554
OTHER FINANCING SOURCES	407,568	222,985	630,618	1,021,534	717,360	10,402,413	24,917,914	10,957,261	61,810,135
OTHER OUTGO	7,505,627	6,878,396	2,868,212	3,713,902	3,251,436	10,566,673	26,903,117	12,769,146	64,352,012
NET INCREASE (DECREASE) IN FUND BALANCE	(5,785,254)	4,538,410	(4,785,127)	164,537	(8,185,328)	(829,298)	(8,832,804)	65,843	(1,869,323)
BEGINNING FUND BALANCE									
Net Beginning Balance, July 1	13,897,358	13,897,358	18,435,768	18,435,768	18,600,305	18,600,305	17,759,942	17,759,942	17,759,942
Prior Year Adjustments	--	--	--	--	--	(11,065)	--	--	--
Adjusted Beginning Balance	--	13,897,358	--	18,435,768	--	18,589,240	--	--	--
ENDING FUND BALANCE	$8,112,104	$18,435,768	$13,650,641	$18,600,305	$10,414,977	$17,759,942	$8,927,138	$17,785,784	$15,890,619

(1) From the District's CCFS-311 Reports filed with the California Community Colleges Chancellor's Office.
(2) As of August 21, 2019.
(3) From the District's Preliminary Budget, adopted June 10, 2019.
Source: Cabrillo Community College District.

Comparative Financial Statements

Pursuant to applicable guidance from GASB, the District's financial statements present a comprehensive, entity-wide perspective of the District's assets, liabilities, and cash flows rather than the fund-group perspective previously required. The table on the following page displays the District's revenues, expenses and changes in net position for its primary governmental funds for fiscal years 2013-14 through 2017-18. See also "APPENDIX A – THE 2017-18 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT" attached hereto.

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AUDITED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION[1]
Fiscal Years 2013-14 through 2017-18
Cabrillo Community College District

	2013-14	2014-15	2015-16	2016-17	2017-18
OPERATING REVENUES					
Tuition and fees (gross)	$13,908,819	$14,043,374	$11,608,915	$11,151,179	$14,535,833
Less: Scholarship discounts and allowances	(6,170,592)	(6,205,206)	(5,874,313)	(5,394,937)	(5,095,593)
Net tuition and fees	7,738,227	7,838,168	5,734,602	5,756,242	9,440,240
Grants and contracts, non capital:					
Federal	--	--	--	--	15,205,482
State	--	--	--	--	14,772,069
Local	--	--	--	--	1,308,164
Auxiliary enterprise sales and charges					
Bookstore	4,963	2,253	--	--	1,148,982
TOTAL OPERATING REVENUES	7,743,190	7,840,421	5,734,602	5,756,242	41,874,937
OPERATING EXPENSES					
Salaries	42,872,469	42,882,227	45,399,947	47,129,978	48,460,373
Employee benefits	17,084,958	17,893,384	8,169,382	16,065,339	26,745,149
Payment to students	17,761,523	16,981,961	15,066,915	13,796,398	--
Supplies, materials and other operating expenses and services	15,720,905	15,377,459	22,029,091	22,573,645	17,815,545
Financial Aid	--	--	--	--	14,309,586
Utilities	--	--	--	--	1,800,854
Depreciation	8,206,708	8,666,425	8,894,769	9,226,685	8,422,320
TOTAL OPERATING EXPENSES	101,646,563	101,801,456	99,560,104	108,792,045	117,553,827
OPERATING INCOME (LOSS)	(93,903,373)	(93,961,035)	(93,825,502)	(103,035,803)	(75,678,890)
NONOPERATING REVENUE (EXPENSES)					
State apportionments, noncapital	31,204,405	30,161,157	32,112,615	28,243,202	28,119,299
Local property taxes, levied for general purposes	19,054,703	20,570,687	23,011,253	24,906,416	29,681,504
Local property taxes, levied for other specific purposes	14,070,706	14,004,238	15,012,849	14,270,829	--
Federal revenues	19,588,664	18,565,748	16,244,123	14,404,064	--
State revenues	10,426,640	12,554,297	26,571,252	22,445,447	--
State taxes and other revenue	--	--	--	--	2,993,692
Investment income, net	42,758	48,825	158,757	317,673	439,267
Interest expense on capital related debt	(4,040,080)	(4,371,810)	(1,712,134)	(711,302)	(7,252,710)
Transfer from fiduciary funds	278,222	214,848	219,119	202,964	228,643
Transfer to fiduciary funds	(134,530)	(135,902)	(37,448)	(112,503)	(116,425)
Transfer to OPEB trust fund	--	--	--	(6,000,000)	--
Other nonoperating revenues (expenses)	5,570,252	5,312,226	7,601,043	9,558,318	835,856
TOTAL NONOPERATING REVENUES (EXPENSES)	96,061,740	96,924,314	119,181,429	107,525,108	54,929,126
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS AND LOSSES	2,158,367	2,963,279	25,355,927	4,489,305	(20,749,764)
State apportionments, capital	262,657	1,639,570	1,410,967	1,678,358	1,194,946
Local property taxes, levied for other specific purposes	--	--	--	--	11,319,574
Interest and investment income, capital	--	--	--	--	57,618
TOTAL OTHER REVENUES, EXPENSES, GAINS AND LOSSES	262,657	1,639,570	1,410,967	1,678,358	12,572,138
CHANGES IN NET POSITION	2,421,024	4,602,849	26,766,894	6,167,663	(8,177,626)
NET POSITION, BEGINNING OF YEAR	137,646,160	86,367,134[2]	90,969,983	117,736,877	133,537,422
PRIOR PERIOD RESTATEMENT	--	--	--	9,632,882[3]	(9,930,447)[4]
NET POSITION, END OF YEAR	$140,067,184	$90,969,983	$117,736,877	$133,537,422	$115,429,349

(1) Represents the revenues, expenses and changes in net position of the District's primary government fund.
(2) Restates the beginning net position by $(53,700,050) (restated to recognize the net pension liability, net of related deferred outflows of resources) as a result of the implementation of GASB Statement No. 68. See "— Retirement Programs – GASB Statement Nos. 67 and 68" herein.
(3) Accreted interest on bonds was restated to adjust to the outstanding balance after refundings.
(4) Beginning net position restated to recognize the adjusted beginning net OPEB liability and deferred outflow of resources as a result of the implementation of GASB Statement No. 75. See "— Other Post-Employment Benefits" herein and "APPENDIX A – THE 2017-18 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 14" attached hereto.

Source: Cabrillo Community College District.

District Debt Structure

Short-Term Debt. The District currently has no short-term debt obligations.

Long-Term Debt. A schedule of the District's general long-term debt as of June 30, 2018, is shown below:

	Balance July 1, 2017[1]	Additions	Reductions	Balance June 30, 2018
General Obligation Bonds				
Current interest bonds	$75,395,000	--	$6,990,000	$68,405,000
Capital appreciation bonds	77,142,621	$4,282,059	3,918,010	77,506,670
Bond premium	6,464,644	--	903,037	5,561,607
	159,002,265	4,282,059	11,811,047	151,473,277
Other Liabilities				
Net pension liability	60,423,150	5,710,262	--	66,133,412
Other postemployment benefits other than pension (OPEB)	15,381,798	--	5,422,593	9,959,205
Medicare Premium Program (STRS)	--	517,471	--	517,471
Total	$234,807,213	$10,509,792	$17,233,640	$228,083,365

(1) Balance at July 1, 2017 has been restated to recognize the adjusted beginning net OPEB liability and deferred outflow of resources as a result of the implementation of GASB Statement No. 75. See "— Other Post-Employment Benefits" herein and "APPENDIX A – THE 2017-18 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 14" attached hereto.

Source: Cabrillo Community College District.

General Obligation Bonds. The District has issued general obligation bonds pursuant to two voter-approved authorizations. The proceeds of such bonds have been used to renovate, construct and acquire District sites and facilities, and to refund outstanding lease obligations of the District. Such general obligation bonds are payable solely from *ad valorem* property taxes levied by the Counties upon all property subject to taxation by the District without limitation of rate or amount (with the exception of certain personal property which is taxable at limited rates). The District's general fund is not a source of payment for the general obligation bonds.

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The following table summarizes the currently outstanding general obligation bond issuances by the District.

OUTSTANDING GENERAL OBLIGATION BONDS*
Cabrillo Community College District

Issuance	Initial Principal Amount	Principal Currently Outstanding(1)	Date of Delivery
Election of 1998, Series B	$30,000,000.00	$4,091,354	March 1, 2000
Election of 1998, Series C	20,002,008.60	1,916,014	May 1, 2001
Election of 1998, Series D	22,997,991.14	3,411,887	July 11, 2002
Election of 2004, Series A	59,997,760.00	1,057,760	June 2, 2004
Election of 2004, Series B(2)	58,498,504.65	24,768,505	April 17, 2007
2012 Refunding Bonds(2)	38,505,000.00	22,160,000	June 12, 2012
2016 Refunding Bonds	44,660,000.00	39,195,000	May 19, 2016

(1) As of August 1, 2019.
(2) Reflects principal outstanding prior to the issuance of the Bonds. Following the deposit and application of proceeds of the Bonds as described in "REFUNDING PLAN" the Refunded Bonds will be defeased and the obligation of the Counties to levy *ad valorem* taxes for payment thereof will terminate.

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* Preliminary, subject to change.

The following table shows the total debt service with respect to the District's outstanding general obligation bonded debt, including the Bonds (and assuming no optional redemptions):

GENERAL OBLIGATION BONDED DEBT SERVICE*
Cabrillo Community College District

								2019 Refunding Bonds		
Year Ending August 1	1998 Series B Bonds	1998 Series C Bonds	1998 Series D Bonds	2004 Series A Bonds	2004 Series B Bonds[(1)]	2012 Refunding Bonds[(1)]	2016 Refunding Bonds	Series A Bonds	Series B Bonds	Total Debt Service
2020	$3,075,000.00	$779,278.65	$1,000,000.00	--	--	$2,994,625.00	$3,187,650.00			$11,036,553.65
2021	3,155,000.00	832,263.90	1,050,000.00	--	--	3,109,375.00	3,275,250.00			11,421,888.90
2022	3,235,000.00	892,763.20	1,100,000.00	--	--	3,238,625.00	3,354,750.00			11,821,138.20
2023	3,315,000.00	953,268.00	1,200,000.00	--	--	3,366,125.00	3,441,000.00			12,275,393.00
2024	3,395,000.00	1,017,803.40	1,300,000.00	--	--	3,501,375.00	3,528,250.00			12,742,428.40
2025	--	1,086,612.00	1,450,000.00	--	--	3,638,375.00	3,626,000.00			9,800,987.00
2026	--	1,165,000.00	1,600,000.00	--	--	3,783,375.00	3,713,250.00			10,261,625.00
2027	--	--	3,000,000.00	--	--	3,940,875.00	3,805,000.00			10,745,875.00
2028	--	--	--	$7,040,000.00	--	--	1,655,500.00			8,695,500.00
2029	--	--	--	--	$8,300,000.00	--	726,250.00			9,026,250.00
2030	--	--	--	--	8,580,000.00	--	726,250.00			9,306,250.00
2031	--	--	--	--	8,870,000.00	--	726,250.00			9,596,250.00
2032	--	--	--	--	9,170,000.00	--	726,250.00			9,896,250.00
2033	--	--	--	--	9,475,000.00	--	726,250.00			10,201,250.00
2034	--	--	--	--	9,790,000.00	--	726,250.00			10,516,250.00
2035	--	--	--	--	--	--	10,786,250.00			10,786,250.00
2036	--	--	--	--	--	--	11,118,850.00			11,118,850.00
2037	--	--	--	--	11,850,000.00	--	--			11,850,000.00
2038	--	--	--	--	12,205,000.00	--	--			12,205,000.00
2039	--	--	--	--	12,570,000.00	--	--			12,570,000.00
	$16,175,000.00	$6,726,989.15	$11,700,000.00	$7,040,000.00	$90,810,000.00	$27,572,750.00	$55,849,250.00			$215,873,989.15

(1) Includes debt service on the Refunded Bonds expected to be refinanced with proceeds of the Bonds.

* Preliminary, subject to change.

TAX MATTERS

Series A Bonds. In the opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest on the Series A Bonds is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest on the Series A Bonds is exempt from State personal income tax.

The excess of the stated redemption price at maturity of a Series A Bond over the issue price of a Series A Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Series A Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by the Series A Bond Owner will increase the Series A Bond Owner's basis in the applicable Series A Bond. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the owner of the Series A Bond is excluded from gross income of such owner for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the Series A Bond Owner of the Series A Bonds is exempt from State personal income tax.

Bond Counsel's opinion as to the exclusion from gross income for federal income tax purposes of interest on the Series A Bonds is based upon certain representations of fact and certifications made by the District and others and is subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Series A Bonds to assure that interest on the Series A Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the interest on the Series A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series A Bonds. The District has covenanted to comply with all such requirements.

The amount by which a Series A Bond Owner's original basis for determining gain or loss on sale or exchange of the applicable Series A Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Code; such amortizable bond premium reduces the Series A Bond Owner's basis in the applicable Series A Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Series A Bond premium may result in a Bond Owner realizing a taxable gain when a Series A Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Series A Bond to the Owner. Purchasers of the Series A Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Series A Bonds will be selected for audit by the IRS. It is also possible that the market value of the Series A Bonds might be affected as a result of such an audit of the Series A Bonds (or by an audit of similar bonds). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the Series A Bonds to the extent that it adversely affects the exclusion from gross income of interest on the Series A Bonds or their market value.

SUBSEQUENT TO THE ISSUANCE OF THE SERIES A BONDS THERE MIGHT BE FEDERAL, STATE, OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY CHANGES TO OR INTERPRETATIONS OF FEDERAL, STATE, OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE, OR LOCAL TAX TREATMENT OF THE SERIES A BONDS INCLUDING THE IMPOSITION OF ADDITIONAL FEDERAL INCOME OR STATE TAXES BEING IMPOSED ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE SERIES A BONDS. THESE CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE SERIES A BONDS. NO ASSURANCE CAN BE GIVEN THAT SUBSEQUENT TO THE ISSUANCE OF THE SERIES A BONDS STATUTORY CHANGES WILL NOT BE INTRODUCED OR ENACTED OR JUDICIAL OR REGULATORY INTERPRETATIONS WILL NOT OCCUR HAVING THE EFFECTS DESCRIBED ABOVE. BEFORE PURCHASING ANY OF THE BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE SERIES A BONDS.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Resolution and the Tax Certificate relating to the Series A Bonds permit certain actions to be taken or to be omitted if a favorable opinion of a bond counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income for federal income tax purposes of interest on any Series A Bond if any such action is taken or omitted based upon the advice of counsel other than Bond Counsel.

Although Bond Counsel will render an opinion that interest on the Series A Bonds is excluded from gross income for federal income tax purposes provided that the District continues to comply with certain requirements of the Code, the ownership of the Series A Bonds and the accrual or receipt of interest with respect to the Series A Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Series A Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Series A Bonds.

A copy of the proposed form of opinion of Bond Counsel for the Series A Bonds is attached hereto as APPENDIX B.

Series B Bonds. In the opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest on the Series B Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code but is exempt from State of California personal income tax.

Except for certain exceptions, the difference between the issue price of a Series B Bond (the first price at which a substantial amount of the Series B Bonds of the same maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Series B Bond (to the extent the redemption price at maturity is greater than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method. The amount of original issue discount deemed received by the Owner of a Series B Bond will increase the Owner's basis in the Series B Bond. Owners of Series B Bonds should consult their own tax advisor with respect to taking into account any original issue discount on the Series B Bonds.

The amount by which a Series B Bond Owner's original basis for determining gain or loss on sale or exchange of the applicable Series B Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which the Owner of a

Series B Bond may elect to amortize under Section 171 of the Code. Such amortizable bond premium reduces the Series B Bond Owner's basis in the applicable Series B Bond (and the amount of taxable interest received) and is deductible for federal income tax purposes. The basis reduction as a result of the amortization of Series B Bond premium may result in the Owner of a Series B Bond realizing a taxable gain when a Series B Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Series B Bond to the Owner. The Owners of the Series B Bonds that have a basis in the Series B Bonds that is greater than the principal amount of the Series B Bonds should consult their own tax advisors with respect to whether or not they should elect to amortize such premium under Section 171 of the Code.

The federal tax and State of California personal income tax discussion set forth above with respect to the Series B Bonds is included for general information only and may not be applicable depending upon an Owner's particular situation. The ownership and disposal of the Series B Bonds and the accrual or receipt of interest with respect to the Series B Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences.

A copy of the proposed form of opinion of Bond Counsel for the Series B Bonds is attached hereto as APPENDIX B.

LIMITATION ON REMEDIES; BANKRUPTCY

General

State law contains certain safeguards to protect the financial solvency of community college districts. See "FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA" herein. If the safeguards are not successful in preventing a community college district from becoming insolvent, the State Chancellor and the Board of Governors, operating through a special trustee appointed by the State Chancellor, may be authorized under State law to file a petition under Chapter 9 of the United States Bankruptcy Code (the "Bankruptcy Code") on behalf of the community college district for the adjustment of its debts. In addition, an insolvent community college district may be able to file a petition under Chapter 9 before a special trustee is appointed. Prior to such petition, if any, the community college district is required to participate in a neutral evaluation process with interested parties as provided in the Government Code or declare a fiscal emergency and adopt a resolution by a majority vote of the governing board that includes findings that the financial state of the community college district jeopardizes the health, safety, or well-being of the residents of its jurisdiction or service area absent the protections of Chapter 9.

Bankruptcy courts are courts of equity and as such have broad discretionary powers. If the District were to become the debtor in a proceeding under Chapter 9 of the Bankruptcy Code, the automatic stay provisions of Bankruptcy Code Sections 362 and 922 generally would prohibit creditors from taking any action to collect amounts due from the District or to enforce any obligation of the District related to such amounts due, without consent of the District or authorization of the bankruptcy court (although such stays would not operate to block creditor application of pledged special revenues to payment of indebtedness secured by such revenues). In addition, as part of its plan of adjustment in a Chapter 9 bankruptcy case, the District may be able to alter the priority, interest rate, principal amount, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants), and other terms or provisions of the Bonds and other transaction documents related to the Bonds, as long as the bankruptcy court determines that the alterations are fair and equitable. There also may be other possible effects of a bankruptcy of the District that could result in delays or reductions in payments on the Bonds. Moreover, regardless of any specific adverse determinations in any District bankruptcy proceeding, the fact of a District bankruptcy proceeding could have an adverse effect on the liquidity and market price of the Bonds.

Statutory Lien

Pursuant to Government Code Section 53515, the Bonds are secured by a statutory lien on all revenues received pursuant to the levy and collection of the tax, and such lien automatically arises, without the need for any action or authorization by the District or the Board, and is valid and binding from the time the Bonds are executed and delivered. See "THE BONDS – Statutory Lien" herein. Although a statutory lien would not be automatically terminated by the filing of a Chapter 9 bankruptcy petition by the District, the automatic stay provisions of the Bankruptcy Code would apply and payments that become due and owing on the Bonds during the pendency of the Chapter 9 proceeding could be delayed, unless the Bonds are determined to be secured by a pledge of "special revenues" within the meaning of the Bankruptcy Code and the pledged *ad valorem* property taxes are applied to pay the Bonds in a manner consistent with the Bankruptcy Code.

Special Revenues

If the *ad valorem* property tax revenues that are pledged to the payment of the Bonds are determined to be "special revenues" within the meaning of the Bankruptcy Code, then the application in a manner consistent with the Bankruptcy Code of the pledged *ad valorem* property tax revenues should not be subject to the automatic stay. "Special revenues" are defined to include, among others, taxes specifically levied to finance one or more projects or systems of the debtor, but excluding receipts from general property, sales, or income taxes levied to finance the general purposes of the debtor. State law prohibits the use of the tax proceeds for any purpose other than payment of the Bonds and the Bond proceeds can only be used to fund the acquisition or improvement of real property and other capital expenditures included in the proposition, so such tax revenues appear to fit the definition of special revenues. However, there is no binding judicial precedent dealing with the treatment in bankruptcy proceedings of *ad valorem* property tax revenues collected for the payments of bonds in California, so no assurance can be given that a bankruptcy court would not hold otherwise.

Possession of Tax Revenues; Remedies

The County on behalf of the District is expected to be in possession of the annual *ad valorem* property taxes and certain funds to repay the Bonds and may invest these funds in the County's investment pool, as described in "THE BONDS – Application and Investment of Bond Proceeds" and "APPENDIX E – SANTA CRUZ COUNTY INVESTMENT POOL" herein. If the County goes into bankruptcy and has possession of tax revenues (whether collected before or after commencement of the bankruptcy), and if the County does not voluntarily pay such tax revenues to the owners of the Bonds, it is not entirely clear what procedures the owners of the Bonds would have to follow to attempt to obtain possession of such tax revenues, how much time it would take for such procedures to be completed, or whether such procedures would ultimately be successful. Further, should those investments suffer any losses, there may be delays or reductions in payments on the Bonds.

Opinion of Bond Counsel Qualified by Reference to Bankruptcy, Insolvency and Other Laws Relating to or Affecting Creditor's Rights

The proposed form of the approving opinion of Bond Counsel attached hereto as Appendix A is qualified by reference to bankruptcy, insolvency and other laws relating to or affecting creditor's rights. Bankruptcy proceedings, if initiated, could subject the owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

LEGAL MATTERS

Continuing Disclosure

The District has covenanted for the benefit of Owners and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the District (the "Annual Report") by not later than nine months following the end of the District's fiscal year (the District's fiscal year ends on June 30), commencing with the report for the 2018-19 fiscal year (which is due not later than April 1, 2020), and to provide notices of the occurrence of certain enumerated events. The Annual Report and the notices of enumerated events will be filed in accordance with the requirements of S.E.C. Rule 15c2-12(b)(5) (the "Rule"). The specific nature of the information to be made available and to be contained in the notices of enumerated events is described in the form of Continuing Disclosure Certificate attached hereto as Appendix C. These covenants have been made in order to assist the Underwriter in complying with the Rule.

Prior Undertakings. Within the past five years, the District has not failed to comply in all material respects with the requirement to file annual reports and notices of listed events pursuant to its then-existing continuing disclosure undertakings.

Legality for Investment in California

Under provisions of the State Financial Code, the Bonds are legal investments for commercial banks in the State to the extent that the Bonds, in the informed opinion of the bank, are prudent for the investment of funds of depositors, and under provisions of the State Government Code, are eligible for security for deposits of public moneys in the State.

Absence of Material Litigation

No litigation is pending or threatened concerning the validity of the Bonds, and a certificate to that effect will be furnished to purchasers at the time of the original delivery of the Bonds. The District is not aware of any litigation pending or threatened questioning the political existence of the District or contesting the District's ability to receive *ad valorem* property taxes to collect other revenues or contesting the District's ability to issue and retire the Bonds.

Information Reporting Requirements

On May 17, 2006, the President signed the Tax Increase Prevention and Reconciliation Act of 2005 ("TIPRA"). Under Section 6049 of the Internal Revenue Code of 1986, as amended by TIPRA, interest paid on tax-exempt obligations is subject to information reporting in a manner similar to interest paid on taxable obligations. The purpose of this change was to assist in relevant information gathering for the IRS relating to other applicable tax provisions. TIPRA provides that backup withholding may apply to such interest payments to any bondholder who fails to file an accurate Form W-9 or who meets certain other criteria. The information reporting and backup withholding requirements of TIPRA do not affect the excludability of such interest from gross income for federal income tax purposes.

Legal Opinion

The validity of the Bonds and certain other legal matters are subject to the approving opinions of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, as Bond Counsel. A copy of the proposed forms of such legal opinions are attached to this Official Statement as Appendix B.

Escrow Verification

Upon delivery of the Bonds, the Verification Agent, will deliver a report on the mathematical accuracy of certain computations based upon certain information and assertions provided to them by the Underwriter (defined herein) relating to (a) the adequacy of the moneys in the Series A Escrow Fund, together with any moneys held therein as cash, to pay the redemption price of the Refunded 2004 Series B Bonds, (b) the adequacy of the moneys in the Series B Escrow Fund, together with any moneys held therein as cash, to pay the redemption price of and interest on the Refunded 2012 Refunding Bonds, and (c) the computations of yield of the Series A Bonds which support Bond Counsel's opinion that the interest on the Series A Bonds is excluded from gross income for federal income tax purposes.

Financial Statements

The financial statements with supplemental information for the year ended June 30, 2018, the independent auditor's report of the District, and the related statements of activities and of cash flows for the year then ended, and the report dated December 10, 2018 of CliftonLarsonAllen LLP (the "Auditor"), are included in this Official Statement as Appendix A. In connection with the inclusion of the financial statements and the report of the Auditor thereon in Appendix A to this Official Statement, the District did not request the Auditor to, and the Auditor has not undertaken to, update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report.

RATINGS

Moody's and S&P have assigned ratings of "Aa2" and "AA", respectively, to the Bonds. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same. Generally, rating agencies base their ratings on information and materials furnished to them (which may include information and material from the District which is not included in this Official Statement) and on investigations, studies and assumptions by the rating agencies. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the respective rating agency, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price for the Bonds.

The District has covenanted in a Continuing Disclosure Certificate to file on The Electronic Municipal Market Access ("EMMA") website operated by the Municipal Securities Rulemaking Board notices of any rating changes on the Bonds. See "LEGAL MATTERS – Continuing Disclosure" herein and "APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE" attached hereto. Notwithstanding such covenant, information relating to rating changes on the Bonds may be publicly available from the rating agencies prior to such information being provided to the District and prior to the date the District is obligated to file a notice of rating change on EMMA. Purchasers of the Bonds are directed to the rating agencies and their respective websites and official media outlets for the most current rating changes with respect to the Bonds after the initial issuance of the Bonds.

UNDERWRITING

The Bonds are being purchased by Piper Jaffray & Co. as underwriter (the "Underwriter"). The Underwriter has agreed to purchase (i) the Series A Bonds at a price of $__________, which is equal to the initial principal amount of the Series A Bonds of $_____________, [plus/less] original issue [premium/discount] of $_________, less the Underwriter's discount of $__________, and (ii) the Series B Bonds at a price of $_________, which is equal to the initial principal amount of the Series B Bonds of $_________ less the Underwriter's discount of $_________. The Purchase Contract for the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in said agreement, the approval of certain legal matters by counsel and certain other conditions.

The Underwriter may offer and sell Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover. The offering prices may be changed from time to time by the Underwriter.

Underwriter Disclosure. The Underwriter has provided the following for inclusion in this Official Statement. The District does not guarantee the accuracy or completeness of the following information, and the inclusion thereof should be construed as a representation of the District.

The Underwriter has entered into a distribution agreement (the "Schwab Agreement") with Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to the Schwab Agreement, CS&Co. will purchase Bonds from the Underwriter at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that CS&Co. sells.

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ADDITIONAL INFORMATION

Quotations from and summaries and explanations of the Bonds, the Resolution providing for issuance of the Bonds, and the constitutional provisions, statutes and other documents referenced herein, do not purport to be complete, and reference is made to said documents, constitutional provisions and statutes for full and complete statements of their provisions.

All of the data contained herein about the District has been taken or constructed from District records. Appropriate District officials, acting in their official capacities, have reviewed this Official Statement and have determined that, as of the date hereof, the information contained herein is, to the best of their knowledge and belief, true and correct in all material respects and does not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they were made, not misleading. This Official Statement has been approved by the District's Board of Trustees.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended only as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or Owners, beneficial or otherwise, of any of the Bonds.

This Official Statement and the delivery thereof have been duly approved and authorized by the District.

CABRILLO COMMUNITY COLLEGE DISTRICT

By ____

Superintendent/President

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APPENDIX A

THE 2017-18 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT

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CABRILLO COMMUNITY COLLEGE DISTRICT

REPORT ON AUDIT OF FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION INCLUDING REPORTS ON COMPLIANCE
June 30, 2018

CABRILLO COMMUNITY COLLEGE DISTRICT
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June 30, 2018

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Cabrillo Community College District
Aptos, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, the fiduciary activities and the discretely presented component unit of the Cabrillo Community College District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the component unit. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the component unit, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit

Board of Trustees
Cabrillo Community College District
Aptos, California

also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the fiduciary activities, and the discretely presented component unit of the District as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

During fiscal year ended June 30, 2018, the District adopted the provisions of Governmental Accounting Standards Board Statement (GASB) No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* and No. 89 *Accounting for Interest Cost Incurred before the End of a Construction Period.* As a result of the implementation of Statement No. 75, the District reported a restatement for the change in accounting principle (see Note 14). Our auditors' opinion was not modified with respect to the restatement.

