



Annual Financial Report
June 30, 2019

Cambrian School District

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CAMBRIAN SCHOOL DISTRICT

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Cambrian School District
San Jose, California

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule, schedule of the District's proportionate share of the net pension, and the schedule of District pension contributions, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cambrian School District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards and other accompanying supplementary information are 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 accompanying supplementary information 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 12, 2019, on our consideration of the Cambrian School 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 Cambrian School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cambrian School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

Palo Alto, California
December 12, 2019

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CAMBRIAN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

This section of Cambrian School District's 2018-2019 annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2019, with comparative information for the year ended June 30, 2018. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the Cambrian School District (District) using the integrated approach as prescribed by GASB Statement Number 34.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities. These statements include all assets of the District (including capital assets) as well as all liabilities (including long-term obligations). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables and receivables.

The *Fund Financial Statements* include statements for each of the two categories of activities: governmental and fiduciary.

The *Governmental Activities* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

The *Fiduciary Activities* are prepared using the accrual basis of accounting.

Reconciliations of the Fund Financial Statements to the Government-Wide Financial Statements are provided to explain the differences created by the integrated approach.

The primary unit of the government is the Cambrian School District.

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

CAMBRIAN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

These two statements report the District's net position and changes in them. Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position will serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is the District's operating results. Since the Board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the education and the safety of our schools will be important components in this evaluation.

Governmental Activities - Most of the District's services are reported in this category. This includes, but is not limited to, the education of kindergarten through grade eight students, support services, extracurricular activities, community services, pupil transportation, and the on-going effort to improve and maintain buildings and sites. Property taxes, state income taxes, user fees, interest income, federal, state and local grants, as well as general obligation bonds, finance these activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

Governmental Funds - All of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for funds held on behalf of others, the associated student body activities. The District's fiduciary activities are reported in the Statement of Fiduciary Net Position. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

CAMBRIAN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

THE DISTRICT AS A WHOLE

Net Position

The District's net position was a \$9,128,238 deficit for the fiscal year ended June 30, 2019. Of this amount, \$15,682,234 was unrestricted deficit. The unrestricted net position of governmental activities represents the accumulated results of all past years' operations for all District funds combined and available reserves. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the school board's ability to use net position for day-to-day operations. Our analysis below focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2018/2019	2017/2018
Current and other assets	\$ 18,204,728	\$ 16,095,471
Capital assets	59,995,966	63,056,081
Total Assets	<u>78,200,694</u>	<u>79,151,552</u>
Deferred Outflows of Resources	<u>11,256,768</u>	<u>10,967,562</u>
Current liabilities	1,917,453	1,881,547
Long-term debt	94,498,767	93,037,106
Total Liabilities	<u>96,416,220</u>	<u>94,918,653</u>
Deferred Inflows of Resources	<u>2,169,480</u>	<u>2,072,245</u>
Net Position		
Net investment in capital assets	3,429,909	14,110,094
Restricted	3,124,087	1,331,035
Unrestricted	(15,682,234)	(22,312,913)
Total Net Position	<u>\$ (9,128,238)</u>	<u>\$ (6,871,784)</u>

CAMBRIAN SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

Unrestricted net position for the year ended June 30, 2019, consist of the following:

	Governmental Activities	
	2018/2019	2017/2018
Unrestricted and Nonspendable General Fund	\$ 5,074,316	\$ 3,982,625
Building Fund	7,730,432	-
Special Reserve - Capital Fund	235,799	702,957
Deferred Outflows of Resources	11,256,768	10,967,562
Deferred Inflows of Resources	(2,169,480)	(2,072,245)
Pension Liabilities	(37,726,356)	(35,829,536)
Compensated Absence	(83,713)	(64,276)
Total Unrestricted Net Position	<u>\$ (15,682,234)</u>	<u>\$ (22,312,913)</u>

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities*. Table 2 takes the information from the statement and rearranges them slightly so you can see our total revenues for the year.

Table 2

	Governmental Activities	
	2018/2019	2017/2018
Revenues		
Program Revenues:		
Charges for services	\$ 370,090	\$ 376,385
Operating grants and contributions	2,997,320	3,037,247
General Revenues:		
Federal and state aid	12,800,637	11,423,207
Property taxes	23,304,756	22,636,093
Other general revenues	3,674,412	2,889,310
Total Revenues	<u>43,147,215</u>	<u>40,362,242</u>
Expenses		
Instruction related	33,249,228	32,805,341
Student support services	3,474,676	2,946,153
Administration	3,140,438	2,576,931
Maintenance and operations	4,136,106	3,838,028
Other	1,403,221	3,017,386
Total Expenses	<u>45,403,669</u>	<u>45,183,839</u>
Change in Net Position	<u>\$ (2,256,454)</u>	<u>\$ (4,821,597)</u>

CAMBRIAN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

Governmental Activities

As reported in the Statement of Activities in the audited financial statements, the cost of all of our governmental activities this year was \$45,403,669. However, the amount that our taxpayers ultimately financed for these activities through local taxes and other revenues was \$29,235,622, because of the total expenses, \$370,090 was paid by those who benefited from the programs, \$2,997,320 was paid by other governments and organizations who subsidized certain programs with grants and contributions, and \$12,800,637 was paid by federal and state aid that is not restricted to specific purposes.

In Table 3, we have presented the net cost of each of the District's largest functions. Net cost of services shows the financial burden that was primarily placed on the District's taxpayers by each of these functions.

Table 3

	Net Cost of Services	
	2018/2019	2017/2018
Instruction and instruction related	\$ 31,214,074	\$ 30,251,337
Pupil services	2,551,097	2,123,224
General administration	3,067,248	2,541,233
Maintenance and operations	4,058,178	3,838,028
Other	1,145,662	3,017,385
Totals	\$ 42,036,259	\$ 41,771,207

- Instruction expenditures include activities directly dealing with the teaching of pupils.
- Instruction-related services include the activities involved with assisting staff with the content and process of educating students.
- Pupil services include guidance and counseling, psychological, health, speech and testing services, transporting students, as well as preparing, delivering, and serving meals to students.
- General administration reflects expenditures associated with the administrative and financial supervision of the School District. Typical functions would include the Board of Trustees and Superintendent, Human Resources, Data Processing and Business Services.
- Maintenance and operations involve keeping the school grounds, buildings, and equipment in effective working condition.
- Other includes tuitions and transfers of resources between Cambrian School District and other educational agencies for services provided to students.

CAMBRIAN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$17.2 million which is an increase of approximately \$2.0 million from last year. This increase is a result of a variety of revenue and expenditure variances throughout the budget in the General Fund and the holding of a prepaid expenditure in the Bond Interest and Redemption fund that is a non-spendable reserve at year end 2019.

Table 4

Fund Type	2018/2019	2017/2018	Change	Percent Change
General Fund	\$ 6,493,679	\$ 4,904,516	\$ 1,589,163	32.4%
Building Fund	7,853,073	8,197,307	(344,234)	-4.2%
Special Reserve Capital Outlay Fund	396,637	702,957	(306,320)	-43.6%
Non-Major Governmental Funds	2,478,905	1,370,688	1,108,217	80.9%
Total Governmental Funds	<u>\$ 17,222,294</u>	<u>\$ 15,175,468</u>	<u>\$ 2,046,826</u>	13.5%

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2019, the District had \$91.1 million in a broad range of capital assets. Accumulated depreciation was \$31.1 million. The capital asset, net amount of \$60.0 million represents a net decrease (including deductions and depreciation) of \$3.1 million or 4.9% over last year. See Note 5 for more details.

Long-Term Obligations

At the end of this year, the District had \$56.7 million in outstanding bonds, including bond premium. This is a decrease of \$0.5 million from prior year. The changes are the result of payment or accretion of debt.

At the year end, the District has a net pension liability of \$37.7 million versus \$35.8 million last year, an increase of \$1.9 million, or 5.3 percent.

Other obligations include compensated absences payable. We present more detailed information regarding our long-term liabilities in Note 9.

