

CAMBRIAN SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
JUNE 30, 2017

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CAMBRIAN SCHOOL DISTRICT

TABLE OF CONTENTS

JUNE 30, 2017

FINANCIAL SECTION

Independent Auditor's Report	2
Management's Discussion and Analysis	5
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	12
Statement of Activities	13
Fund Financial Statements	
Governmental Funds - Balance Sheet	14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	15
Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balances	16
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	17
Fiduciary Fund - Statement of Assets and Liabilities	18
Notes to Financial Statements	19

REQUIRED SUPPLEMENTARY INFORMATION

General Fund - Budgetary Comparison Schedule	50
Schedule of the District's Proportionate Share of the Net Pension Liability	51
Schedule of District Pension Contributions	52
Note to Required Supplementary Information	53

SUPPLEMENTARY INFORMATION

Schedule of Expenditures of Federal Awards	55
Local Education Agency Organization Structure	56
Schedule of Average Daily Attendance - District	57
Schedule of Average Daily Attendance - All Charter Schools	58
Schedule of Instructional Time	59
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements	60
Schedule of Financial Trends and Analysis	61
Schedule of Charter Schools	62
Combining Statements - Non-Major Governmental Funds	
Combining Balance Sheet	63
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	65
Note to Supplementary Information	67

INDEPENDENT AUDITOR'S REPORTS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	70
Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	72
Report on State Compliance	74

CAMBRIAN SCHOOL DISTRICT

TABLE OF CONTENTS JUNE 30, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary Schedule of Auditor's Results	78
Financial Statement Findings	79
Federal Awards Findings and Questioned Costs	80
State Awards Findings and Questioned Costs	81
Summary Schedule of Prior Audit Findings	82

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 (District) as of and for the year ended June 30, 2017, 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 *2016-2017 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 District, as of June 30, 2017, and the respective changes in financial position 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 of the district's proportionate share of net pension liability, and the schedule of district 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 District's basic financial statements. The accompanying supplementary information such as the combining and individual nonmajor 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 the accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 November 21, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co. LLP

Palo Alto, California
November 21, 2017

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CAMBRIAN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

This section of Cambrian School District's 2016-2017 annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2017. 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, 2017

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, 2017

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$2,050,187 deficit for the fiscal year ended June 30, 2017. Of this amount, \$11,229,775 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	
	2016/2017	2015/2016
Current and other assets	\$ 22,725,646	\$ 34,049,988
Capital assets	62,267,741	54,212,551
Total Assets	84,993,387	91,262,539
Deferred Outflows of Resources	6,253,175	2,909,672
Current liabilities	3,256,742	5,429,472
Long-term debt	88,416,463	84,121,201
Total Liabilities	91,673,205	89,550,673
Deferred Inflows of Resources	1,623,544	2,589,776
Net Position		
Net investment in capital assets	7,325,598	9,401,888
Restricted	1,853,990	1,970,794
Unrestricted	(11,229,775)	(9,340,920)
Total Net Position	\$ (2,050,187)	\$ 2,031,762

Unrestricted net position for the year ended June 30, 2017, consist of the following:

	Governmental Activities	
	2016/2017	2015/2016
Unrestricted and nonspendable General Fund	\$ 5,024,927	\$ 6,052,959
Building Fund	7,967,289	8,106,826
Special Reserve - Capital Fund	1,747,156	1,975,327
Deferred Outflows of Resources	6,253,175	2,909,672
Deferred Inflows of Resources	(1,623,544)	(2,589,776)
Pension Liabilities	(30,468,838)	(25,675,457)
Compensated Absence	(129,940)	(120,471)
Total Unrestricted Net Position	\$ (11,229,775)	\$ (9,340,920)

CAMBRIAN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

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	
	2016/2017	2015/2016
Revenues		
Program Revenues:		
Charges for services	\$ 368,496	\$ 317,362
Operating grants and contributions	2,510,671	3,729,330
General Revenues:		
Federal and State aid	12,090,729	12,384,930
Property taxes	19,905,107	17,726,272
Other general revenues	3,191,624	2,764,079
Total Revenues	38,066,627	36,921,973
Expenses		
Instruction related	30,600,893	27,276,949
Student support services	3,052,653	2,563,287
Administration	2,565,438	2,279,226
Maintenance and operations	3,690,215	1,241,620
Other	2,239,377	2,223,678
Total Expenses	42,148,576	35,584,760
Change in Net Position	\$ (4,081,949)	\$ 1,337,213

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 \$42,148,576. However, the amount that our taxpayers ultimately financed for these activities through local taxes and other revenues was \$28,913,861, because of the total expenses, \$368,496 was paid by those who benefited from the programs, \$2,510,671 was paid by other governments and organizations who subsidized certain programs with grants and contributions, and \$12,090,729 was paid by federal and state aid that is not restricted to specific purposes.

CAMBRIAN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

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	
	2016/2017	2015/2016
Instruction and instruction related	\$ 30,600,893	\$ 27,276,949
Pupil services	3,052,653	2,563,287
General administration	2,565,438	2,279,226
Maintenance and operations	3,690,215	1,241,620
Other	2,239,377	2,223,678
Totals	\$ 42,148,576	\$ 35,584,760

- 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.

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$20.5 million which is a decrease of approximately \$9.2 million from last year. This decrease is a result of a variety of revenue and expenditure variances throughout the budget but primarily due to final payments related to the modernization and expansion of Steindorf S.T.E.A.M. (Science, Technology, Engineering, Arts and Math) School, and revitalization of other school district facilities as well as the use of one time funds to pay for key educational initiatives (i.e., curriculum adoption, professional development for new curriculum, 4 teachers on special assignment). The modernization and expansion of Steindorf S.T.E.A.M. School was largely financed with Measure I funds. Measure I was passed by our community during June of 2014. The District thanks the overwhelming community support of our educational program through the years. Table 4 provides a summary of the fund balances and the total change from prior year.