Other Matters

Required Supplementary Information

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

Board of Trustees
Cabrillo Community College District
Aptos, California

Other Information

Our audit was conducted for the purpose of forming an opinion on the District's financial statements as a whole. The supplementary schedules and the schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary section, including the schedule of expenditures of federal awards, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary section, including the schedule of expenditures of federal awards, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP
Glendora, California
December 10, 2018

ACCOUNTING STANDARDS

The Cabrillo Community College District's financial statements are presented in accordance with Governmental Accounting Standards Board Statements No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments and No. 35, Basic Financial Statements - and Management Discussion and Analysis - for Public College and Universities*. These statements allow for the presentation of financial activity and results of operations which focuses on the District as a whole. The entity-wide financial statements present the overall results of operations whereby all of the District's activities are consolidated into one total versus the traditional presentation by fund type. The focus of the Statement of Net Position is designed to be similar to the bottom line results of the District. This statement combines and consolidates current financial resources with capital assets and long-term obligations. The Statement of Revenues, Expenses, and Changes in Net Position focuses on the costs of the District's operational activities with revenues and expenses categorized as operating and non-operating, and expenses are reported by natural classification. The Statement of Cash Flows provides an analysis of the sources and uses of cash within the operations of the District.

The California Community Colleges Chancellor's Office has recommended that all State community colleges follow the Business-Type Activity (BTA) model for financial statement reporting purposes.

FINANCIAL AND ENROLLMENT HIGHLIGHTS

- The District's primary funding source is based upon apportionment received from the State of California. The primary basis of this apportionment is the calculation of Full Time Equivalent Students (FTES). During the 2017-2018 fiscal year, the factored reported FTES were 8,943 as compared to 10,352.28 in the 2016-2017 fiscal year. The fully funded cap for fiscal year 2017-2018 is 10,401.

- The District continued several construction and modernization projects during 2017-2018. These projects are funded through multiple funding sources.

- Costs for employee salaries and benefits increased compared to the 2017-2018 fiscal year due to changes in deferred outflows associated with changes in investment gains and losses of the PERS and STRS retirement pools as well as a result of negotiated salary increases.

- During the 2017-2018 fiscal year, the District provided approximately $14.1 million in financial aid to students attending classes at the college. This aid was provided in the form of grants, scholarships, loans, and tuition reductions funded through the Federal government, State Chancellor's Office, and local funding.

STATEMENT OF NET POSITION

The Statement of Net Position presents information on the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The net position is divided into three major categories. The first category, net investment in capital assets, provides the equity amount in property, plant and equipment owned by the District. The second category is expendable restricted net position. This net position is available for expenditures by the District, but must be spent for purposes as determined by external entities and/or donors that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net position that is available to the District for any lawful purpose.

	2018	2017*	Net Change
Assets			
Current assets	$ 77,515	$ 68,298	$ 9,217
Non-current assets	289,203	295,929	(6,726)
Total Assets	366,718	364,227	2,491
Deferred Outflows of Resources	23,378	21,916	1,462
Liabilities			
Current liabilities	47,039	37,578	9,461
Non-current liabilities	221,622	210,799	10,823
Total Liabilities	268,661	248,377	20,284
Deferred Inflows of Resources	6,006	4,229	1,777
Net Position			
Net investment in capital assets	150,337	142,823	7,514
Restricted	17,729	12,892	4,837
Unrestricted	(52,637)	(22,178)	(30,459)
Total Net Position	$ 115,429	$ 133,537	$ (18,108)

* Certain reclassifications have been made to the 2017 amounts to conform with the 2018 presentation.

Deferred Outflows/Deferred Inflows of Resources

In addition to assets, the District reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the District reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27,* the District recognized deferred outflows and inflows of resources related to pensions in the District-wide financial statements. Refer to Note 8 for the District's deferred outflows and inflows of resources related to pensions.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses and Changes in Net Position present information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods, such as revenues pertaining to receivables and expenses pertaining to earned, but unused, compensated balances.

Operating Revenues	**2018**	**2017***	**$ Change**
Net student tuition & fees	$ 9,440	$ 9,230	$ 210
Grants and contracts, noncapital	31,286	35,324	(4,038)
Auxiliary enterprise, net	1,149	690	459
Total Operating Revenues	41,875	45,244	(3,369)
Total Operating Expenses	117,554	108,742	8,812
Operating Loss	(75,679)	(63,498)	(12,181)
Total Nonoperating Revenues (Expenses)	54,929	53,378	1,551
Gain Before Other Revenues and Losses	(20,750)	(10,120)	(10,630)
Total Other Revenues and Losses, Capital	12,572	16,287	(3,715)
Change in Net Position	(8,178)	6,167	(14,345)
Net Position - Beginning After Restatement	123,607	127,370	(3,763)
Net Position - Ending	$ 115,429	$ 133,537	$ (18,108)

* Certain reclassifications have been made to the 2017 amounts to conform with the 2018 presentation.

The District's primary revenue fund is the State apportionment calculation which is comprised of three sources of revenues: local property taxes, student enrollment fees, and State apportionment.

Auxiliary revenue consists of the bookstore operations. The college contracted with Barnes & Noble to provide services to the students and faculty of the college. The operations are self-supporting and contribute to the student programs on each campus.

Grant and contract revenues relate primarily to student financial aid as well as to specific Federal and State grants received for programs serving the students and programs of the District. These grant and program revenues are restricted as to the allowable expenses related to the programs.

Tuition and fee revenue includes enrollment fees of $4,473,757. The balance of the tuition and fee revenue line consists of other fees and revenues.

STATEMENT OF CASH FLOWS

The Statement of Cash Flows provides information about cash receipts and cash payments during the fiscal year. This Statement also helps users assess the District's ability to generate positive cash flows, meet obligations as they come due, and the need for external financing.

The Statement of Cash Flows is divided into five parts. The first part reflects operating cash flows and shows net cash used by operating activities of the District. The second part details cash received for nonoperating, noninvesting, and noncapital financing purposes. The third part shows cash flows from capital and related items. The fourth part provides information from investing activities and the amount of interest received. The last section reconciles the net change in cash and cash equivalents to the ending cash and cash equivalents balance reflected on the Statement of Net Positions.

Statement of Changes in Cash Positions

- Operating activities consist of cash receipts from enrollment fees, grants and contracts, and cash payments for salaries, benefits, supplies, utilities, and other items related to the instructional program.
- Noncapital financing activities are primarily State apportionment and property taxes.
- Capital financing activities consist of purchasing of capital assets (land, buildings, and equipment) and bond interest payments and receipts from Federal and State grants for capital purposes, as well as property tax revenue for bond repayments.
- Cash from investing activities is interest earned on investments through the Santa Cruz County Investment Pool and the Local Agency Investment Fund (LAIF).

	2018	2017	$ Change
Cash provided by (used by)			
Operating activities	$ (48,024)	$ (31,756)	$ (16,268)
Non-capital financing activities	62,868	52,201	10,667
Capital and related financing activities	(5,463)	(5,546)	83
Investing activities	439	318	121
Net increase in cash and cash equivalents	9,820	15,217	(5,397)
Cash balance, beginning of year	61,383	46,166	15,217
Cash balance, end of year	$ 71,203	$ 61,383	$ 9,820

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2018, the District had approximately $289.2 million invested in net capital assets. Total capital assets of $289.2 million consist of land, construction in progress, buildings and improvements, vehicles, data processing equipment, and other office equipment. These assets have accumulated depreciation of $106.6 million. In fiscal year 2017-18, there was $3.6 million in additions to construction in progress, $4.1 million of construction in progress moved into fixed assets. Depreciation expense of $8.4 million was recorded for fiscal year 2017-18.

Note 4 to the financial statements provides additional information on capital assets. A comparison of capital assets net of depreciation is summarized below:

	2018	2017*	Net Change
Land and construction in progress	$ 7,220	$ 7,727	$ (507)
Buildings and equipment	388,600	384,650	3,950
Accumulated depreciation	(106,616)	(98,320)	(8,296)
Total Capital Assets	$ 289,204	$ 294,057	$ (4,853)

* Certain reclassifications have been made to the 2017 amounts to conform with the 2018 presentation.

Debt

At June 30, 2018, the District had $232.2 million in debt. Note 10 provides additional information on long-term liabilities. A comparison is summarized below:

	2018	2017*	Net Change
Medical Premium Program (STRS)	$ 517	$ -	$ 517
Net pension liability	66,133	60,423	5,710
OPEB Liability	9,959	15,382	(5,423)
Bonds and Notes Payable	151,473	159,002	(7,529)
Total Long-Term Liabilities	$ 228,082	$ 234,807	$ (6,725)

* Certain reclassifications have been made to the 2017 amounts to conform with the 2018 presentation.

ECONOMIC OUTLOOK AND FACTORS AFFECTING NEXT YEAR'S BUDGET

The economic position of the District is closely tied to the State of California as State apportionments and property taxes allocated to the District represent approximately 92 percent of the total unrestricted sources of revenues received within the General Fund. The District's student enrollment continues to be a concern. There is long term uncertainty as to the actual level of funding the District will receive for student enrollment, due to the recently adopted Student Centered Funding Formula. The District continues to monitor enrollment and operating costs of the District to ensure ongoing financial stability and retain the reserve levels required by our Board of Trustees and the State Chancellor's Office.

BUDGETARY HIGHLIGHTS

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The Board of Trustees adopted the final amendment to the budget for the 2017-2018 fiscal year on September 11, 2017. Within the Unrestricted General Fund, operating costs have continually increased. The State Budget has not kept pace with the increased operating costs, primarily in health and welfare benefits, especially in regards to the need to recognize post-retirement benefits.

District's Fiduciary Responsibility

The District is the trustee, or fiduciary, for certain amounts held on behalf of students, clubs, and donors for student loans and scholarships. The District's fiduciary activities are reported in a separate statement of fiduciary net position. These activities are excluded from the District's other financial statements because these assets cannot be used to finance operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, students, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Cabrillo Community College District, Victoria Lewis, Vice President of Administrative Services by phone at 831-479-6406 or by email at vilewis@cabrillo.edu.

BASIC FINANCIAL STATEMENTS

CABRILLO COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET POSITION
June 30, 2018

	Primary Government	Component Unit
Assets		
Current assets:		
Cash and cash equivalents	$ 61,741,604	$ 4,742,741
Restricted cash and cash equivalents	9,461,633	655,032
Accounts receivable, net	5,573,331	243,793
Due from fiduciary funds	126,461	-
Prepaid expenses and other assets	612,072	24,607
Total Current Assets	77,515,101	5,666,173
Non-Current Assets:		
Investments	-	29,047,861
Nondepreciable capital assets	7,219,996	-
Capital assets, net of accumulated depreciation	281,983,422	5,247
Total Non-Current Assets	289,203,418	29,053,108
Total Assets	366,718,519	34,719,281
Deferred Outflows of Resources		
Deferred outflows - refunded bonds	3,145,500	-
Deferred outflows - OPEB	1,138,730	-
Deferred outflows - pension	19,094,038	113,683
Total Deferred Outflows of Resources	23,378,268	113,683
Total Assets and Deferred Outflows of Resources	$ 390,096,787	$ 34,832,964
Liabilities		
Current Liabilities:		
Accounts payable and accrued liabilities	$ 2,640,575	$ 1,452,538
Accrued interest payable	2,879,789	-
Unearned revenue	35,057,065	-
Current portion of long-tem liabilities	6,461,478	-
Total Current Liabilities	47,038,907	1,452,538
Non-Current Liabilities		
Non-Current portion of long-tem liabilities	221,621,887	523,484
Total Non-Current Liabilities	221,621,887	523,484
Total Liabilities	268,660,794	1,976,022
Deferred Inflows of Resources		
Deferred inflows - pensions	6,006,644	13,198
Net Position		
Net investment in capital assets	150,337,274	-
Restricted for:		
Capital projects	7,867,855	-
Debt service	9,461,033	-
Educational programs	399,785	-
Scholarship and loans	-	9,219,845
Permanently restricted	-	22,906,504
Unrestricted	(52,636,598)	717,395
Total Net Position	115,429,349	32,843,744
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 390,096,787	$ 34,832,964

See accompanying notes to the financial statements.

CABRILLO COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2018

	Primary Government	Component Unit
Operating Revenues		
Tuition and fees (gross)	$ 14,535,833	$ -
Less: Scholarship discounts and allowances	(5,095,593)	-
Net tuition and fees	9,440,240	-
Grants and contracts, non-capital:		
Federal	15,205,482	-
State	14,772,069	-
Local	1,308,164	4,885,437
Auxiliary Sales and Charges	1,148,982	-
Total Operating Revenues	41,874,937	4,885,437
Operating Expenses		
Salaries	48,460,373	472,836
Employee benefits	26,745,149	242,684
Supplies, materials, and other operating expenses and services	17,815,545	357,594
Financial aid	14,309,586	2,054,389
Utilities	1,800,854	-
Depreciation	8,422,320	807
Total Operating Expenses	117,553,827	3,128,310
Operating Income (Loss)	(75,678,890)	1,757,127
Non-Operating Revenues (Expenses)		
State apportionments, non-capital	28,119,299	-
Local property taxes, levied for general purposes	29,681,504	-
States taxes and other revenue	2,993,692	-
Investment income, net	439,267	1,523,756
Interest expense on capital related debt	(7,252,710)	-
Transfer from fiduciary funds	228,643	-
Transfer to fiduciary funds	(116,425)	-
Other nonoperating revenues (expenses)	835,856	-
Total Non-Operating Revenues (Expenses)	54,929,126	1,523,756
Income (Loss) Before Other Revenues, Expenses, Gains and Losses	(20,749,764)	3,280,883
Other Revenues, Expenses, Gains and Losses		
State apportionments, capital	1,194,946	-
Local property taxes, levied for other specific purposes	11,319,574	-
Interest and investment income, capital	57,618	-
Total Other Revenues, Expenses, Gains and Losses	12,572,138	-
Changes in Net Position	(8,177,626)	3,280,883
Net Position, Beginning of Year Before Restatement	133,537,422	29,629,355
Cumulative effect of change in accounting principle (see Note 14)	(9,930,447)	(66,494)
Net Position, Beginning of Year After Restatement	123,606,975	29,562,861
Net Position, End of Year After Restatement	$ 115,429,349	$ 32,843,744

See accompanying notes to the financial statements.

CABRILLO COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2018

	Primary Government	Component Unit
Cash Flows From Operating Activities		
Tuition and fees (net)	$ 8,527,058	$ -
Federal grants and contracts	16,219,551	-
State grants and contracts	26,711,910	-
Local grants and contracts	1,329,456	4,262,225
Payments to suppliers	(19,917,206)	-
Payments to/on-behalf of employees	(66,888,571)	(1,439,893)
Payments to/on-behalf of students	(14,309,586)	(686,277)
Sales and services of auxiliary enterprises	1,148,982	(975,561)
Other payments	(845,812)	194,620
Net cash provided (used) by operating activities	(48,024,218)	1,355,114
Cash Flows From Non-Capital Financing Activities		
State apportionments and receipts	29,244,373	-
Property taxes	29,681,504	-
State tax and other revenues	3,941,766	-
Net cash provided by non-capital financing activities	62,867,643	-
Cash Flows From Capital and Related Financing Activities		
State apportionment for capital purposes	1,194,946	-
Local revenue for capital purposes	11,319,574	-
Interest on investments, capital funds	57,618	
Net purchase and sale of capital assets	(3,568,713)	(6,054)
Principal and interest paid on capital related debt	(14,466,859)	-
Net cash used by capital and financing activities	(5,463,434)	(6,054)
Cash Flows from Investing Activities		
Interest on investments	439,813	1,523,756
Purchase of investments	-	(2,865,194)
Net cash provided (used) by investing activities	439,813	(1,341,438)
Net Change in Cash and Cash Equivalents	9,819,804	7,622
Cash Balance - Beginning of Year	61,383,433	4,735,119
Cash Balance - End of Year	$ 71,203,237	$ 4,742,741

See accompanying notes to the financial statements.

CABRILLO COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2018

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	Primary Government	Component Unit
Operating income (loss)	$ (75,678,890)	$ 1,757,127
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	8,422,320	807
Changed in valuation of split-interest agreement	-	(517,413)
Changes in assets and liabilities:		
Receivables, net	(698,440)	241,018
Prepaid expenses	176,115	7,306
Deferred outflows of resources - pensions and OPEB	5,686,152	-
Accounts payable	(429,370)	(180,042)
Deferred inflows of resources - pensions	1,778,107	-
Unearned revenue	11,914,648	-
Net OPEB Liability	(5,422,593)	(8,346)
Medicare Premium Program	517,471	
Net pension liability	5,710,262	54,657
Net cash provided (used) by operating activities	$ (48,024,218)	$ 1,355,114

See accompanying notes to the financial statements.

CABRILLO COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
June 30, 2018

	Trust	Agency Funds
Assets		
Cash and cash equivalents	$ 1,132,817	$ 598,095
Total Assets	$ 1,132,817	$ 598,095
Liabilities		
Accounts payable	$ 3,423	$ 1,322
Accrued liabilities	30,156	-
Due to primary government	73,227	53,234
Unearned revenue	22,500	17,400
Due to student groups	-	526,139
Total Liabilities	129,306	$ 598,095
Net Position		
Restricted	1,003,511	
Total Net Position	1,003,511	
Total Liabilities and Net Position	$ 1,132,817	

See accompanying notes to the financial statements.

CABRILLO COMMUNITY COLLEGE DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Fiscal Year Ended June 30, 2018

	Trust
Additions	
Grants and contracts, non-capital:	
Federal	$ 111,766
Sales and other local revenues	1,181,966
Other non-operating revenues	966,040
Interest and investment income, non-capital	157
Total Additions	2,259,929
Deductions	
Books and supplies	178,186
Services and operating expenditures	892,155
Financial aid	1,215,982
Total Deductions	2,286,323
Other Financing Sources (Uses)	
Operating transfers out	(112,218)
Total Other Financing Sources (Uses)	(112,218)
Net changes in net position	(138,612)
Net Position, Beginning of Year	1,142,123
Net Position, End of Year	$ 1,003,511

See accompanying notes to the financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Cabrillo Community College District (the District) was established in 1959 as a political subdivision of the State of California and is a comprehensive, public two-year institution offering educational services to residents of the surrounding area. The District operates under a locally elected seven-member Board of Trustees form of government, which establishes the policies and procedures by which the District operates. The Board must approve the annual budgets for the General Fund, special revenue funds, and capital project funds, but these budgets are managed at the department level. Currently, the District operates one campus located in Aptos, California and a center in Watsonville. While the District is a political subdivision of the State of California, it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61. The District is classified as a Public Educational Institution under Internal Revenue Code Section 115 and is, therefore, exempt from Federal taxes.

Reporting Entity

The District considered its financial and operational relationships with potential component units under the reporting entity definition of Governmental Accounting Standards Board (GASB). The basic, but not the only, criterion for including another organization in the District's reporting entity for financial reports is the ability of the District's elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one entity is dependent on another and a financial benefit or burden relationship is present and that the dependent unit should be reported as part of the other.

Oversight responsibility is derived from the District's power and includes, but is not limited to: financial interdependency; selection of governing authority; designation of management; ability to significantly influence operations; and accountability for fiscal matters.

Due to the nature and significance of their relationship with the District, including ongoing financial support of the District or its other component units, certain organizations warrant inclusion as part of the financial reporting entity. A legally separate, tax-exempt organization should be reported as a component unit of the District if all of the following criteria are met:

- The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the District, its component units, or its constituents.
- The District, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
- The economic resources received or held by an individual organization that the District, or its component units, is entitled to, or has the ability to otherwise access, are significant to the District.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Based upon the application of the criteria listed above, the following potential component units have been included in the District's reporting entity:

Financing Corporation: is presented in the financial statements and included in the Capital Projects Fund and the Debt Service Fund. Certificates of participation issued by the Corporation are included as long-term liabilities in the government-wide financial statements. Individually-prepared financial statements are not prepared for Cabrillo College Financing Corporation.

The Cabrillo College Foundation: The Foundation is a legally separate, tax-exempt component unit of the District. The Foundation acts primarily as a fundraising organization to provide grants and scholarships to students and support to employees, programs, and departments of the District. The board of the Foundation consists of community members, alumni, and another supporters of the Foundation. Although the District does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereof that, the Foundation holds and investment are restricted to the activities of the District by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the District, the Foundation is considered a component unit of the District. The Foundation is reported in separate financial statements because of the difference in its reporting model as described below.

The Foundation is a not-for-profit organization under Internal Revenue Code (IRC) Section 501(c) (3) that reports, its financial results in accordance with Financial Accounting Standards Codifications. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the District's financial reporting entity for these differences; and note disclosures to the Foundation's financial statements have not been incorporated into the District's notes to the financial statements. Separately issued financial statements may be obtained by contacting the Cabrillo College Foundation.

Financial Statement Presentation

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the GASB. The financial statement presentation required by GASB provides a comprehensive, entity-wide perspective of the District's financial activities. The entity-wide perspective replaces the fund-group perspective previously required. Fiduciary activities, with the exception of the Student Financial Aid Fund and the Retiree Benefits Fund, are reported separately.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

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

For internal accounting purposes, the budgetary and financial accounts of the District have been recorded and maintained in accordance with the Chancellor's Office of the California Community College's *Budget and Accounting Manual*.

To ensure compliance with the California Education Code, the financial resources of the District are divided into separate funds for which separate accounts are maintained for recording cash, other resources and all related liabilities, obligations and equities.

By state law, the District's Governing Board must approve a budget no later than September 15. A public hearing must be conducted to receive comments prior to adoption. The District's Governing Board satisfied these requirements. Budgets for all governmental funds were adopted on a basis consistent with generally accepted accounting principles (GAAP).

These budgets are revised by the District's Governing Board during the year to give consideration to unanticipated income and expenditures. Formal budgetary integration was employed as a management control device during the year for all budgeted funds. Expenditures cannot legally exceed appropriations by major object account.

Cash and Cash Equivalents

The District's cash and cash equivalents, are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash in the County Treasury is recorded at cost, which approximates fair value, in accordance with the requirements of GASB.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments

Investments are reported at fair value, which is determined by the most recent bid and asking price as obtained from dealers that make markets in such securities.

Accounts Receivables

Accounts receivable consists primarily of amounts due from the Federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grant and contracts. Material receivables are considered fully collectible. The District recognized for budgetary and financial reporting purposes any amount of state appropriations deferred from the current fiscal year and appropriated from the subsequent fiscal year for payment of current year costs as a receivable in the current year.

Bad debts are accounted for by the direct write-off method for student receivables, which is not materially different from the allowance method.

Inventories

Inventories are presented at the lower of cost or market on an average basis and are expensed when used. Inventory consists of items held for resale in the bookstore and expendable instructional, custodial, health and other supplies held for consumption.

Prepaid Expenses

Payments made to vendors for goods or services that will benefit periods beyond June 30, 2018, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which goods or services are consumed.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents are those amounts designated for acquisition or construction of non-current assets or that are segregated for the liquidation of long-term debt.

Capital Assets

Capital assets are recorded at cost at the date of acquisition. Donated capital assets are recorded at their acquisition value at the date of donation. For equipment, the District's capitalization policy includes all items with a unit cost of $5,000 or more and an estimated useful life of greater

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized.

In 2017-18, the District implemented GASB No. 89 which requires interest cost incurred before the end of the construction period to be recognized as an expense in the period in which the cost is incurred. Therefore, there was no capitalized interest during the year ended June 30, 2018.

The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend the asset's life is recorded as an operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method with a half-year convention over the estimated useful lives of the assets, generally 50 years for buildings, 10 to 15 years for building and land improvements, 3 to 8 years for equipment, and 3 years for vehicles and technology.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. These amounts are reported in the government-wide statement of net position.

Deferred Charge on Refunding: A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Deferred Outflows – OPEB: Deferred outflows of resources represent a consumption of net position by the District that is applicable to a future reporting period. The deferred outflows of resources related to OPEB resulted from District contributions to the plan subsequent to the measurement date of the actuarial valuation.

Deferred Outflows – Pensions: Deferred outflows of resources represent a consumption of net position by the District that is applicable to a future reporting period. The deferred outflows of resources related to pensions resulted from District contributions to employee pension plans subsequent to the measurement date of the actuarial valuations for the pension plans and the effects of actuarially-determined changes to the pension plan. These amounts are deferred and amortized as detailed in Note 8 to the financial statements.

Accounts Payable and Accrued Liabilities

Accounts payable consists of amounts due to vendors for goods and services received prior to June 30. Accrued liabilities consist of salaries and benefits payable.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unearned Revenue

Cash received for Federal and state special projects, and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Unearned revenue is recorded to the extent cash received on specific projects and programs exceeds qualified expenditures. Unearned revenue also includes summer enrollment fees received but not earned.

Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as a liability in the statement of net position when incurred.

Sick leave benefits are accumulated without limit for each employee. The employees do not gain a vested right to accumulated sick leave; therefore, accumulated employee sick leave benefits are not recognized as a liability of the District. The District's policy is to record sick leave as an operating expense in the period taken; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

Medicare Premium Liability

For purposes of measuring the District's liability related to the Medicare Premium Payment (MPP) Program, the fiduciary net position of the MPP Program and additions to/deductions from the MPP Program fiduciary net position have been determined on the same basis as they are reported by the MPP Program. There are no deferred outflows of resources or deferred inflows of resources related to the MPP Program or for MPP Program expenses. For this purpose, the MPP Program recognizes benefit payments when due and payable in accordance with the benefit terms. The MPP Program reports its investments at fair value, except for money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. The related liability for the District's proportionate share of the MPP Program is reported in the financial statements; as the plan is not material additional disclosures are not included.

Net Pension Liability

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Member contributions are recognized in the period in which they are earned. Investments are reported at fair value.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net assets by the District that is applicable to a future reporting period. The deferred inflows of resources results from the effects of actuarially-determined changes to the pension plan. These amounts are deferred and amortized as detailed in Note 8 to the financial statements.

Net Position

Net Investment in Capital Assets: This represents the District's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

Restricted Net Position – Expendable: Restricted expendable net position includes resources in which the District is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties or by enabling legislation adopted by the District. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Restricted Net Position – Nonexpendable: Nonexpendable restricted net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. The District had no restricted net position – nonexpendable.

Unrestricted Net Position: Unrestricted net position represents resources available to be used for transactions relating to the general operations of the District, and may be used at the discretion of the governing board, as designated, to meet current expenses for specific future purposes.

State Apportionments

Certain current year apportionments from the state are based upon various financial and statistical information of the previous year. The California Community College Chancellor's Office recalculates apportionment on a statewide basis each February of the subsequent year; any difference in computational revenue or state aid will be recorded in the year computed by the State.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31.

Real and personal property tax revenues are reported in the same manner in which the County auditor records and reports actual property tax receipts to the Department of Education. This is generally on a cash basis. A receivable has not been accrued in these financial statements because it is not material. Property taxes for debt service purposes cannot be estimated and have therefore not been accrued in the basic financial statements.

Classification of Revenues

The District has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating Revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as student fees, net of scholarship discounts and allowances, and Federal and most state and local grants and contracts.

Nonoperating Revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as State apportionments, taxes, and other revenue sources that are defined as nonoperating revenues by GASB.

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statement of revenues, expenses, and changes in net assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the District, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, state or nongovernmental programs, are recorded as operating revenues in the District's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the District has recorded a scholarship discount and allowance.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Estimates

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

NOTE 2: CASH AND INVESTMENTS

Policies

Under provisions of California Government Code Sections 16430, 53601 and 53602 and District Board Policy Section 6320, the District may invest in the following types of investments:

- State of California Local Agency Investment Fund (LAIF)
- County Treasurer's Investment Pools
- U.S. Treasury notes, bonds, bills or certificates of indebtedness
- U.S. Government Agency guaranteed instruments
- Fully insured or collateralized certificates of deposit
- Fully insured and collateralized credit union accounts

The District did not violate any provisions of the California Government Code or District Board policy during the year ended June 30, 2018.

Deposits - Custodial Credit Risk

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 deposit policy for custodial risk. As of June 30, 2018, $4,366,738 of the District's bank balance of $5,039,649 was exposed to credit risk as uninsured and uncollateralized.

Cash, Cash Equivalents and Investments in the County Treasury

In accordance with the *Budget and Accounting Manual*, the District maintains substantially all of its cash in the Santa Cruz County Treasury as part of the common investment pool. The District is considered an involuntary participant in the investment pool. These pooled funds are recorded at amortized cost which approximates fair value. Fair value of the pooled investments at June 30, 2018 is measured at 99.63% of amortized cost. The District's investments in the fund are considered to be highly liquid and reflected in the financial statements as cash and cash equivalents in the statement of net position.

NOTE 2: CASH AND INVESTMENTS

The County is authorized to deposit cash and invest excess funds by California Government Code Sections 53601, 53635, 53534 and 53648. The county is restricted to invest time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The funds maintained by the county are either secured by federal depository insurance or are collateralized. The county investment pool is not required to be rated. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

The county investment pool is not registered as an investment company with the Securities and Exchange Commission (SEC) nor is it an SEC Rule 2a7-like pool. California Government Code statutes and the County Board of Supervisors set forth the various investment policies that the Country Treasurer follow. The method used to determine the value of the participant's equity withdrawn is based on the book value, which is amortized cost, of the participant's percentage participation on the date of such withdrawals.

Investment Valuation

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that GASB require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Credit risk is the risk then on issuer of an investment will not fulfill its obligations. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure. The District follows Government Code to reduce exposure to investment credit risk.