CAMBRIAN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2019-2020 fiscal year, the District board and management used the following criteria:

The key assumptions in our revenue forecast include, but are not limited to:

1. A slight decrease in ADA (Average Daily Attendance) based on recent trends, actual enrollments received, tempered by flat enrollment projection by Cooperative Strategies, Inc.
2. Removal of all one-time unrestricted state funds available for any purpose.
3. Decrease in principal apportionment based on declining enrollment.
4. Developer fee revenue estimates based on the history of actual fees collected.
5. Local revenues reflect anticipated Parcel Tax revenue and increases to lease revenues received from tenants.
6. Federal and State revenue estimates based on School Services of California's projections and the Governor's annual budget forecast.

The key assumptions in our expenditure forecast include, but are not limited to:

1. Increase in overall expenditures based on current educational programs.
2. Decrease in staffing based on not backfilling positions vacated through attrition and declining enrollment.
3. Increase in employer contributions to California State Teachers' Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS).
4. Step and Column increases in staff salaries.
5. Impact of inflation on the cost of operating our educational program.

Factors Bearing on the District's Future

The Nation's economic situation and the State's economic situation are both major factors affecting the District's future. The financial well-being of the District is undeniably tied in large part to the State's relatively new funding formula. In 2013-14 the State Budget established a new funding system called the Local Control Funding Formula (LCFF). LCFF replaced the revenue limit funding system for determining State apportionments, as well as replaced the majority of categorical program funding. LCFF funding also includes funding derived from Proposition 30, which increases the State's total revenue temporarily. LCFF has reached full implementation. Unfortunately, with full implementation we are now in a COLA (Cost of Living Adjustment) only environment for LCFF funding increases which, in our current environment of declining enrollment, COLA increases will not provide for adequate funding for the District as our expenditures for salaries, contributions to the CalSTRS and CalPERS, and other operational needs continue to increase. This results in this District (as well as many others) searching for other resources to cover these annual incremental increases.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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 Chief Financial Officer, Business Services, at Cambrian School District, 4115 Jacksol Drive, San Jose, California, 95124.

CAMBRIAN SCHOOL DISTRICT

**STATEMENT OF NET POSITION
JUNE 30, 2019**

	Governmental Activities
ASSETS	
Deposits and investments	\$ 15,558,495
Receivables	1,396,223
Prepaid items	1,250,010
Capital assets, net of accumulated depreciation	59,995,966
Total Assets	<u>78,200,694</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	<u>11,256,768</u>
LIABILITIES	
Accounts payable	928,553
Interest payable	935,019
Unearned revenue	53,881
Long-term obligations other than pensions:	
Current portion	\$ 1,198,099
Noncurrent portion	<u>55,574,312</u>
Total Long-Term Obligations other than pensions	56,772,411
Aggregate net pension liability	<u>37,726,356</u>
Total Liabilities	<u>96,416,220</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	<u>2,169,480</u>
NET POSITION	
Net investment in capital assets	3,429,909
Restricted for:	
Educational program	1,419,363
Debt service	1,206,738
Capital outlay	493,261
Food program	<u>4,725</u>
Total restricted	3,124,087
Unrestricted	<u>(15,682,234)</u>
Total Net Position	<u><u>\$ (9,128,238)</u></u>

The accompanying notes are an integral part of these financial statements.

CAMBRIAN SCHOOL DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

Functions/Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services and Sales	Operating Grants and Contributions	Revenues and Changes in Net Position
				Governmental Activities
Governmental Activities:				
Instruction	\$ 29,101,897	\$ -	\$ 1,886,445	\$ (27,215,452)
Instruction-related activities:				
Supervision of instruction	1,568,734	-	84,243	(1,484,491)
Instructional library, media, and technology	220,741	-	4,912	(215,829)
School site administration	2,357,856	-	59,554	(2,298,302)
Pupil services:				
Home-to-school transportation	657,255	-	-	(657,255)
Food services	941,348	370,090	383,939	(187,319)
All other pupil services	1,876,073	-	169,550	(1,706,523)
General administration:				
Data processing	116,692	-	-	(116,692)
All other general administration	3,023,746	-	73,190	(2,950,556)
Plant services	4,136,106	-	77,928	(4,058,178)
Interest on long-term obligations and others	1,403,221	-	-	(1,403,221)
Other outgo	-	-	257,559	257,559
Total Governmental-Type Activities	<u>\$ 45,403,669</u>	<u>\$ 370,090</u>	<u>\$ 2,997,320</u>	<u>(42,036,259)</u>
General revenues and subventions:				
Property taxes, levied for general purposes				18,665,689
Property taxes, levied for debt service				2,933,607
Taxes levied for other specific purposes				1,705,460
Federal and state aid not restricted to specific purposes				12,800,637
Interest and investment earnings				394,530
Miscellaneous				3,279,882
Subtotal, General Revenues				<u>39,779,805</u>
Change in Net Position				(2,256,454)
Net Position - Beginning				(6,871,784)
Net Position - Ending				<u>\$ (9,128,238)</u>

The accompanying notes are an integral part of these financial statements.

CAMBRIAN SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2019**

	General Fund	Building Fund	Special Reserve Capital Outlay Fund
ASSETS			
Deposits and investments	\$ 5,805,428	\$ 7,793,074	\$ 542,970
Receivables	1,262,449	60,269	3,655
Prepaid items	198,941	-	-
Total Assets	<u>\$ 7,266,818</u>	<u>\$ 7,853,343</u>	<u>\$ 546,625</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 763,889	\$ 270	\$ 149,988
Unearned revenue	9,250	-	-
Total Liabilities	<u>773,139</u>	<u>270</u>	<u>149,988</u>
Fund Balances:			
Nonspendable	200,341	-	-
Restricted	1,419,363	122,641	160,838
Assigned	3,782,783	7,730,432	235,799
Unassigned	1,091,192	-	-
Total Fund Balances	<u>6,493,679</u>	<u>7,853,073</u>	<u>396,637</u>
Total Liabilities and Fund Balances	<u>\$ 7,266,818</u>	<u>\$ 7,853,343</u>	<u>\$ 546,625</u>

The accompanying notes are an integral part of these financial statements.

Non-Major Governmental Funds	Total Governmental Funds
\$ 1,417,023	\$ 15,558,495
69,850	1,396,223
1,051,069	1,250,010
<u>\$ 2,537,942</u>	<u>\$ 18,204,728</u>

\$ 14,406	\$ 928,553
44,631	53,881
<u>59,037</u>	<u>982,434</u>

1,051,279	1,251,620
1,427,626	3,130,468
-	11,749,014
-	1,091,192
<u>2,478,905</u>	<u>17,222,294</u>
<u>\$ 2,537,942</u>	<u>\$ 18,204,728</u>

CAMBRIAN SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2019

Total Fund Balance - Governmental Funds **\$ 17,222,294**

Amounts Reported for Governmental Activities in the Statement
of Net Position are Different Because:

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

The cost of capital assets is	\$ 91,062,788	
Accumulated depreciation is	<u>(31,066,822)</u>	59,995,966

Pension related deferred inflows and outflows of resources are not current
resources and therefore, not recorded in the governmental funds.

However, in the government-wide financial statements, they are
recognized on the accrual basis over the expected average remaining
service life of the pension benefits. 9,087,288

In governmental funds, unmatured interest on long-term obligations is
recognized in the period when it is due. On the government-wide
statements, unmatured interest on long-term obligations is recognized
when it is incurred. (935,019)

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

General obligation bonds, including premium	56,688,698	
Compensated absences (vacations)	83,713	
Net pension liability	<u>37,726,356</u>	
Total Long-Term Obligations		(94,498,767)

Total Net Position - Governmental Activities **\$ (9,128,238)**

The accompanying notes are an integral part of these financial statements.