CAMBRIAN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

Table 4

<u>Fund Type</u>	<u>2016/2017</u>	<u>2015/2016</u>	<u>Change</u>	<u>Percent Change</u>
General Fund	\$ 5,820,927	\$ 6,928,705	\$ (1,107,778)	-16.0%
Building Fund	10,842,831	18,621,436	(7,778,605)	-41.8%
Non-Major Governmental Funds	3,808,915	4,085,019	(276,104)	-6.8%
Total Governmental Funds	<u>\$ 20,472,673</u>	<u>\$ 29,635,160</u>	<u>\$ (9,162,487)</u>	-30.9%

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, the District had \$87.2 million in a broad range of capital assets. Accumulated depreciation was \$24.9 million. The capital asset, net amount of \$62.3 million represents a net increase (including additions, deductions and depreciation) of \$5 million or 8.8% over last year. See Note 5 for more details.

Long-Term Obligations

At the end of this year, the District had \$57.8 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 and change in net pension liabilities.

Other obligations include compensated absences payable. We present more detailed information regarding our long-term liabilities in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2017-2018 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 increase in ADA (Average Daily Attendance) based on recent trends, actual enrollments received, tempered by flat enrollment projection by Cooperative Strategies, Inc.
2. Reduction in the amount of one-time unrestricted state funds available for any purpose.
3. Increase in principal apportionment based on expected increases in per ADA funding under the Local Control Funding Formula (LCFF).
4. State funding related to California Clean Energy Jobs Act.
5. Developer fee revenue estimates based on the history of actual fees collected.
6. Reduction of local revenues to reflect the practice of not recognizing local revenues before an award letter or actual cash has been received.
7. Federal and State revenue estimates based on School Services of California's projections and the Governor's annual budget forecast.

CAMBRIAN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

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

1. Increase in overall expenditures based on expansion of educational programs. This includes an increase in districtwide staffing to meet the expected increase in enrollment and growing needs of students.
2. Additional expenditures for implementing Educator Effectiveness program.
3. Increase in employer contributions to California State Teachers Retirement System (CalSTRS) and California Public Employee Retirement System (CalPERS).
4. Step and Column increases in staff salaries.
5. Impact of inflation on the cost of operating our educational program.
6. Continued spending (albeit at a much slower rate) of Measure I and other capital funds to construct a new Bagby Multi Use Room, revamp outdoor learning spaces at various school sites and paint two school sites.

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. Full implementation of LCFF is expected to occur over a number of years. Over that period of time the funding per student is expected to grow so that the funding per student in 2020-21 (or later) will match the funding level per student achieved by the State in 2007-08 (adjusted for inflation). Unfortunately, LCFF funding growth does not provide for an additional allocation to cover the annual increase in contributions to the CalSTRS and CalPERS. This results in this District (as well as many others) searching for other resources to cover this annual incremental increase in total expenditures as well cover the increased expenditures from (i) step and column, (ii) inflation on supplies and services, (iii) health care premiums, and (iv) the new provisions under Family and Medical Leave Act.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and 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, 2017**

	Governmental Activities
ASSETS	
Deposits and investments	\$ 21,980,500
Receivables	734,137
Prepaid items	11,009
Capital assets not depreciated	537,672
Capital assets, net of accumulated depreciation	61,730,069
Total Assets	84,993,387
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	6,253,175
Total Deferred Outflows of Resources	6,253,175
LIABILITIES	
Accounts payable	2,210,782
Interest payable	1,003,769
Unearned revenue	42,191
Long-term obligations other than pensions:	
Current portion	\$ 948,099
Noncurrent portion	56,999,526
Total Long-Term Obligations other than pensions	57,947,625
Aggregate net pension liability	30,468,838
Total Liabilities	91,673,205
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	1,623,544
Total Deferred Inflows of Resources	1,623,544
NET POSITION	
Net investment in capital assets	7,325,598
Restricted for:	
Educational program	796,000
Debt service	886,662
Capital outlay	164,620
Food program	6,708
Total restricted	1,853,990
Unrestricted	(11,229,775)
Total Net Position	\$ (2,050,187)

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

CAMBRIAN SCHOOL DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

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	\$ 26,964,708	\$ -	\$ 1,906,340	\$ (25,058,368)
Instruction-related activities:				
Supervision of instruction	1,361,216	-	84,388	(1,276,828)
Instructional library, media, and technology	190,434	-	-	(190,434)
School site administration	2,084,535	-	48,830	(2,035,705)
Pupil services:				
Home-to-school transportation	600,270	-	-	(600,270)
Food services	925,822	368,496	373,592	(183,734)
All other pupil services	1,526,561	-	61,240	(1,465,321)
General administration:				
Data processing	147,721	-	-	(147,721)
All other general administration	2,417,717	-	36,281	(2,381,436)
Plant services	3,690,215	-	-	(3,690,215)
Interest on long-term obligations and others	2,239,377	-	-	(2,239,377)
Total Governmental-Type Activities	<u>\$ 42,148,576</u>	<u>\$ 368,496</u>	<u>\$ 2,510,671</u>	<u>(39,269,409)</u>
General revenues and subventions:				
Property taxes, levied for general purposes				17,164,692
Property taxes, levied for debt service				2,740,415
Taxes levied for other specific purposes				922,038
Federal and state aid not restricted to specific purposes				12,090,729
Interest and investment earnings				184,706
Miscellaneous				2,084,880
Subtotal, General Revenues				<u>35,187,460</u>
Change in Net Position				(4,081,949)
Net Position - Beginning				<u>2,031,762</u>
Net Position - Ending				<u>\$ (2,050,187)</u>