NOTE 2: CASH AND INVESTMENTS

Concentration of Credit Risk

The District places no limit on the amount that may be invested in one issuer.

Custodial Credit Risk

Custodial Credit Risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments that are in possession of an outside party. The District does not have a policy limiting the amount of securities that can be held by counterparties.

NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2018 consists of the following:

Accounts Receivable	June 30, 2018
Federal and state	$ 1,797,321
Student	8,095,482
Less allowance for bad debt	(5,691,001)
Miscellaneous	1,371,529
Total accounts receivable	$ 5,573,331

The District computes an allowance for uncollectible student accounts receivable based on a percentage of aged outstanding amounts at June 30. The allowance includes all student receivables older than ninety days, thirty percent of student receivables aged between sixty-one to ninety days old, and ten percent of student receivables aged between thirty-one and sixty days old.

NOTE 4: CAPITAL ASSETS AND DEPRECIATION

The summary of changes in capital assets for the year ended June 30, 2018 is included herein.

	Balance July 1, 2017	Additions and Transfers	Retirements and Transfers	Balance June 30, 2018
Capital assets not being depreciated:				
Land	$ 4,164,679	$ -	$ -	$ 4,164,679
Construction in progress	3,562,220	3,568,712	(4,075,615)	3,055,317
Total capital assets not being depreciated	7,726,899	3,568,712	(4,075,615)	7,219,996
Capital assets being depreciated:				
Land improvements	15,159,266	354,640	-	15,513,906
Infrastructure	49,076,942	-	-	49,076,942
Buildings	300,880,300	289,079	(126,321)	301,043,058
Furniture and equipment	19,533,800	3,431,896	-	22,965,696
Total capital assets being depreciated	384,650,308	4,075,615	(126,321)	388,599,602
Less accumulated depreciation for:				
Land improvements	8,750,766	82,825	-	8,833,591
Infrastructure	13,083,613	2,432,287	-	15,515,900
Buildings	62,221,815	4,529,370	-	66,751,185
Furniture and equipment	14,263,987	1,377,838	(126,321)	15,515,504
Total accumulated depreciation	98,320,181	8,422,320	(126,321)	106,616,180
Depreciable assets, net	286,330,127	(4,346,705)	-	281,983,422
Governmental activities capital assets, net	$ 294,057,026	$ (777,993)	$ (4,075,615)	$ 289,203,418

Depreciation expense for the year ended June 30, 2018 was $8,422,320.

NOTE 5: ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities for the District consisted of the following:

	Primary Government	Fiduciary
Vendors	$ 1,309,423	$ 4,745
Accrued payroll and benefits	1,331,152	30,156
Total	$ 2,640,575	$ 34,901

NOTE 6: UNEARNED REVENUE

Unearned Revenue consisted of the following.

	Primary Government	Fiduciary
Federal	$ 15,397	$ -
State	32,335,183	-
Enrollment fees	2,685,193	-
Other local	21,292	39,900
Total	$ 35,057,065	$ 39,900

NOTE 7: GENERAL OBLIGATION BONDS

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local revenues. Capital lease payments are made by the General – Unrestricted Fund. The compensated absences and other postemployment benefits will be paid for by the fund for which the employee worked.

The District issued 1998 Series A, B, C and D in the amount of $ 85,000,000 as authorized by voter election held within the Cabrillo Community College District boundaries. The bond proceeds were used to finance the construction and renovation of various District facilities and are paid through ad valorem taxes.

On June 2, 2004, the District issued the 2004 Series A bonds totaling $59,997,760 and on March 27, 2007, the District issued the 2004 Series B bonds totaling $58,498,505 to finance the construction and renovation of various District facilities.

On June 2, 2004, the District issued the 2004 Refunding Bonds totaling $32,410,000. The proceeds were used to advance refund a portion of the outstanding 1998 Bonds. The 2004 Refunding Bonds were defeased during the year ended June 30, 2016, except for $1,505,000 in bonds which were redeemed in full during the year ended June 30, 2017.

On May 22, 2012, the District issued the 2012 Refunding Bonds in the amount of $38,505,000. The proceeds were used to advance refund a portion of the outstanding 2004 Series A Bonds and a portion of the outstanding 2004 Refunding Bonds.

On May 4, 2016, the District issued the 2016 Refunding Bonds in the amount of $44,660,000. The proceeds were used to advance refund a portion of the outstanding 2004 Series A Bonds, a portion of the outstanding Series B Bonds, and a portion of the outstanding 2004 Refunding Bonds.

NOTE 7: GENERAL OBLIGATION BONDS

The outstanding general obligation bonded debt of the District at June 30, 2018 is:

General Obligation Bonds	Date of Issue	Date of Maturity	Interest Rate %	Amount of Original Issue	Outstanding June 30, 2018
1998 GO Series B	2/16/2000	8/1/2024	4.00-6.30%	$ 30,000,000	$ 17,859,257
1998 GO Series C	4/20/2001	5/1/2026	5.01-5.80%	20,002,009	5,388,019
1998 GO Series D	6/27/2002	7/1/2027	3.00-5.70%	22,997,991	9,712,822
2004 Refunding Bond	6/2/2004	8/1/2018	2.00-5.70%	32,410,000	
2004 Series A	6/2/2004	8/1/2028	2.00-5.80%	59,997,760	3,089,363
2004 Series B	3/27/2007	8/1/2039	4.79-4.87%	58,498,505	41,457,209
2012 Refunding	5/22/2012	8/1/2027	2.00-5.00%	38,505,000	26,090,000
2016 Refunding	5/4/2016	8/1/2036	2.00-5.00%	44,660,000	42,315,000
Total				$ 307,071,265	$ 145,911,670

The annual debt service requirements to maturity for general obligation bonds are as shown herein.

Year Ending June 30,	Principal	Interest
2019	$ 5,560,460	$ 5,943,716
2020	4,719,366	5,983,082
2021	4,996,523	6,066,211
2022	5,313,966	6,124,820
2023	5,695,465	6,182,577
2024-2028	32,391,162	20,588,571
2029-2033	13,220,923	36,663,962
2034-2038	28,978,876	26,492,450
2039-2040	5,366,466	14,660,172
	106,243,207	$ 128,705,561
Accretion to Date	39,668,463	
Total	$ 145,911,670	

NOTE 8: EMPLOYEE RETIREMENT PLANS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

As of June 30, 2018, the District's proportionate share of the net pension liabilities, pension expense, and deferred inflows of resources and deferred outflows of resources for each of the retirement plans is as follows:

NOTE 8: EMPLOYEE RETIREMENT PLANS

Pension Plan	Proportionate Share of Net Pension Liability	Deferred Outflows of Resources	Proportionate Share of Deferred Inflows of Resources	Proportionate Share of Pension Expense
CalSTRS - STRP	$ 40,876,160	$ 11,323,307	$ 4,639,103	$ 3,641,660
CalPERS - Schools Pool Plan	25,257,252	7,770,731	1,367,541	3,951,456
Total	$ 66,133,412	$ 19,094,038	$ 6,006,644	$ 7,593,116

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers' Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law.

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

The District contributes to the STRP Defined Benefit Program and STRP Defined Benefit Supplement Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect as of the valuation date of June 30, 2018, are summarized herein.

NOTE 8: EMPLOYEE RETIREMENT PLANS

Provisions and Benefits	CalSTRS-STRP Defined Benefit Program and Supplement Program	
Hire date	On or Before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0%-2.4%	2.0%-2.4%
Required employee contribution rate	10.25%	9.205%
Required employer contribution rate	14.43%	14.43%
Required state contribution rate	9.328%	9.328%

Contributions

Required member, District and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. The contribution rates for each plan for the year ended June 30, 2018 are presented above and the total District contributions were $3,599,357.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for state pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the District were as follows:

Proportionate Share of Net Pension Liability	Balance June 30, 2018
District proportionate share of net pension liability	$ 40,876,160
State's proportionate share of the net pension liability associated with the District	24,182,188
Total	$ 65,058,348

The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2017, the District's proportion was 0.0442%.

NOTE 8: EMPLOYEE RETIREMENT PLANS

For the year ended June 30, 2018, the District recognized pension expense of $3,641,660 and revenue of $2,434,169 for support provided by the state. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Pension Deferred Outflows and Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 3,599,357	$
Difference between expected and actual experience	151,164	712,946
Changes in assumptions	7,572,786	
Changes in proportion	-	2,837,511
Net differences between projected and actual earnings on plan investments	-	1,088,646
Total	$ 11,323,307	$ 4,639,103

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. The net differences between projected and actual earnings on the plan investments is amortized over a five year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period and the remaining amount is deferred and will be amortized over the remaining four-year period. The remaining net differences between projected and actual earnings on plan investments shown above represents the unamortized balance relating to the current measurement period and the prior measurement periods on a net basis.

All other deferred inflows of resources and deferred outflows of resources are amortized over the expected average remaining service life (EARSL) of the plan participants. The EARSP for the STRP for the June 30, 2017 measurement date is seven years. The first year of amortization is recognized in pension expense for the year the gain or loss occurs. The remaining amounts are deferred and will be amortized over the remaining periods not to exceed six years.

The remaining amounts will be recognized to pension expense as follows:

Year Ending June 30,	Amortization
2019	$ (249,789)
2020	1,340,085
2021	753,992
2022	(311,962)
2023	738,117
2024	814,404
Total	$ 3,084,847

NOTE 8: EMPLOYEE RETIREMENT PLANS

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016 used the following methods and assumptions, applied to all prior periods included in the measurement:

Actuarial Methods and Assumptions	
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Experience Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.10%
Investment Rate of Return	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant and adopted by the CalSTRS Board in February 2017. The assumed asset allocation is based on board policy for target asset allocation in effect on February 2017, the date the current experience study was approved by the board. Best estimates of 20-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized herein.

NOTE 8: EMPLOYEE RETIREMENT PLANS

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	47%	6.30%
Private equity	13%	9.30%
Real estate	13%	5.20%
Absolute return risk mitigating strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Fixed income	12%	0.30%
Cash/liquidity	2%	-1.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10%) and assuming that contributions, benefit payments, and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount rate	Net Pension Liability
1% decrease (6.10%)	$ 60,019,180
Current discount rate (7.10%)	40,876,160
1% increase (8.10%)	25,340,302

Changes of Assumptions

During the fiscal year of the measurement date of June 30, 2017, CalSTRS completed an experience study for the period starting July 1, 2010 and ending June 30, 2015. The experience study was adopted by the CalSTRS Board in February 2017. As a result of the study, certain assumptions used in determining the net pension liability of the STRP changed, including the discount rate, price inflation, wage growth, mortality assumptions and the mortality tables used in the actuarial valuation of the net pension liability. The changes to the assumptions as a result of the experience study is shown herein.

NOTE 8: EMPLOYEE RETIREMENT PLANS

Assumptions:	As of June 30, 2017	As of June 30, 2016
Investment Rate of Return	7.10%	7.60%
Consumer Price Inflation	2.75%	3.00%
Wage Growth	3.50%	3.75%

Plan Fiduciary Net Position

Detailed information about the STRP's plan fiduciary net position is available in a separate comprehensive annual financial report for CalSTRS. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7667 Folsom Boulevard, Sacramento, CA 95826.

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the Schools Pool Plan under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least 5 years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

NOTE 8: EMPLOYEE RETIREMENT PLANS

The CalPERS provisions and benefits in effect at June 30, 2018, are summarized as follows:

Provisions and Benefits	CalPERS-Schools Pool Plan	
Hire date	On or Before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1%-2.5%	1.0%-2.5%
Required employee contribution rate	7.000%	6.000%
Required employer contribution rate	15.531%	15.531%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are determined through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2018 are as presented above and the total District contributions were $2,302,921.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $25,257,252. The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2017, the District's proportion was 0.1058%.

For the year ended June 30, 2018, the District recognized pension expense of $3,951,456. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources herein.

NOTE 8: EMPLOYEE RETIREMENT PLANS

Pension Deferred Outflows and Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 2,302,921	$
Difference between expected and actual experience	904,863	
Changes of assumptions	3,689,219	297,373
Changes in proportion		1,070,168
Net differences between projected and actual earnings on plan investments	873,728	
Total	$ 7,770,731	$ 1,367,541

The deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. The net differences between projected and actual earnings on the plan investments is amortized over a five year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period and the remaining amount is deferred and will be amortized over the remaining four-year period. The remaining net differences between projected and actual earnings on plan investments shown above represents the unamortized balance relating to the current measurement period and the prior measurement period on a net basis.

All other deferred inflows of resources and deferred outflows of resources are amortized over the expected average remaining service life (EARSL) of the plan participants. The EARSL for the CalPERS Schools Pool Plan for the June 30, 2017 measurement date is 4.0 years. The first year of amortization is recognized in pension expense for the year the gain or loss occurs. The remaining amounts are deferred and will be amortized over the remaining periods not to exceed 3.0 years.

The remaining amounts will be recognized to pension expense as follows:

Year Ending June 30,	Amortization
2019	$ 815,197
2020	2,082,473
2021	1,681,054
2022	(478,455)
Total	$ 4,100,269

Actuarial Methods and Assumptions

Total pension liability for the Schools Pool Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016

NOTE 8: EMPLOYEE RETIREMENT PLANS

used the following methods and assumptions, applied to all prior periods included in the measurement:

Actuarial Methods and Assumptions	
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Experience Study	July 1, 1997 through June 30, 2011
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.15%
Investment Rate of Return	7.50%
Consumer Price Inflation	2.75%
Wage Growth	Varies by entry age and service

Mortality assumptions are based on CalPERS specific membership data and mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the table herein.

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	47%	5.38%
Fixed Income	19%	2.27%
Private equity	12%	6.63%
Real estate	11%	5.21%
Infrastructure and Forestland	3%	5.39%
Inflation assets	6%	1.39%
Liquidity	2%	-0.90%

NOTE 8: EMPLOYEE RETIREMENT PLANS

Discount Rate

The discount rate used to measure the total pension liability was 7.15% and reflects the long-term expected rate of return for the Schools Pool Plan net of investment expenses and without reduction for administrative expenses. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the Schools Pool Plan fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount rate	Net Pension Liability
1% decrease (6.15%)	$ 37,161,512
Current discount rate (7.15%)	25,257,252
1% increase (8.15%)	15,381,672

Changes of Assumptions

During the fiscal year of the measurement date of June 30, 2017, the financial reporting discount rate for the Schools Pool Plan was lowered from 7.60% to 7.15%. Deferred outflows of resources for changes of assumptions represents the unamortized portion of this assumption change.

Plan Fiduciary Net Position

Detailed information about CalPERS Schools Pool Plan fiduciary net position is available in a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

NOTE 9: POST EMPLOYMENT HEALTHCARE BENEFITS

The District provides postemployment health care benefits for retired employees in accordance with negotiated contracts with the various bargaining units of the District.

Plan Description and Eligibility

The District established an Other Post Employment Benefit Plan (the Plan) which is a single-employer defined benefit healthcare plan administered by the California Employers Retirement Benefit Trust (CERBT). CERBT serves as an irrevocable trust, ensuring that funds contributed into its Investment Trust are dedicated to serving the needs of member districts, and their employees and retirees. The Plan provides medical insurance benefits to eligible retirees and their spouses. Separate financial statements are not prepared for the Trust.

Participant Type:	Number of Participants
Inactive participants currently receiving benefits	105
Inactive participants entitled to but not yet receiving benefit payments	-
Active employees	417
Total	522

Funding Policy

The contribution requirements of plan members and the District are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to prefund benefits as determined annually through agreements between the District and the bargaining units. For the fiscal year ended June 30, 2017, the District contributed $1,322,837 to the plan including the implicit rate subsidy, all of which was used for current premiums and $6,000,000 to an irrevocable trust.

Net OPEB Liability

The table herein shows the components of the net OPEB liability of the District:

	Balance June 30, 2018
Total OPEB liability	$ 15,959,205
Plan fiduciary net position	6,000,000
District's net OPEB liability	$ 9,959,205
Plan fiduciary net position as a percentage of the total OPEB liability	38%

NOTE 9: POST EMPLOYMENT HEALTHCARE BENEFITS

Investments

At June 30, 2018, all Plan investments are held in the California Employers' Retiree Benefit Trust Program (CERBT) through CalPERS.

Actuarial Methods and Assumptions

The District's net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. Liabilities in this report were calculated as of the valuation date.

The total OPEB liability was determined by an actuarial valuation as of June 30, 2017, using the actuarial assumptions shown herein, applied to all periods included in the measurement, unless otherwise specified.

Actuarial Methods and Assumptions	
Valuation Date	June 30, 2017
Measurement Date	June 30, 2017
Inflation	2.75%
Salary Increases	2.75%
Investment Rate of Return	6.50 %
Health Care Trend Rate	4.00 %

Mortality rates were based on the 2014 rates used by CalPERS and the 2009 rates used by STRS for the pension valuations.

The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Shown herein is the assumed asset allocation and assumed rate of return for each asset class.

Asset Class	Percentage of Portfolio	Assumed Gross Return
US Large Cap	40%	7.80%
US Small Cap	10%	7.80%
Long-Term Corporate Bonds	18%	5.30%
Long-Term Government Bonds	6%	4.50%
Treasurey Inflated Protected Securities (TIPS)	15%	7.80%
US Real estate	8%	7.80%
All Commodities	3%	7.80%

NOTE 9: POST EMPLOYMENT HEALTHCARE BENEFITS

The discount rate used to measure the total OPEB liability was 6.50 percent. It is assumed that contributions would be sufficient to fully fund the obligation over a period not to exceed 30 years. Historic 30 year real rates of return for each asset class were used, along with an assumed long-term inflation assumption, to set the discount rate. The expected investment return was offset by investment expenses of 25 basis points. Rolling periods of time for all assets, in combination, were reviewed to appropriately reflect the correlation between asset classes. That means that the average returns for any asset class won't necessarily reflect the averages over time individually, but do reflect the return for the asset class for the portfolio average. Geometric means were used.

Since the most recent GASB 45 valuation, the following changes have been made:

- The discount rate and expected rate of return on assets was changed from 4.50% to 6.50%
- The initial healthcare trend rate remained unchanged from at 4.0%

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2016	$ 15,381,798	$ -	$ 15,381,798
Changes for the year:			
Service cost	1,005,845		1,005,845
Interest	985,650		985,650
Employer contributions		7,414,088	(7,414,088)
Benefit payments	(1,414,088)	(1,414,088)	-
Net changes	577,407	6,000,000	(5,422,593)
Balances at June 30, 2017	$ 15,959,205	$ 6,000,000	$ 9,959,205

The following presents the District's net OPEB liability calculated using the discount rate of 6.50 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

Discount rate	Net OPEB Liability
1% decrease (5.5%)	$ 10,890,926
Current discount rate (6.5%)	9,959,205
1% increase (7.5%)	9,106,138

The following presents the District's net OPEB liability calculated using the current healthcare cost trend rate of 4.0 percent, as well as what the net OPEB liability would be if it were calculated

NOTE 9: POST EMPLOYMENT HEALTHCARE BENEFITS

using healthcare cost trend rates that are 1-percentage-point lower (3.0 percent) or 1-percentage-point higher (5.0 percent) than the current rate:

Healthcare trend rate	Net OPEB Liability
1% decrease 3.0%)	$ 9,159,762
Current healthcare trend rate (4.0%)	9,959,205
1% increase (5.0%)	10,775,506

OPEB Expense

For the year ended June 30, 2018, the District recognized OPEB expense of $4,101,897.

NOTE 10: LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2018 is shown herein.

	Balance July 1, 2017*	Additions	Reductions	Balance June 30, 2018	Amount Due in One Year
General Obligation Bonds					
Current interest bonds	$ 75,395,000	$ -	$ 6,990,000	$ 68,405,000	$ 3,910,000
Capital appreciation bonds	77,142,621	4,282,059	3,918,010	77,506,670	1,648,441
Bond premium	6,464,644	-	903,037	5,561,607	903,037
	159,002,265	4,282,059	11,811,047	151,473,277	6,461,478
Other Liabilities					
Net pension liability	60,423,150	5,710,262	-	66,133,412	-
Other postemployment benefits other than pension (OPEB)	15,381,798	-	5,422,593	9,959,205	-
Medicare Premium Program (STRS)	-	517,471	-	517,471	-
Total	$ 234,807,213	$ 10,509,792	$ 17,233,640	$ 228,083,365	$ 6,461,478

*Balance at July 1, 2017 has been restated. See Note 14.

The District is involved in a STRS Medicare Cost Sharing Plan and has elected to record the related liability; as the plan and the related liability is not material, additional disclosures are not included.

Liabilities for the net pension liability, OPEB, and Medicare premium program are liquidated by the governmental funds in which related salaries and benefits are recorded. The general obligation bond liabilities are liquidated through property tax collections as administered by the County Controller's office through the Bond Interest and Redemption Fund.

NOTE 11: RISK MANAGEMENT

Property and Liability Insurance Coverage

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.

Joint Powers Authority Risk Pools

During fiscal year ending June 30, 2018, the District contracted with the Statewide Association of Community Colleges ("SWACC") Joint Powers Authority (JPA) for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

The intent of the JPA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the JPA. The workers' compensation experience of the participating districts is calculated as one experience, and a common premium rate is applied to all districts in the JPA. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall saving. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the JPA. Participation in the JPA is limited to K-12 and community college districts that can meet the JPA's selection criteria.

Insurance Program/Company Name	Type of Coverage	Limits
Northern California Community College Pool	Workers' Compensation	Statutory Limits
Statewide Association of Community Colleges	Property and Liability	$ 250,250,000
Schools Excess Liability Fund	Excess Liability	$ 35,000,000

Employee Medical Benefits

The District has contracted with the Self Insured Schools of California (SISC) to provide employee medical and surgical benefits. SISC is a shared risk pool comprised of several educational agencies throughout California. Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating districts. Claims are paid for all participants regardless of claims flow. The Board of Directors has a right to return monies to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool.

NOTE 12: FUNCTIONAL EXPENSE

Operating expenses are reported by natural classification in the statement of revenues, expenses and change in net position. A schedule of expenses by function is shown below:

Functional Expense	Salaries	Employee Benefits	Supplies, materials, and other operating expenses and services	Financial Aid	Depreciation	Total
Instructional activities	$28,358,552	$ 22,290,460	$ 2,227,920	$ -	$ -	$ 52,876,932
Academic support	4,422,775	610,362	1,962,118	-	-	6,995,255
Student services	6,540,818	2,005,273	1,846,000	-	-	10,392,091
Operation and maintenance of plant	2,024,747	11	6,631,157	-	-	8,655,915
Instructional support services	5,696,974	1,365,439	5,445,388	-	-	12,507,801
Community services and economic development	808,370	315,814	- 1,006,022	-	-	2,130,206
Ancillary services and auxiliary operations	608,137	157,790	497,794	-	-	1,263,721
Physical property and related acquisitions	-	-	-	-	-	-
Transfers, student aid and other outgo	-	-	-	14,309,586	-	14,309,586
Depreciation expense	-	-	-	-	8,422,320	8,422,320
Total	$48,460,373	$ 26,745,149	$ 19,616,399	$14,309,586	$8,422,320	$ 117,553,827

NOTE 13: COMMITMENTS AND CONTINGENCIES

Litigation

The District is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the District's financial statements.

State and Federal Allowances, Awards, and Grants

The District has received state and Federal 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.

NOTE 14: RESTATEMENT ACCUMULATIVE EFFECT FOR CHANGE IN ACCOUNTING PRINCIPLES

Effective July 1, 2017, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Other than Pensions.* The statement established standards for purposes of measuring the net other postemployment benefits (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and expenses. The implementation of the statement required the District to adjust the beginning net OPEB liability and record the deferred outflow of resources due to change in assumptions.

The beginning net position has been restated by a reduction of $9,930,447. The aggregate beginning liability for OPEB of $15,381,798 plus a reduction of the net OPEB asset recorded at June 30, 2017 of $1,871,486 offset by net deferred outflow of resources at July 1, 2017 of $7,322,837 resulting in the net cumulative effect of the implementation of GASB Statement No. 75 (See Note 9).

NOTE 15: GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS ISSUED, NOT YET EFFECTIVE

The Governmental Accounting Standards Board (GASB) has issued pronouncements prior to June 30, 2018, that have effective dates that impact future financial presentations; however, the impact of the implementation of each of the statements below to the District's financial statements has not been assessed at this time.

Statement No. 83 – *Certain Asset Retirement Obligations*

This statement addresses accounting and financial reporting for certain asset retirement obligations when a legally enforceable liability is associated with the retirement of a tangible capital asset. The statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources. The statement is effective for the fiscal year 2018-19.

Statement No. 84 – *Fiduciary Activities*

The objective of the statement is to improve guidance regarding the recognition of fiduciary activities for accounting and financial reporting purposes by establishing criteria for identifying fiduciary activities of all state and local governments. The statement is effective for the fiscal year 2019-20.

Statement No. 87 – *Leases*

The objective of the statement is to improve the accounting and financial reporting for leases by requiring recognition of certain lease assets and liabilities for leases that previously were

NOTE 15: GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS ISSUED, NOT YET EFFECTIVE

classified as operating leases. Inflows of resources or outflows of resources will be recognized based on the payment provisions of the contract. The statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The statement is effective for the fiscal year 2020-21.

Statement No. 88 – *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Replacements*

The statement defines debt for purposes of disclosure in the notes to the financial statements. The statement requires additional disclosures related to debt obligations, including direct borrowings and direct placements. Amounts of unused lines of credit, assets pledged as collateral for debt and terms specified in debt agreements related to significant 1) events or default with finance-related consequences; 2) termination events with finance-related consequences and) subjective acceleration clauses are also required to be disclosed. The statement is effective for the fiscal year 2018-19.

Statement No. 90 – *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*

The statement modifies previous guidance for reporting a majority equity interest in a legally separate organization and provides guidance for reporting a component unit if 100 percent equity interest is acquired in that component unit. The statement is effective for the fiscal year 2019-20.

REQUIRED SUPPLEMENTARY INFORMATION

CABRILLO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
For the Fiscal Year Ended June 30, 2018

California State Teachers' Retirement System - State Teachers' Retirement Plan	2015	2016	2017	2018
District's proportion of the net pension liability (assets)	0.0536%	0.0510%	0.0485%	0.0442%
District's proportionate share of the net pension liability (asset)	$ 31,315,217	$ 34,361,424	$ 39,252,895	$ 40,876,160
State's proportionate share of the net pension liability (asset) associated with the District	18,909,480	18,173,405	22,345,973	24,182,188
Total	$ 50,224,697	$ 52,534,829	$ 61,598,868	$ 65,058,348
District's covered payroll	$ 23,331,261	$ 23,658,006	$ 24,784,543	$ 24,716,741
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	134%	145%	158%	165%
Plan fiduciary net position as a percentage of the total pension liability	77%	74%	70%	69%

California Public Employees' Retirement System - Schools Pool Plan	2015	2016	2017	2018
District's proportion of the net pension liability (assets)	0.1220%	0.1167%	0.1072%	0.1058%
District's proportionate share of the net pension liability (asset)	$ 13,855,244	$ 17,205,860	$ 21,170,255	$ 25,257,252
District's covered payroll	$ 13,550,966	$ 13,648,403	$ 13,817,659	$ 13,539,581
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	102%	126%	153%	187%
Plan fiduciary net position as a percentage of the total pension liability	83%	79%	74%	72%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

The amounts for covered payroll are reported as of the previous fiscal year to align with the measurement date of the net pension liability.

CABRILLO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
For the Fiscal Year Ended June 30, 2018

California State Teachers' Retirement System - State Teachers' Retirement Plan	2015	2016	2017	2018
Contractually required contribution	$ 1,877,629	$ 2,103,631	$ 3,108,939	$ 3,599,357
Contributions in relation to the contractually required contribution	1,877,629	2,103,631	3,108,939	3,599,357
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll	$ 23,658,006	$ 24,784,543	$ 24,716,741	$ 31,145,461
Contributions as a percentage of covered payroll	8.88%	10.73%	12.58%	11.56%

California Public Employees' Retirement System - Schools Pool Plan	2015	2016	2017	2018
Contractually required contribution	$ 1,756,256	$ 1,521,158	$ 2,338,382	$ 2,302,921
Contributions in relation to the contractually required contribution	1,756,256	1,521,158	2,338,382	2,302,921
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll	$ 13,684,403	$ 13,817,659	$ 13,539,581	$ 14,828,854
Contributions as a percentage of covered payroll	12%	12%	14%	16%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

* The plan has no active members and, therefore, no covered payroll

CABRILLO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
For the Fiscal Year Ended June 30, 2018

Total OPEB Liability	2018
Service Cost	$ 1,005,845
Interest	985,650
Benefit Payments	(1,414,088)
Net Change in Total OPEB Liability	577,407
Total OPEB Liability - beginning	15,381,798
Total OPEB Liability - ending (a)	$ 15,959,205

Plan Fiduciary Net Position	2018
Contributions - Employer	$ 7,414,088
Benefit Payments	(1,414,088)
Net Change in Plan Fiduciary Net Position	6,000,000
Plan Fiduciary Net Position - beginning	-
Plan Fiduciary Net Position - ending (b)	$ 6,000,000
Net OPEB Liability (Asset) - ending (a) - (b)	$ 9,959,205
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	37.60%
Covered-employee payroll	$ 31,342,275
Net OPEB liability (asset) as a percentage of covered-employee payroll	32%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

See the accompanying notes to the required supplementary information.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2018

NOTE 1: PURPOSE OF SCHEDULES

Schedules of District's Proportionate Share of the Net Pension Liability – CalSTRS-STRP and CalPERS-Schools Pool Plan

The schedule presents information on the District's proportionate share of the net pension liability, the plans' fiduciary net position and, when applicable, the State's proportionate share of the net pension liability associated with the District. In the future, as data becomes available, 10 years of information will be presented.