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CAMBRIAN SCHOOL DISTRICT

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

	General Fund	Building Fund	Special Reserve Capital Fund
REVENUES			
Local control funding formula	\$ 29,732,255	\$ -	\$ -
Federal sources	1,024,887	-	-
Other state sources	3,010,022	-	-
Other local sources	3,695,055	251,930	176,866
Total Revenues	<u>37,462,219</u>	<u>251,930</u>	<u>176,866</u>
EXPENDITURES			
Current			
Instruction	24,955,930	-	-
Instruction-related activities:			
Supervision of instruction	1,345,246	-	-
Instructional library, media and technology	189,294	-	-
School site administration	2,021,947	-	-
Pupil services:			
Home-to-school transportation	563,620	-	-
Food services	10,883	-	-
All other pupil services	1,608,801	-	-
General administration:			
Data processing	100,068	-	-
All other general administration	2,576,304	-	-
Plant services	3,000,963	92,291	483,186
Debt service			
Principal	-	-	-
Interest and other	-	3,873	-
Total Expenditures	<u>36,373,056</u>	<u>96,164</u>	<u>483,186</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,089,163</u>	<u>155,766</u>	<u>(306,320)</u>
Other Financing Sources (Uses):			
Transfers in	500,000	-	-
Transfers out	-	(500,000)	-
Net Financing Sources (Uses)	<u>500,000</u>	<u>(500,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	1,589,163	(344,234)	(306,320)
Fund Balance - Beginning	4,904,516	8,197,307	702,957
Fund Balance - Ending	<u>\$ 6,493,679</u>	<u>\$ 7,853,073</u>	<u>\$ 396,637</u>

The accompanying notes are an integral part of these financial statements.

Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ 29,732,255
259,003	1,283,890
32,786	3,042,808
3,493,254	7,617,105
<u>3,785,043</u>	<u>41,676,058</u>
-	24,955,930
-	1,345,246
-	189,294
-	2,021,947
-	563,620
796,357	807,240
-	1,608,801
-	100,068
-	2,576,304
-	3,576,440
720,000	720,000
1,160,469	1,164,342
<u>2,676,826</u>	<u>39,629,232</u>
<u>1,108,217</u>	<u>2,046,826</u>
-	500,000
-	(500,000)
-	-
1,108,217	2,046,826
1,370,688	15,175,468
<u>\$ 2,478,905</u>	<u>\$ 17,222,294</u>

CAMBRIAN SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2019

Total Net Change in Fund Balances - Governmental Funds	\$ 2,046,826
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:	
In the prior year's statement of net position, the ending balance of work in progress was related to repair and maintenance expenditures; however, for governmental activities, those costs are not capitalized in the statement of net position and expensed as incurred.	(2,736)
Depreciation is recorded as an expense in the government-wide statement of activities, but not recorded in the governmental funds.	(3,057,379)
In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).	(19,437)
In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the statement of activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.	(1,704,849)
Amortization of bond premium is a revenue source in the statement of activities, but is not recorded in the governmental funds.	183,099
Repayment of general obligation bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net position and does not affect the statement of activities.	720,000
Accretion of interest expense on the capital appreciation bonds is recorded as an expense in the government-wide statement of activities, but is not recorded in the governmental funds.	(448,503)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is the net change of interest accrued but not yet due.	26,525
Change in Net Position of Governmental Activities	<u>\$ (2,256,454)</u>

The accompanying notes are an integral part of these financial statements.

CAMBRIAN SCHOOL DISTRICT

**FIDUCIARY FUND
STATEMENT OF ASSETS AND LIABILITIES
JUNE 30, 2019**

	<u>Agency Fund</u>
ASSETS	
Deposits and investments	<u>\$ 128,018</u>
LIABILITIES	
Due to student groups	<u>\$ 128,018</u>

The accompanying notes are an integral part of these financial statements.

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Cambrian School District was organized in 1865 under the laws of the State of California. The District operates under a locally-elected five-member Board form of government and provides educational services to grades kindergarten through eighth as mandated by the State and/or Federal agencies. In August of 2016, the District has reopened the Steindorf school site as a magnet school with a focus on Science, Technology, Engineering, Arts and Math (S.T.E.A.M.). The District operates five elementary schools and one middle school.

A reporting entity is comprised of the primary government only. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Cambrian School District, this includes general operations, food service, and student related activities of the District.

Charter Schools

The District has approved Charters for Farnham Charter School, Fammatre Charter, Sartorette Charter School, and Ida Price Charter School. All of these Charter Schools are operated by the District, and their financial activities are presented in the General Fund.

Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into two broad fund categories: governmental and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

Major Governmental Funds

General Fund

The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund.

Building Fund

The Building Fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and proceeds from sale of surplus property.

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Special Reserve Fund for Capital Outlay Projects

The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).

Non-Major Governmental Funds

Special Revenue Funds

The Special Revenue funds are used to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to expenditures for specified purposes and that compose a substantial portion of the inflows of the fund. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

Cafeteria Fund

The Cafeteria Fund is used to account separately for federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

Capital Project Funds

The Capital Project funds are used to account for financial resources that are restricted, committed, or assigned to the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

Capital Facilities Fund

The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approving a development (*Education Code* Sections 17620-17626). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

Debt Service Funds The Debt Service funds are used to account for the accumulation of resources for and the payment of principal and interest on general long-term obligations.

Bond Interest and Redemption Fund The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a local educational agency (*Education Code* Sections 15125-15262).

Fiduciary Funds

Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for Associated Student Body activities (ASB).

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This approach is similar to that used by most private sector companies, but differs from the manner in which governmental fund financial statements are prepared.

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

Net position should be reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Fund Financial Statements

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

Governmental Funds

All governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities and deferred inflows generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the differences between the government-wide statements and the statements for the governmental fund financial statements.

Fiduciary Funds

Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not present resources of the District.

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Revenues – Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 365 days of fiscal year-end. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned Revenue

Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, and when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

Certain grants received before the eligibility requirements are met are recorded as unearned revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as unearned revenue.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Unused donated commodities are reported as part of stores inventory. Principal and interest on general long-term obligations, which have not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the government-wide statements.

Investments

Investments held at June 30, 2019, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and state investment pools are determined by the program sponsor.

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Prepaid Expenditures (Expenses)

Prepaid expenditures represent amounts paid in advance of receiving goods or services. The District has the option of reporting expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures over the benefiting period.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds but are capitalized and amortized to operations in the government-wide statements. General capital assets are long-lived assets of the District as a whole. The valuation basis for general capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. The historical costs of land are not considered significant and have been omitted from the capital assets detail.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings and improvements 15 to 40 years. The District capitalizes assets with value exceeding \$50,000.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "due from/to other funds." These amounts are eliminated in the governmental column of the statement of net position.

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net position. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid. The non-current portion of the liability is not reported in the governmental fund financial statements but is reported as a noncurrent liability on the government-wide financial statements.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Accrued Liabilities and Long - Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

However, claims and judgments, compensated absences and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Debt service on bonds, capital leases, and other long-term loans is recognized as an expenditure in the governmental fund financial statements when paid. These long-term obligations are not reflected as liabilities in governmental funds.

Debt Issuance Costs, Premiums and Discounts

In the government-wide statement of net position, long-term obligations are reported as liabilities in the governmental activities' column. Debt premiums and discounts, as well as issuance costs, related to prepaid insurance costs are amortized over the life of the bonds using the straight-line method.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for deferred charges on refunding of debt and for pension related items.

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

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the 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. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value.

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Fund Balances - Governmental Funds

As of June 30, 2019, fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board. The District currently does not have any committed funds.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or chief business officer/assistant superintendent of business services may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

Spending Order Policy

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

Minimum Fund Balance Policy

In fiscal year 2010-2011, the governing board adopted a minimum fund balance policy for the General Fund in order to protect the district against revenue shortfalls or unpredicted on-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than 3 percent of General Fund expenditures and other financing uses.

Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Estimates

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

Budgetary Data

The budgetary process is prescribed by provisions of the California *Education Code* and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

Property Tax

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. The County of Santa Clara bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

New Accounting Pronouncements Effective This Fiscal Year

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The District has implemented the provisions of this Statement as of June 30, 2019. There was no material impact from adoption.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The District has implemented the provisions of this Statement as of June 30, 2019. There was no material impact from adoption.

New Accounting Pronouncements Effective in Future Fiscal Years

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for the reporting periods beginning after December 15, 2018. Early implementation is encouraged. The District has not determined the effect of the statement.

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged. The District has not determined the effect of the statement.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The District has not determined the effect of the statement.