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

CAMBRIAN SCHOOL DISTRICT

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2017

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Deposits and investments	\$ 6,618,609	\$ 11,411,580	\$ 3,950,311	\$ 21,980,500
Receivables	558,116	70,604	105,417	734,137
Due from other funds	67,748	-	-	67,748
Prepaid items	4,477	-	6,532	11,009
Total Assets	\$ 7,248,950	\$ 11,482,184	\$ 4,062,260	\$ 22,793,394
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,425,068	\$ 636,578	\$ 149,136	\$ 2,210,782
Due to other funds	-	2,775	64,973	67,748
Unearned revenue	2,955	-	39,236	42,191
Total Liabilities	1,428,023	639,353	253,345	2,320,721
Fund Balances:				
Nonspendable	5,877	-	6,708	12,585
Restricted	796,000	2,875,542	2,051,596	5,723,138
Assigned	-	7,967,289	1,750,611	9,717,900
Unassigned	5,019,050	-	-	5,019,050
Total Fund Balances	5,820,927	10,842,831	3,808,915	20,472,673
Total Liabilities and Fund Balances	\$ 7,248,950	\$ 11,482,184	\$ 4,062,260	\$ 22,793,394

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

CAMBRIAN SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2017

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

Total Fund Balance - Governmental Funds \$ 20,472,673

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	\$ 87,193,804	
Accumulated depreciation is	<u>(24,926,063)</u>	62,267,741

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.

4,629,631

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.

(1,003,769)

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	57,817,685	
Compensated absences (vacations)	129,940	
Net pension liability	<u>30,468,838</u>	
Total Long-Term Obligations		<u>(88,416,463)</u>

Total Net Position - Governmental Activities \$ (2,050,187)

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

CAMBRIAN SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017**

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
Local control funding formula	\$ 27,978,221	\$ -	\$ -	\$ 27,978,221
Federal sources	938,250	-	258,342	1,196,592
Other state sources	2,574,047	-	38,838	2,612,885
Other local sources	2,277,072	94,927	3,460,721	5,832,720
Total Revenues	33,767,590	94,927	3,757,901	37,620,418
EXPENDITURES				
Current				
Instruction	24,363,296	-	-	24,363,296
Instruction-related activities:				
Supervision of instruction	1,229,893	-	-	1,229,893
Instructional library, media and technology	172,062	-	-	172,062
School site administration	1,883,430	-	-	1,883,430
Pupil services:				
Home-to-school transportation	542,359	-	-	542,359
Food services	-	-	836,503	836,503
All other pupil services	1,379,286	-	-	1,379,286
General administration:				
Data processing	133,469	-	-	133,469
All other general administration	2,171,251	-	4,663	2,175,914
Plant services	2,848,266	136,030	234,279	3,218,575
Capital outlays	-	7,820,433	269,845	8,090,278
Debt service				
Principal	-	-	725,000	725,000
Interest and other	-	19,779	2,013,061	2,032,840
Total Expenditures	34,723,312	7,976,242	4,083,351	46,782,905
Excess (Deficiency) of Revenues Over Expenditures	(955,722)	(7,881,315)	(325,450)	(9,162,487)
Other Financing Sources (Uses):				
Transfers in	-	102,710	49,346	152,056
Transfers out	(152,056)	-	-	(152,056)
Net Financing Sources (Uses)	(152,056)	102,710	49,346	-
NET CHANGE IN FUND BALANCES	(1,107,778)	(7,778,605)	(276,104)	(9,162,487)
Fund Balance - Beginning	6,928,705	18,621,436	4,085,019	29,635,160
Fund Balance - Ending	\$ 5,820,927	\$ 10,842,831	\$ 3,808,915	\$ 20,472,673

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

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, 2017

Total Net Change in Fund Balances - Governmental Funds \$ (9,162,487)
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are capitalized in the statement of net position and depreciated over their estimated useful lives in the statement of activities. 7,962,304

Depreciation is recorded as an expense in the government-wide statement of activities, but not recorded in the governmental funds. (2,907,114)

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). (9,469)

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. (483,646)

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. 725,000

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. (400,511)

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. 10,875

Change in Net Position of Governmental Activities \$ (4,081,949)

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

CAMBRIAN SCHOOL DISTRICT

**FIDUCIARY FUND
STATEMENT OF ASSETS AND LIABILITIES
JUNE 30, 2017**

	<u>Agency Fund</u>
ASSETS	
Deposits and investments	<u>\$ 104,150</u>
LIABILITIES	
Due to student groups	<u>\$ 104,150</u>

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

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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.

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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.

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).

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).

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Debt Service Funds

The Debt Service funds are used to account for the accumulation of restricted, committed, or assigned 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 the District (*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.

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.

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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.

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, except for property taxes which are considered to be available if received within 60 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.

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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, 2017, 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.

Prepaid Item

Prepaid items 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.

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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.

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.

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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.

Fund Balances - Governmental Funds

As of June 30, 2017, 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.

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.

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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.

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.

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 Principles

GASB Statement No. 75 – In June 2015, GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions. The Statement is effective for the periods beginning June 15, 2017, or the fiscal year 2017-18. The District has not determined the effect of this pronouncement.

GASB Statement No. 83 – In November 2016, GASB issued Statement No. 83, Certain Asset Retirement Obligations. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018, or the 2018-19 fiscal year. The District has not determined the effect of this pronouncement.

GASB Statement No. 84 – In January 2017, GASB issued Statement No. 84, Fiduciary Activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018, or the 2019-20 fiscal year. The District has not determined the effect of this pronouncement.

GASB Statement No. 85 – In March 2017, GASB issued Statement No. 85, Omnibus 2017. The Statement is effective for the reporting periods beginning after June 15, 2017, or 2017-18 fiscal year. The District has not determined the effect of this pronouncement.

GASB Statement No. 86 – In May 2017, GASB issued Statement No. 86, Certain Debt Extinguishment Issues. The Statement is effective for the reporting periods beginning after June 15, 2017, or 2017-18 fiscal year. The District has not determined the effect of this pronouncement.

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, Leases. The Statement is effective for the reporting periods beginning after December 15, 2019, or 2020-21 fiscal year. The District has not determined the effect of this pronouncement.