Schedules of District Contributions – CalSTRS-STRP and CalPERS-Schools Pool Plan

The schedule presents information on the District's required contribution, the amounts actually contributed and any excess or deficiency related to the required contribution. In the future, as data becomes available, 10 years of information will be presented.

Schedule of Changes in the Net OPEB Liability and Related Ratios

The schedule is intended to show trends about the changes in the District's actuarially determined liability for postemployment benefits other than pensions.

Benefit changes – None

Changes of Assumptions - The discount rate and expected rate of return on assets was changed from 4.50% to 6.0% and the initial healthcare trend rate did not change from 4.0%.

SUPPLEMENTARY INFORMATION

CABRILLO COMMUNITY COLLEGE DISTRICT

HISTORY AND ORGANIZATION
For the Fiscal Year Ended June 30, 2018

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

The Board of Trustees and the District Administrators for the fiscal year ended June 30, 2018 were as follows:

BOARD OF TRUSTEES

Member	Office	Term Expires
Ed Banks	Chair	2020
Alan Smith	Vice Chair	2018
Christina Cuevas	Clerk/Secretary	2020
Gary Reece	Member	2018
Donna Ziel	Member	2018
Rachael Spencer	Member	2020
Leticia Mendoza	Member	2020

DISTRICT ADMINISTRATORS

Dr. Matthew Wetstein	President and District Superintendent
Victoria Lewis	Vice President of Administrative Services
Dr. Kathleen Welch	Vice President of Instruction
Sue Gochis	Vice President of Student Services

CABRILLO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2018

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures
U.S. Department of Education			
Student Financial Aid Cluster:			
Supplemental Educational Opportunity Grant (FSEOG)	84.007	(1)	$ 230,200
Federal Work-Study (FWS)	84.033	(1)	204,163
Pell Grant	84.063	(1)	10,166,374
Direct Loans	84.268	(1)	1,531,622
Total Student Financial Aid Cluster			12,132,359
Pass-Through Program From California Community College Chancellor's Office:			
Career and Technical Education Cluster			
Perkins Title I-C - Career and Technical Education	84.048	17-C01-005	281,076
BACCC Perkins IB 17-18	84.048	17-150-002	370,000
BACCC Perkins IB 16-17	84.048	16-150-002	61,153
Total Career and Technical Education Cluster			712,229
Higher Education Act: Improving Pathways to Degrees and Transfers in Emerging and High-Need Science Technology Engineering and Math (STEM) Professions	84.031C	P031C160032	1,204,813
Title V Year 2	84.031S	P031S150045	349,989
Title V Year 3	84.031S	P031S150046	186,001
			1,740,803
CTE Perkins Transitions	84.243	17-112-005	41,592
Migrant Education High School Equivalency	84.141A	(1)	36,098
Total U.S. Department of Education			14,663,081
U.S. Department of Labor			
Pass-Through County of Santa Cruz:			
Workforce Investment Act Cluster			
Workforce Investment Act, Adult Program IIA	17.258	(1)	33,557
Workforce Investment Act, Dislocated Workers	17.260	(1)	33,413
Workforce Investment Act, Adult Program IIA Performance Based	17.258	(1)	13,201
Workforce Investment Act, Dislocated Workers Performance Based	17.260	(1)	14,294
Subtotal Workforce Investment Act Cluster			94,465
Passed through West Valley-Mission Community College District			
American Apprenticeship Program	17.268	(1)	38,093
SBDC Santa Cruz WIB	17.278	(1)	39,600
Total U.S. Department of Labor			172,158
U.S. Department of Agriculture			
Pass-Through Program From California Department of Education:			
Child and Adult Care Food Program	10.558	03628	15,629

See the accompanying notes to the supplementary information.

CABRILLO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2018

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures
U.S. Department of Health and Human Services			
Pass-Through Program From California Community College Chancellor's Office:			
Medi-Cal Administrative Activities (MAA)	93.778	(1)	12,395
Temporary Assistance for Needy Families (TANF)	93.558	(1)	28,167
Child Development Cluster			
Child Development: Family Child Care Home (CFCC) -	93.575	15136	46,784
Child Development: Federal General (CCTR)	93.596	13609	101,778
Subtotal Child Development Cluster			148,562
Passed through University of California, Santa Cruz:			
Infant/Toddler Care Program	93.575	(1)	22,658
Passed through ACCESS:			
Biomedical Research and Research Training	93.859	(1)	21,529
Total U.S. Department of Health and Human Services			233,311
National Science Foundation			
Early Concept Grants for Exploring Research (EAGER)	47.076	(1)	2,247
Scholars Program for Engineering College Students (SPECS)	47.076	(1)	48,707
Total National Science Foundation			50,954
Small Business Administration			
Passed through Humboldt State University			
Small Business Administration Cluster			
Small Business Development Center Odd Year	59.037	(1)	88,660
Small Business Development Center Even Year	59.037	(1)	93,455
Subtotal Small Business Administration Cluster			182,115
Total Federal Programs			$ 15,317,248
Primary Government			$ 15,205,482
Fiduciary Funds			111,766
Total Federal Programs			$ 15,317,248

(1) Pass-Through Entity Identifying Number not readily available or not applicable

See the accompanying notes to the supplementary information.

CABRILLO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF STATE FINANCIAL ASSISTANCE - GRANTS
For the Fiscal Year Ended June 30, 2018

	Program Revenues					Total
Program Name	Cash Received	Accounts Receivable	Deferred Revenue	Accounts Payable	Total Revenue	Program Expenditures
State Categorical Aid Programs:						
Student Equity	$ 1,041,203		$ 369,532		671,671	$ 671,671
Student Equity	214,451				214,451	214,451
Lottery	427,151	219,336			646,487	519,333
Health Services/State Program	18,102				18,102	18,102
ASC (DSPS)	1,421,882				1,421,882	1,421,882
CARE in Fund 12	78,479			3,000	75,479	75,479
EOPS in Fund 12	483,810				483,810	483,810
Student Financial Aid	390,075				390,075	390,075
First Five		11,200			11,200	11,200
Child Development Training Consortium	10,675	5,850			16,525	16,525
Foster Parent	106,548		43,049		63,499	63,499
FKCE-CSEC	1,800		490		1,310	1,310
Learning Works-MARC	317				317	317
MESA 15-16	29,806	35,082			64,888	64,888
Puente Project thru UCOP	3,194				3,194	3,194
SSSP-Credit c/o	506,747				506,747	506,747
SSSP-Credit (Matriculation)	2,117,603		407,652		1,709,951	1,709,951
Faculty/Staff Diversity 16-17	35,016				35,016	35,016
TANF-State -FTTW	21,407	6,759			28,166	28,166
CALWorks-FTTW	311,240				311,240	311,240
Campus Safety	22,203		20,749		1,454	1,454
Faculty/Staff Diversity 17-18	50,000		24,892		25,108	25,108
Calworks-WIA FTTW	55,084	10,971			66,055	66,055
Calworks-WIA FTTW	80,376	14,737			95,113	95,114
Calworks-WIA Perf Based	21,337	380	4,132		17,585	21,717
Calworks-WIA Perf Based	42,267	3,659	11,502		34,424	34,424
FTTW WFSN	6,193				6,193	6,193
CTE Nursing Enrollment Growth	61,600	92,400			154,000	154,000
Hunger Free Campus Grant	20,168		9,396		10,772	10,772
Assess & Remediate	46,992	10,007			56,999	56,999
Basic Skills Apportionment 17-18	250,430		141,145		109,285	109,285
Basic Skills Apportionment 16-17	49,392				49,392	49,392

See the accompanying notes to the supplementary information.

CABRILLO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF STATE FINANCIAL ASSISTANCE - GRANTS
For the Fiscal Year Ended June 30, 2018

	Program Revenues					Total
Program Name	Cash Received	Accounts Receivable	Deferred Revenue	Accounts Payable	Total Revenue	Program Expenditures
SBDC/DSN SW Bay 159-004	124,798	56,513			181,311	181,311
DSN SW Bay 159-004 CY17	7,832	49,626			57,458	57,485
BSSOT	387,175		39,428		347,747	347,747
Guided Pathways 17-18	257,806		242,806		15,000	15,000
Veterans Resource Center	23,807		2,965		20,842	20,842
Institutional Effectiveness IEPI-PRT	196,597				196,597	196,597
Adult Ed Block Grant 17-18	378,258		178,017		200,241	200,241
CEM Improvement Prop 39		35,255			35,255	35,255
Teacher Prep Pipeline	22,360	81,715			104,075	104,075
AEBG Data & Accountability	48,220		14,322		33,898	33,898
CTE Enhancement Fund	19,356				19,356	19,356
Adult Ed Block Grant 15-16	171,615				171,615	171,614
Adult Ed Block Grant 16-17	216,380		147,690		68,690	68,690
CTE SWP 60%, 1st allocation	554,194		122,164		432,030	432,030
CTE SWP 60%, 2nd allocation	906,944		874,016		32,928	32,928
CTE Data Unlocked	49,684		33,103		16,581	16,582
CTE SWP 40%, 1st allocation	16,538,723		7,860,666		8,678,057	8,678,057
CTE SWP 40%, 2nd allocation	20,054,898		20,052,990		1,908	1,908
CCC Innovation Maker	3,275				3,275	3,275
CCC Maker Space	281,255	36,601			317,856	317,856
Gigi in Economy	-	2,425	-	-	2,425	2,425
Subtotal	48,168,725	672,516	30,600,706	3,000	18,237,535	18,114,541
Child Development Fund						
Childcare Tax Bailout Through Apportionment	66,064				66,064	66,064
CA Department of Education-CACFP State Nutrition	612				612	612
CA Department of Education-CSPP	120,536	22,782			143,318	143,318
CA Department of Education-CCTR	82,314				82,314	82,314
CA Department of Education-CFCC	137,660				137,660	137,660
Subtotal	407,186	22,782	-	-	429,968	429,968
Total State Categorical Aid Programs	$48,575,911	$ 695,298	$30,600,706	$ 3,000	$18,667,503	$18,544,509

Note: Certain programs use resources from the prior year ending balance and/or carry over balances into the subsequent fiscal year beginning fund balance; for these situations, total revenues will not equal total expenditures.

See the accompanying notes to the supplementary information.

CABRILLO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT ANNUAL (ACTUAL) ATTENDANCE
For the Fiscal Year Ended June 30, 2018

Categories	Reported Data	Audit Adjustments	Revised Data
A. Summer Intersession (Summer 2016 only)			
1. Noncredit[1]	3.18		3.18
2. Credit[1]	41.78		41.78
B. Summer Intersession (Summer 2017 - Prior to July 1, 2017)			
1. Noncredit[1]	-		-
2. Credit[1]	141.27		141.27
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	5,601.17		5,601.17
(b) Daily Census Contact Hours	197.45		197.45
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit[1]	148.45		148.45
(b) Credit[1]	598.64		598.64
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	1,935.67		1,935.67
(b) Daily Census Contact Hours	275.84		275.84
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	8,943.45	-	8,943.45
Supplemental Information (subset of above information)			
E. In-service Training Courses (FTES)	211.79		211.79
H. Basic Skills courses and Immigrant Education			
(a) Noncredit[1]	86.81		86.81
(b) Credit[1]	267.03		267.03
CCFS 320 Addendum			
CDCP Noncredit FTES	15		15
Centers FTES			
(a) Noncredit (1)	36.12		36.12
(b) Credit (1)	938.38		938.38

(1) Including Career Development and College Preparation (CDCP) FTES

See the accompanying notes to the supplementary information.

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

The audit resulted in no adjustments to the fund balances reported on the June 30, 2018 Annual Financial and Budget Report (CCFS-311) based upon governmental accounting principles. In accordance with Governmental Accounting Standards Board Statements No. 34 and No. 35, the financial statements have been prepared under the full accrual basis of accounting which requires that revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Additional entries were made to comply with the governmental reporting requirements. These entries are not considered audit adjustments for purposes of this reconciliation.

A reconciliation between the fund balances reported on the June 30, 2018 Annual Financial and Budget Report (CCFS-311), based upon the modified accrual basis of accounting, and total net position recorded on the full accrual basis of accounting is shown below and on the following page:

Unrestricted Fund Balance	$ 17,360,156
Restricted Fund Balance	399,785
Bond Interest and Redemption Fund Balance	9,461,033
Other Debt Service Fund	3,163,486
Capital Outlay Fund Balance	7,867,855
Bookstore Fund	1,307,917
All Other Funds	369,933
Total fund balances as reported on the Annual Financial and Budget Report (CCFS-311)	$ 39,930,165

See the accompanying notes to the supplementary information.

CABRILLO COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

Total fund balances as reported on the Annual Financial and Budget Report (CCFS-311)	$ 39,930,165
Capital assets used for governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets, net of accumulated depreciation are added to total net assets. Less amounts already reported in the governmental funds of $112,704.	289,090,714
Deferred outflows associated with the advanced refunding of debt increases total net position reported.	3,145,500
Deferred outflows associated with pension costs and OPEB costs result from contributions made during the fiscal year and from actuarially determined adjustments. These amounts will be recognized as a reduction of the net pension liability or amortized to pension expense, as applicable, in subsequent periods.	20,232,768
Long-term liabilities related to bonds are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. Bond related liabilities are added to the statement of net position which reduces the total net assets reported.	(151,473,277)
The liability of employers and nonemployers contributing to employees for benefits provided through a defined benefit pension plan is recorded as net pension liabilities.	(66,133,412)
Deferred inflows associated with pension costs represent an acquisition of net assets by the District that is applicable to a future reporting period. The deferred inflows of resources results from the difference between the expended and actual experience, the difference in proportion and changes in assumptions. These amounts are deferred and amortized.	(6,006,644)
The liability associated with the other post employment retirement plans is not due and payable in the current period, and therefore is not entirely reported as a liability in the governmental funds.	(10,476,676)
Interest costs related to bonds incurred through June 30, 2018 is accrued as a current lability on the statement of net position which reduces the total net assets reported.	(2,879,789)
Total net position	$ 115,429,349

See the accompanying notes to the supplementary information.

CABRILLO COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF 50 PERCENT LAW CALCULATION
For the Fiscal Year Ended June 30, 2018

		Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Academic Salaries							
Instructional Salaries - Contract or Regular	1100	12,031,783		12,031,783	12,031,783		12,031,783
Instructional Salaries - Other	1300	10,016,357		10,016,357	10,016,357		10,016,357
Total Instructional Salaries		22,048,140	-	22,048,140	22,048,140	-	22,048,140
Non-Instructional Salaries - Contract or Regular	1200			-	4,463,371		4,463,371
Non-Instructional Salaries - Other	1400			-	982,239		982,239
Total Non-Instructional Salaries			-	-	5,445,610	-	5,445,610
Total Academic Salaries		22,048,140	-	22,048,140	27,493,750	-	27,493,750
Classified Salaries							
Non-Instructional Salaries - Regular Status	2100			-	9,859,999		9,859,999
Non-Instructional Salaries - Other	2300			-	615,637		615,637
Total Non-Instructional Salaries			-	-	10,475,636	-	10,475,636
Instructional Aides - Regular Status	2200	1,326,106		1,326,106	1,326,106		1,326,106
Instructional Aides - Other	2400	369,095		369,095	377,307		377,307
Total Instructional Aides		1,695,201	-	1,695,201	1,703,413		1,703,413
Total Classified Salaries		1,695,201	-	1,695,201	12,179,049	-	12,179,049
Employee Benefits	3000	9,415,049		9,415,049	15,124,823		15,124,823
Supplies and Materials	4000	-		-	1,324,742		1,324,742
Other Operating Expenses	5000	149,600		149,600	7,809,302		7,809,302
Equipment Replacement	6420			-	411,879		411,879
Total Expenditures Prior to Exclusions		33,307,990	-	33,307,990	64,343,545	-	64,343,545
Exclusions							
Activities to Exclude							
Instructional Staff–Retirees' Benefits & Retirement Incentives	5900			-			-
Student Health Services Above Amount Collected	6441			-			-
Student Transportation	6491			-			-
Non-instructional Staff-Retirees' Benefits & Retirement Incentives	6740			-			-
Objects to Exclude							
Rents and Leases	5060			-	15,758		15,758
Lottery Expenditures							
Academic Salaries	1000			-	713,868		713,868
Classified Salaries	2000			-			-
Employee Benefits	3000			-	235,577		235,577
Software	4100			-			-
Books, Magazines, & Periodicals	4200			-			-
Instructional Supplies & Materials	4300			-			-
Noninstructional, Supplies & Materials	4400			-			-
Other Operating Expenses and Services	5000			-			-
Capital Outlay	6000			-			-
Library Books	6300			-			-
Equipment - Additional	6410			-			-
Equipment - Replacement	6420			-			-
Other Outgo	7000			-			-
Total Exclusions		-	-	-	965,203	-	965,203
Total for ECS 84362, 50% Law		33,307,990	-	33,307,990	63,378,342	-	63,378,342
Percent of CEE (Instructional Salary Cost/Total CEE)		52.55%	0%	52.55%	100%	0%	100%
50% of Current Expense of Education					31,689,171	-	31,689,171

See the accompanying notes to the supplementary information.

CABRILLO COMMUNITY COLLEGE DISTRICT

EDUCATION PROTECTION ACCOUNT EXPENDITURE REPORT
For the Fiscal Year Ended June 30, 2018

Activity Classification	Object Code				Unrestricted
EPA Proceeds:	8613				$ 8,312,225
Activity Classification	**Object Code**	**Salaries and Benefits (1000-3000)**	**Operating Expenses (4000-5000)**	**Capital Outlay (6000)**	**Total**
Instructional Activities	0100-5900	$ 8,371,531	$	$	$ 8,371,531
Total Expenditures for EPA*		$ 8,371,531	$ -	$ -	8,371,531
Revenue less Expenditures					
*Total Expenditures for EPA may not include Administrator Salaries and Benefits or other administrative costs.					

See the accompanying notes to the supplementary information.

NOTES TO THE SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2018

NOTE 1: PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the District under programs of the federal governmental for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the full accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District did not use the 10-percent de minimus indirect cost rate as allowed under the Uniform Guidance.

Schedule of State Financial Assistance - Grants

The Schedule of State Financial Assistance was prepared on the full accrual basis of accounting.

Schedule of Workload Measures for State General Apportionment Annual (Actual) Attendance

The Schedule of Workload Measures for State General Apportionment represents the basis of apportionment of the District's annual source of funding.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule reports any audit adjustments made to the fund balances reported on the June 30, 2018 Annual Financial and Budget Report (CCFS- 311). This schedule is prepared to show a reconciliation between the governmental fund balances reported on the June 30, 2018 Annual Financial and Budget Report (CCFS- 311), based upon the modified accrual basis of accounting, and total net position recorded on the full accrual basis of accounting is shown.

NOTES TO THE SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2018

NOTE 1: PURPOSE OF SCHEDULES

Reconciliation of 50 Percent Law Calculation

This schedule reports any audit adjustments made to the 50 percent law calculation (Education Code Section 84362).

Education Protection Account Expenditure Report

This schedule reports how funds received from the passage of Proposition 30 Education Protection Act were expended.

OTHER INDEPENDENT AUDITOR’S REPORT

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

Board of Trustees
Cabrillo Community College District
Aptos, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the basic financial statements of Cabrillo Community College District (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 10, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP
Glendora, California
December 10, 2018

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees
Cabrillo Community College District
Aptos, California

Report on Compliance for Each Major Federal Program

We have audited Cabrillo Community College District's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2018. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2018-001. Our opinion on each major federal program is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance, for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2018-001 that we consider to be a significant deficiency.

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

Purpose of this Report

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP
Glendora, California
December 10, 2018

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees
Cabrillo Community College District
Aptos, California

We have audited the Cabrillo Community College District's (the District) compliance with the types of compliance requirements described in the *2016-17 Contracted District Audit Manual,* published by the California Community Colleges Chancellor's Office for the year ended June 30, 2018. The District's state compliance requirements are identified in the table provided.

Management's Responsibility

Management is responsible for compliance with the state laws and regulations as identified below.

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance based on our audit of the types of compliance requirements referred to below.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2017-18 Contracted District Audit Manual,* published by the California Community Colleges Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas listed below has occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on state compliance. However, our audit does not provide a legal determination of the District's compliance.

Compliance Requirements Tested

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

Section	Description	Procedures Performed
421	Salaries of Classroom Instructors (50 Percent Law)	Yes
423	Apportionment for Instructional Service Agreements/Contracts	Yes
424	State General Apportionment Funding System	Yes
425	Residency Determination for Credit Courses	Yes
426	Students Actively Enrolled	Yes
427	Dual Enrollment of K-12 Students in Community College Credit Courses	Yes
428	Student Equity	Yes
429	Student Success and Support Program (SSSP)	Yes
430	Scheduled Maintenance Program	Yes
431	Gann Limit Calculation	Yes
435	Open Enrollment	Yes
439	Proposition 39 Clean Energy Funds	Yes
440	Intersession Extension Program	Not applicable
444	Apprenticeship Related and Supplemental Instruction (RSI) Funds	Yes
475	Disabled Student Programs and Services (DSPS)	Yes
479	To Be Arranged Hours (TBA)	Yes
490	Proposition 1D State Bond Funded Projects	Yes
491	Education Protection Account Funds	Yes

Opinion on State Compliance

In our opinion, the District complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2018.

Purpose of this Report

The purpose of this report on state compliance is solely to describe the results of testing based on the requirements of the *2017-18 Contracted District Audit Manual.* Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP
Glendora, California
December 10, 2018

FINDINGS AND QUESTIONED COSTS

CABRILLO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDITOR RESULTS
June 30, 2018

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:				*Unmodified*
Internal control over financial reporting:				
Material weakness(es) identified?		*Yes*	X	*No*
Significant deficiency(ies) identified?		*Yes*	X	*None Reported*
Noncompliance material to financial statements noted?		*Yes*	X	*No*

Federal Awards

Internal control over major federal awards:				
Material weakness(es) identified?		*Yes*	X	*No*
Significant deficiency(ies) identified?	X	*Yes*		*None Reported*
Type of auditor's report issued on compliance for major federal programs:				*Unmodified*
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	X	*Yes*		*No*

Identification of Major Federal Programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.007, 84.033, 84.063, and 84.268	Student Financial Aid Cluster
84.031	Higher Education Aid

Dollar threshold used to distinguish between type A and type B programs:				$750,000
Auditee qualified as low-risk auditee?	X	*Yes*		*No*

CABRILLO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS RELATED TO THE FINANCIAL STATEMENTS June 30, 2018

There were no findings and questioned costs related to basic financial statements for the year ended June 30, 2018.

FEDERAL AWARDS FINDINGS

Finding 2018-001: Special Tests and Provisions: Enrollment Reporting

Federal agency: Department of Education

Federal program title: Student Financial Aid Cluster

CFDA Number:
84.007 – Federal Supplemental Education Opportunity Grants
84.033 – Federal Work Study Program
84.063 – Federal Pell Grant Program
84.268 – Federal Direct Student Loans

Award Period: July 1, 2017 to June 30, 2018

Type of Finding: Significant Deficiency in Internal Control over Compliance

Criteria:
The Code of Federal Regulations, 34 CFR 685.309 requires that enrollment status changes for students be reported to NSLDS within 15 days or within 60 days if the student with the status change will be reported on a scheduled transmission within 60 days of the change in status. Regulations require the status include an accurate effective date. In addition, regulations require that an institution make necessary corrections and return the records within 10 days for any roster files that do not pass the NSLDS enrollment reporting edits. Uniform Guidance requires nonfederal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws regulations, and program compliance requirements. Effective internal controls should include procedures to ensure that submission errors to the NSLDS are corrected and resubmitted in a timely manner. The automated processes are described in the NSLDS Enrollment Reporting Guide, which is available at
https://ifap.ed.gov/nsldsmaterials/attachments/NewNSLDSEnrollmentReportingGuide.pdf

Condition:
During our testing, we noted that the rosters returned yielded error reports that were not corrected and resubmitted within the required 10 days. The issue occurred at many colleges and universities in the U.S. during the 2017-2018 award year, which was attributable to a processing error on the NSLDS website. However, it is possible for colleges and universities to create an Enrollment Reporting Summary Report after reporting student status changes on NSLDS, which would have detected these types of errors. In addition, per a sample of 40 students whose underlying enrollment reporting data were tested for accuracy of status and timeliness of reporting to NSLDS, four were either not timely reported, not reported with correct enrollment status, not reported with correct effective date, or a combination of the above.

Context:
Tested the SCHER1 report and noted rosters that returned error records that were not corrected within the 10 day requirement. In addition, during testing of underlying enrollment information, we noted four students, in a sample of 40, whose enrollment data per the College was not updated in NSLDS timely.

Questioned costs:
None.

Cause:
The Colleges utilizes the National Student Clearinghouse (NSC) to report student information to NSLDS. After uploading batch roster updates to NSLDS within the required timeframe, the College's error/acknowledgment file from NSLDS is available to them via their NSC services. In an attempt to correct the errors, NSC resubmitted the files within the required 10 days but unfortunately, some of those records continued to not pass the NSLDS enrollment reporting edits and we noted no additional uploads by NSC to correct these errors until the next enrollment roster request from NSLDS. The College also believes that the issues encountered and described above are also the cause of the discrepancies noted in the testing of underlying information. In addition, the College's processes and controls did not ensure that student status changes were properly and timely reported to NSLDS.

Possible Asserted Effect:
The NSLDS system is not updated with the student information, which can cause over-awarding should the student transfer to another institution and the students, may not properly enter the repayment period.

Repeat Finding:
This was not a finding in the prior year.

Recommendation:
We recommend the Colleges review its reporting procedures to ensure that students' statuses are accurately and timely reported to NSLDS as required by regulations described above.

Views of responsible officials and planned corrective actions:
Please refer to the accompanying management's corrective action plan.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS RELATED TO STATE AWARDS June 30, 2018

STATE COMPLIANCE FINDINGS

There were no findings and questioned costs related to state awards for the year ended June 30, 2018.

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2018

FINDING 2017-001 – Special Tests-Return of Title IV Funds

Current year status: No instances of noncompliance noted in the current year.

FINDING 2017-002 – State General Apportionment Funding System

Current year status: No instances of noncompliance noted in the current year.

Cabrillo College • Celebrating Excellence Since 1959

CABRILLO COMMUNITY COLLEGE DISTRICT
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2018

U.S. Department of Education

Cabrillo Community College District respectfully submits the following corrective action plan for the year ended June 30, 2018.

Audit period: 2017-18

The findings from the schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS—FEDERAL AWARD PROGRAMS AUDITS

2018-001 Enrollment Reporting

Federal agency: Department of Education

Program Name: Student Financial Aid Cluster

Recommendation: We recommend that the District improve policies and procedures to ensure the timely reporting of student status changes to the NSLDS.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: The College will implement three actions to address the finding and prevent future issues within this area:

#1. The college will begin sending reports to the National Student Clearinghouse (NSC) every three weeks instead of the current practice of every four weeks. The timeline for NSC to the National Student Loan Data Services (NSLDS) is on a monthly rotation. Sometimes this gap in Cabrillo reporting to NSC then NSC to NSLDS can cause a delay in a reporting period. The three week reporting process will allow the college to report more often and ensure that the 60 day window is met. It will also allow the college to handle any delays originating from the NSC or NSLDS systems which are not controlled by the college.

#2. The Admissions and Records Technician responsible for sending the NSC Enrollment Report will now create a PDF screenshot of the settings used for the report parameters which will then be reviewed, signed and dated each submission by the Director of Admissions and Records or designee. This step allows for a secondary review to ensure that the submission settings are accurate for each report, as well as document the settings since they are not saved by the system. This will reduce the number of students appearing on the returned error report which will then increase timeliness of the corrections response.

#3. The Admissions and Records process for addressing the ten day window for corrections will add a step of a five day review by a secondary Technician. The current practice is to make changes within two days of receiving the report; however, due to personnel changes, workload, and/or absences, sometimes that timeline can become closer to the ten day limit. A secondary review of the list at the five day mark by an additional technician will ensure that the department would be able to allocate staff to address any students still on the list before the ten day window expires.

Names of the contact persons responsible for corrective action:

The Director of Admissions and Records, Kip Nead

Planned completion date for corrective action plan: Will begin processes immediately, with full implementation by spring, 2019.