In August 2018, the GASB issued Statement 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 60*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The District has not determined the effect of the statement.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for the reporting periods beginning after December 15, 2020. Early implementation is encouraged. The District has not determined the effect of the statement.

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2019, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 15,558,495
Fiduciary funds	128,018
Total Deposits and Investments	<u>\$ 15,686,513</u>

Deposits and investments as of June 30, 2019, consist of the following:

Cash on hand and in banks	\$ 148,018
Cash in revolving	1,610
Investments	15,536,885
Total Deposits and Investments	<u>\$ 15,686,513</u>

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies; certificates of participation; obligations with first priority security; and collateralized mortgage obligations.

Investment in County Treasury

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the amortized cost provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis. The pool is not registered with the SEC.

Investment in the State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California government code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in the Pool is reported in the accompanying financial statement at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which is recorded on the amortized cost basis. The pool is not registered with the SEC.

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

General Authorizations

Limitations as they relate to interest rate risk and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by having the Pool purchase a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The District monitors the interest rate risk inherent in its portfolio by measuring the modified duration of its portfolio. The District has no specific limitations with respect to this metric.

Investment Type	Fair Value	Average Maturity In Years
Certificates of Deposit	\$ 1,700,433	1.18
U.S. Agencies	481,637	2.18
Corporate Bonds	1,556,006	1.41
Municipal Bond	1,769,910	1.27
County Pool	8,839,055	1.31
State Investment Pool	1,189,844	0.53
Total	<u>\$ 15,536,885</u>	

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type.

Investment Type	Fair Value	S & P Rating as of Year End	
		A	Unrated
Certificates of Deposit	\$ 1,700,433	\$ -	\$ 1,700,433
U.S. Agencies	481,637	481,637	-
Corporate Bonds	1,556,006	-	-
Municipal Bond	1,769,910	1,769,910	-
County Pool	8,839,055	-	8,839,055
State Investment Pool	1,189,844	-	1,189,844
Total	<u>\$ 15,536,885</u>	<u>\$ 2,251,547</u>	<u>\$ 11,729,332</u>

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. As of June 30, 2019, all of the District's bank balances of \$149,628 are insured by the Federal Depository Insurance Corporation.

Custodial Credit Risk - Investments

This 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 or collateral securities that are in possession of an outside party. The District's investments that are not registered in the name of the District are the investments in the Santa Clara County Pool, the investment in the State investment pool (LAIF) and the District's investment in money market mutual funds.

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The District did not have investments of more than 5 percent in any one issuer as of fiscal year ending June 30, 2019.

NOTE 3 - FAIR VALUE MEASUREMENTS

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonable available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the County Treasury Investment Pool and/or Local Agency Investment Funds/State Investment Pools are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

The District's fair value measurements are as follows at June 30, 2019:

Investment Type	Fair Value	Level 1 Inputs	Uncategorized
Certificates of Deposit	\$ 1,700,433	\$ 1,700,433	\$ -
U.S. Agencies	481,637	481,637	-
Corporate Notes	1,556,006	1,556,006	-
County Treasury Pool	8,839,055	-	8,839,055
State Investment Pool	1,189,844	-	1,189,844
Municipal Bonds	1,769,910	1,769,910	-
Total	\$ 15,536,885	\$ 5,507,986	\$ 10,028,899

NOTE 4 - RECEIVABLES

Accounts receivable at June 30, 2019, consist of the following:

	General	Building	Special Reserve Capital	Non-Major Governmental Funds	Total
Federal Government					
Categorical aid	\$ 786,391	\$ -	\$ -	\$ 42,264	\$ 828,655
State Government					
Categorical aid	235,596	-	-	-	235,596
Lottery	126,388	-	-	-	126,388
Local Government					
Interest	35,545	6,185	3,655	7,750	53,135
Other Local Sources	78,529	54,084	-	19,836	152,449
Total	\$ 1,262,449	\$ 60,269	\$ 3,655	\$ 69,850	\$ 1,396,223

CAMBRIAN SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2019, was as follows:

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Governmental Activities				
Capital Assets not being Depreciated:				
Construction in Progress	\$ 2,736	\$ -	\$ 2,736	\$ -
Capital Assets being Depreciated:				
Buildings and Improvements	91,062,788	-	-	91,062,788
Total Capital Assets	91,065,524	-	2,736	91,062,788
Less Accumulated Depreciation:				
Buildings and Improvements	28,009,443	3,057,379	-	31,066,822
Governmental Activities				
Capital Assets, Net	<u>\$ 63,056,081</u>	<u>\$ (3,057,379)</u>	<u>\$ 2,736</u>	<u>\$ 59,995,966</u>

Depreciation expense are charged as a direct expense to governmental functions as follows:

Governmental Activities	
Instruction	\$ 2,033,533
Supervision of instruction	109,618
Instructional library, media, and technology	15,424
School site administration	164,758
Pupil transportation	45,927
Food services	65,778
All other pupil services	131,093
All other general administration	209,930
Data processing	8,154
Plant services	273,164
Total Depreciation Expense All Activities	<u><u>\$ 3,057,379</u></u>

CAMBRIAN SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 6 - INTERFUND TRANSACTIONS

Interfund Transfers

Interfund transfers at June 30, 23019 consist of \$450,000 from Building Fund transferred to the General Fund to liquidate one of its subfunds.

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2019, consist of the following:

	General	Building	Special Reserve Capital	Non-Major Governmental	Total
Vendor payables	\$ 382,789	\$ 270	\$ 34,119	\$ 13,231	\$ 430,409
State principal apportionment	323,211	-	-	-	323,211
Salaries and benefits	56,818	-	-	1,175	57,993
Other Payables	1,071	-	115,869	-	116,940
Total	<u>\$ 763,889</u>	<u>\$ 270</u>	<u>\$ 149,988</u>	<u>\$ 14,406</u>	<u>\$ 928,553</u>

NOTE 8 - UNEARNED REVENUE

Unearned revenue at June 30, 2019, consist of the following:

	General	Non-Major Governmental	Total
Federal financial assistance	\$ 9,250	\$ -	\$ 9,250
Meal prepayment for child nutrition program.	-	44,631	44,631
Total	<u>\$ 9,250</u>	<u>\$ 44,631</u>	<u>\$ 53,881</u>

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the year consisted of the following:

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019	Due in One Year
General obligation bonds	\$ 54,328,873	\$ 448,503	\$ 720,000	\$ 54,057,376	\$ 1,015,000
Bond premiums	2,814,421	-	183,099	2,631,322	183,099
Accumulated vacation - net	64,276	19,437	-	83,713	-
Total	<u>\$ 88,416,463</u>	<u>\$ 467,940</u>	<u>\$ 903,099</u>	<u>\$ 56,772,411</u>	<u>\$ 1,198,099</u>

The Bond Interest and Redemption Fund makes payments on the general obligation bonds with local property tax revenues. The accumulated vacation will be paid by the fund for which the employees worked.

CAMBRIAN SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2018	Issuance/ Accreted	Refund/ Redeemed	Bonds Outstanding June 30, 2019
7/1/03	7/1/28	2.0-4.0%	\$ 15,524,912	\$ 925,985	\$ 50,193	\$ -	\$ 976,178
4/1/05	7/1/35	2.7-5.5%	5,450,033	6,822,888	398,310	-	7,221,198
8/27/13	7/1/26	3.0-5.0%	11,510,000	8,970,000	-	720,000	8,250,000
9/23/14	7/1/39	2.0-5.0%	39,000,000	36,505,000	-	-	36,505,000
9/23/14	7/1/25	3.0-5.0%	1,415,000	1,105,000	-	-	1,105,000
				<u>\$ 54,328,873</u>	<u>\$ 448,503</u>	<u>\$ 720,000</u>	<u>\$ 54,057,376</u>

Debt Service Requirements to Maturity

The general obligation bonds mature through 2040 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2020	\$ 1,015,000	\$ 1,932,963	\$ 2,947,963
2021	1,175,000	1,882,063	3,057,063
2022	1,355,000	1,818,813	3,173,813
2023	1,565,000	1,755,713	3,320,713
2024	1,755,000	1,682,613	3,437,613
2025-2029	9,948,910	9,846,121	19,795,031
2030-2034	11,759,422	12,905,953	24,665,375
2035-2039	16,706,612	3,938,310	20,644,922
2040	4,235,000	76,759	4,311,759
Sub Total	<u>49,514,944</u>	<u>\$ 35,839,306</u>	<u>\$ 85,354,250</u>
Accretion to date:	4,542,432		
Total	<u>\$ 54,057,376</u>		

Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2019, amounted to \$83,713.