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2017, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 21,980,500
Fiduciary funds	104,150
Total Deposits and Investments	<u><u>\$ 22,084,650</u></u>

Deposits and investments as of June 30, 2017, consist of the following:

Cash on hand and in banks	\$ 128,790
Cash in revolving	1,575
Investments	21,954,285
Total Deposits and Investments	<u><u>\$ 22,084,650</u></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, 2017

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	Weighted Average Maturity In Years
Certificates of Deposit	\$ 1,710,599	1.28
Corporate Notes	1,703,942	1.03
County Treasury Pool	15,045,313	1.45
State Investment Pool	1,149,864	0.53
Municipal Bonds	2,344,567	1.12
Total	\$ 21,954,285	

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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	\$ 1,710,599	\$ -	\$ 1,710,599
Corporate Notes	1,703,942	1,703,942	-
County Treasury Pool	15,045,313	-	15,045,313
State Investment Pool	1,149,864	-	1,149,864
Municipal Bonds	2,344,567	2,344,567	-
Total	\$ 21,954,285	\$ 4,048,509	\$ 17,905,776

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, 2017, all of the District's bank balances of \$130,365 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, 2017.

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, 2017

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, 2017:

Investment Type	Fair Value	Level 1 Inputs	Uncategorized
Certificates of Deposit	\$ 1,710,599	\$ 1,710,599	\$ -
Corporate Notes	1,703,942	1,703,942	-
County Treasury Pool	15,045,313	-	15,045,313
State Investment Pool	1,149,864	-	1,149,864
Municipal Bonds	2,344,567	2,344,567	-
Total	\$ 21,954,285	\$ 5,759,108	\$ 16,195,177

NOTE 4 - RECEIVABLES

Accounts receivable at June 30, 2017, consist of the following:

	General	Building	Non-Major Governmental Funds	Total
Federal Government				
Categorical aid	\$ 133,026	\$ -	\$ 97,432	\$ 230,458
State Government				
Categorical aid	24,931	-	-	24,931
Lottery	313,210	-	-	313,210
Local Government				
Interest	3,506	70,604	7,690	81,800
Other Local Sources	83,443	-	295	83,738
Total	\$ 558,116	\$ 70,604	\$ 105,417	\$ 734,137

CAMBRIAN SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

Governmental Activities	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2017</u>
Capital Assets not being Depreciated:				
Construction in Progress	\$ 18,771,261	\$ 502,222	\$ 18,735,811	\$ 537,672
Capital Assets being Depreciated:				
Buildings and Improvements	<u>60,460,239</u>	<u>26,195,893</u>	<u>-</u>	<u>86,656,132</u>
Total Capital Assets	<u>79,231,500</u>	<u>26,698,115</u>	<u>18,735,811</u>	<u>87,193,804</u>
Less Accumulated Depreciation:				
Buildings and Improvements	<u>22,018,949</u>	<u>2,907,114</u>	<u>-</u>	<u>24,926,063</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 57,212,551</u>	<u>\$ 23,791,001</u>	<u>\$ 18,735,811</u>	<u>\$ 62,267,741</u>

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

Governmental Activities	
Instruction	\$ 1,970,983
Supervision of instruction	99,498
Instructional library, media, and technology	13,920
School site administration	152,369
Pupil transportation	43,877
Food services	67,673
All other pupil services	111,584
All other general administration	176,030
Data processing	10,798
Plant services	260,382
Total Depreciation Expense All Activities	<u>\$ 2,907,114</u>

CAMBRIAN SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 6 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2017 consist of the following:

		Due From
		General
Due To	Building	\$ 2,775
	Non-Major Governmental	64,973
	Total	\$ 67,748

Interfund Transfers

Interfund transfers at June 30, 2017 consist of the following:

Description	Total
The General Fund transferred to the Building Fund to support clean energy projects.	\$ 102,710
The General Fund transferred to the Cafeteria Fund to cover the meal fees for support.	49,346
Total	\$ 152,056

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2017, consist of the following:

	General	Building	Non-Major Governmental	Total
Vendor payables	\$ 1,275,837	\$ 636,578	\$ 146,020	\$ 2,058,435
State principal apportionment	79,430	-	-	79,430
Salaries and benefits	69,801	-	3,116	72,917
Total	\$ 1,425,068	\$ 636,578	\$ 149,136	\$ 2,210,782

CAMBRIAN SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8 - UNEARNED REVENUE

Unearned revenue at June 30, 2017, consists of the followings:

	General	Non-Major Governmental	Total
Meal prepayment for child nutrition program.	\$ -	\$ 39,236	\$ 39,236
Other local	2,955	-	2,955
Total	\$ 2,955	\$ 39,236	\$ 42,191

NOTE 9 - LONG-TERM OBLIGATIONS

Long-Term Obligations Summary

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

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017	Due in One Year
General obligation bonds	\$ 55,144,654	\$ 400,511	\$ 725,000	\$ 54,820,165	\$ 765,000
Bond premiums	3,180,619	-	183,099	2,997,520	183,099
Accumulated vacation - net	120,471	9,469	-	129,940	-
Pension liability	25,675,457	4,793,381	-	30,468,838	-
	\$ 84,121,201	\$ 5,203,361	\$ 908,099	\$ 88,416,463	\$ 948,099

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2016	Issuance/ Accreted	Refund/ Redeemed	Bonds Outstanding June 30, 2017
7/1/03	7/1/28	2.0-4.0%	\$ 15,524,912	\$ 833,182	\$ 45,169	\$ -	\$ 878,351
4/1/05	7/1/35	2.7-5.5%	5,450,033	6,091,472	355,342	-	6,446,814
8/27/13	7/1/26	3.0-5.0%	11,510,000	10,255,000	-	620,000	9,635,000
9/23/14	7/1/39	2.0-5.0%	39,000,000	36,550,000	-	-	36,550,000
9/23/14	7/1/25	3.0-5.0%	1,415,000	1,415,000	-	105,000	1,310,000
				\$ 55,144,654	\$ 400,511	\$ 725,000	\$ 54,820,165

CAMBRIAN SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

Debt Service Requirements to Maturity

The general obligation bonds mature through 2040 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2018	\$ 765,000	\$ 1,995,562	\$ 2,760,562
2019	870,000	1,969,038	2,839,038
2020	1,015,000	1,932,962	2,947,962
2021	1,175,000	1,882,063	3,057,063
2022	1,355,000	1,818,813	3,173,813
2023-2027	9,861,819	8,109,169	17,970,988
2028-2032	9,763,059	13,024,285	22,787,344
2033-2037	14,645,066	8,411,722	23,056,788
2038-2040	11,700,000	660,294	12,360,294
Sub Total	<u>51,149,944</u>	<u>\$ 39,803,907</u>	<u>\$ 90,953,851</u>
Accretion to date:	3,670,221		
Total	<u><u>\$ 54,820,165</u></u>		

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2017, amounted to \$129,940.