If the Department of Education has questions regarding this plan, please call Suzanne Gochis, sugochis@cabrillo.edu. 831-479-6527

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APPENDIX B

FORMS OF OPINION OF BOND COUNSEL

Upon issuance of the Series A Bonds, Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, proposes to render its final approving opinion with respect to the Series A Bonds in substantially the following form:

______________, 2019

Board of Trustees
Cabrillo Community College District

Members of the Board of Trustees:

We have examined a certified copy of the record of the proceedings relative to the issuance and sale of $__________ Cabrillo Community College District (Santa Cruz, Monterey and San Benito Counties, California) 2019 General Obligation Refunding Bonds, Series A (Tax-Exempt) (the "Bonds"). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based on our examination as bond counsel of existing law, certified copies of such legal proceedings and such other proofs as we deem necessary to render this opinion, we are of the opinion, as of the date hereof and under existing law, that:

1. Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, and a resolution adopted by the Board of Trustees of the Cabrillo Community College District (the "District") on August 5, 2019 (the "Resolution").

2. The Bonds constitute valid and binding general obligations of the District, payable as to both principal and interest from the proceeds of a levy of *ad valorem* property taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount.

3. Under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals.

4. Interest on the Bonds is exempt from State of California personal income tax.

5. The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bondowner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bondowner will increase the Bondowner's basis in the applicable Bond. Original issue discount that accrues to the Bondowner is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of

the federal alternative minimum tax imposed on individuals, and is exempt from State of California personal income tax.

6. The amount by which a Bondowner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium, which must be amortized under Section 171 of the Internal Revenue Code of 1986, as amended (the "Code"); such amortizable Bond premium reduces the Bondowner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bondowner realizing a taxable gain when a Bond is sold by the Bondowner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Bondowner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Bond premium.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Resolution and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. No opinion is expressed herein as to the effect on the exclusion from gross income of interest for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the advice of counsel other than ourselves. Other than expressly stated herein, we express no opinion regarding tax consequences with respect to the Bonds.

The opinions expressed herein as to the exclusion from gross income of interest on the Bonds are based upon certain representations of fact and certifications made by the District and others and are subject to the condition that the District complies with all requirements of the Code, that must be satisfied subsequent to the issuance of the Bonds to assure that such interest will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to comply with all such requirements.

It is possible that subsequent to the issuance of the Bonds there might be federal, state, or local statutory changes (or judicial or regulatory interpretations of federal, state, or local law) that affect the federal, state, or local tax treatment of the Bonds or the market value of the Bonds. No assurance can be given that subsequent to the issuance of the Bonds such changes or interpretations will not occur.

The rights of the owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against public agencies in the State of California.

Respectfully submitted,

Stradling Yocca Carlson & Rauth

Upon issuance of the Series B Bonds, Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, proposes to render its final approving opinion with respect to the Series B Bonds in substantially the following form:

______________, 2019

Board of Trustees
Cabrillo Community College District

Members of the Board of Trustees:

We have examined a certified copy of the record of the proceedings relative to the issuance and sale of $__________ Cabrillo Community College District (Santa Cruz, Monterey and San Benito Counties, California) 2019 General Obligation Refunding Bonds, Series B (Federally Taxable) (the "Bonds"). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based on our examination as bond counsel of existing law, certified copies of such legal proceedings and such other proofs as we deem necessary to render this opinion, we are of the opinion, as of the date hereof and under existing law, that:

1. Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, and a resolution adopted by the Board of Trustees of the Cabrillo Community College District (the "District") on August 5, 2019 (the "Resolution").

2. The Bonds constitute valid and binding general obligations of the District, payable as to both principal and interest from the proceeds of a levy of *ad valorem* property taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount.

3. Under existing statutes, regulations, rulings and judicial decisions, interest (and original issue discount) on the Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code").

4. Interest on the Bonds is exempt from State of California personal income tax.

5. Except for certain exceptions, the difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated payment price at maturity with respect to such Bond (to the extent the redemption price at maturity is greater than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method. The amount of original issue discount deemed received by a Bond owner will increase the Bond owner's basis in the applicable Bond.

6. The amount by which a Bond owner's original basis for determining gain or loss on sale or exchange of the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which the owner of Bond may elect to amortize under Section 171 of the Code. Such amortizable bond premium reduces the Bond owner's basis in the applicable Bond (and the amount of taxable interest received) for federal income tax purposes. The basis reduction as a result of the

amortization of Bond premium may result in the owner of a Bond realizing a taxable gain when a Bond is sold by the owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the owner. The owners of the Bonds that have a basis in the Bonds that is greater than the principal amount of the Bonds should consult their own tax advisors with respect to whether or not they should elect to amortize such premium under Section 171 of the Code.

Except as expressly set forth in paragraphs (3), (4), (5) and (6), we express no opinion regarding any tax consequences with respect to the Bonds.

The opinions expressed herein are based upon our analysis and interpretation of existing statutes, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. Our engagement as bond counsel to the District terminates upon the issuance of the Bonds.

The rights of the owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases and by the limitations on legal remedies against public agencies in the State of California.

Respectfully submitted,

Stradling Yocca Carlson & Rauth

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Cabrillo Community College District (the "District") in connection with the issuance of $_________ of the District's 2019 General Obligation Refunding Bonds, Series A (Tax-Exempt) and $_________ of the District's 2019 General Obligation Refunding Bonds, Series B (Federally Taxable) (together, the "Bonds"). The Bonds are being issued pursuant to a Resolution of the Board of Trustees of the District adopted on August 5, 2019. The District covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Dissemination Agent" shall initially mean the District, or any successor Dissemination Agent designated in writing by the District (which may be the District) and which has filed with the District a written acceptance of such designation.

"Financial Obligation" shall mean (a) a debt obligation; (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b). The term "Financial Obligation" does not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

"Holders" shall mean the registered owners of the Bonds.

"Listed Events" shall mean any of the events listed in Section 5(a) or 5(b) of this Disclosure Certificate.

"Official Statement" shall mean the Official Statement, dated as of _________, 2019, relating to the offer and sale of the Bonds.

"Participating Underwriter" shall mean Piper Jaffray & Co. or any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean, the Municipal Securities Rulemaking Board, which can be found at http://emma.msrb.org/, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of California.

SECTION 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District's fiscal year (presently ending June 30), commencing with the report for the 2018-19 Fiscal Year, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; *provided* that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b).

(b) Not later than thirty (30) days (nor more than sixty (60) days) prior to said date the Dissemination Agent shall give notice to the District that the Annual Report shall be required to be filed in accordance with the terms of this Disclosure Certificate. Not later than fifteen (15) Business Days prior to said date, the District shall provide the Annual Report in a format suitable for reporting to the Repository to the Dissemination Agent (if other than the District). If the District is unable to provide to the Repository an Annual Report by the date required in subsection (a), the District shall send a notice to the Repository in substantially the form attached as Exhibit A with a copy to the Dissemination Agent. The Dissemination Agent shall not be required to file a Notice to Repository of Failure to File an Annual Report.

(c) The Dissemination Agent shall file a report with the District stating it has filed the Annual Report in accordance with its obligations hereunder, stating the date it was provided.

SECTION 4. Content and Form of Annual Reports. (a) The District's Annual Report shall contain or include by reference the following:

1. The audited financial statements of the District for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

2. Material financial information and operating data with respect to the District of the type included in the Official Statement in the following categories (to the extent not included in the District's audited financial statements):

(A) State funding received by the District for the last completed fiscal year;

(B) Full time equivalent student counts of the District for the last completed fiscal year;

(C) Outstanding District indebtedness;

(D) Summary financial information on revenues, expenditures and fund balances for the District's general fund reflecting adopted budget for the current fiscal year.

(E) Secured tax charges and delinquencies for tax levies within Santa Cruz County, Monterey County and San Benito County, to the extent available and, with respect to Santa Cruz County and San Benito County, to the extent such counties no longer participate in the Teeter Plan.

(F) Total assessed valuation of taxable property within the District, for the then-current fiscal year

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to the Repository or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The District shall clearly identify each such other document so included by reference.

(b) The Annual Report shall be filed in an electronic format, and accompanied by identifying information, as prescribed by the Municipal Securities Rulemaking Board.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5(a), the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not in excess of 10 business days after the occurrence of the event:

1. principal and interest payment delinquencies.

2. tender offers.

3. defeasances.

4. rating changes.

5. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, or Notices of Proposed Issue (IRS Form 5701-TEB).

6. unscheduled draws on the debt service reserves reflecting financial difficulties.

7. unscheduled draws on credit enhancement reflecting financial difficulties.

8. substitution of the credit or liquidity providers or their failure to perform.

9. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation, any of which reflect financial difficulties.

10. bankruptcy, insolvency, receivership or similar event (within the meaning of the Rule) of the District. For the purposes of the event identified in this Section 5(a)(9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent

or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

(b) Pursuant to the provisions of this Section 5(b), the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. non-payment related defaults.

2. modifications to rights of Bondholders.

3. unless described under Section 5(a)(5) above, material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.

4. release, substitution or sale of property securing repayment of the Bonds.

5. the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.

6. appointment of a successor or additional trustee or paying agent with respect to the Bonds or the change of name of such a trustee or paying agent.

7. appointment of a successor or additional paying agent with respect to the Bonds or the change of name of such paying agent.

8. incurrence of a Financial Obligation or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation, any of which affect Bondowners.

(c) Whenever the District obtains knowledge of the occurrence of a Listed Event under Section 5(b) hereof, the District shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the District determines that knowledge of the occurrence of a Listed Event under Section 5(b) hereof would be material under applicable federal securities laws, the District shall (i) file a notice of such occurrence with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event or (ii) provide notice of such reportable event to the Dissemination Agent in format suitable for filing with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event. The Dissemination Agent shall have no duty to independently prepare or file any report of Listed Events. The Dissemination Agent may conclusively rely on the District's determination of materiality pursuant to Section 5(c).

SECTION 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(a) or Section 5(b), as applicable.

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent (or substitute Dissemination Agent) to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign upon fifteen (15) days written notice to the District. Upon such resignation, the District shall act as its own Dissemination Agent until it appoints a successor. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate and shall not be responsible to verify the accuracy, completeness or materiality of any continuing disclosure information provided by the District. The District shall compensate the Dissemination Agent for its fees and expenses hereunder as agreed by the parties. Any entity succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor Dissemination Agent without the execution or filing of any paper or further act.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, 5(a) or 5(b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances;

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds; and

(d) No duties of the Dissemination Agent hereunder shall be amended without its written consent thereto.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(b), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate. The Dissemination Agent acts hereunder solely for the benefit of the District; this Disclosure Certificate shall confer no duties on the Dissemination Agent to the Participating Underwriter, the Holders and the Beneficial Owners. The District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall have no liability for the failure to report any event or any financial information as to which the District has not provided an information report in format suitable for filing with the Repository. The Dissemination Agent shall not be required to monitor or enforce the District's duty to comply with its continuing disclosure requirements hereunder.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 13. Signature. This Disclosure Certificate has been executed by the undersigned on the date hereof, and such signature binds the District to the undertaking herein provided.

Dated: ________________, 2019

CABRILLO COMMUNITY COLLEGE DISTRICT

By: ____

Vice President, Administrative Services

EXHIBIT A

NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of District: CABRILLO COMMUNITY COLLEGE DISTRICT

Name of Bond Issue: 2019 General Obligation Refunding Bonds, Series A (Tax-Exempt)
2019 General Obligation Refunding Bonds, Series B (Federally Taxable)

Date of Issuance: ________________, 2019

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate relating to the Bonds. The District anticipates that the Annual Report will be filed by _____________.

Dated:_______________________

CABRILLO COMMUNITY COLLEGE DISTRICT

By ______[form only; no signature required]_________

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APPENDIX D

GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITIES OF SANTA CRUZ AND WATSONVILLE AND THE COUNTIES OF SANTA CRUZ, MONTEREY AND SAN BENITO, CALIFORNIA

The following information regarding the Cities of Santa Cruz and Watsonville (collectively, the "Cities") and the Counties of Santa Cruz, Monterey and San Benito (collectively, the "Counties") is included only for the purpose of supplying general information regarding the local community and economy. The Bonds are not a debt of the Cities or of the Counties. This material has been prepared by or excerpted from the sources as noted herein and has not been reviewed for accuracy by the District, Bond Counsel, the Underwriter or the Municipal Advisor.

General

The City of Santa Cruz. The City of Santa Cruz is located 75 miles south of San Francisco. It was incorporated in 1866, and is a charter city with a Council-Manager form of government. The Mayor and six Council members are elected at large to staggered four-year terms. Famous for the Santa Cruz Beach Boardwalk, which includes two National Historic Landmarks, the City also boasts the Santa Cruz Surfing Museum, tourist trains through Henry Cowell Redwoods State Park, and the University of California Santa Cruz.

The City of Watsonville. At the southern end of Santa Cruz County, its moderate climate and coastal location makes the city of Watsonville one of the prime agriculture centers of the State of California (the "State"), where a variety of fruits and vegetables are produced. It was incorporated in 1868 and is a charter city. With a Council-Manager form of government, seven representatives with staggered four-year terms are elected by district to the City Council, which then elects a mayor from among its ranks each November.

Santa Cruz County. Santa Cruz County comprises the northern coast of Monterey Bay, approximately 65 miles south of San Francisco. One of the original counties of the State, it covers 607 square miles, with much of its territory designated county, State and national parks. Adjacent to the Monterey Bay National Marine Sanctuary, in addition to technology, research and tourism, one of Santa Cruz County's primary industries is agriculture, with several prominent wineries in residence.

Monterey County. Monterey County comprises the southern coast of Monterey Bay and is almost at the midpoint of the California coastline, approximately 125 miles south of San Francisco and 300 miles north of Los Angeles. It was incorporated in 1850 as one of the State's original 27 counties. Monterey County covers an area of approximately 3,771 square miles. The Salinas Valley, located in the eastern portion of Monterey County, is a rich agricultural center and one of the nation's major vegetable-producing areas. The Monterey Peninsula, famed for its scenic beauty, is a year-round tourist attraction with Pebble Beach, Cypress Point, The Monterey Bay Aquarium and the City of Carmel as the main attractions. South of the peninsula, Big Sur is known worldwide for its rugged scenery.

San Benito County. With an area of 1,389 square miles, San Benito County is bordered by Santa Clara County on the north, Merced and Fresno Counties on the east, and Monterey County on the south and west. It was incorporated in 1874 and is home to several American Viticultural Areas. Along with agriculture, agritourism is having a growing economic impact on San Benito County, in addition to the many recreational opportunities provided by its several parks, such as Pinnacles National Park.

Population

The following table shows the historical population figures for the Cities, the Counties and the State for the last 10 years.

POPULATION ESTIMATES
2010 through 2019
City of Santa Cruz, City of Watsonville, Santa Cruz County, Monterey County, San Benito County and the State of California

Year[1]	City of Santa Cruz	City of Watsonville	Santa Cruz County	Monterey County	San Benito County	State of California
2010[2]	59,946	51,199	262,382	415,057	55,269	37,253,956
2011	61,448	51,513	265,263	418,496	55,784	37,594,781
2012	62,326	52,095	267,874	423,920	56,596	37,971,427
2013	63,113	52,544	269,828	427,870	57,140	38,321,459
2014	63,434	52,647	271,575	429,614	57,840	38,622,301
2015	64,441	52,934	274,271	432,964	58,373	38,952,462
2016	65,258	53,327	275,962	438,159	59,031	39,214,803
2017	65,662	53,419	276,496	441,898	60,072	39,504,609
2018	65,784	53,246	276,071	442,940	60,841	39,740,508
2019	65,807	53,021	274,871	445,414	62,296	39,927,315

[1] As of January 1.
[2] As of April 1.
Source: 2010: U.S. Department of Commerce, Bureau of the Census, for April 1.
2011-19 (2010 Demographic Research Unit Benchmark): California Department of Finance for January 1.

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Income

The following table summarizes per capita personal income for the Counties, the State and the United States for the past 10 years.

PER CAPITA PERSONAL INCOME
2008 through 2017
Santa Cruz County, Monterey County, San Benito County,
the State of California and the United States

Year	Santa Cruz County	Monterey County	San Benito County	State of California	United States
2008	$47,248	$41,028	$36,999	$43,895	$40,904
2009	45,485	40,577	36,251	42,050	39,284
2010	48,589	41,435	35,895	43,609	40,545
2011	50,180	42,353	37,476	46,145	42,727
2012	53,124	43,820	38,568	48,751	44,582
2013	54,017	44,703	40,317	49,173	44,826
2014	56,452	47,398	41,823	52,237	47,025
2015	59,598	51,553	46,111	55,679	48,940
2016	60,924	52,316	48,383	57,497	49,831
2017	64,028	54,395	51,343	59,796	51,640

Note: Per capital personal income is the total personal income divided by the total mid-year population estimates of the U.S. Bureau of the Census. Estimates for 2010 through 2017 reflect county population estimates available as of March 2018. Last updated: March 6, 2019 – revised statistics for 1969 - 2000. All dollar estimates are in current dollars (not adjusted for inflation).
Source: U.S. Department of Commerce, Bureau of Economic Analysis.

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Principal Employers

The following tables list the principal employers located in the Cities and the Counties.

PRINCIPAL EMPLOYERS
2018
City of Santa Cruz

Employer	Industry	Number of Employees
University of California at Santa Cruz	Services: Education	8,569
County of Santa Cruz	Public Administration	2,438
City of Santa Cruz	Public Administration	870
Plantronics	Manufacturing: Communications Equipment	529
Santa Cruz Beach-Boardwalk	Services: Amusement and Recreation	347
Costco Wholesale Corp.	Retail Trade: Food Stores	314
New Teacher Center	Services: Education	211
Looker Data Sciences, Inc.	Services: Business	209
DBA Santa Cruz Nutritionals	Manufacturing: Food and Kindred Products	200
Crow's Nest	Retail Trade: Eating and Drinking Places	194

Source: City of Santa Cruz Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2018.

PRINCIPAL EMPLOYERS
2018
City of Watsonville

Employer	Industry	Number of Employees
Pajaro Unified School District	Services: Education	4,175
Monterey Mushrooms Inc.	Agricultural Production Crops	922
Watsonville Community Hospital	Services: Health	573
Granite Construction	Construction: Heavy Construction, Except Highway and Street	427
City of Watsonville	Public Administration	413
Salud Para La Gente	Services: Health	403
Fox Factory	Manufacturing: Transportation Equipment	370
West Marine Products	Retail Trade: Boat Dealers	300
S. Martinelli & Co.	Agricultural Production Crops	275
Smith & Vandiver	Retail Trade: Miscellaneous Retail	260

Source: City of Watsonville Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2018.

PRINCIPAL EMPLOYERS
2018
Santa Cruz County

Employer	Industry	Number of Employees
University of California at Santa Cruz	Services: Education	1,000 – 4,999
Pajaro Valley Unified School District	Services: Education	1,000 – 4,999
County of Santa Cruz	Public Administration	1,000 – 4,999
Dominican Hospital	Services: Health	1,000 – 4,999
Santa Cruz Beach Boardwalk	Services: Amusement and Recreation	1,000 – 4,999
Larse Farms	Agricultural Production Crops	500 - 999
Granite Rock	Construction: Heavy Construction, Except Highway and Street	500 - 999
Cabrillo College	Services: Education	500 - 999
City of Santa Cruz	Public Administration	500 - 999
Watsonville Community Hospital	Services: Health	500 - 999

Source: Santa Cruz County Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2018.

PRINCIPAL EMPLOYERS
2018
Monterey County

Employer	Industry	Number of Employees
Azcona Harvesting	Agricultural Services: Farm Labor Contractors and Crew Leaders	1,000 – 4,999
Bud of California	Agricultural Production Crops	1,000 – 4,999
Carol Hatton Breast Care Center	Services: Health	1,000 – 4,999
Casa Palmero at Pebble Beach	Services: Hotels	1,000 – 4,999
Community Hospital	Services: Health	1,000 – 4,999
Dutra Farms	Agricultural Production Crops	1,000 – 4,999
Naval Post Graduate School	Public Administration: National Security	1,000 – 4,999
Pebble Beach Co.	Services:: Hotels and Other Lodging Places	1,000 – 4,999
Salinas Valley Memorial Hospital	Services: Health	1,000 – 4,999
Taylor Farms	Agricultural Production Crops	1,000 – 4,999

Note: Monterey County Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2018 does not include information on principal employers.
Source: Extracted from the America's Labor Market Information System (ALMIS) Employer Database, 2019 1st Edition by the Employment Development Department of the State of California.

PRINCIPAL EMPLOYERS
2018
San Benito County

Employer	Industry	Number of Employees
Earthbound Farm	Agricultural Production Crops	1,000 – 4,999
R & R Labor	Agricultural Services: Farm Labor Contractors and Crew Leaders	500 - 999
William-Inez Mabie-Admin	Services: Health	500 - 999
Hazel Hawkins Memorial Hospital	Services: Health	250 - 499
Mcelectronics	Manufacturing: Electronic and Other Electrical Equipment	250 - 499
Milgard Manufacturing Inc.	Manufacturing: Stone, Clay, Glass and Concrete Products	250 - 499
San Benito High School	Services: Education	250 - 499
True Leaf Farms	Agricultural Production Crops	250 - 499
Corbin Sparrow	Manufacturing: Transportation Equipment	100 - 249
Denise & Filice Packing Co.	Agricultural Services	100 - 249

Note: San Benito County Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2018 does not include information on principal employers.
Source: Extracted from the America's Labor Market Information System (ALMIS) Employer Database, 2019 1st Edition by the Employment Development Department of the State of California.

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Employment

The following table summarizes the labor force, employment, and unemployment figures for the years 2014 through 2018 for the Cities, the Counties, the State and the United States.

LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT ANNUAL AVERAGES
2014 through 2018[(1)]
City of Santa Cruz, City of Watsonville, Santa Cruz County, Monterey County, San Benito County, the State of California, and the United States

Year and Area	Labor Force	Employment[(2)]	Unemployment[(3)]	Unemployment Rate (%)
2014				
City of Santa Cruz	33,300	30,700	2,600	7.8
City of Watsonville	25,300	22,500	2,800	11.2
Santa Cruz County	142,600	130,100	12,500	8.8
Monterey County	218,100	198,400	19,700	9.0
San Benito County	29,200	26,500	2,700	9.3
State of California	18,758,400	17,351,300	1,407,100	7.5
United States	155,922,000	146,305,000	9,617,000	6.2
2015				
City of Santa Cruz	33,500	31,300	2,200	6.7
City of Watsonville	25,400	22,900	2,400	9.6
Santa Cruz County	143,400	132,700	10,700	7.5
Monterey County	218,800	201,100	17,600	8.1
San Benito County	29,300	27,100	2,200	7.7
State of California	18,896,500	17,724,800	1,171,700	6.2
United States	157,130,000	148,834,000	8,296,000	5.3
2016				
City of Santa Cruz	33,800	31,700	2,100	6.1
City of Watsonville	25,500	23,300	2,300	8.9
Santa Cruz County	144,500	134,600	10,000	6.9
Monterey County	220,400	203,800	16,700	7.6
San Benito County	29,800	27,800	2,000	6.8
State of California	19,093,700	18,048,800	1,044,800	5.5
United States	159,187,000	151,436,000	7,751,000	4.9
2017				
City of Santa Cruz	33,700	31,500	2,200	6.6
City of Watsonville	24,700	23,000	1,700	6.8
Santa Cruz County	143,800	135,700	8,200	5.7
Monterey County	220,200	204,400	15,800	7.2
San Benito County	30,100	28,300	1,800	5.9
State of California	19,312,000	18,393,100	918,900	4.8
United States	160,320,000	153,337,000	6,982,000	4.4

2018				
City of Santa Cruz	33,300	32,200	1,100	3.3
City of Watsonville	26,200	23,500	2,700	10.4
Santa Cruz County	142,600	135,600	7,000	4.9
Monterey County	224,100	210,000	14,000	6.3
San Benito County	30,900	29,300	1,600	5.1
State of California[4]				
United States	162,075,000	155,761,000	6,314,000	3.9

Note: Data is not seasonally adjusted.
(1) Annual averages, unless otherwise specified.
(2) Includes persons involved in labor-management trade disputes.
(3) The unemployment rate is computed from unrounded data; therefore, it may differ from rates computed from rounded figures in this table.
(4) 2018 Annual State of California statistics not yet available.
Source: U.S. Department of Labor – Bureau of Labor Statistics, California Employment Development Department. March 2018 Benchmark.

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Industry

Santa Cruz County is located in the Santa Cruz – Watsonville Metropolitan Statistical Area. Monterey County is located in the Salinas Metropolitan Statistical Area. San Benito County is located in the San Jose – Santa Clara – Sunnyvale Metropolitan Statistical Area. The distribution of employment is presented in the following tables for the last five years. The figures for Metropolitan Statistical Areas are multi county-wide statistics and may not necessarily accurately reflect employment trends in the Counties.

INDUSTRY EMPLOYMENT & LABOR FORCE ANNUAL AVERAGES
2014 through 2018
Santa Cruz County (Santa Cruz - Watsonville Metropolitan Statistical Area)

Category	2014	2015	2016	2017	2018
Total Farm	8,500	8,300	8,400	8,100	8,000
Total Nonfarm	95,200	98,400	100,600	102,100	102,900
Total Private	74,200	76,900	78,800	80,300	80,700
Goods Producing	9,600	10,500	11,500	11,600	11,800
Mining, Logging and Construction	3,400	3,700	4,400	4,500	4,400
Manufacturing	6,200	6,800	7,100	7,100	7,400
Nondurable Goods	2,900	3,200	3,400	3,400	3,400
Service Providing	85,600	87,900	89,100	90,500	91,100
Private Service Producing	64,500	66,500	67,300	68,700	68,900
Trade, Transportation and Utilities	16,600	17,000	17,300	17,200	16,900
Wholesale Trade	3,500	3,500	3,400	3,300	3,400
Retail Trade	11,800	12,000	12,400	12,300	11,900
Transportation, Warehousing and Utilities	1,300	1,500	1,500	1,600	1,600
Information	800	800	800	800	700
Financial Activities	3,500	3,500	3,600	3,600	3,600
Professional and Business Services	9,500	9,700	9,800	10,100	10,200
Educational and Health Services	16,900	17,300	17,300	17,900	17,800
Leisure and Hospitality	13,000	13,600	13,900	14,200	14,500
Other Services	4,300	4,500	4,600	5,000	5,200
Government	21,100	21,400	21,700	21,900	22,200
Total, All Industries	103,700	106,700	108,900	110,300	110,800

Note: The "Total, All Industries" data is not directly comparable to the employment data found herein.
Source: State of California, Employment Development Department, Labor Market Information Division, Average Labor Force and Industry Employment. March 2018 Benchmark.

INDUSTRY EMPLOYMENT & LABOR FORCE ANNUAL AVERAGES
2014 through 2018
Monterey County (Salinas Metropolitan Statistical Area)

Category	2014	2015	2016	2017	2018
Total Farm	52,200	53,000	53,300	53,200	55,700
Total Nonfarm	129,800	133,100	136,200	139,200	143,100
Total Private	99,300	102,000	104,300	105,900	108,700
Goods Producing	10,400	11,100	11,400	11,800	12,100
Mining, Logging and Construction	5,100	5,500	6,100	6,200	6,700
Manufacturing	5,400	5,500	5,400	5,600	5,400
Nondurable Goods	3,800	3,900	3,800	3,900	3,700
Service Providing	119,400	122,100	124,800	127,400	131,100
Private Service Producing	88,800	91,000	92,900	94,100	96,600
Trade, Transportation and Utilities	25,700	26,000	26,100	26,200	26,600
Wholesale Trade	5,400	5,300	5,300	5,600	5,900
Retail Trade	16,200	16,400	16,500	16,400	16,800
Transportation, Warehousing and Utilities	4,200	4,300	4,300	4,100	4,000
Information	1,400	1,300	1,100	1,100	1,000
Financial Activities	4,000	4,100	4,200	4,300	4,500
Professional and Business Services	12,100	12,800	13,400	13,200	13,900
Educational and Health Services	18,000	18,400	18,800	19,700	20,100
Leisure and Hospitality	22,800	23,400	24,300	24,500	25,400
Other Services	4,900	5,000	5,100	5,200	5,100
Government	30,600	31,100	31,900	33,300	34,500
Total, All Industries	182,000	186,100	189,500	192,400	198,800

Note: The "Total, All Industries" data is not directly comparable to the employment data found herein.
Source: State of California, Employment Development Department, Labor Market Information Division, Average Labor Force and Industry Employment. March 2018 Benchmark.