CAMBRIAN SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Special Reserve Capital Fund	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	\$ 1,400	\$ -	\$ -	\$ 210	\$ 1,610
Prepaid expenditures	198,941	-	-	1,051,069	1,250,010
Total Nonspendable	200,341	-	-	1,051,279	1,251,620
Restricted					
Restricted for grants	1,419,363	-	-	4,515	1,423,878
Capital projects	-	122,641	160,838	332,423	615,902
Debt services	-	-	-	1,090,688	1,090,688
Total Restricted	1,419,363	122,641	160,838	1,427,626	3,130,468
Assigned					
Maintenance	-	7,730,432	235,799	-	7,966,231
Fiscal Stability	3,782,783	-	-	-	3,782,783
Total Assigned	3,782,783	7,730,432	235,799	-	11,749,014
Unassigned					
Reserve for economic uncertainty	1,091,192	-	-	-	1,091,192
Total	\$ 6,493,679	\$ 7,853,073	\$ 396,637	\$ 2,478,905	\$ 17,222,294

NOTE 11 - RISK MANAGEMENT

Property and Liability

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. During fiscal year ending June 30, 2019, the District contracted with the Santa Clara County Schools Insurance Group 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.

CAMBRIAN SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

Workers' Compensation

For fiscal year 2018-2019, the District participated in the Santa Clara County Schools Insurance Group, an insurance purchasing pool. The intent of the Santa Clara County Schools Insurance Group is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Santa Clara County Schools Insurance Group. 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 Santa Clara County Schools Insurance Group. Each participant pays its workers' compensation premium based on its individual rate. 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 Santa Clara County Schools Insurance Group. Participation in the Santa Clara County Schools Insurance Group is limited to districts that can meet the Santa Clara County Schools Insurance Group's selection criteria.

Insurance Program / Company Name	Type of Coverage	Limits
<u>Workers' Compensation Program</u>		
Santa Clara County Schools Insurance Group	Workers' Compensation	\$ 1,000,000
<u>Property and Liability Program</u>		
School Excess Liability Fund (SELF)	Excess General Liability	\$ 50,000,000
Santa Clara County Schools Insurance Group	General Liability	\$ 5,000,000
Santa Clara County Schools Insurance Group	Property	\$ 600,000,000

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

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).

For the fiscal year ended June 30, 2019 the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 30,817,680	\$ 9,256,611	\$ 2,169,480	\$ 3,811,939
CalPERS	6,908,676	2,000,157	-	1,393,213
Total	<u>\$ 37,726,356</u>	<u>\$ 11,256,768</u>	<u>\$ 2,169,480</u>	<u>\$ 5,205,152</u>

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at:
<http://www.calstrs.com/member-publications>.

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 exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans. The STRP provisions and benefits in effect at June 30, 2019, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	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%	10.205%
Required employer contribution rate	16.28%	16.28%
Required state contribution rate	9.828%	9.828%

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Contributions

Required member, District and State of California contributions 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. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2019, are presented above and the District's total contributions were \$2,843,155.

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

At June 30, 2019, 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:

Total net pension liability, including State share:

District's proportionate share of net pension liability	\$ 30,817,680
State's proportionate share of the net pension liability associated with the District	17,644,563
Total	<u>\$ 48,462,243</u>

The net pension liability was measured as of June 30, 2018. 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. The District's proportionate share for the measurement period June 30, 2018 and June 30, 2017, respectively, was 0.0335 percent and 0.0321 percent, resulting in a net increase in the proportionate share of 0.0014 percent.

For the year ended June 30, 2019, the District recognized pension expense of \$3,811,939. In addition, the District recognized pension expense and revenue of \$2,072,838 for support provided by the State. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 2,843,155	\$ -
Change in assumption	4,787,610	-
Net change in proportionate share of net pension liability	1,530,282	(535,161)
Differences between projected and actual earnings on pension plan investments	-	(1,186,676)
Differences between expected and actual experience in the measurement of the total pension liability	95,564	(447,643)
Total	<u>\$ 9,256,611</u>	<u>\$ (2,169,480)</u>

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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 subsequent fiscal year. The deferred inflows of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 257,661
2021	(186,965)
2022	(995,575)
2023	(261,797)
Total	<u>\$ (1,186,676)</u>

The deferred outflows and inflows of resources related to the net change in proportionate share of net pension liability and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period.

The EARSL for the measurement period is 7 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 1,034,268
2021	1,034,268
2022	1,034,268
2023	987,269
2024	1,178,901
Thereafter	161,678
Total	<u>\$ 5,430,652</u>

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
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 (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions.

Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2018, are summarized in the following table:

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

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Discount Rate

The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed 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 percent) 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:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.10%)	\$ 45,144,295
Current discount rate (7.10%)	30,817,680
1% increase (8.10%)	18,939,526

California Public Employees' Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan(s) regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017 annual actuarial valuation report(s), Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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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 five 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 five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2019, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	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	7.00%	7.00%
Required employer contribution rate	18.062%	18.062%

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 calculated 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, 2019, are presented above and the total District contributions were \$657,148.

CAMBRIAN SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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

As of June 30, 2019, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$6,908,676. The net pension liability was measured as of June 30, 2018. 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. The District's proportionate share for the measurement period June 30, 2018 and June 30, 2017, respectively was 0.02591 percent and 0.02589 percent, resulting no changes in the proportionate share of 0.00002 percent.

For the year ended June 30, 2019, the District recognized pension expense of \$1,393,213. At June 30, 2019, the District reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Pension contributions subsequent to measurement date	\$ 657,148
Net change in proportionate share of net pension liability	143,634
Difference between projected and actual earnings on pension plan investments	56,667
Differences between expected and actual experience in the measurement of the total pension liability	452,907
Changes of assumptions	689,801
Total	<u>\$ 2,000,157</u>

The deferred outflow 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 subsequent fiscal year. The deferred inflows and outflows of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 206,109
2021	49,289
2022	(157,953)
2023	(40,778)
Total	<u>\$ 56,667</u>

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

The deferred outflows and inflows of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 620,483
2021	525,984
2022	139,875
Total	<u>\$ 1,286,342</u>

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90 percent of scale MP-2016.

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 ten years) and the long-term (11+ 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 rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	50%	5.98%
Fixed income	28%	2.62%
Inflation assets	0%	1.81%
Private equity	8%	7.23%
Real assets	13%	4.93%
Liquidity	1%	-0.92%

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. 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 School Employer Pool 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:

<u>Discount rate</u>	<u>Net Pension Liability</u>
1% decrease (6.15%)	\$ 7,635,233
Current discount rate (7.15%)	6,908,676
1% increase (8.15%)	3,020,862

Tax Deferred Annuity/Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use Social Security as its alternative plan.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$835,916 (9.828 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated for an additional 2018–2019 contribution on-behalf of school employers of \$2.246 billion for CalSTRS and \$904 million for CalPERS. A proportionate share of these contribution has been recorded in these financial statements. On behalf payments related to these additional contributions have been excluded from the calculation of available reserves and have not been included in the budgeted amounts reported in the *General Fund – Budgetary Comparison Schedule*.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2019.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of managements and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2019.

NOTE 14 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWER AUTHORITIES

The District is a member of the Santa Clara County Schools Insurance Group public entity risk pool and the West Valley Transportation Joint Powers Authority. The District pays an annual premium to the entities for its health, workers' compensation, property liability coverage, and to purchase transportation services. The relationship between the District and the pool, is such that it is not a component unit of the District for financial reporting purposes. The entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are available from the respective entities. The District has appointed one member to the governing board of Santa Clara County Schools Insurance Group and West Valley Transportation Joint Powers Authority.