CAMBRIAN SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	\$ 1,400	\$ -	\$ 175	\$ 1,575
Prepaid expenditures	4,477	-	6,533	11,010
Total Nonspendable	<u>5,877</u>	<u>-</u>	<u>6,708</u>	<u>12,585</u>
Restricted				
Restricted for grants	796,000	-	-	796,000
Capital projects	-	2,875,542	164,620	3,040,162
Debt services	-	-	1,886,976	1,886,976
Total Restricted	<u>796,000</u>	<u>2,875,542</u>	<u>2,051,596</u>	<u>5,723,138</u>
Assigned				
Capital projects	-	7,967,289	1,750,611	9,717,900
Total Assigned	<u>-</u>	<u>7,967,289</u>	<u>1,750,611</u>	<u>9,717,900</u>
Unassigned				
Reserve for economic uncertainty	1,736,158	-	-	1,736,158
Remaining unassigned	3,282,892	-	-	3,282,892
Total Unassigned	<u>5,019,050</u>	<u>-</u>	<u>-</u>	<u>5,019,050</u>
Total	<u>\$ 5,820,927</u>	<u>\$ 10,842,831</u>	<u>\$ 3,808,915</u>	<u>\$ 20,472,673</u>

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, 2017, 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, 2017

Workers' Compensation

For fiscal year 2016-2017, 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, 2017 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	\$ 25,629,902	\$ 4,734,743	\$ 1,427,953	\$ 2,462,157
CalPERS	4,838,936	1,518,432	195,591	633,222
Total	\$ 30,468,838	\$ 6,253,175	\$ 1,623,544	\$ 3,095,379

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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, 2015, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically 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.

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

The STRP provisions and benefits in effect at June 30, 2017, are summarized as follows:

	<u>STRP Defined Benefit Program</u>	
	On or before	On or after
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%	9.205%
Required employer contribution rate	12.58%	12.58%
Required state contribution rate	8.828%	8.828%

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, 2017, are presented above and the District's total contributions were \$2,146,996.

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

At June 30, 2017, 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	\$ 25,629,902
State's proportionate share of the net pension liability associated with the District	<u>14,590,646</u>
Total	<u><u>\$ 40,220,548</u></u>

The net pension liability was measured as of June 30, 2016. 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, 2016 and June 30, 2015, respectively, was 0.0317 percent and 0.0330 percent, resulting in a net decrease in the proportionate share of 0.0013 percent.

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

For the year ended June 30, 2017, the District recognized pension expense of \$2,462,157. In addition, the District recognized pension expense and revenue of \$964,131 for support provided by the State. At June 30, 2017, 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	\$ 2,146,996	\$ -
Net change in proportionate share of net pension liability	550,182	(802,741)
Differences between projected and actual earnings on pension plan investments	2,037,565	-
Differences between expected and actual experience in the measurement of the total pension liability	-	(625,212)
Total	<u>\$ 4,734,743</u>	<u>\$ (1,427,953)</u>

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 of Resources
2018	\$ 44,453
2019	44,453
2020	1,184,445
2021	764,214
Total	<u>\$ 2,037,565</u>

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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
2018	\$ (137,858)
2019	(137,858)
2020	(137,858)
2021	(137,858)
2022	(137,860)
2023	(188,479)
Total	\$ (877,771)

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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. Based on the model for CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation is based on Teachers' Retirement Board of the California State Teachers' Retirement System (board) policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized 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%

Discount Rate

The discount rate used to measure the total pension liability was 7.60 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 (7.60 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:

Discount Rate	Net Pension Liability
1% decrease (6.60%)	\$ 36,887,209
Current discount rate (7.60%)	\$ 25,629,902
1% increase (8.60 %)	\$ 16,280,554

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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, 2015 annual actuarial valuation report(s), Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

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, 2017, 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%	6.00%
Required employer contribution rate	13.888%	13.888%

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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, 2017, are presented above and the total District contributions were \$464,737.

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

As of June 30, 2017, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$4,838,936. The net pension liability was measured as of June 30, 2016. 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, 2016 and June 30, 2015, respectively was 0.0245 percent and 0.0237 percent, resulting in a net increase in the proportionate share of 0.0008 percent.

For the year ended June 30, 2017, the District recognized pension expense of \$633,222. At June 30, 2017, 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	\$ 464,737	\$ -
Net change in proportionate share of net pension liability	94,728	(50,210)
Difference between projected and actual earnings on pension plan investments	750,847	-
Differences between expected and actual experience in the measurement of the total pension liability	208,120	-
Changes of assumptions	-	(145,381)
Total	<u>\$ 1,518,432</u>	<u>\$ (195,591)</u>

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 of Resources
2018	\$ 105,317
2019	105,317
2020	344,250
2021	195,963
Total	\$ 750,847

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 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2018	\$ 26,030
2019	29,208
2020	52,019
Total	\$ 107,257

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.65%
Investment rate of return	7.65%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries.

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 (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	51%	5.71%
Global debt securities	20%	2.43%
Inflation assets	6%	3.36%
Private equity	10%	6.95%
Real estate	10%	5.13%
Infrastructure and Forestland	2%	5.09%
Liquidity	1%	-1.05%

Discount Rate

The discount rate used to measure the total pension liability was 7.65 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:

Discount rate	Net Pension Liability
1% decrease (6.65%)	\$ 7,219,719
Current discount rate (7.65%)	\$ 4,838,936
1% increase (8.65%)	\$ 2,856,465

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 \$964,131 (8.828 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. On behalf payments 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, 2017.