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INDUSTRY EMPLOYMENT & LABOR FORCE ANNUAL AVERAGES
2014 through 2018
San Benito County (San Jose – Santa Clara - Sunnyvale Metropolitan Statistical Area)

Category	2014	2015	2016	2017	2018
Total Farm	5,300	5,500	6,100	5,800	5,800
Total Nonfarm	1,007,200	1,046,000	1,079,900	1,104,900	1,125,200
Total Private	913,800	953,000	985,800	1,009,300	1,028,400
Goods Producing	201,700	209,000	215,100	216,000	221,900
Mining, Logging and Construction	40,000	44,200	48,600	49,600	49,600
Manufacturing	161,700	164,800	166,600	166,400	172,300
Nondurable Goods	13,600	13,500	13,600	13,400	13,400
Service Providing	805,500	837,000	864,800	888,900	903,300
Private Service Producing	712,100	744,100	770,700	793,400	806,500
Trade, Transportation and Utilities	135,400	137,000	136,500	134,100	134,000
Wholesale Trade	35,800	35,800	35,200	32,900	31,700
Retail Trade	85,300	86,600	85,800	85,800	86,300
Transportation, Warehousing and Utilities	14,400	14,600	15,500	15,400	16,000
Information	63,300	68,400	74,700	84,700	91,700
Financial Activities	34,100	34,600	35,600	36,100	37,100
Professional and Business Services	210,000	224,000	233,000	237,400	237,300
Educational and Health Services	150,000	156,300	162,500	168,800	172,700
Leisure and Hospitality	92,900	96,800	100,600	103,400	105,000
Other Services	26,400	26,900	27,600	28,900	28,800
Government	93,400	92,900	94,100	95,500	96,800
Total, All Industries	1,012,500	1,051,500	1,086,000	1,110,700	1,131,000

Note: The "Total, All Industries" data is not directly comparable to the employment data found herein.
Source: State of California, Employment Development Department, Labor Market Information Division, Average Labor Force and Industry Employment. March 2018 Benchmark.

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Commercial Activity

Summaries of annual taxable sales for the Cities and the Counties for the last five years that statistics are currently available are shown in the following tables.

TAXABLE SALES
2013 through 2017
City of Santa Cruz
(Dollars in Thousands)

Year	Retail Permits	Retail Stores Taxable Transactions	Total Permits	Total Taxable Transactions
2013	1,683	$720,443	2,330	$861,232
2014	1,709	758,861	2,357	895,342
2015	--	757,975	--	911,914
2016	--	762,480	--	922,226
2017	--	766,197	--	941,571

Note: Beginning in 2015, the outlet counts in these reports show the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers. Industry-level data for 2015 and later are not comparable to that of prior years.
Source: "Taxable Sales in California (Sales & Use Tax)," California Board of Equalization.

TAXABLE SALES
2013 through 2017
City of Watsonville
(Dollars in Thousands)

Year	Retail Permits	Retail Stores Taxable Transactions	Total Permits	Total Taxable Transactions
2013	717	$455,395	1,110	$585,790
2014	736	468,479	1,109	600,287
2015	--	481,510	--	619,048
2016	--	500,917	--	636,904
2017	--	538,800	--	689,546

Note: Beginning in 2015, the outlet counts in these reports show the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers. Industry-level data for 2015 and later are not comparable to that of prior years.
Source: "Taxable Sales in California (Sales & Use Tax)," California Board of Equalization.

TAXABLE SALES
2013 through 2017
Santa Cruz County
(Dollars in Thousands)

Year	Retail Permits	Retail Stores Taxable Transactions	Total Permits	Total Taxable Transactions
2013	6,074	$2,525,183	8,539	$3,270,766
2014	6,274	2,610,443	8,735	3,382,117
2015	--	2,679,130	--	3,546,783
2016	--	2,724,302	--	3,611,274
2017	--	2,850,665	--	3,772,234

Note: Beginning in 2015, the outlet counts in these reports show the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers. Industry-level data for 2015 and later are not comparable to that of prior years.
Source: "Taxable Sales in California (Sales & Use Tax)," California Board of Equalization.

TAXABLE SALES
2013 through 2017
Monterey County
(Dollars in Thousands)

Year	Retail Permits	Retail Stores Taxable Transactions	Total Permits	Total Taxable Transactions
2013	7,133	$4,137,019	10,389	$5,910,531
2014	7,327	4,339,409	10,535	6,200,747
2015	--	4,500,692	--	6,406,116
2016	--	4,663,925	--	6,665,936
2017	--	4,837,194	--	6,884,900

Note: Beginning in 2015, the outlet counts in these reports show the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers. Industry-level data for 2015 and later are not comparable to that of prior years.
Source: "Taxable Sales in California (Sales & Use Tax)," California Board of Equalization.

TAXABLE SALES
2013 through 2017
San Benito County
(Dollars in Thousands)

Year	Retail Permits	Retail Stores Taxable Transactions	Total Permits	Total Taxable Transactions
2013	844	$329,051	1,260	$560,238
2014	888	338,945	1,313	560,376
2015	--	357,217	--	607,830
2016	--	387,568	--	664,451
2017	--	417,302	--	759,460

Note: Beginning in 2015, the outlet counts in these reports show the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers. Industry-level data for 2015 and later are not comparable to that of prior years.
Source: "Taxable Sales in California (Sales & Use Tax)," California Board of Equalization.

Construction Activity

The annual building permit valuations and number of permits for new dwelling units issued for the past five years for the Cities and the Counties are shown in the following tables.

BUILDING PERMITS AND VALUATIONS
2014 through 2018
City of Santa Cruz
(Dollars in Thousands)

	2014	2015	2016	2017	2018
Valuation					
Residential	$27,132	$39,487	$51,184	$57,359	$53,590
Non-Residential	50,901	15,852	57,791	16,024	16,066
Total	$78,033	$55,339	$108,975	$73,383	$69,656
Units					
Single Family	39	33	35	57	73
Multiple Family	0	62	108	93	44
Total	39	95	143	150	117

Note: Totals may not add to sum due to rounding.
Source: Construction Industry Research Board.

BUILDING PERMITS AND VALUATIONS
2014 through 2018
City of Watsonville
(Dollars in Thousands)

	2014	2015	2016	2017	2018
Valuation					
Residential	$6,343	$3,044	$12,967	$19,749	$4,062
Non-Residential	14,833	17,014	14,179	15,221	21,554
Total	$21,176	$20,058	$27,146	$34,970	$25,616
Units					
Single Family	13	8	20	61	9
Multiple Family	4	0	56	56	8
Total	17	8	76	117	17

Note: Totals may not add to sum due to rounding.
Source: Construction Industry Research Board.

BUILDING PERMITS AND VALUATIONS
2014 through 2018
Santa Cruz County
(Dollars in Thousands)

	2014	2015	2016	2017	2018
Valuation					
Residential	$73,285	$76,083	$101,418	$117,022	$110,871
Non-Residential	88,860	55,829	94,161	44,907	47,434
Total	$162,145	$131,912	$195,579	$161,929	$158,305
Units					
Single Family	114	102	107	210	170
Multiple Family	9	62	209	151	129
Total	123	164	316	361	299

Note: Totals may not add to sum due to rounding.
Source: Construction Industry Research Board.

BUILDING PERMITS AND VALUATIONS
2014 through 2018
Monterey County
(Dollars in Thousands)

	2014	2015	2016	2017	2018
Valuation					
Residential	$166,058	$219,262	$242,389	$271,978	$339,628
Non-Residential	154,341	223,142	197,865	171,630	151,103
Total	$320,399	$442,404	$440,254	$443,608	$490,731
Units					
Single Family	236	374	486	523	611
Multiple Family	85	258	118	178	212
Total	321	632	604	701	823

Note: Totals may not add to sum due to rounding.
Source: Construction Industry Research Board.

BUILDING PERMITS AND VALUATIONS
2014 through 2018
San Benito County
(Dollars in Thousands)

	2014	2015	2016	2017	2018
Valuation					
Residential	$23,957	$74,162	$134,741	$151,676	$181,029
Non-Residential	22,053	45,812	36,326	18,204	13,961
Total	$46,010	$119,974	$171,067	$169,880	$194,990
Units					
Single Family	78	223	443	586	556
Multiple Family	0	49	99	2	51
Total	78	272	542	588	607

Note: Totals may not add to sum due to rounding.
Source: Construction Industry Research Board.

APPENDIX E

SANTA CRUZ COUNTY INVESTMENT POOL

The following information concerning the Santa Cruz County Investment Pool (the "Investment Pool") has been provided by the Treasurer, and has not been confirmed or verified by the District, the Municipal Advisor or the Underwriter. The District, the Municipal Advisor and the Underwriter have not made an independent investigation of the investments in the Investment Pool and have made no assessment of the current County investment policy. The value of the various investments in the Investment Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the Treasurer, with the consent of the County Board of Supervisors, may change the County investment policy at any time. Therefore, there can be no assurance that the values of the various investments in the Investment Pool will not vary significantly from the values described herein. Finally, none of the District, the Municipal Advisor nor the Underwriter make any representation as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date. Additional information regarding the Investment Pool may be obtained from the Treasurer at http://www.co.santa-cruz.ca.us/ttc/; however, the information presented on such website is not incorporated herein by any reference.

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Santa Cruz County Treasurer's

Quarterly Investment Report

For the Quarter Ended
June 30, 2019

Edith Driscoll

Auditor – Controller – Treasurer - Tax Collector

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TREASURY OVERSIGHT COMMISSION

Chairperson:

Angela Aitken
Member Representing Special Districts
Alternate: John Stipes

Current Members:

Chris Schiermeyer
Member Representing School Districts
Alternate: Lynette Hamby

Ron Sekkel
Public Member
Alternate: Mary Jo Walker

Bruce McPherson
Member Representing County of Santa Cruz
Board of Supervisors
Alternate: Greg Caput

Faris Sabbah
Superintendent of Schools
Santa Cruz County Office of Education
Alternate: Mary Hart

AUDIT PROCESS

The Santa Cruz County Treasurer's Office is audited on an annual basis by an outside auditor selected by the Santa Cruz County's Audit Committee. Additionally, all investments are audited on a regular basis by the County Auditor as well as on a daily basis by an in-house audit process.

COUNTY OF SANTA CRUZ

EDITH DRISCOLL
AUDITOR-CONTROLLER-TREASURER-TAX COLLECTOR
701 OCEAN STREET, SUITE 100, SANTA CRUZ, CA 95060-4073
(831) 454-2500 FAX (831) 454-2660

July 5, 2019

Board of Supervisors
County of Santa Cruz
701 Ocean Street
Santa Cruz, CA 95060

Subject: **CERTIFICATION OF LIQUIDITY**

Dear Members of the Board:

This report shows the investment activity for the quarter ending June 30, 2019 of pooled funds on deposit with the Treasurer and that it is in compliance with California Government Code Sections 27000 et seq., 53600 et seq., and the County's 2019 Investment Policy.

Attached are summaries of the Portfolio Structure, Investment Details, Securities Activity by Brokers, and other information to provide a better understanding of the investment activity that has occurred through June 30, 2019.

Pursuant to Government Code § 53646(b)(3), I certify that because of the liquidity of the pool and the county's issuance of Teeter Notes and TRANs, the county has the ability to meet the pool's expenditure requirements for the next six months.

Respectfully submitted,

Edith Driscoll

EDITH DRISCOLL
Auditor-Controller-Treasurer-Tax Collector

SUMMARY REPORTS

1. County of Santa Cruz Portfolio Summary including:
   a) Issuer
   b) Type of Asset
   c) Cost at Purchase
   d) Current Book Value
   e) Yield
   f) Par Value
   g) Market Value
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2. Portfolio Size and Composition Report
   a) Portfolio Balance Trend
   b) Portfolio Composition by Type

3. Portfolio Yield
   a) Net Yield History / Comparison to LAIF
   b) Net Yield Trend / Comparison to LAIF

4. County of Santa Cruz Investment Pool Maturity Distribution

5. County of Santa Cruz Investment Pool Credit Quality Distribution

6. County of Santa Cruz Investment Pool Source of Funds

Santa Cruz County Treasurer's Portfolio
As of June 30, 2019

ISSUER	COST	BOOK VALUE	YIELD	PAR VALUE	MARKET VALUE (1)	% of PORTFOLIO	% ALLOWED	PURCHASE DATE	MATURITY DATE	CREDIT RATING (2)
U.S. Treasuries										
US Treasury	16,746,328.13	16,996,296.76	1.33%	17,000,000.00	16,990,310.00	1.94%	100%	11/28/16	07/15/19	AA+ / Aaa
US Treasury	11,902,968.75	11,992,111.28	2.44%	12,000,000.00	11,993,760.00	1.37%	100%	07/27/18	07/31/19	AA+ / Aaa
US Treasury	9,855,859.38	9,977,080.11	2.64%	10,000,000.00	9,981,200.00	1.14%	100%	11/05/18	08/15/19	AA+ / Aaa
US Treasury	17,796,093.75	17,959,084.60	2.64%	18,000,000.00	17,969,040.00	2.05%	100%	10/31/18	08/31/19	AA+ / Aaa
US Treasury	19,798,125.00	19,903,680.56	2.47%	20,000,000.00	19,916,400.00	2.27%	100%	04/12/19	09/12/19	AA+ / Aaa
US Treasury	19,910,156.25	19,993,428.18	1.04%	20,000,000.00	19,942,000.00	2.28%	100%	11/10/16	09/15/19	AA+ / Aaa
US Treasury	17,826,100.00	17,881,325.00	2.44%	18,000,000.00	17,894,160.00	2.04%	100%	05/15/19	10/10/19	AA+ / Aaa
US Treasury	19,637,500.00	19,915,176.60	2.49%	20,000,000.00	19,936,000.00	2.27%	100%	07/19/18	10/15/19	AA+ / Aaa
US Treasury	19,779,687.50	19,921,865.92	2.69%	20,000,000.00	19,958,600.00	2.27%	100%	11/21/18	10/31/19	AA+ / Aaa
US Treasury	19,706,000.00	19,831,440.00	2.45%	20,000,000.00	19,852,200.00	2.26%	100%	03/27/19	11/07/19	AA+ / Aaa
US Treasury	14,735,742.19	14,902,416.93	2.77%	15,000,000.00	14,936,700.00	1.70%	100%	11/09/18	11/15/19	AA+ / Aaa
US Treasury	14,836,125.00	14,862,958.33	2.39%	15,000,000.00	14,877,300.00	1.70%	100%	06/30/19	11/21/19	AA+ / Aaa
US Treasury	19,679,687.50	19,840,217.07	2.77%	20,000,000.00	19,918,800.00	2.26%	100%	11/28/18	01/31/20	AA+ / Aaa
US Treasury	19,761,718.75	19,854,876.58	2.55%	20,000,000.00	19,914,000.00	2.27%	100%	02/04/19	02/15/20	AA+ / Aaa
US Treasury	17,890,312.50	17,939,832.82	2.76%	18,000,000.00	18,023,220.00	2.05%	100%	12/13/18	02/29/20	AA+ / Aaa
US Treasury	12,965,468.75	12,977,617.27	2.59%	13,000,000.00	13,038,090.00	1.48%	100%	01/17/19	04/30/20	AA+ / Aaa
Total US Treasuries	272,827,873.46	276,749,406.61	2.38%	276,000,000.00	275,141,780.00	31.38%	100%			
U.S. Government Agencies										
Federal Home Loan Bank	17,997,689.70	18,009,686.62	2.52%	18,000,000.00	18,018,585.00	2.06%	25%	5/1/2019	09/23/19	AA+ / Aaa
Federal Home Loan Mortg Corp	14,779,050.00	14,955,319.00	2.45%	15,000,000.00	14,963,700.00	1.71%	25%	07/02/18	10/02/19	AA+ / Aaa
Federal Farm Credit Bank	16,000,000.00	16,000,000.00	2.63%	16,000,000.00	16,051,040.00	1.83%	25%	01/03/19	01/03/20	AA+ / Aaa
Federal Home Loan Mortg Corp	14,917,050.00	14,979,209.46	1.76%	15,000,000.00	14,946,900.00	1.71%	25%	11/21/17	01/17/20	AA+ / Aaa
Federal Home Loan Bank	9,989,000.00	9,996,648.20	2.18%	10,000,000.00	10,004,200.00	1.14%	25%	02/09/18	02/11/20	AA+ / Aaa
Federal Home Loan Bank	9,944,000.00	9,965,496.33	2.63%	10,000,000.00	10,000,800.00	1.14%	25%	01/24/19	03/13/20	AA+ / Aaa
Federal Farm Credit Bank	12,992,947.11	12,996,669.47	2.58%	13,000,000.00	13,053,430.00	1.48%	25%	06/11/18	06/11/20	AA+ / Aaa
Federal Home Loan Mortg Corp	19,656,000.00	19,792,932.04	2.88%	20,000,000.00	19,949,000.00	2.26%	25%	10/25/18	07/13/20	AA+ / Aaa
Federal Home Loan Bank	9,900,830.00	9,918,646.98	2.57%	10,000,000.00	9,997,800.00	1.13%	25%	03/15/19	11/05/20	AA+ / Aaa
Federal Farm Credit Bank	11,973,240.00	11,976,436.33	2.35%	12,000,000.00	12,093,000.00	1.37%	25%	04/05/19	04/05/21	AA+ / Aaa
Federal Farm Credit Bank	12,987,455.00	12,990,080.16	3.08%	13,000,000.00	13,374,010.00	1.48%	25%	11/15/18	11/15/21	AA+ / Aaa
Federal Home Loan Mortg Corp	12,000,000.00	12,000,000.00	3.05%	12,000,000.00	12,066,600.00	1.37%	25%	12/27/18	12/27/21	AA+ / Aaa
Federal Home Loan Mortg Corp	15,000,000.00	15,000,000.00	2.60%	15,000,000.00	15,069,600.00	1.71%	25%	03/25/19	03/25/22	AA+ / Aaa
Total Government Agencies	178,137,261.81	178,581,124.59	2.57%	179,000,000.00	179,588,665.00	20.38%	100%			

Santa Cruz County Treasurer's Portfolio
As of June 30, 2019

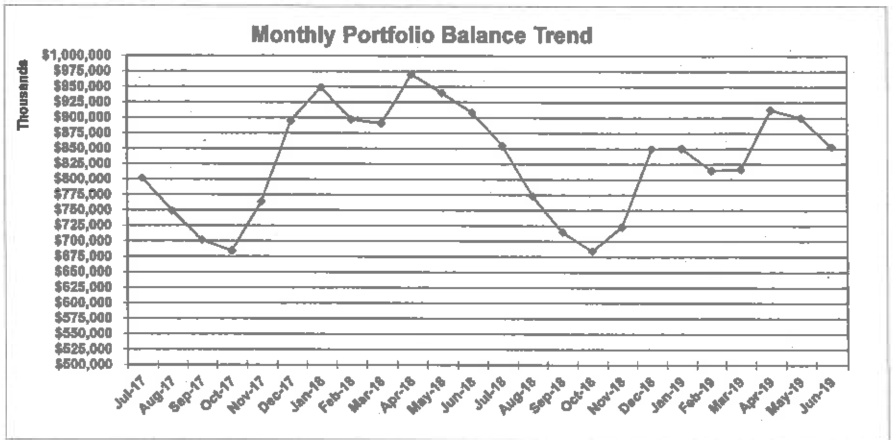
ISSUER	COST	BOOK VALUE	YIELD	PAR VALUE	MARKET VALUE (1)	% of PORTFOLIO	% ALLOWED	PURCHASE DATE	MATURITY DATE	CREDIT RATING (2)
Supranationals										
Int Bank of Redevelopment	9,853,200.00	9,979,450.81	1.65%	10,000,000.00	9,955,000.00	1.14%	30%	01/04/17	11/27/19	AAA / Aaa / AAA
Inter-American Development Bank	15,850,560.00	15,888,163.12	2.62%	16,000,000.00	15,967,200.00	1.81%	30%	03/05/19	06/16/20	AAA / Aaa / AAA
International Finance Corp.	10,000,000.00	10,000,000.00	2.61%	10,000,000.00	10,022,900.00	1.14%	30%	07/03/18	06/29/20	AAA / Aaa / AAA
Inter-American Development Bank	14,775,000.00	14,817,503.30	2.61%	15,000,000.00	15,003,450.00	1.69%	30%	02/08/19	03/15/21	AAA / Aaa / AAA
Total Supranational	50,478,760.00	50,685,117.23	2.42%	51,000,000.00	50,948,550.00	5.78%	30%			
Medium Term Notes										
National Australia Bank	11,866,800.00	11,995,421.25	2.65%	12,000,000.00	11,996,640.00	1.37%	10%	08/22/18	07/12/19	AA- / Aa3 / AA-
Microsoft Corporation	9,998,500.00	9,999,948.61	1.11%	10,000,000.00	9,988,100.00	1.14%	10%	08/08/16	08/08/19	AAA / Aaa / AA+
Toyota Motor Credit Corp	8,900,100.00	8,965,181.43	2.88%	9,000,000.00	8,981,190.00	1.02%	10%	12/11/18	10/18/19	AA- / Aa3 / A+
US Bank NA	11,915,400.00	11,956,405.10	3.01%	12,000,000.00	12,004,200.00	1.36%	10%	12/21/18	01/23/20	AA- / A1 / AA-
Apple Inc.	11,518,006.50	11,541,318.35	2.03%	11,550,000.00	11,525,629.50	1.32%	10%	11/21/17	02/07/20	AA+ / Aa1 / AA+
Wal-Mart Stores Inc.	10,011,300.00	10,005,555.31	2.79%	10,000,000.00	10,067,000.00	1.14%	10%	06/27/18	06/23/20	AA / Aa2 / AA
Microsoft Corporation	9,719,000.00	9,767,268.05	2.70%	10,000,000.00	9,914,900.00	1.11%	10%	01/24/19	08/08/21	AAA / Aaa / AA+
Johnson & Johnson Corp	14,822,550.00	14,844,529.23	2.66%	15,000,000.00	15,101,850.00	1.69%	10%	02/15/19	03/03/22	AAA / Aaa / AAA
Apple Inc.	15,167,250.00	15,282,505.22	2.53%	15,000,000.00	15,478,600.00	1.74%	10%	06/03/19	02/23/23	AA+ / Aa1 / AA+
Total Medium Term Notes	103,918,906.50	104,358,132.66	2.60%	104,550,000.00	105,058,109.50	11.91%	30%			
Negotiable CDs										
Toronto Dominion Bank NY	25,000,000.00	25,000,000.00	2.60%	25,000,000.00	25,000,500.00	2.85%	10%	04/05/19	07/02/19	A1+ / P1 / F1+
Standard Chartered Bank NY	25,000,000.00	25,000,000.00	2.66%	25,000,000.00	25,003,750.00	2.85%	10%	02/21/19	07/22/19	A1 / P1 / F1
MFUG Union Bank NA	20,000,000.00	20,000,000.00	2.66%	20,000,000.00	20,007,400.00	2.28%	10%	01/28/19	08/19/19	A1 / P1 / F1
Swedbank NY	25,000,000.00	25,000,000.00	2.62%	25,000,000.00	25,010,750.00	2.85%	10%	04/26/19	08/27/19	A1+ / P1 / F1+
Total Negotiable CDs	95,000,000.00	95,000,000.00	2.63%	95,000,000.00	95,022,400.00	10.84%	30%			
Municipal Bonds										
State of California GO Bond	12,191,707.35	12,193,433.73	2.31%	12,195,000.00	12,247,926.30	1.39%	10%	02/15/18	10/01/20	AA- / Aa3 / AA-
State of California GO Bond	12,000,000.00	12,000,000.00	2.35%	12,000,000.00	12,133,200.00	1.37%	10%	04/04/19	04/01/22	AA- / Aa3 / AA-
Total Municipal Bonds	24,191,707.35	24,193,433.73	2.33%	24,195,000.00	24,381,126.30	2.76%	10%			
Checking										
Bank of the West Checking	403,840.87	403,840.87	0.60%	403,840.87	403,840.87	0.05%	-	NA	NA	NR
US Bank Checking	15,678,164.62	15,678,164.62	1.00%	15,678,164.62	15,678,164.62	1.79%		NA	NA	NR
Total Checking	16,082,005.49	16,082,005.49	0.99%	16,082,005.49	16,082,005.49	1.84%	10%			
Money Market Funds (3)										
Bank of the West MMF	200,000.00	200,000.00	2.13%	200,000.00	200,000.00	0.02%	10%	NA	NA	NR
US Bank MMF	5,000,000.00	5,000,000.00	1.75%	5,000,000.00	5,000,000.00	0.57%	10%	NA	NA	NR
CAMP	50,000,000.00	50,000,000.00	2.48%	50,000,000.00	50,000,000.00	5.71%	10%	NA	NA	AAAm
Total Money Market Funds	55,200,000.00	55,200,000.00	2.41%	55,200,000.00	55,200,000.00	6.30%				
Miscellaneous Investments										
LAIF	65,238,768.79	65,238,768.79	2.57%	65,238,768.79	65,238,768.79	7.45%	10%	NA	NA	NR
Santa Cruz County Auditor - Teeter	12,000,000.00	12,000,000.00	2.54%	12,000,000.00	12,000,000.00	1.37%	NA	NA	NA	NR
Total Misc. Investments	77,238,768.79	77,238,768.79	2.56%	77,238,768.79	77,238,768.79	8.82%				
GRAND TOTAL	873,075,283.39	876,087,990.39	2.46%	878,265,774.28	878,661,405.08	100%				

(1) Market Value pricing obtained from Union Bank safekeeper (custodial bank).
(2) Split ratings reflect ratings from S&P and Moodys.
(3) Money Market Mutual Fund balances do not include current month interest.