During the year ended June 30, 2019, the District made payments of \$1,053,643 and \$265,404 to the Santa Clara County Schools Insurance Group and West Valley Transportation Joint Powers Authority, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

CAMBRIAN SCHOOL DISTRICT

**GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		GAAP	Variances -
	Original	Final	Basis	Positive
			Actual	(Negative)
				Final
				to Actual
REVENUES				
Local Control Funding Formula	\$ 30,481,843	\$ 30,149,873	\$ 29,732,255	\$ (417,618)
Federal sources	917,972	965,341	1,024,887	59,546
Other state sources	2,764,892	3,285,348	3,010,022	(275,326)
Other local sources	2,311,486	3,572,140	3,695,055	122,915
Total Revenues	<u>36,476,193</u>	<u>37,972,702</u>	<u>37,462,219</u>	<u>(510,483)</u>
EXPENDITURES				
Current				
Certificated salaries	17,659,259	17,690,896	17,784,129	(93,233)
Classified salaries	4,453,967	4,612,649	4,397,236	215,413
Employee benefits	8,605,993	8,544,919	7,966,631	578,288
Books and supplies	910,494	1,212,554	790,282	422,272
Services and other expenditures	5,346,987	6,262,123	5,434,778	827,345
Total Expenditures	<u>36,976,700</u>	<u>38,323,141</u>	<u>36,373,056</u>	<u>1,950,085</u>
Excess (Deficit) of Revenues				
Over Expenditures	<u>(500,507)</u>	<u>(350,439)</u>	<u>1,089,163</u>	<u>1,439,602</u>
Other Financing Sources (Uses):				
Transfers in	-	-	500,000	500,000
Transfers out	<u>(92,800)</u>	<u>(92,800)</u>	<u>-</u>	<u>92,800</u>
Net Financing Sources (Uses)	<u>(92,800)</u>	<u>(92,800)</u>	<u>500,000</u>	<u>592,800</u>
NET CHANGE IN FUND BALANCE	(593,307)	(443,239)	1,589,163	2,032,402
Fund Balance - Beginning	<u>4,904,516</u>	<u>4,904,516</u>	<u>4,904,516</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 4,311,209</u>	<u>\$ 4,461,277</u>	<u>\$ 6,493,679</u>	<u>\$ 2,032,402</u>

See accompanying note to required supplementary information.

CAMBRIAN SCHOOL DISTRICT

**SCHEDULE OF DISTRICT PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2019**

MEASUREMENT DATE, JUNE 30,	2018	2017	2016
CalSTRS			
District's proportion of the net pension liability	0.0335%	0.0321%	0.0317%
District's proportionate share of the net pension liability	\$ 30,817,680	\$ 29,649,264	\$ 25,629,902
State's proportionate share of the net pension liability associated with the District	17,644,563	14,590,646	14,590,646
Total	\$ 48,462,243	\$ 44,239,910	\$ 40,220,548
District's covered payroll	\$ 17,855,385	\$ 17,105,255	\$ 16,027,197
District's proportionate share of the net pension liability as a percentage of its covered payroll	172.6%	173.3%	159.9%
Plan fiduciary net position as a percentage of the total pension liability	71%	69%	70%
CalPERS			
District's proportion of the net pension liability	0.0259%	0.0259%	0.0245%
District's proportionate share of the net pension liability	\$ 6,908,676	\$ 6,180,272	\$ 4,838,936
District's covered payroll	\$ 3,423,144	\$ 3,346,316	\$ 2,938,897
District's proportionate share of the net pension liability as a percentage of its covered payroll	201.8%	184.7%	164.7%
Plan fiduciary net position as a percentage of the total pension liability	71%	72%	74%

Note: In the future, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.

<u>2015</u>	<u>2014</u>
<u>0.0330%</u>	<u>0.0319%</u>
\$ 22,186,672	\$ 18,639,896
<u>11,734,304</u>	<u>11,255,574</u>
<u>\$ 33,920,976</u>	<u>\$ 29,895,470</u>
<u>\$ 13,879,366</u>	<u>\$ 14,383,583</u>
<u>159.9%</u>	<u>129.6%</u>
<u>74%</u>	<u>77%</u>
<u>0.0237%</u>	<u>0.0243%</u>
<u>\$ 3,488,785</u>	<u>\$ 2,763,676</u>
<u>\$ 2,620,822</u>	<u>\$ 2,567,727</u>
<u>133.1%</u>	<u>107.6%</u>
<u>79%</u>	<u>83%</u>

CAMBRIAN SCHOOL DISTRICT

**SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2019**

FISCAL YEAR ENDED, JUNE 30,	<u>2019</u>	<u>2018</u>	<u>2017</u>
CalSTRS			
Contractually required contribution	\$ 2,843,155	\$ 2,576,992	\$ 2,146,996
Contributions in relation to the contractually required contribution	<u>2,843,155</u>	<u>2,576,992</u>	<u>2,146,996</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 District's covered payroll	 <u>\$ 17,480,988</u>	 <u>\$ 17,855,385</u>	 <u>\$ 17,105,255</u>
 Contributions as a percentage of covered payroll	 <u>16.3%</u>	 <u>14.4%</u>	 <u>12.6%</u>
 CalPERS			
Contractually required contribution	\$ 657,148	\$ 534,843	\$ 464,737
Contributions in relation to the contractually required contribution	<u>657,148</u>	<u>534,843</u>	<u>464,737</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 District's covered payroll	 <u>\$ 3,707,396</u>	 <u>\$ 3,423,144</u>	 <u>\$ 3,346,316</u>
 Contributions as a percentage of covered payroll	 <u>17.7%</u>	 <u>15.6%</u>	 <u>13.9%</u>

Note : In the future, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.

<u>2016</u>	<u>2015</u>
\$ 1,697,821	\$ 1,357,043
<u>1,697,821</u>	<u>1,357,043</u>
<u>\$ -</u>	<u>\$ -</u>
<u>\$ 16,027,197</u>	<u>\$ 13,879,366</u>
<u>10.6%</u>	<u>9.8%</u>

\$ 352,243	\$ 299,874
<u>352,243</u>	<u>299,874</u>
<u>\$ -</u>	<u>\$ -</u>
<u>\$ 2,938,897</u>	<u>\$ 2,620,822</u>
<u>12.0%</u>	<u>11.4%</u>

CAMBRIAN SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2019

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

This schedule presents information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations. Budget is adopted on a basis consistent with generally accepted accounting principles. The budgetary level of control is at the fund level.

Schedule of the District's Proportionate Share of the Net Pension Liability

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

Changes in Benefit Terms – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

Changes of Assumptions – There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

Schedule of District Pension Contributions

This 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, ten years of information will be presented.

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SUPPLEMENTARY INFORMATION

CAMBRIAN SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed Through to Subrecipients
U.S. DEPARTMENT OF EDUCATION				
Passed through the California Department of Education:				
and Neglected	84.010	14329		\$ 178,422
Title II, Part A, Teacher Quality	84.367	14341		46,889
Title III, English Language Acquisition State Grants				
Limited English Proficiency Student Program	84.365	10084	\$ 78,621	
Immigrant Education Program	84.365	14346	13,296	
Total English Language Acquisition State Grants				91,917
Academic Enrichment Grants	84.424A	15396		750
Special Education Cluster:				
Basic Local Assistance Entitlement	84.027	13379	680,799	
Preschool Grants	84.173	13430	25,943	
Preschool Staff Development	84.173A	13431	167	
Total Special Education Cluster				706,909
Total U.S. Department of Education				1,024,887
U.S. DEPARTMENT OF AGRICULTURE				
Passed through the California Department of Education:				
Child Nutrition Cluster:				
Especially Needy Breakfast	10.553	13526	38,379	
National School Lunch Program	10.555	13524	202,053	
Basic School Breakfast	10.555	13526	18,571	
Fair Market Value of Commodities	10.555	13524	28,601	
Total Child Nutrition Cluster				287,604
Total U.S. Department of Agriculture				287,604
Total Expenditures of Federal Awards				\$ 1,312,491

See accompanying note to supplementary information.