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, 2017.

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

Construction Commitment

As of June 30, 2017, the District had the following commitments with respect to the unfinished capital projects:

Capital Project	Remaining Construction Commitment	Expected Date of Completion
Bagby Multi Use Room	\$ 2,616,000	February 2018
Farnham Outdoor Learning Area	244,000	August 2018
	<u>\$ 2,860,000</u>	

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, 2017, the District made payments of \$980,129 and \$244,711 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, 2017**

	Budgeted Amounts		GAAP	Variances -
	Original	Final	Basis	Positive
			Actual	(Negative)
				Final
				to Actual
REVENUES				
Local Control Funding Formula	\$ 26,523,503	\$ 27,592,102	\$ 27,978,221	\$ 386,119
Federal sources	971,100	947,706	938,250	(9,456)
Other state sources	2,586,842	2,796,983	2,574,047	(222,936)
Other local sources	2,062,971	2,385,010	2,277,072	(107,938)
Total Revenues	32,144,416	33,721,801	33,767,590	45,789
EXPENDITURES				
Current				
Certificated salaries	16,386,050	17,504,748	17,426,472	78,276
Classified salaries	4,358,860	4,214,393	4,176,346	38,047
Employee benefits	7,178,409	7,107,148	6,830,367	276,781
Books and supplies	925,675	1,660,132	1,287,595	372,537
Services and other expenditures	5,157,465	4,962,144	5,002,532	(40,388)
Total Expenditures	34,006,459	35,448,565	34,723,312	725,253
Excess of Expenditures Over				
Revenues	(1,862,043)	(1,726,763)	(955,722)	771,041
Other Financing Sources (Uses):				
Transfers out	(34,999)	(159,063)	(152,056)	7,007
Net Financing Sources (Uses)	(34,999)	(159,063)	(152,056)	7,007
NET CHANGE IN				
FUND BALANCE	(1,897,042)	(1,885,826)	(1,107,778)	778,048
Fund Balance - Beginning	6,928,705	6,928,705	6,928,705	-
Fund Balance - Ending	\$ 5,031,663	\$ 5,042,879	\$ 5,820,927	\$ 778,048

See accompanying note to required supplementary information.

CAMBRIAN SCHOOL DISTRICT

**SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
CalSTRS			
District's proportion of the net pension liability (asset)	<u>0.0317%</u>	<u>0.0330%</u>	<u>0.0319%</u>
District's proportionate share of the net pension liability (asset)	<u>\$ 25,629,902</u>	<u>\$ 22,186,672</u>	<u>\$ 18,639,896</u>
State's proportionate share of the net pension liability (asset) associated with the District	<u>14,590,646</u>	<u>11,734,304</u>	<u>11,255,574</u>
Total	<u><u>\$ 40,220,548</u></u>	<u><u>\$ 33,920,976</u></u>	<u><u>\$ 29,895,470</u></u>
District's covered payroll	<u>\$ 16,027,197</u>	<u>\$ 13,879,366</u>	<u>\$ 14,383,583</u>
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	<u>159.9%</u>	<u>159.9%</u>	<u>129.6%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>70%</u>	<u>74%</u>	<u>77%</u>
CalPERS			
District's proportion of the net pension liability (asset)	<u>0.0245%</u>	<u>0.0237%</u>	<u>0.0243%</u>
District's proportionate share of the net pension liability (asset)	<u>\$ 4,838,936</u>	<u>\$ 3,488,785</u>	<u>\$ 2,763,676</u>
District's covered payroll	<u>\$ 2,938,897</u>	<u>\$ 2,620,822</u>	<u>\$ 2,567,727</u>
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	<u>164.7%</u>	<u>133.1%</u>	<u>107.6%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>74%</u>	<u>79%</u>	<u>83%</u>

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

See accompanying note to required supplementary information.

CAMBRIAN SCHOOL DISTRICT

**SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
CalSTRS			
Contractually required contribution	\$ 2,146,996	\$ 1,697,821	\$ 1,357,043
Contributions in relation to the contractually required contribution	<u>2,146,996</u>	<u>1,697,821</u>	<u>1,357,043</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	<u>\$ 17,105,255</u>	<u>\$ 16,027,197</u>	<u>\$ 13,879,366</u>
Contributions as a percentage of covered payroll	<u>12.6%</u>	<u>10.6%</u>	<u>9.8%</u>
CalPERS			
Contractually required contribution	\$ 464,737	\$ 352,243	\$ 299,874
Contributions in relation to the contractually required contribution	<u>464,737</u>	<u>352,243</u>	<u>299,874</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	<u>\$ 3,346,316</u>	<u>\$ 2,938,897</u>	<u>\$ 2,620,822</u>
Contributions as a percentage of covered payroll	<u>13.9%</u>	<u>12.0%</u>	<u>11.4%</u>

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

See accompanying note to required supplementary information.

CAMBRIAN SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2017

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 in Assumptions – There were no changes in economic assumptions for the CalSTRS plan from the previous valuations. In 2016, CalPERS discount rate was changed from 7.50% to 7.65%.

Schedule of District 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.

SUPPLEMENTARY INFORMATION

CAMBRIAN SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through the California Department of Education:			
No Child Left Behind Act:			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 172,315
Title II, Part A, Teacher Quality	84.367	14341	67,145
Title III, English Language Acquisition State Grants			
Limited English Proficiency Student Program	84.365	10084	\$ 8,270
Immigrant Education Program	84.365	14346	39,086
Total English Language Acquisition State Grants			47,356
Special Education Cluster:			
Basic Local Assistance Entitlement	84.027	13379	537,314
Basic Local Assistance Entitlement, Private School	84.027	10115	1,839
Preschool Grants	84.173	13430	26,388
Preschool Local Entitlement	84.027A	13682	82,683
Preschool Staff Development	84.173A	13431	3,209
Total Special Education Cluster			651,433
Total U.S. Department of Education			938,249
U.S. DEPARTMENT OF AGRICULTURE			
Passed through the California Department of Education:			
Child Nutrition Cluster:			
Especially Needy Breakfast	10.553	13526	46,287
National School Lunch Program	10.555	13524	212,056
Fair Market Value of Commodities	10.555	13524	32,753
Total Child Nutrition Cluster			291,096
Total U.S. Department of Agriculture			291,096
Total Expenditures of Federal Awards			\$ 1,229,345

See accompanying note to supplementary information.