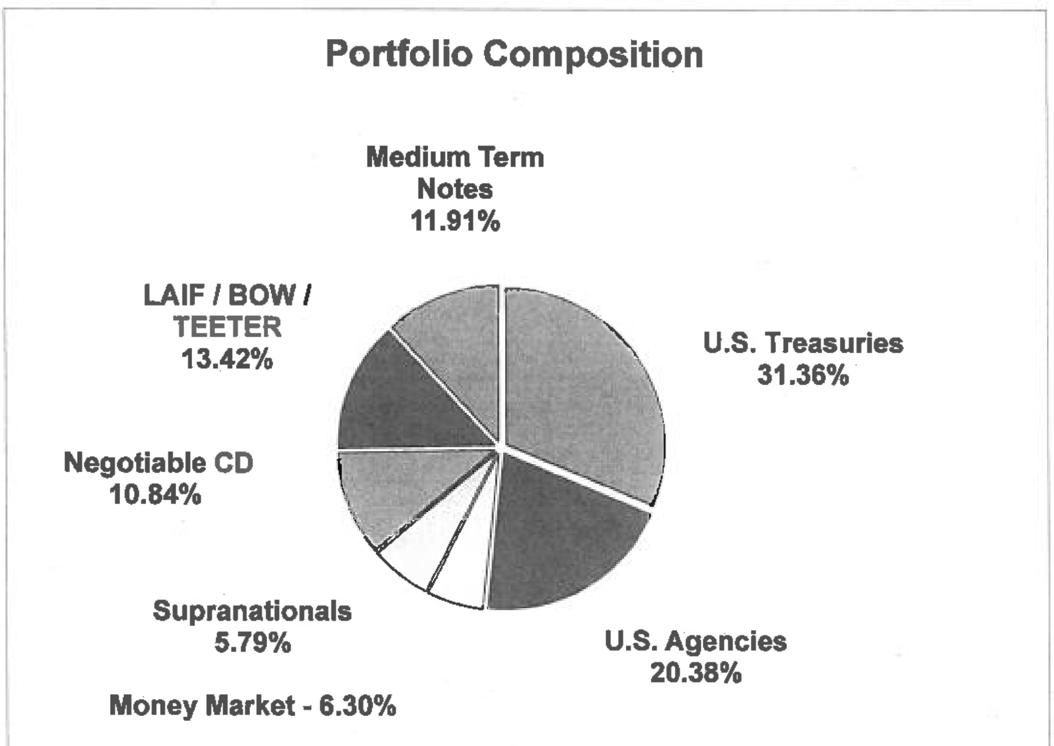
County of Santa Cruz Investment Pool
Porfolio Size and Composition
As of June 30, 2019

Monthly Balance History

Jul-17	$	802,005,772.15
Aug-17	$	748,725,187.72
Sep-17	$	701,393,435.49
Oct-17	$	684,356,827.43
Nov-17	$	763,716,802.73
Dec-17	$	895,152,385.06
Jan-18	$	949,230,650.05
Feb-18	$	897,258,528.52
Mar-18	$	891,137,699.55
Apr-18	$	969,921,964.10
May-18	$	939,980,112.42
Jun-18	$	907,918,547.25
Jul-18	$	854,704,856.33
Aug-18	$	772,963,331.43
Sep-18	$	714,830,104.72
Oct-18	$	684,095,545.04
Nov-18	$	723,337,328.50
Dec-18	$	849,852,810.14
Jan-19	$	850,631,070.40
Feb-19	$	814,920,794.72
Mar-19	$	816,455,075.11
Apr-19	$	912,824,395.26
May-19	$	899,889,045.39
Jun-19	$	853,052,860.56

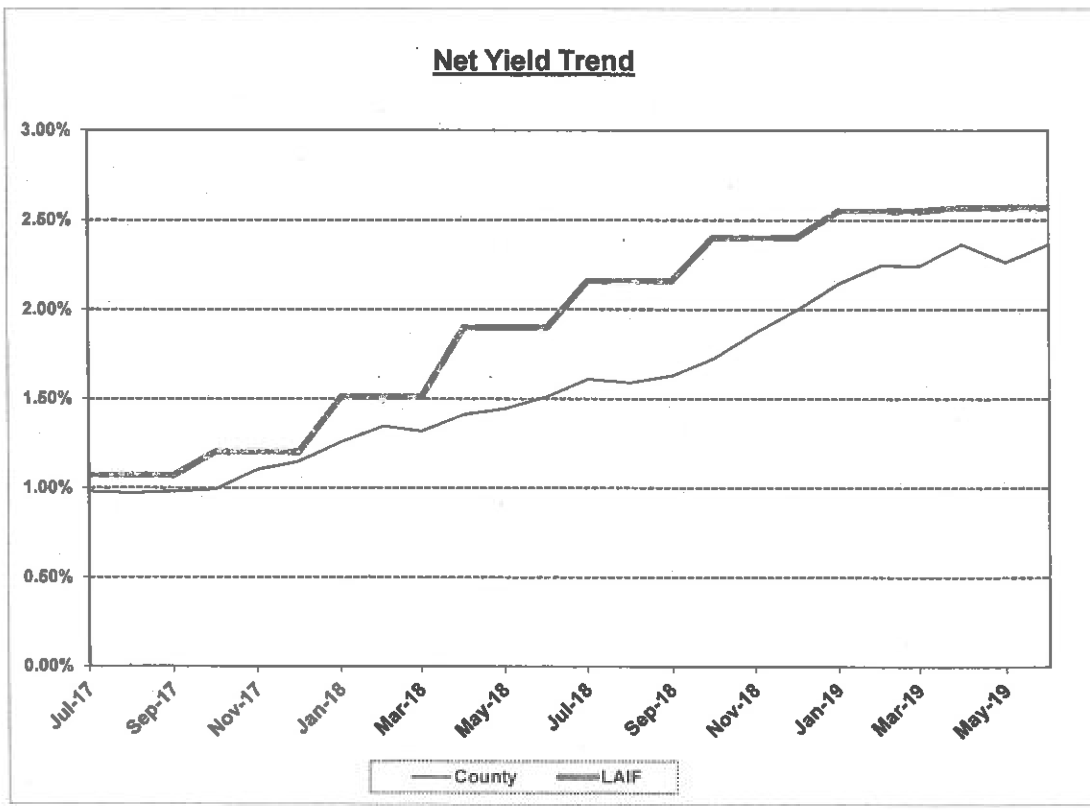


	6/30/2019	3/31/2019	6/30/2018	6/30/2017
U.S. Treasuries	31.36%	30.40%	33.11%	36.10%
U.S. Agencies	20.38%	24.95%	26.93%	32.52%
Supranationals	5.79%	7.79%	4.62%	4.57%
Money Market Fund	6.30%	6.93%	0.58%	0.57%
Commercial Paper	0.00%	0.00%	0.00%	0.00%
Negotiable CD	10.84%	14.22%	17.48%	8.59%
LAIF / BOW / Other	13.42%	5.15%	8.48%	11.06%
Medium Term Note	11.91%	10.55%	8.81%	6.60%
	100%	100%	100%	100%



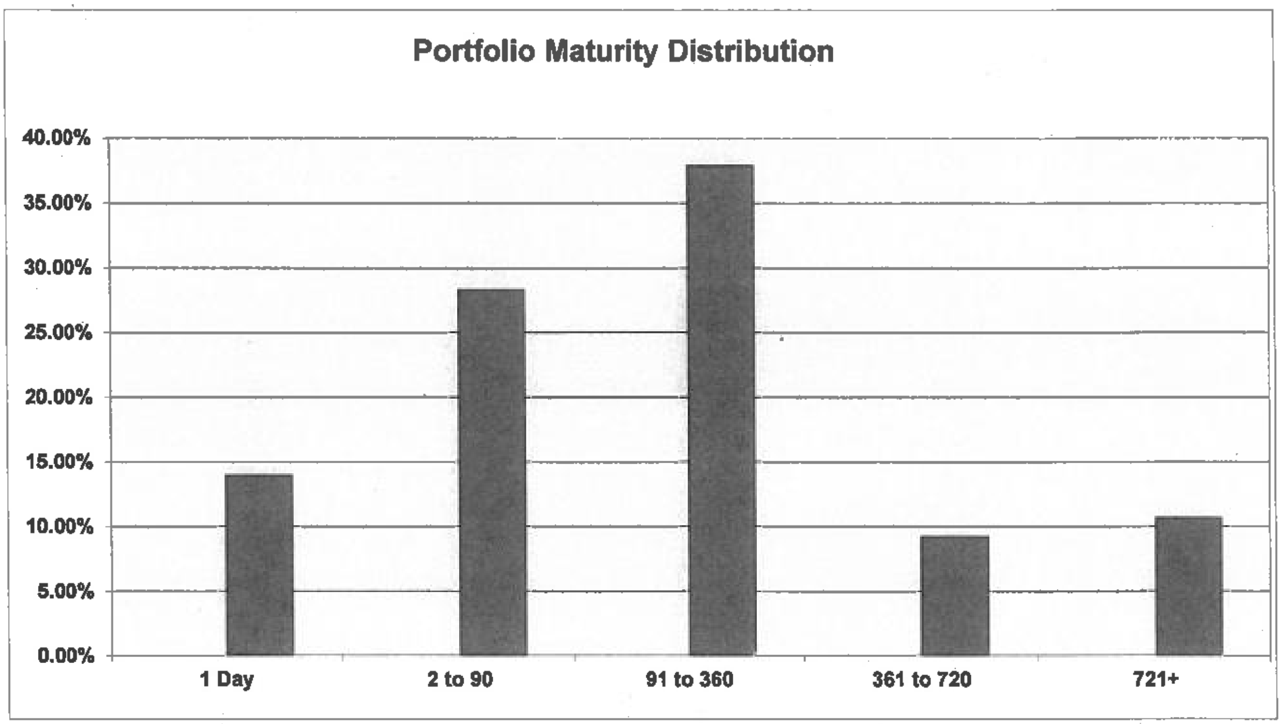
County of Santa Cruz Investment Pool
Portfolio Net Yield
As of June 30, 2019

Month	Apportionment Rate County	LAIF	Difference
Jul-17	0.979%	1.070%	-0.09%
Aug-17	0.971%	1.070%	-0.10%
Sep-17	0.981%	1.070%	-0.09%
Oct-17	0.993%	1.200%	-0.21%
Nov-17	1.103%	1.200%	-0.10%
Dec-17	1.148%	1.200%	-0.05%
Jan-18	1.257%	1.510%	-0.25%
Feb-18	1.346%	1.510%	-0.16%
Mar-18	1.319%	1.510%	-0.19%
Apr-18	1.412%	1.900%	-0.49%
May-18	1.445%	1.900%	-0.46%
Jun-18	1.512%	1.900%	-0.39%
Jul-18	1.610%	2.160%	-0.55%
Aug-18	1.590%	2.160%	-0.57%
Sep-18	1.630%	2.160%	-0.53%
Oct-18	1.725%	2.400%	-0.68%
Nov-18	1.870%	2.400%	-0.53%
Dec-18	1.994%	2.400%	-0.41%
Jan-19	2.145%	2.550%	-0.41%
Feb-19	2.246%	2.550%	-0.30%
Mar-19	2.243%	2.550%	-0.31%
Apr-19	2.365%	2.570%	-0.21%
May-19	2.263%	2.570%	-0.31%
Jun-19	2.361%	2.570%	-0.21%

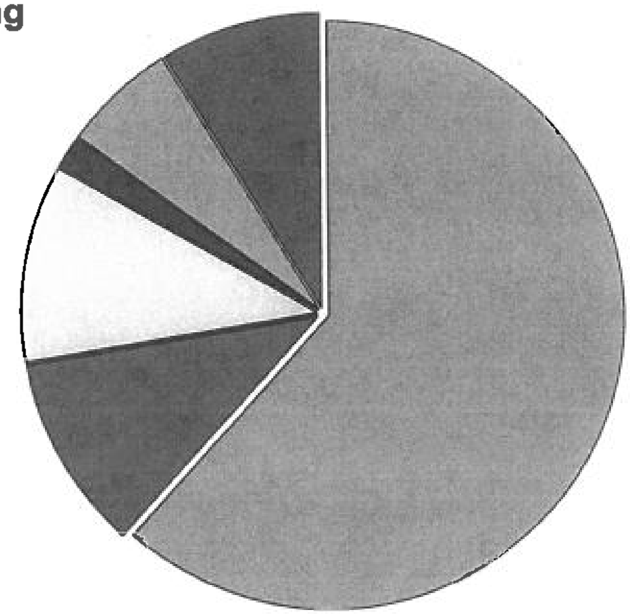


County of Santa Cruz Investment Pool
Maturity Distribution
June 30, 2019

Maturing In:	6/30/2019		3/31/2019	6/30/2018	6/30/2017
1 Day	13.95%		8.96%	7.60%	8.85%
2 to 90	28.31%		22.52%	29.84%	18.65%
91 to 360	37.88%		46.37%	45.39%	25.14%
361 to 720	9.19%		14.33%	14.57%	38.51%
721+	10.67%		7.82%	2.60%	8.85%
Total	100%		100%	100%	100%
WAM (days)	234		259	194	319
Duration	0.63		0.70	0.53	0.87



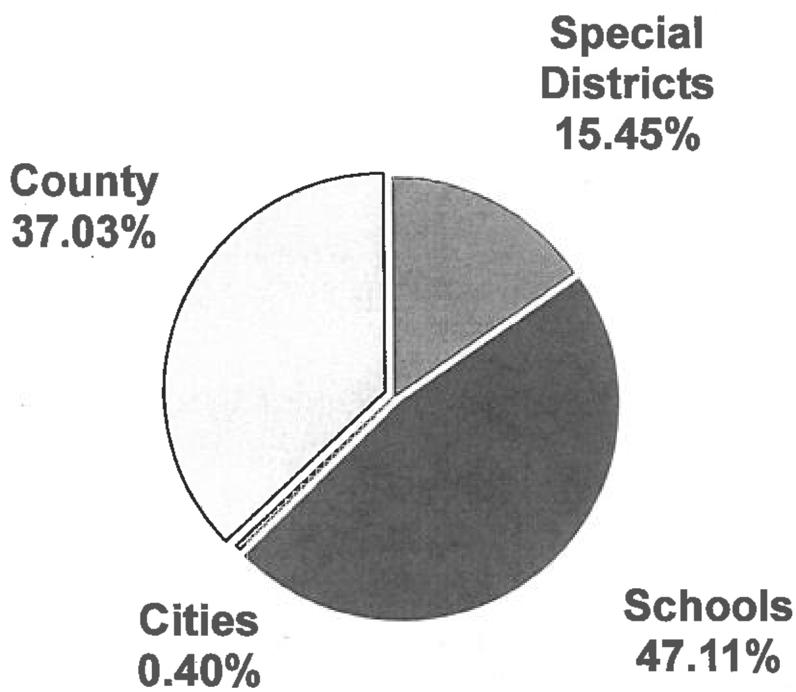
County of Santa Cruz Investment Pool
Credit Quality Distribution
June 30, 2019



Rating	Market Value ($ mil)		6/30/2019	3/31/2019	6/30/2018	6/30/2017
AAA / AA+ *	$	541	62%	67%	69%	77%
AA	$	94	11%	8%	6%	3%
A	$	-	0%	0%	0%	0%
A1 / P1 / F1	$	95	11%	14%	17%	9%
Checking	$	16	2%	2%	1%	2%
Money Market	$	55	6%	7%	1%	1%
LAIF / Unrated	$	77	9%	2%	6%	9%
Total Portfolio Value	$	878	100%	100%	100%	100%

* The AAA / AA+ category includes securities rated Aaa / AAA and Aaa / AA+

County of Santa Cruz Investment Pool
Source of Funds
As of June 30, 2019



	6/30/2019	6/30/2018	6/30/2017
County	37.03%	43.63%	34.91%
Special Districts	15.45%	9.46%	10.61%
Schools	47.11%	46.85%	54.01%
Cities	0.40%	0.06%	0.46%
Total	100%	100%	100%

DETAILED LIST OF INVESTMENTS OUTSTANDING

As of June 30, 2019

REPORT DESCRIPTION

The **Detailed List of Investments Outstanding** lists active investments in the portfolio on a specific date providing information on the market values, book values, interest rates and yields. It is arranged so that the securities of the same type are grouped together. What follows is a description of the abbreviations used in the report.

CUSIP – The CUSIP number is a 9-character alphanumeric code which identifies a North American financial security for the purposes of facilitating clearing and settlement of trades.

INVESTMENT NUMBER – This is a unique system-generated number assigned to the security. Assigned by the County for internal identification purposes.

ISSUER – The issuer named is the name of the institution which issued the bond.

PURCHASE DATE – This is the date on which the security was purchased.

PAR VALUE – The nominal or face vale of a bond. This is the amount that will be received at maturity with accrued interest. It is also the amount that is used in calculating the interest received on the bond.

MARKET VALUE – Market value is the dollar amount the security could have been sold for on the report date. By comparing this number to the book value one is able to determine what, if any, loss or gain we would realize if we were to sell the bond in the open market.

BOOK VALUE – The original cost for each investment adjusted for amortization of premiums or accretions of discounts to the date of the report. Amortizations and accretions are calculated on a straight line basis.

STATED RATE – In most cases this is the coupon rate (rate of interest) set on a bond at the issue date by the issuer. If the security has no coupon (discount note, UST Bill or CP) then the stated rate is the yield to maturity on the date that the bond is purchased. The stated rate is not intended for comparing yields between different investments because the item may have been purchased at a discount or premium to par.

YTM – This is the Yield to Maturity. This is what the yield will be on the bond if it is held to maturity.

DAYS TO MATURITY – This is the number of days remaining between the report date and the maturity date.

MATURITY DATE – The maturity date is the date when a bond matures. On the maturity date an issuer of a security will pay the holder of the security the par value plus any accrued interest earned on the security from the date of last distribution.

Quarterly Reports
Portfolio Management
Portfolio Summary
June 30, 2019

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM 360 Equiv.	YTM 365 Equiv.
U.S. Treasury Notes/ Bonds	203,000,000.00	202,601,720.00	202,270,004.12	23.52	500	135	2.338	2.371
Federal Agency Issues - Coupon	179,000,000.00	179,588,665.00	178,581,124.59	20.77	667	422	2.530	2.566
Medium Term Notes	104,550,000.00	105,058,109.50	104,358,132.55	12.13	818	503	2.462	2.496
Negotiable CDs	95,000,000.00	95,022,400.00	95,000,000.00	11.05	138	31	2.594	2.630
Municipal Bonds	24,195,000.00	24,381,126.30	24,193,433.73	2.81	1,025	729	2.296	2.328
Santa Cruz County Auditor Loan	12,000,000.00	12,000,000.00	12,000,000.00	1.40	33	30	2.500	2.535
Local Agency Investment Fund (LAIF)	65,238,768.79	65,238,768.79	65,238,768.79	7.59	1	1	2.535	2.570
Treasury Discounts -Amortizing	73,000,000.00	72,540,060.00	72,479,403.89	8.43	175	110	2.406	2.439
Supranationals	51,000,000.00	50,948,550.00	50,685,117.23	5.89	723	393	2.391	2.424
Money Market Mutual Funds 02	55,200,000.00	55,200,000.00	55,200,000.00	6.42	1	1	2.380	2.413
Investments	**862,183,768.79**	**862,579,399.59**	**860,005,984.90**	**100.00%**	**457**	**237**	**2.449**	**2.483**

Total Earnings	June 30 Period	Fiscal Year Ending
Current Year	5,371,433.70	17,032,731.74
Average Daily Balance	888,882,825.07	
Effective Rate of Return	2.42%	

Santa Cruz County Treasurer,

Reporting period 04/01/2019-06/30/2019
Data Updated: SET_QE: 07/15/2019 11:15
Run Date: 07/15/2019 - 11:15

No fiscal year history available

Portfolio SCRZ
NL! AC
PM (PRF_PM1) 7.3.0
Report Ver. 7.3.6.1

Quarterly Reports
Portfolio Management
Portfolio Details - Investments
June 30, 2019

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM 360	YTM 365	Days to Maturity	Maturity Date
U.S. Treasury Notes/ Bonds												
912828S43	22206	US Treasury N/B		11/28/2016	17,000,000.00	16,990,310.00	16,996,296.76	0.750	1.311	1.329	14	07/15/2019
912828WW6	22277	US Treasury N/B		07/27/2018	12,000,000.00	11,993,760.00	11,992,111.28	1.625	2.406	2.439	30	07/31/2019
9128282B5	22287	US Treasury N/B		11/05/2018	10,000,000.00	9,981,200.00	9,977,080.11	0.750	2.599	2.635	45	08/15/2019
9128282T6	22286	US Treasury N/B		10/31/2018	18,000,000.00	17,969,040.00	17,959,084.60	1.250	2.599	2.635	61	08/31/2019
9128282G4	22202	US Treasury N/B		11/10/2016	20,000,000.00	19,942,000.00	19,993,428.18	0.875	1.021	1.036	76	09/15/2019
912828T59	22276	US Treasury N/B		07/19/2018	20,000,000.00	19,936,000.00	19,915,176.60	1.000	2.458	2.492	106	10/15/2019
912828F62	22292	US Treasury N/B		11/21/2018	20,000,000.00	19,958,600.00	19,921,865.92	1.500	2.655	2.692	122	10/31/2019
912828U32	22289	US Treasury N/B		11/09/2018	15,000,000.00	14,936,700.00	14,902,416.93	1.000	2.732	2.770	137	11/15/2019
912828UL2	22294	US Treasury N/B		11/28/2018	20,000,000.00	19,918,800.00	19,840,217.07	1.375	2.732	2.770	214	01/31/2020
912828W22	22307	US Treasury N/B		02/04/2019	20,000,000.00	19,914,000.00	19,854,876.58	1.375	2.519	2.554	229	02/15/2020
9128283Y4	22297	US Treasury N/B		12/13/2018	18,000,000.00	18,023,220.00	17,939,832.82	2.250	2.725	2.763	243	02/29/2020
9128284J6	22303	US Treasury N/B		01/17/2019	13,000,000.00	13,038,090.00	12,977,617.27	2.375	2.550	2.585	304	04/30/2020
		Subtotal and Average	**224,054,476.21**		**203,000,000.00**	**202,601,720.00**	**202,270,004.12**		**2.338**	**2.371**	**135**	
Federal Agency Issues - Coupon												
3130AGC52	22321	Federal Home Loan Bank		05/01/2019	18,000,000.00	18,018,585.00	18,009,686.62	2.450	2.481	2.515	84	09/23/2019
3137EADM8	22274	Fed.Home Loan Mtg.Corp		07/02/2018	15,000,000.00	14,963,700.00	14,955,319.00	1.250	2.419	2.453	93	10/02/2019
3133EJ4K2	22301	Federal Farm Credit Bank		01/03/2019	16,000,000.00	16,051,040.00	16,000,000.00	2.625	2.589	2.625	186	01/03/2020
3137EAEE5	22244	Fed.Home Loan Mtg.Corp		11/15/2017	15,000,000.00	14,946,900.00	14,979,209.46	1.500	1.736	1.760	200	01/17/2020
3130ADN32	22259	Federal Home Loan Bank		02/09/2018	10,000,000.00	10,004,200.00	9,996,648.20	2.125	2.151	2.181	225	02/11/2020
3130A12B3	22305	Federal Home Loan Bank		01/24/2019	10,000,000.00	10,000,800.00	9,965,496.33	2.125	2.591	2.627	256	03/13/2020
3133EJRL5	22270	Federal Farm Credit Bank		06/11/2018	13,000,000.00	13,053,430.00	12,996,669.47	2.550	2.543	2.578	346	06/11/2020
3134GBXV9	22284	Fed.Home Loan Mtg.Corp		10/25/2018	20,000,000.00	19,949,000.00	19,792,932.04	1.850	2.844	2.883	378	07/13/2020
3130ACLP7	22313	Federal Home Loan Bank		03/15/2019	10,000,000.00	9,997,600.00	9,918,646.98	1.950	2.536	2.571	493	11/05/2020
3133EKFP6	22317	Federal Farm Credit Bank		04/05/2019	12,000,000.00	12,093,000.00	11,976,436.33	2.230	2.313	2.345	644	04/05/2021
3133EJT74	22290	Federal Farm Credit Bank		11/15/2018	13,000,000.00	13,374,010.00	12,990,080.16	3.050	3.042	3.084	868	11/15/2021
3134GSJ55	22300	Fed.Home Loan Mtg.Corp		12/27/2018	12,000,000.00	12,066,600.00	12,000,000.00	3.050	3.008	3.050	910	12/27/2021
3134GS7E9	22314	Fed.Home Loan Mtg.Corp		03/25/2019	15,000,000.00	15,069,600.00	15,000,000.00	2.600	2.564	2.600	998	03/25/2022
		Subtotal and Average	**216,936,424.88**		**179,000,000.00**	**179,588,665.00**	**178,581,124.59**		**2.530**	**2.566**	**422**	
Medium Term Notes												
63254AAQ1	22280	National Australia Bank		08/22/2018	12,000,000.00	11,996,640.00	11,995,421.25	1.375	2.610	2.646	11	07/12/2019
594918BN3	22200	Microsoft Corp		08/08/2016	10,000,000.00	9,988,100.00	9,999,948.61	1.100	1.090	1.105	38	08/08/2019
89236TDH5	22296	Toyota Motor Credit Corp		12/11/2018	9,000,000.00	8,981,190.00	8,965,181.43	1.550	2.836	2.876	109	10/18/2019
90331HNJ8	22299	US Bank NA		12/21/2018	12,000,000.00	12,004,200.00	11,956,405.10	2.350	2.971	3.012	206	01/23/2020
037833CK4	22248	Apple Inc		11/21/2017	11,550,000.00	11,525,629.50	11,541,318.35	1.900	2.000	2.028	221	02/07/2020

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Portfolio Details - Investments
June 30, 2019

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM 360	YTM 365	Days to Maturity	Maturity Date
Medium Term Notes												
931142EG4	22271	Wal -Mart Stores Inc.		06/27/2018	10,000,000.00	10,067,000.00	10,005,555.31	2.850	2.753	2.791	358	06/23/2020
594918BP8	22304	Microsoft Corp		01/24/2019	10,000,000.00	9,914,900.00	9,767,268.05	1.550	2.665	2.702	769	08/08/2021
478160CD4	22309	Johnson & Johnson Corp		02/15/2019	15,000,000.00	15,101,850.00	14,844,529.23	2.250	2.620	2.656	976	03/03/2022
037833BU3	22323	Apple Inc		06/03/2019	15,000,000.00	15,478,600.00	15,282,505.22	2.850	2.499	2.534	1,333	02/23/2023
		Subtotal and Average	**93,717,894.72**		**104,550,000.00**	**105,058,109.50**	**104,358,132.55**		**2.462**	**2.496**	**503**	
Negotiable CDs												
89114MA49	22318	Toronto Dominion Bank NY		04/05/2019	25,000,000.00	25,000,500.00	25,000,000.00	2.560	2.560	2.596	1	07/02/2019
85325T2K0	22310	Standard Chartered		02/21/2019	25,000,000.00	25,003,750.00	25,000,000.00	2.620	2.620	2.656	21	07/22/2019
62478TT41	22306	MUFG Union Bank NA CD		01/28/2019	20,000,000.00	20,007,400.00	20,000,000.00	2.620	2.620	2.656	49	08/19/2019
87019VWT0	22320	Swedbank NY		04/26/2019	25,000,000.00	25,010,750.00	25,000,000.00	2.580	2.580	2.616	57	08/27/2019
		Subtotal and Average	**128,516,483.52**		**95,000,000.00**	**95,022,400.00**	**95,000,000.00**		**2.594**	**2.630**	**31**	
Municipal Bonds												
13063DDE5	22260	State of California		02/15/2018	12,195,000.00	12,247,926.30	12,193,433.73	2.300	2.275	2.307	458	10/01/2020
13063DLY2	22316	State of California		04/04/2019	12,000,000.00	12,133,200.00	12,000,000.00	2.350	2.318	2.350	1,005	04/01/2022
		Subtotal and Average	**23,797,675.00**		**24,195,000.00**	**24,381,126.30**	**24,193,433.73**		**2.296**	**2.328**	**729**	
Santa Cruz County Auditor Loan												
SYS062819	22325	Santa Cruz County Auditor		06/28/2019	12,000,000.00	12,000,000.00	12,000,000.00	2.500	2.500	2.535	30	07/31/2019
		Subtotal and Average	**395,604.40**		**12,000,000.00**	**12,000,000.00**	**12,000,000.00**		**2.500**	**2.535**	**30**	
Local Agency Investment Fund (LAIF)												
SYS6501	6501	LAIF (General Fund)			65,238,768.79	65,238,768.79	65,238,768.79	2.570	2.535	2.570	1	
		Subtotal and Average	**37,249,297.10**		**65,238,768.79**	**65,238,768.79**	**65,238,768.79**		**2.535**	**2.570**	**1**	
Union Bank Activity - Dividend												
SYS21111	21111	Union Bank			0.00	0.00	0.00	2.260	2.229	2.260	1	
		Subtotal and Average	**54.30**		**0.00**	**0.00**	**0.00**		**0.000**	**0.000**	**0**	
Treasury Discounts -Amortizing												
912796RA9	22319	US Treasury Bill		04/12/2019	20,000,000.00	19,916,400.00	19,903,680.56	2.375	2.433	2.466	73	09/12/2019
912796RF8	22322	US Treasury Bill		05/15/2019	18,000,000.00	17,894,160.00	17,881,325.00	2.350	2.406	2.439	101	10/10/2019
912796RM3	22315	US Treasury Bill		03/27/2019	20,000,000.00	19,852,200.00	19,831,440.00	2.352	2.415	2.448	129	11/07/2019
912796ST7	22324	US Treasury Bill		06/03/2019	15,000,000.00	14,877,300.00	14,862,958.33	2.300	2.358	2.390	143	11/21/2019

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June 30, 2019

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM 360	YTM 365	Days to Maturity	Maturity Date
		Subtotal and Average	**51,015,251.90**		**73,000,000.00**	**72,540,060.00**	**72,479,403.89**		**2.406**	**2.439**	**110**	
Supranationals												
459058FS7	22214	Int Bank of Recon & Redev		01/04/2017	10,000,000.00	9,955,000.00	9,979,450.81	1.125	1.623	1.646	149	11/27/2019
4581X0CP1	22312	Inter-American Devel Bank		03/05/2019	16,000,000.00	15,967,200.00	15,888,163.12	1.875	2.584	2.620	351	06/16/2020
45950VMC7	22275	International Fin Corp		07/03/2018	10,000,000.00	10,022,900.00	10,000,000.00	2.610	2.574	2.610	364	06/29/2020
4581X0CS5	22308	Inter-American Devel Bank		02/08/2019	15,000,000.00	15,003,450.00	14,817,503.30	1.875	2.576	2.612	623	03/15/2021
		Subtotal and Average	**54,827,184.32**		**51,000,000.00**	**50,948,550.00**	**50,685,117.23**		**2.391**	**2.424**	**393**	
Money Market Mutual Funds 02												
032 005 207	21923	Bank of the West		03/16/2009	200,000.00	200,000.00	200,000.00	2.130	2.101	2.130	1	
SYS011119	22302	CAMP		01/11/2019	50,000,000.00	50,000,000.00	50,000,000.00	2.480	2.446	2.480	1	
157 519 832 743	22283	US Bank MMMF		10/23/2018	5,000,000.00	5,000,000.00	5,000,000.00	1.750	1.726	1.750	1	
		Subtotal and Average	**58,118,957.45**		**55,200,000.00**	**55,200,000.00**	**55,200,000.00**		**2.380**	**2.413**	**1**	
Rolling Repurchase Agreements - 3												
		Subtotal and Average	**253,521.28**									
		Total and Average	**888,882,825.07**		**862,183,768.79**	**862,579,399.59**	**860,005,984.90**		**2.449**	**2.483**	**237**	

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SECURITIES ACTIVITY BY BROKER

A Report on the

Investment Transactions by Broker-Dealer
For the Period Indicated

County of Santa Cruz
Activity Report
Sorted By Dealer
April 1, 2019 - June 30, 2019