CAMBRIAN SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE FOR THE YEAR ENDED JUNE 30, 2019

ORGANIZATION

The Cambrian School District was organized in 1865 under the laws of the State of California. The District operates under a locally-elected five-member Board form of government and provides educational services to grades kindergarten through eighth as mandated by the State and/or Federal agencies. The District operates four elementary schools, one middle school and one kindergarten through eighth grade STEAM Magnet School. There were no boundary changes during the year.

GOVERNING BOARD OF TRUSTEES

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Carol Presunka	President	2022
Doron Aronson	Vice President	2020
Jarod Middleton	Member	2022
Janet Borrison	Member	2020
Randy Scofield	Clerk	2022

ADMINISTRATION

Dr. Carrie Andrews	Superintendent
Penny Timboe	Chief Financial Officer

See accompanying note to supplementary information.

CAMBRIAN SCHOOL DISTRICT

**SCHEDULE OF AVERAGE DAILY ATTENDANCE - DISTRICT
FOR THE YEAR ENDED JUNE 30, 2019**

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	503.32	503.44
Fourth through sixth	338.23	338.56
Seventh and eighth	134.42	134.54
Total Regular ADA	<u>975.97</u>	<u>976.54</u>
Extended Year Special Education		
Transitional kindergarten through third	3.21	3.21
Fourth through sixth	2.66	2.66
Seventh and eighth	0.69	0.69
Total Extended Year Special Education	<u>6.56</u>	<u>6.56</u>
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	1.13	1.18
Fourth through sixth	3.23	2.00
Seventh and eighth	4.55	4.32
Total Special Education, Nonpublic, Nonsectarian Schools	<u>8.91</u>	<u>7.50</u>
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.39	0.39
Fourth through sixth	0.48	0.48
Seventh and eighth	0.23	0.23
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	<u>1.10</u>	<u>1.10</u>
Total ADA	<u>992.54</u>	<u>991.70</u>

See accompanying note to supplementary information.

CAMBRIAN SCHOOL DISTRICT

**SCHEDULE OF AVERAGE DAILY ATTENDANCE
- ALL CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2019**

	Second Period Report				
	Fammatre	Farnham	Sartorette	Ida Price	Total
Classroom-Based Regular ADA					
Kindergarten through third	375.41	339.72	268.48	-	983.61
Fourth through sixth	132.69	163.43	146.82	293.76	736.70
Seventh and eighth	-	-	-	631.09	631.09
Total Classroom-Based	508.10	503.15	415.30	924.85	2,351.40
Non Classroom-Based Regular ADA					
Kindergarten through third	3.55	1.96	1.33	-	6.84
Fourth through sixth	0.39	1.04	0.68	0.19	2.30
Seventh and eighth	-	-	-	0.79	0.79
Total Non Classroom-Based	3.94	3.00	2.01	0.98	9.93
Total Charter School	512.04	506.15	417.31	925.83	2,361.33
	Annual Report				
	Fammatre	Farnham	Sartorette	Ida Price	Total
Classroom-Based Regular ADA					
Kindergarten through third	374.54	337.96	269.06	-	981.56
Fourth through sixth	132.30	162.68	146.49	293.14	734.61
Seventh and eighth	-	-	-	629.48	629.48
Total Classroom-Based	506.84	500.64	415.55	922.62	2,345.65
Non Classroom-Based Regular ADA					
Kindergarten through third	3.59	1.96	1.40	-	6.95
Fourth through sixth	0.42	1.04	0.66	0.22	2.34
Seventh and eighth	-	-	-	0.73	0.73
Total Non Classroom-Based	4.01	3.00	2.06	0.95	10.02
Total Charter School	510.85	503.64	417.61	923.57	2,355.67

See accompanying note to supplementary information.

CAMBRIAN SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2019

DISTRICT		1986-1987	2018-2019	Number of	
Grade Level		Minutes	Actual	Days	
		Requirement	Minutes	Traditional	Status
				Calendar	
District					
Kindergarten		36,000	46,755	180	Complied
Grade 1		50,400	50,787	180	Complied
Grade 2		50,400	50,787	180	Complied
Grade 3		50,400	50,787	180	Complied
Grade 4		54,000	54,145	180	Complied
Grade 5		54,000	54,145	180	Complied
Grade 6		54,000	57,559	180	Complied
Grade 7		54,000	57,559	180	Complied
Grade 8		54,000	57,559	180	Complied
ALL CHARTER SCHOOLS					
Grade Level		Ed Code	2018-2019	Number of	
		47612.5	Actual	Days	
		Requirement	Minutes	Traditional	Status
				Calendar	
Fammatre Charter School					
Kindergarten		36,000	47,280	180	Complied
Grade 1		50,400	51,285	180	Complied
Grade 2		50,400	51,285	180	Complied
Grade 3		50,400	52,240	180	Complied
Grade 4		54,000	54,630	180	Complied
Grade 5		54,000	54,630	180	Complied
Farnham Charter School					
Kindergarten		36,000	48,080	180	Complied
Grade 1		50,400	51,075	180	Complied
Grade 2		50,400	51,075	180	Complied
Grade 3		50,400	51,075	180	Complied
Grade 4		54,000	54,375	180	Complied
Grade 5		54,000	54,375	180	Complied
Sartorette Charter School					
Kindergarten		36,000	46,130	180	Complied
Grade 1		50,400	50,645	180	Complied
Grade 2		50,400	50,645	180	Complied
Grade 3		50,400	50,645	180	Complied
Grade 4		54,000	54,605	180	Complied
Grade 5		54,000	54,605	180	Complied
Ida Price Charter School					
Grade 6		54,000	56,024	180	Complied
Grade 7		54,000	56,024	180	Complied
Grade 8		54,000	56,024	180	Complied

See accompanying note to supplementary information.

CAMBRIAN SCHOOL DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Summarized below are the fund balance reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

	<u>General</u>	<u>Special Reserve Capital</u>	<u>Bond Interest and Redemption</u>
FUND BALANCE			
Balance, June 30, 2019, Unaudited Actuals	\$ 6,816,890	\$ 413,665	\$ 1,090,688
Decrease in net position as a result of recognizing unrecorded liability	(323,211)	(17,028)	-
Increase in net position as a result of recognizing prepaid expenditures for the principal and interest payment made in advance	-	-	1,051,069
Balance, June 30, 2019, Audited Financial Statement	<u>\$ 6,493,679</u>	<u>\$ 396,637</u>	<u>\$ 2,141,757</u>

See accompanying note to supplementary information.

CAMBRIAN SCHOOL DISTRICT

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

	(Budget) 2020 ¹	2019	2018	2017
General Fund				
Revenues	\$ 37,676,549	\$ 37,462,219	\$ 35,979,769	\$ 33,767,590
Transfers in	200,000	500,000	-	-
Total Revenues and Other Sources	37,876,549	37,962,219	35,979,769	33,767,590
Expenditures	39,431,381	36,373,056	36,487,573	34,723,312
Transfers out	160,829	-	408,607	152,056
Total Expenditures and Other Uses	39,592,210	36,373,056	36,896,180	34,875,368
Increase (Decrease) in Fund Balance	\$ (1,715,661)	\$ 1,589,163	\$ (916,411)	\$ (1,107,778)
Ending Fund Balance	\$ 4,778,018	\$ 6,493,679	\$ 4,904,516	\$ 5,820,927
Available Reserves ²	\$ 3,677,728	\$ 4,873,975	\$ 3,700,484	\$ 5,019,050
Available Reserves As a Percentage of Total Outgo	9.29%	13.95%	10.03%	14.39%
Long-Term Obligations	\$ 93,300,668	\$ 94,498,767	\$ 93,037,106	\$ 88,416,463
Average Daily Attendance At P-2 ³	3,294	3,354	3,484	3,425

The General Fund balance has increased by \$672,752 over the past two years. The fiscal year 2019-2020 budget projects a decrease of \$1,715,661. For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred two operating deficits and one operating surplus in the past three years. The District anticipates incurring an operating deficit during the 2019-2020 fiscal year. Total long-term obligations have increased by \$6,082,304 over the past two years.