CAMBRIAN SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE FOR THE YEAR ENDED JUNE 30, 2017

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.

GOVERNING BOARD OF TRUSTEES

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Randy Scofield	President	2018
Jarrod Middleton	Vice President	2018
Doron Aronson	Member	2020
Aletta Godden	Member	2020
Carol Presunka	Clerk	2018

ADMINISTRATION

Dr. Carrie Andrews	Superintendent
Jason E. Vann	Chief Financial Officer

See accompanying note to supplementary information.

CAMBRIAN SCHOOL DISTRICT

**SCHEDULE OF AVERAGE DAILY ATTENDANCE - DISTRICT
FOR THE YEAR ENDED JUNE 30, 2017**

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	531.33	531.39
Fourth through sixth	382.26	382.93
Seventh and eighth	28.16	28.23
Total Regular ADA	<u>941.75</u>	<u>942.55</u>
Extended Year Special Education		
Transitional kindergarten through third	4.10	4.10
Fourth through sixth	1.95	1.95
Seventh and eighth	0.46	0.46
Total Extended Year Special Education	<u>6.51</u>	<u>6.51</u>
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.16	0.46
Fourth through sixth	1.47	1.83
Seventh and eighth	3.73	3.78
Total Special Education, Nonpublic, Nonsectarian Schools	<u>5.36</u>	<u>6.07</u>
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	0.11	0.11
Seventh and eighth	0.07	0.07
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	<u>0.18</u>	<u>0.18</u>
Total ADA	<u>953.80</u>	<u>955.31</u>

See accompanying note to supplementary information.

CAMBRIAN SCHOOL DISTRICT

**SCHEDULE OF AVERAGE DAILY ATTENDANCE
- ALL CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2017**

	Second Period Report				
	Fammatre	Farnham	Sartorette	Ida Price	Total
Classroom-Based Regular ADA					
Kindergarten through third	393.49	337.77	268.39	-	999.65
Fourth through sixth	130.56	158.71	116.95	325.81	732.03
Seventh and eighth	-	-	-	729.78	729.78
Total Classroom-Based	<u>524.05</u>	<u>496.48</u>	<u>385.34</u>	<u>1,055.59</u>	<u>2,461.46</u>
Non Classroom-Based Regular ADA					
Kindergarten through third	3.22	2.05	1.82	-	7.09
Fourth through sixth	0.73	0.45	0.58	0.51	2.27
Seventh and eighth	-	-	-	0.65	0.65
Total Non Classroom-Based	<u>3.95</u>	<u>2.50</u>	<u>2.40</u>	<u>1.16</u>	<u>10.01</u>
Total Charter School	<u>528.00</u>	<u>498.98</u>	<u>387.74</u>	<u>1,056.75</u>	<u>2,471.47</u>
	Annual Report				
	Fammatre	Farnham	Sartorette	Ida Price	Total
Classroom-Based Regular ADA					
Kindergarten through third	393.98	338.68	269.02	-	1,001.68
Fourth through sixth	130.55	159.10	117.34	325.44	732.43
Seventh and eighth	-	-	-	729.88	729.88
Total Classroom-Based	<u>524.53</u>	<u>497.78</u>	<u>386.36</u>	<u>1,055.32</u>	<u>2,463.99</u>
Non Classroom-Based Regular ADA					
Kindergarten through third	3.15	2.01	1.61	-	6.77
Fourth through sixth	0.69	0.34	0.65	0.47	2.15
Seventh and eighth	-	-	-	0.63	0.63
Total Non Classroom-Based	<u>3.84</u>	<u>2.35</u>	<u>2.26</u>	<u>1.10</u>	<u>9.55</u>
Total Charter School	<u>528.37</u>	<u>500.13</u>	<u>388.62</u>	<u>1,056.42</u>	<u>2,473.54</u>

See accompanying note to supplementary information.

CAMBRIAN SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2017

DISTRICT	1986-87 Minutes Requirement	2016-17 Actual Minutes	Number of Days Traditional Calendar	Status
Grade Level				
District (Bagby Elementary School)				
Kindergarten	36,000	46,835	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	54,031	180	Complied
Grade 5	54,000	54,031	180	Complied
ALL CHARTER SCHOOLS				
Grade Level	Ed Code 47612.5 Requirement	2016-17 Actual Minutes	Number of Days Traditional Calendar	Status
Fammatre Charter School				
Kindergarten	36,000	45,125	180	Complied
Grade 1	50,400	51,638	180	Complied
Grade 2	50,400	51,638	180	Complied
Grade 3	50,400	51,458	180	Complied
Grade 4	54,000	54,803	180	Complied
Grade 5	54,000	54,803	180	Complied
Farnham Charter School				
Kindergarten	36,000	49,415	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	46,230	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	56,987	180	Complied
Grade 7	54,000	56,987	180	Complied
Grade 8	54,000	56,987	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, 2017**

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2017.

See accompanying note to supplementary information.