CUSIP	Investment #	Issuer	Percent of Portfolio	Par Value Beginning Balance	Current Rate	Transaction Date	Par Value Purchases or Deposits	Par Value Redemptions or Withdrawals	Ending Balance
Dealer: Bank of the West									
Money Market Mutual Funds 02									
032 005 207	21923	Bank of the West			2.130		25,000,000.00	25,300,000.00	
		Subtotal and Balance		500,000.00			25,000,000.00	25,300,000.00	200,000.00
		Dealer Subtotal	0.023%	500,000.00			25,000,000.00	25,300,000.00	200,000.00
Dealer: CAMP									
Money Market Mutual Funds 02									
SYS011119	22302	CAMP			2.480		101,245,356.45	107,245,356.45	
		Subtotal and Balance		56,000,000.00			101,245,356.45	107,245,356.45	50,000,000.00
		Dealer Subtotal	5.798%	56,000,000.00			101,245,356.45	107,245,356.45	50,000,000.00
Dealer: Jeffries & Company, INC									
U.S. Treasury Notes/ Bonds									
		Subtotal and Balance		69,000,000.00					69,000,000.00
Federal Agency Issues - Coupon									
3130AGC52	22321	Federal Home Loan Bank			2.450	05/01/2019	18,000,000.00	0.00	
		Subtotal and Balance		13,000,000.00			18,000,000.00	0.00	31,000,000.00
Treasury Discounts -Amortizing									
912796RF8	22322	US Treasury Bill			2.350	05/15/2019	18,000,000.00	0.00	
		Subtotal and Balance		0.00			18,000,000.00	0.00	18,000,000.00
		Dealer Subtotal	13.682%	82,000,000.00			36,000,000.00	0.00	118,000,000.00
Dealer: Keybanc Capital Mark									
U.S. Treasury Notes/ Bonds									

County of Santa Cruz
Activity Report
April 1, 2019 - June 30, 2019

CUSIP	Investment #	Issuer	Percent of Portfolio	Par Value Beginning Balance	Current Rate	Transaction Date	Par Value Purchases or Deposits	Par Value Redemptions or Withdrawals	Ending Balance
	Subtotal and Balance			20,000,000.00					20,000,000.00
Federal Agency Issues - Coupon									
3136G3NA9	22196	Federal National Mort. Assoc.			1.200	05/23/2019	0.00	15,000,000.00	
3130AB2G0	22227	Federal Home Loan Bank			1.400	06/27/2019	0.00	18,000,000.00	
3130ABF92	22264	Federal Home Loan Bank			1.375	05/28/2019	0.00	15,000,000.00	
	Subtotal and Balance			109,000,000.00			0.00	48,000,000.00	61,000,000.00
	Dealer Subtotal		9.392%	129,000,000.00			0.00	48,000,000.00	81,000,000.00
Dealer: LAIF (General Fund)									
Local Agency Investment Fund (LAIF)									
SYS6501	6501	LAIF (General Fund)			2.570		176,238,768.79	127,174,804.80	
	Subtotal and Balance			16,174,804.80			176,238,768.79	127,174,804.80	65,238,768.79
	Dealer Subtotal		7.564%	16,174,804.80			176,238,768.79	127,174,804.80	65,238,768.79
Dealer: Lighthouse Bank									
Rolling Repurchase Agreements - 3									
CD-101345	22231	Lighthouse Bank			0.700	04/03/2019	150.68	0.00	
	Subtotal and Balance			253,373.91			150.68	0.00	253,524.59
	Dealer Subtotal		0.029%	253,373.91			150.68	0.00	253,524.59
Dealer: Multi-Bank Secutities Inc									
Federal Agency Issues - Coupon									
	Subtotal and Balance			10,000,000.00					10,000,000.00
Medium Term Notes									
	Subtotal and Balance			11,550,000.00					11,550,000.00
Supranationals									
459058FC2	22191	Int Bank of Recon & Redev			1.250	04/26/2019	0.00	15,000,000.00	
	Subtotal and Balance			15,000,000.00			0.00	15,000,000.00	0.00
	Dealer Subtotal		2.499%	36,550,000.00			0.00	15,000,000.00	21,550,000.00

County of Santa Cruz
Activity Report
April 1, 2019 - June 30, 2019

CUSIP	Investment #	Issuer	Percent of Portfolio	Par Value Beginning Balance	Current Rate	Transaction Date	Par Value Purchases or Deposits	Par Value Redemptions or Withdrawals	Par Value Ending Balance
Dealer: MUFG Union Bank NA									
U.S. Treasury Notes/ Bonds									
912828R44	22263	US Treasury N/B			0.875	05/15/2019	0.00	20,000,000.00	
		Subtotal and Balance		35,000,000.00			0.00	20,000,000.00	15,000,000.00
Federal Agency Issues - Coupon									
		Subtotal and Balance		37,000,000.00					37,000,000.00
Medium Term Notes									
037833BU3	22323	Apple Inc			2.850	06/03/2019	15,000,000.00	0.00	
		Subtotal and Balance		22,000,000.00			15,000,000.00	0.00	37,000,000.00
Negotiable CDs									
		Subtotal and Balance		20,000,000.00					20,000,000.00
Municipal Bonds									
13063DLY2	22316	State of California			2.350	04/04/2019	12,000,000.00	0.00	
		Subtotal and Balance		12,195,000.00			12,000,000.00	0.00	24,195,000.00
Supranationals									
		Subtotal and Balance		16,000,000.00					16,000,000.00
		Dealer Subtotal	17.299%	142,195,000.00			27,000,000.00	20,000,000.00	149,195,000.00
Dealer: Prebon									
Medium Term Notes									
		Subtotal and Balance		21,000,000.00					21,000,000.00
Negotiable CDs									
87019VTU1	22295	Swedbank NY			2.680	04/29/2019	0.00	25,000,000.00	
65558TER2	22311	Nordea Bank AB (PUBL) / NY			2.550	06/27/2019	0.00	25,000,000.00	
89114MA49	22318	Toronto Dominion Bank NY			2.560	04/05/2019	25,000,000.00	0.00	
87019VWT0	22320	Swedbank NY			2.580	04/26/2019	25,000,000.00	0.00	
		Subtotal and Balance		50,000,000.00			50,000,000.00	50,000,000.00	50,000,000.00
		Dealer Subtotal	8.232%	71,000,000.00			50,000,000.00	50,000,000.00	71,000,000.00

County of Santa Cruz
Activity Report
April 1, 2019 - June 30, 2019

CUSIP	Investment #	Issuer	Percent of Portfolio	Par Value Beginning Balance	Current Rate	Transaction Date	Par Value Purchases or Deposits	Par Value Redemptions or Withdrawals	Ending Balance
Dealer: Royal Bank Canada Capital Mrkt									
U.S. Treasury Notes/ Bonds									
	Subtotal and Balance			**61,000,000.00**					**61,000,000.00**
Negotiable CDs									
78012UJU0	22288	Royal Bank of Canada			2.820	05/07/2019	0.00	25,000,000.00	
	Subtotal and Balance			**50,000,000.00**			**0.00**	**25,000,000.00**	**25,000,000.00**
Supranationals									
	Subtotal and Balance			**25,000,000.00**					**25,000,000.00**
	Dealer Subtotal		**12.871%**	**136,000,000.00**			**0.00**	**25,000,000.00**	**111,000,000.00**
Dealer: SANTA CRUZ COUNTY									
Santa Cruz County Auditor Loan									
SYS062819	22325	Santa Cruz County Auditor			2.500	06/28/2019	12,000,000.00	0.00	
	Subtotal and Balance			**0.00**			**12,000,000.00**	**0.00**	**12,000,000.00**
	Dealer Subtotal		**1.391%**	**0.00**			**12,000,000.00**	**0.00**	**12,000,000.00**
Dealer: Stifel Nicolaus & Co									
U.S. Treasury Notes/ Bonds									
912828R85	22258	US Treasury N/B			0.875	06/17/2019	0.00	15,000,000.00	
	Subtotal and Balance			**53,000,000.00**			**0.00**	**15,000,000.00**	**38,000,000.00**
Federal Agency Issues - Coupon									
3133EKFP6	22317	Federal Farm Credit Bank			2.230	04/05/2019	12,000,000.00	0.00	
	Subtotal and Balance			**28,000,000.00**			**12,000,000.00**	**0.00**	**40,000,000.00**
Medium Term Notes									
	Subtotal and Balance			**25,000,000.00**					**25,000,000.00**
Treasury Discounts -Amortizing									
912796RA9	22319	US Treasury Bill			2.375	04/12/2019	20,000,000.00	0.00	
912796ST7	22324	US Treasury Bill			2.300	06/03/2019	15,000,000.00	0.00	

CUSIP	Investment #	Issuer	Percent of Portfolio	Par Value Beginning Balance	Current Rate	Transaction Date	Par Value Purchases or Deposits	Par Value Redemptions or Withdrawals	Ending Balance
	Subtotal and Balance			20,000,000.00			35,000,000.00	0.00	55,000,000.00
Supranationals									
	Subtotal and Balance			10,000,000.00					10,000,000.00
	Dealer Subtotal		19.480%	136,000,000.00			47,000,000.00	15,000,000.00	168,000,000.00
Dealer: Union Bank									
Union Bank Activity - Dividend									
SYS21111	21111	Union Bank			2.260		404.57	404.57	
	Subtotal and Balance			0.00			404.57	404.57	0.00
	Dealer Subtotal		0.000%	0.00			404.57	404.57	0.00
Dealer: US Bank MMMF									
Money Market Mutual Funds 02									
157 519 832 743	22283	US Bank MMMF			1.750		16,500,000.00	13,500,000.00	
	Subtotal and Balance			2,000,000.00			16,500,000.00	13,500,000.00	5,000,000.00
	Dealer Subtotal		0.580%	2,000,000.00			16,500,000.00	13,500,000.00	5,000,000.00
Dealer: Wells Fargo Securities LLC									
Federal Agency Issues - Coupon									
3133EGCA1	22197	Federal Farm Credit Bank			1.060	06/03/2019	0.00	14,000,000.00	
	Subtotal and Balance			14,000,000.00			0.00	14,000,000.00	0.00
Medium Term Notes									
	Subtotal and Balance			10,000,000.00					10,000,000.00
	Dealer Subtotal		1.160%	24,000,000.00			0.00	14,000,000.00	10,000,000.00
	Total		100.000%	831,673,178.71			490,984,680.49	460,220,565.82	862,437,293.38

ACCRUED INTEREST REPORT

As of June 30, 2019

REPORT DESCRIPTION

The **Accrued Interest Report** shows the amount of interest earned, but not yet received, for each active investment within the portfolio. Within the date range, the report displays the amount of interest accrued as of the report beginning date, the amount of interest earned during the reporting period, the amount of interest recorded as received, and the ending accrued interest. What follows is a description of the report's headings.

ISSUER – Issuer is the name of the institution which issued the investment.

INVESTMENT NUMBER – The investment number is a unique number that identifies the investment position.

SECURITY TYPE – This heading is a three-character code assigned by the program to identify each type of investment.

PAR VALUE- The nominal or face value of the security.

MATURITY DATE – The maturity date is the date on when an investment will mature.

CURRENT RATE – For coupon instruments, the current rate is the coupon or interest rate at the time of purchase. For discount instruments, the current rate is the yield to maturity.

BEGINNING ACCRUED INTEREST – This column displays the amount of interest earned, but not yet received, as of the report beginning date.

INTEREST EARNED – This column shows the amount of interest earned during the selected reporting period.

INTEREST RECEIVED – This column includes the amount of interest posted as received during the selected reporting period.

ENDING ACCURED INTEREST – This column displays the amount of interest earned, but not yet received, as of the report ending date.

Santa Cruz County

Quarterly Reports
Accrued Interest
Sorted by Security Type - Maturity Date
April 1, 2019 - June 30, 2019

CUSIP	Investment #	Security Type	Par Value	Maturity Date	Current Rate	* Beginning Accrued Interest	Adjusted Acc'd Int. at Purchase During Period	Interest Earned	Interest Received	* Ending Accrued Interest
U.S. Treasury Notes/ Bonds										
912828R44	22263	TRC	0.00	05/15/2019	0.875	66,229.28	0.00	21,270.72	87,500.00	0.00
912828R85	22258	TRC	0.00	06/15/2019	0.875	38,581.73	0.00	27,043.27	65,625.00	0.00
912828S43	22206	TRC	17,000,000.00	07/15/2019	0.750	26,767.96	0.00	32,051.10	0.00	58,819.06
912828WW6	22277	TRC	12,000,000.00	07/31/2019	1.625	32,320.44	0.00	49,019.34	0.00	81,339.78
9128282B5	22287	TRC	10,000,000.00	08/15/2019	0.750	9,323.20	0.00	18,853.60	0.00	28,176.80
9128282T6	22286	TRC	18,000,000.00	08/31/2019	1.250	19,565.22	0.00	55,638.58	0.00	75,203.80
9128282G4	22202	TRC	20,000,000.00	09/15/2019	0.875	8,084.24	0.00	43,274.46	0.00	51,358.70
912828T59	22276	TRC	20,000,000.00	10/15/2019	1.000	92,307.69	0.00	49,768.81	100,000.00	42,076.50
912828F62	22292	TRC	20,000,000.00	10/31/2019	1.500	125,966.85	0.00	74,576.63	150,000.00	50,543.48
912828U32	22289	TRC	15,000,000.00	11/15/2019	1.000	56,767.96	0.00	37,389.65	75,000.00	19,157.61
912828UL2	22294	TRC	20,000,000.00	01/31/2020	1.375	45,580.11	0.00	69,129.83	0.00	114,709.94
912828W22	22307	TRC	20,000,000.00	02/15/2020	1.375	34,185.08	0.00	69,129.84	0.00	103,314.92
9128283Y4	22297	TRC	18,000,000.00	02/29/2020	2.250	35,217.39	0.00	100,149.46	0.00	135,366.85
9128284J6	22303	TRC	13,000,000.00	04/30/2020	2.375	129,640.88	0.00	76,751.78	154,375.00	52,017.66
		Subtotal	203,000,000.00			720,538.03	0.00	724,047.07	632,500.00	812,085.10
Federal Agency Issues - Coupon										
3136G3NA9	22196	FAC	0.00	05/23/2019	1.200	64,000.00	0.00	26,000.00	90,000.00	0.00
3130ABF92	22264	FAC	0.00	05/28/2019	1.375	70,468.75	0.00	32,656.25	103,125.00	0.00
3133EGCA1	22197	FAC	0.00	06/03/2019	1.060	48,642.22	0.00	25,557.78	74,200.00	0.00
3130AB2G0	22227	FAC	0.00	06/27/2019	1.400	65,800.00	0.00	60,200.00	126,000.00	0.00
3130AGC52	22321	FAC	18,000,000.00	09/23/2019	2.450	0.00	11,025.00	74,725.00	0.00	85,750.00
3137EADM8	22274	FAC	15,000,000.00	10/02/2019	1.250	93,229.17	0.00	46,875.00	93,750.00	46,354.17
3133EJ4K2	22301	FAC	16,000,000.00	01/03/2020	2.625	102,666.67	0.00	105,000.00	0.00	207,666.67
3137EAEE5	22244	FAC	15,000,000.00	01/17/2020	1.500	46,250.00	0.00	56,250.00	0.00	102,500.00
3130ADN32	22259	FAC	10,000,000.00	02/11/2020	2.125	29,513.89	0.00	53,125.00	0.00	82,638.89
3130A12B3	22305	FAC	10,000,000.00	03/13/2020	2.125	10,625.00	0.00	53,125.00	0.00	63,750.00
3133EJRL5	22270	FAC	13,000,000.00	06/11/2020	2.550	101,291.67	0.00	82,875.00	165,750.00	18,416.67
3134GBXV9	22284	FAC	20,000,000.00	07/13/2020	1.850	80,166.67	0.00	92,500.00	0.00	172,666.67
3130ACLP7	22313	FAC	10,000,000.00	11/05/2020	1.950	79,083.33	0.00	48,750.00	97,500.00	30,333.33
3133EKFP6	22317	FAC	12,000,000.00	04/05/2021	2.230	0.00	0.00	63,926.67	0.00	63,926.67
3133EJT74	22290	FAC	13,000,000.00	11/15/2021	3.050	149,788.89	0.00	99,125.00	198,250.00	50,663.89
3134GSJ55	22300	FAC	12,000,000.00	12/27/2021	3.050	95,566.67	0.00	91,500.00	183,000.00	4,066.67
3134GS7E9	22314	FAC	15,000,000.00	03/25/2022	2.600	6,500.00	0.00	97,500.00	0.00	104,000.00

* Beginning Accrued may not include investments that redeemed in the previous month that had outstanding accrued interest. Ending Accrued includes outstanding purchase

Quarterly Reports
Accrued Interest
Sorted by Security Type - Maturity Date

CUSIP	Investment #	Security Type	Par Value	Maturity Date	Current Rate	* Beginning Accrued Interest	Adjusted Acc'd Int. at Purchase During Period	Interest Earned	Interest Received	* Ending Accrued Interest
		Subtotal	179,000,000.00			1,043,592.93	11,025.00	1,109,690.70	1,131,575.00	1,032,733.63
Medium Term Notes										
63254AAQ1	22280	MTN	12,000,000.00	07/12/2019	1.375	36,208.33	0.00	41,250.00	0.00	77,458.33
594918BN3	22200	MTN	10,000,000.00	08/08/2019	1.100	16,194.44	0.00	27,500.00	0.00	43,694.44
89236TDH5	22296	MTN	9,000,000.00	10/18/2019	1.550	63,162.50	0.00	34,875.00	69,750.00	28,287.50
90331HNJ8	22299	MTN	12,000,000.00	01/23/2020	2.350	53,266.67	0.00	70,500.00	0.00	123,766.67
037833CK4	22248	MTN	11,550,000.00	02/07/2020	1.900	32,917.50	0.00	54,862.50	0.00	87,780.00
931142EG4	22271	MTN	10,000,000.00	06/23/2020	2.850	77,583.33	0.00	71,250.00	142,500.00	6,333.33
594918BP8	22304	MTN	10,000,000.00	08/08/2021	1.550	22,819.44	0.00	38,750.00	0.00	61,569.44
478160CD4	22309	MTN	15,000,000.00	03/03/2022	2.250	26,250.00	0.00	84,375.00	0.00	110,625.00
037833BU3	22323	MTN	15,000,000.00	02/23/2023	2.850	0.00	118,750.00	33,250.00	0.00	152,000.00
		Subtotal	104,550,000.00			328,402.21	118,750.00	456,612.50	212,250.00	691,514.71
Negotiable CDs										
87019VTU1	22295	NCB	0.00	04/29/2019	2.680	228,916.67	0.00	52,111.11	281,027.78	0.00
78012UJU0	22288	NCB	0.00	05/07/2019	2.820	283,958.33	0.00	70,500.00	354,458.33	0.00
65558TER2	22311	NCB	0.00	06/27/2019	2.550	58,437.50	0.00	154,062.50	212,500.00	0.00
89114MA49	22318	NCB	25,000,000.00	07/02/2019	2.560	0.00	0.00	154,666.66	0.00	154,666.66
85325T2K0	22310	NCB	25,000,000.00	07/22/2019	2.620	70,958.33	0.00	165,569.45	0.00	236,527.78
62478TT41	22306	NCB	20,000,000.00	08/19/2019	2.620	91,700.00	0.00	132,455.56	0.00	224,155.56
87019VWT0	22320	NCB	25,000,000.00	08/27/2019	2.580	0.00	0.00	118,250.00	0.00	118,250.00
		Subtotal	95,000,000.00			733,970.83	0.00	847,615.28	847,986.11	733,600.00
Municipal Bonds										
13063DDE5	22260	MUN	12,195,000.00	10/01/2020	2.300	140,242.50	0.00	70,121.25	140,242.50	70,121.25
13063DLY2	22316	MUN	12,000,000.00	04/01/2022	2.350	0.00	0.00	68,150.00	0.00	68,150.00
		Subtotal	24,195,000.00			140,242.50	0.00	138,271.25	140,242.50	138,271.25
Santa Cruz County Auditor Loan										
SYS062819	22325	MC9	12,000,000.00	07/31/2019	2.500	0.00	0.00	2,500.00	0.00	2,500.00
		Subtotal	12,000,000.00			0.00	0.00	2,500.00	0.00	2,500.00
Local Agency Investment Fund (LAIF)										
SYS6501	6501	LA1	65,238,768.79		2.570	174,804.80	0.00	238,768.79	174,804.80	238,768.79
		Subtotal	65,238,768.79			174,804.80	0.00	238,768.79	174,804.80	238,768.79
Union Bank Activity - Dividend										
SYS21111	21111	PA3	0.00		2.260	55.57	0.00	614.05	404.57	265.05

* Beginning Accrued may not include investments that redeemed in the previous month that had outstanding accrued interest. Ending Accrued includes outstanding purchase

Portfolio SCRZ
AC

Data Updated: SET_QE: 07/15/2019 11:15
Run Date: 07/15/2019 - 11:15

AI (PRF_AI) 7.2.8
Report Ver. 7.3.6.1

Quarterly Reports
Accrued Interest
Sorted by Security Type - Maturity Date

CUSIP	Investment #	Security Type	Par Value	Maturity Date	Current Rate	* Beginning Accrued Interest	Adjusted Acc'd Int. at Purchase During Period	Interest Earned	Interest Received	* Ending Accrued Interest
		Subtotal	0.00			55.57	0.00	614.05	404.57	265.05
Supranationals										
459058FC2	22191	MC6	0.00	04/26/2019	1.250	80,729.17	0.00	13,020.83	93,750.00	0.00
459058FS7	22214	MC6	10,000,000.00	11/27/2019	1.125	38,550.00	0.00	28,125.00	56,300.00	10,375.00
4581X0CP1	22312	MC6	16,000,000.00	06/16/2020	1.875	87,500.00	0.00	75,000.00	150,000.00	12,500.00
45950VMC7	22275	MC6	10,000,000.00	06/29/2020	2.610	66,700.00	0.00	65,250.00	0.00	131,950.00
4581X0CS5	22308	MC6	15,000,000.00	03/15/2021	1.875	12,500.00	0.00	70,312.50	0.00	82,812.50
		Subtotal	51,000,000.00			285,979.17	0.00	251,708.33	300,050.00	237,637.50
Money Market Mutual Funds 02										
032 005 207	21923	RRP	200,000.00		2.130	6,974.57	0.00	14,772.27	20,251.42	1,495.42
SYS011119	22302	RRP	50,000,000.00		2.480	131,775.33	0.00	335,730.19	377,131.78	90,373.74
157 519 832 743	22283	RRP	5,000,000.00		1.750	5,711.70	0.00	8,281.41	11,449.91	2,543.20
		Subtotal	55,200,000.00			144,461.60	0.00	358,783.87	408,833.11	94,412.36
Rolling Repurchase Agreements - 3										
CD-101345	22231	RR3	253,524.59	04/03/2019	0.700	140.96	0.00	442.45	150.68	432.73
		Subtotal	253,524.59			140.96	0.00	442.45	150.68	432.73
		Total	789,437,293.38			3,572,188.60	129,775.00	4,129,054.29	3,848,796.77	3,982,221.12

* Beginning Accrued may not include investments that redeemed in the previous month that had outstanding accrued interest. Ending Accrued includes outstanding purchase

DESCRIPTION OF INVESTMENT INSTRUMENTS

The investment activities of County Treasurers are restricted by state law to a select group of government securities and prime money market instruments. To reduce the risk inherent in any one instrument, state law further limits the percentage of the county's portfolio that can be invested in any one type of security.

The types of securities available to the County Treasurer can be divided into three main categories: 1) U.S. Treasury bills, notes and bonds. They are guaranteed by the U.S. Government and are considered to have no credit risk. They also typically have the lowest yield of the securities available for investing. 2) Securities issued by U.S. Government Agencies and Instrumentalities. These securities consist mostly of notes and debentures of agencies and government sponsored corporations. They are not guaranteed by the U.S. government and therefore have some credit risk. Their yield is typically higher than U.S. Treasury securities. 3) Prime money market securities. These consist of securities such as bankers' acceptances, certificates of deposit, commercial paper and municipal bonds. The yield is typically higher than the other types of securities in which the county invests but the risk is also higher. Through diversification and purchasing only highly rated paper, the credit risk is kept to an acceptable minimum. Each of the securities in these three categories is subject to market risk if sold prior to maturity.

What follows is a brief description of the different securities used by the County Treasurer:

U.S. Treasury Notes and Bonds are long term obligations of the U.S. government, which bear coupons. Interest is payable every six months at a rate of one-half the annual coupon. Treasury bonds and notes trading is conducted by the same securities dealers who trade T bills. In the secondary market, prices are quoted in thirty-seconds of 1 percent. Except for their maturities, notes and bonds are identical regardless of their label. Notes are issued for original maturities of one to 10 years. Bonds are issued with original maturities of more than 10 years.

U.S. Treasury Bills are unusual instruments because they bear no specific interest rate. Rather, they are issued originally at a discount from its ultimate maturity (par) value. Because T Bills are issued and traded at a discount, investors receive their returns at maturity or on subsequent resale, which ordinarily will be at prices higher than the original discount.

Federal Farm Credit Bank (FFCB) Discount Notes. FFCB is an instrumentality of the U.S. Government. The notes are the consolidated obligations of the 37 Farm Credit Banks issued on a discount basis with maturities of one year or less. Although not as risk free as Treasury notes, most experts believe the U.S. government has a moral commitment to the farm credit system.

Federal Farm Credit Bank (FFCB) debentures are consolidated obligations of the 37 Farm Credit Banks issued with a fixed coupon rate with maturities ranging from 6 months to 20 years. A debenture is a bond secured only by the general credit of the issuer.

Federal Home Loan Bank (FHLB) Discount notes are consolidated obligations of 12 District banks issued with a fixed coupon rate with maturities ranging from one to ten years. Although the FHLB operates under federal charter with government supervision, the securities are not guaranteed by the U.S. government. However, the banks are required to maintain a considerable reserve pledged against the outstanding debt. They are therefore considered relatively risk free.

Federal National Mortgage Association (Fannie Mae) Discount notes are consolidations of government chartered private corporations issued on a discount basis with maturities under one year. They are guaranteed by the corporations, but not by the U.S. government. Many investors consider the securities a moral obligation of the U.S. government and believe Congress would intervene before allowing default.

Federal National Mortgage Association (Fannie Mae) debentures are obligations issued by the Association with a fixed coupon rate and various maturities. A debenture is a bond secured only by the general credit of the issuer.

Local Agency Investment Fund (LAIF) is the state sponsored investment fund. LAIF is an excellent cash management tool to help meet most of the unexpected cash demands. Currently the state limits the county's investment in this pool to $65,000,000.

Federal Home Loan Mortgage Corporation (Freddie Mac) Participation Notes are issues of the Federal Home Loan Mortgage Corporation representing undivided interests in conventional mortgages underwritten and previously purchased by it. The corporation guarantees the timely payment of interest at the certificate rate and full return of principal. Participation Certificates have original final payment dates of 30 years.

Government National Mortgage Association (Ginnie Mae) Pass Through are issues of the wholly owned government corporation within the Department of Housing and Urban Development. Principal and interest payment collected on mortgages in specified pools are passed through to holders of GNMA Guaranteed certificates after deduction of servicing and guaranty fees. GNMA's have original stated maturities of 12 to 40 years. For Santa Cruz County, these are used only as collateral for overnight repurchase agreements.

Municipal Securities (Notes and Bonds) Debt securities issued by state and local governments and their agencies are referred to as municipal securities. Such securities can be divided into two broad categories: bonds issued to finance capital projects and short term notes sold in anticipation of the receipt of other funds, such as taxes or proceeds from a bond issue.

Banker's Acceptances. Briefly stated, the function of the bankers' acceptance is as follows: A borrower may, under certain circumstances, obtain short-term credit by arranging for his bank to accept a time draft upon it. The bank stamps its official accepted across the face of the draft and converts it into a bankers' acceptance. The instrument, now being a bank obligation, may be sold to an acceptance dealer who, in turn, may sell it to an investor. Most BAs arise out of transactions involving the trade of manufactured goods or commodities. Maturities range from one to 180 days.

Commercial Paper is a short-term promissory note issued by a company to finance current transactions. All commercial paper is negotiable, but most commercial paper sold to investors is held to maturity. Commercial paper is issued not only by industrial and manufacturing firms but also by finance companies. Notes are sold on a discount or interest-bearing basis with maturities not exceeding 270 days.

Medium Term Notes are obligations that have maturities of less than 5 years and are issued by corporations or depositories organized and operating in the U.S.

Negotiable Certificate of Deposit (NCD). It is a receipt for deposit of a stated sum in the bank on a given date, together with a promise to redeem this sum plus interest at the indicated rate on a designated date. The instrument is negotiable because it is payable either to bearer or to the order of the depositor.

Repurchase Agreements (RP or Repos). A holder of securities sells securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. Repurchase agreements are usually for short periods of time (one to five days), when large sums are received that will be needed in the next day or two. As a result, they are often called overnight repos. From the point of view of investors, overnight repos offer several attractive features. First, by rolling overnight repos, investors can keep surplus funds invested without losing liquidity or incurring a price risk. Second, because repo transactions are secured by top quality paper, investors expose themselves to little or no risk.

Guaranteed Investment Contract (GIC). This is a fixed income agreement offered by insurance companies. GICs offer to pay a specific interest rate over a period of time. Some GICs are eligible for early redemption, with or without penalty, which eliminates market risk if interest rates rise. In Santa Cruz County it is only used for the investment of secured indebtedness and only if the note documentation permits such an investment.

Money Market (Mutual) Fund. A money market mutual fund is a pooled fund that invests in a number of money market vehicles (CD's, CP, T-Bills, etc.). These funds are designed to pay the investor interest, as well as provide full liquidity. Maturities of the underlying investments are 13 months or less.