Average daily attendance has decreased by 71 over the past two years, but anticipates a decrease of 60 ADA during fiscal year 2019-2020.

¹ Budget 2020 is included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of all unassigned fund balances and assigned for fiscal stability fund balances contained within the General Fund.

³ Average daily attendance includes all charter schools.

See accompanying note to supplementary information.

CAMBRIAN SCHOOL DISTRICT

**SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2019**

<u>Charter #</u>	<u>Name of Charter School</u>	<u>Included in Audit Report</u>
0638	Fammatre Charter School	Yes
0574	Farnham Charter School	Yes
0497	Sartorette Charter School	Yes
0575	Idea Price Charter School	Yes

See accompanying note to supplementary information.

CAMBRIAN SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2019**

	Cafeteria Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds
ASSETS				
Deposits and investments	\$ 1,316	\$ 330,623	\$ 1,085,084	\$ 1,417,023
Receivables	62,446	1,800	5,604	69,850
Prepaid expenditures	-	-	1,051,069	1,051,069
Total Assets	<u>\$ 63,762</u>	<u>\$ 332,423</u>	<u>\$ 2,141,757</u>	<u>\$ 2,537,942</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 14,406	\$ -	\$ -	\$ 14,406
Unearned revenue	44,631	-	-	44,631
Total Liabilities	<u>59,037</u>	<u>-</u>	<u>-</u>	<u>59,037</u>
Fund Balances:				
Nonspendable	210	-	1,051,069	1,051,279
Restricted	4,515	332,423	1,090,688	1,427,626
Total Fund Balances	<u>4,725</u>	<u>332,423</u>	<u>2,141,757</u>	<u>2,478,905</u>
Total Liabilities and Fund Balances	<u>\$ 63,762</u>	<u>\$ 332,423</u>	<u>\$ 2,141,757</u>	<u>\$ 2,537,942</u>

See accompanying note to supplementary information.

CAMBRIAN SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019**

	Cafeteria Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds
REVENUES				
Federal sources	\$ 259,003	\$ -	\$ -	\$ 259,003
Other state sources	17,737	-	15,049	32,786
Other local sources	466,406	95,049	2,931,799	3,493,254
Total Revenues	<u>743,146</u>	<u>95,049</u>	<u>2,946,848</u>	<u>3,785,043</u>
EXPENDITURES				
Current				
Pupil services:				
Food services	796,357	-	-	796,357
Debt service				
Principal	-	-	720,000	720,000
Interest and other	-	-	1,160,469	1,160,469
Total Expenditures	<u>796,357</u>	<u>-</u>	<u>1,880,469</u>	<u>2,676,826</u>
NET CHANGE IN FUND BALANCES	(53,211)	95,049	1,066,379	1,108,217
Fund Balance - Beginning	57,936	237,374	1,075,378	1,370,688
Fund Balance - Ending	<u>\$ 4,725</u>	<u>\$ 332,423</u>	<u>\$ 2,141,757</u>	<u>\$ 2,478,905</u>

See accompanying note to supplementary information.

CAMBRIAN SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2019

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and the related expenditures reported on the Schedule of Expenditures of Federal Awards.

Description	CFDA Number	Amount
Total Federal Revenues in Statement of Revenues, Expenditures and Changes in Fund Balances:		\$ 1,283,890
Fair Market Value of Commodities	10.555	28,601
Total Expenditures of Federal Awards		<u>\$ 1,312,491</u>

Local Education Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

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

Districts must maintain their instructional minutes at the 1986-1987 requirements, as required by *Education Code* Section 46201.

CAMBRIAN SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2019

Schedule of Financial Trends and Analysis

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

Schedule of Charter Schools

This schedule lists all Charter Schools chartered by the District and displays information for each Charter School and whether or not the Charter School is included in the School District audit.

Combining Non-Major Governmental Funds – Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances

The Combining Non-Major Governmental Funds Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances is included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances.

INDEPENDENT AUDITOR'S REPORTS

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**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***

Governing Board
Cambrian School District
San Jose, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cambrian School District (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Cambrian School District's basic financial statements, and have issued our report thereon dated December 12, 2019.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Palo Alto, California
December 12, 2019



CPAs & BUSINESS ADVISORS

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

Governing Board
Cambrian School District
San Jose, California

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Cambrian School 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 Cambrian School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

Management of Cambrian School 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 Cambrian School 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 Cambrian School 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 in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

The image shows a handwritten signature in black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

Palo Alto, California
December 12, 2019



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Cambrian School District
San Jose, California

Report on State Compliance

We have audited Cambrian School District's (the District) compliance with the types of compliance requirements as identified in the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Cambrian School District's State government programs as noted below for the year ended June 30, 2019.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws, regulations, and the terms and conditions of its State awards applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Cambrian School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Cambrian School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of Cambrian School District's compliance with those requirements.

Basis for Qualified Opinion on Comprehensive School Safety Plan

As described in the accompanying schedule of findings and questioned costs, Cambrian School District did not comply with requirements regarding Comprehensive School Safety Plan (2019-01). Compliance with such requirements is necessary, in our opinion, for Cambrian School District to comply with the requirements applicable to that program.

Qualified Opinion on Comprehensive School Safety Plan

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Cambrian School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2019.

Unmodified Opinion on Each of the Other Programs

In our opinion, Cambrian School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2019, except as described in the Schedule of State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs.

Other Matters

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

	<u>Procedures Performed</u>
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No, see below
Continuation Education	No, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	No, see below
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	Yes
District of Choice	No, see below
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
General Requirements	No, see below
After School	No, see below
Before School	No, see below

	<u>Procedures Performed</u>
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, see below

CHARTER SCHOOLS

Attendance	Yes
Mode of Instruction	Yes
Non Classroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Non Classroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	Yes
Charter School Facility Grant Program	No, see below

The District does not offer a Continuation Education, Early Retirement Incentive, Juvenile Court Schools, Middle or Early College High Schools, Transportation, Apprenticeship: Related and Supplemental Instruction, District of Choice, Before and After School Education and Safety Program, Independent Study- Course Based Program, and Charter School Facility Grant Program; therefore, we did not perform procedures related to these programs.

The District offered short-term Independent Study Programs and Non-Classroom-Based Instruction/Independent Study for Charter Schools, but the ADA generated from these programs is below the testing threshold; therefore, we did not perform procedures related to these programs.



Palo Alto, California
December 12, 2019

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CAMBRIAN SCHOOL DISTRICT

**SUMMARY SCHEDULE OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2019**

FINANCIAL STATEMENTS

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major federal programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>None reported</u>
Type of auditor's report issued on compliance for major federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	<u>No</u>

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027, 84.173, 84.027A & 84.173A	Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Type of auditor's report issued on compliance for all programs:
 Unmodified for all programs except: Comprehensive School Safety Plan

CAMBRIAN SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019**

None reported.

CAMBRIAN SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

None reported.

CAMBRIAN SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

The following findings represent instances of noncompliance and questioned costs relating to State program laws and regulations. The findings have been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
40000	State Compliance

2019-001 Comprehensive School Safety Plan

Code 40000

Criteria

EDC §32282 requires the District to review, update and approve each school site’s comprehensive School Safety Plan by March 1.

Condition

The District’s Comprehensive School Safety Plan was not updated and approved within the reasonable time frame as specified in EDC §32282.

Questioned Costs

There is no questioned cost associated with this condition because there is no funding related to the Comprehensive School Safety Plan.

Context

We examined the Districtwide Comprehensive School Safety Plan and noted the plan has not been updated for several years.

Effect

The District did not comply with the State’s Comprehensive School Safety Plan requirements.

Cause

The District was not able to update and approve the Comprehensive School Safety Plan before the March 1 deadline due to lack of responsible personnel.

Recommendation

We recommend the District to appoint an individual with the responsibility of ensuring the District’s State compliance.

Corrective Action Plan

The District has already completed the corrective action for this compliance issue. The Comprehensive School Safety Plans for all sites have been updated and were Board approved on October 2, 2019. Those plans will be further reviewed and will come before the Board again prior to March 1, 2020.

CAMBRIAN SCHOOL DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019**

There were no audit findings reported in the prior year's schedule of financial statement findings.