CAMBRIAN SCHOOL DISTRICT

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

	(Budget) 2018 ¹	2017	2016	2015
GENERAL FUND				
Revenues	\$ 34,536,216	\$ 33,767,590	\$ 33,807,666	\$ 29,782,329
Transfers in	-	-	62,912	26,359
Total Revenues and Other Sources	34,536,216	33,767,590	33,870,578	29,808,688
Expenditures	36,038,540	34,723,312	32,430,987	30,522,233
Transfers out	380,486	152,056	552,198	622,941
Total Expenditures and Other Uses	36,419,026	34,875,368	32,983,185	31,145,174
INCREASE (DECREASE) IN FUND BALANCE	\$ (1,882,810)	\$ (1,107,778)	\$ 887,393	\$ (1,336,486)
ENDING FUND BALANCE	\$ 3,938,118	\$ 5,820,927	\$ 6,928,705	\$ 6,041,312
AVAILABLE RESERVES²	\$ 3,524,879	\$ 5,019,050	\$ 6,045,884	\$ 5,664,444
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	9.68%	14.39%	18.33%	18.19%
LONG-TERM OBLIGATIONS	\$ 86,520,265	\$ 88,416,463	\$ 83,213,102	\$ 82,787,515
AVERAGE DAILY ATTENDANCE AT P-2	3,554	3,425	3,270	3,293

The General Fund balance has decreased by \$220,385 over the past two years. The fiscal year 2017-2018 budget projects a decrease of \$1,882,810. 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 2017-2018 fiscal year. Total long-term obligations have increased by \$5,628,948 over the past two years.

Average daily attendance has increased by 132 over the past two years, but anticipates an increase of 129 ADA during fiscal year 2017-2018.

¹ Budget 2018 is included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of all unassigned fund balances contained within the General Fund.

See accompanying note to supplementary information.

CAMBRIAN SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS FOR THE YEAR ENDED JUNE 30, 2017

<u>Name of Charter School</u>	<u>Included in Audit Report</u>
Fammatre Charter School	Yes
Farnham Charter School	Yes
Sartorette Charter School	Yes
Idea Price Charter School	Yes

See accompanying note to supplementary information.

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CAMBRIAN SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2017**

	Cafeteria Fund	Capital Facilities Fund	Special Reserve Capital Outlay Fund
ASSETS			
Deposits and investments	\$ 16,451	\$ 168,466	\$ 1,877,201
Receivables	97,559	411	5,209
Prepaid expenditures	6,532	-	-
Total Assets	\$ 120,542	\$ 168,877	\$ 1,882,410
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 23,706	\$ 2,831	\$ 122,599
Due to other funds	50,892	1,426	12,655
Unearned revenue	39,236	-	-
Total Liabilities	113,834	4,257	135,254
Fund Balances:			
Nonspendable	6,708	-	-
Restricted	-	164,620	-
Assigned	-	-	1,747,156
Total Fund Balances	6,708	164,620	1,747,156
Total Liabilities and Fund Balances	\$ 120,542	\$ 168,877	\$ 1,882,410

See accompanying note to supplementary information.

Bond Interest and Redemption Fund	Non-Major Governmental Funds
\$ 1,888,193	\$ 3,950,311
2,238	105,417
-	6,532
<u>\$ 1,890,431</u>	<u>\$ 4,062,260</u>

\$ -	\$ 149,136
-	64,973
-	39,236
<u>-</u>	<u>253,345</u>

-	6,708
1,886,976	2,051,596
3,455	1,750,611
<u>1,890,431</u>	<u>3,808,915</u>
<u>\$ 1,890,431</u>	<u>\$ 4,062,260</u>

CAMBRIAN SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017**

	Cafeteria Fund	Capital Facilities Fund	Special Reserve Capital Fund
REVENUES			
Federal sources	\$ 258,342	\$ -	\$ -
Other state sources	17,725	4,663	-
Other local sources	466,022	106,976	167,595
Total Revenues	<u>742,089</u>	<u>111,639</u>	<u>167,595</u>
EXPENDITURES			
Current			
Pupil services:			
Food services	836,503	-	-
General administration:			
All other general administration	-	4,663	-
Plant services	-	-	234,279
Facility acquisition and construction	-	108,358	161,487
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total Expenditures	<u>836,503</u>	<u>113,021</u>	<u>395,766</u>
Excess (Deficiency) of			
Revenues Over Expenditures	<u>(94,414)</u>	<u>(1,382)</u>	<u>(228,171)</u>
Other Financing Sources (Uses):			
Transfers in	49,346	-	-
Net Financing Sources (Uses)	<u>49,346</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>(45,068)</u>	<u>(1,382)</u>	<u>(228,171)</u>
Fund Balance - Beginning	51,776	166,002	1,975,327
Fund Balance - Ending	<u>\$ 6,708</u>	<u>\$ 164,620</u>	<u>\$ 1,747,156</u>

See accompanying note to supplementary information.

Bond Interest and Redemption Fund	Non-Major Governmental Funds
\$ -	\$ 258,342
16,450	38,838
2,720,128	3,460,721
<u>2,736,578</u>	<u>3,757,901</u>
-	836,503
-	4,663
-	234,279
-	269,845
725,000	725,000
2,013,061	2,013,061
<u>2,738,061</u>	<u>4,083,351</u>
<u>(1,483)</u>	<u>(325,450)</u>
-	49,346
-	49,346
(1,483)	(276,104)
1,891,914	4,085,019
<u>\$ 1,890,431</u>	<u>\$ 3,808,915</u>

CAMBRIAN SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2017

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:		\$ 1,196,592
Fair Market Value of Commodities	10.555	<u>32,753</u>
Tota Expenditures of Federal Awards		<u><u>\$ 1,229,345</u></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 exceeded 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 1986-87 requirements, as required *Education Code* Section 46201.

CAMBRIAN SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2017

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



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

Board of Trustees
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 (District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 21, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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.

Vavrinek, Trine, Day & Co. LLP

Palo Alto, California
November 21, 2017



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

Board of Trustees
Cambrian School District
San Jose, California

Report on Compliance for Each Major Federal Program

We have audited Cambrian School District's (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 District's major Federal programs for the year ended June 30, 2017. The District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

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

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

Vavrinek, Trine, Day & Co. LLP

Palo Alto, California
November 21, 2017



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees
Cambrian School District
San Jose, California

Report on State Compliance

We have audited Cambrian School District's compliance with the types of compliance requirements as identified in the *2016-2017 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 (District) State government programs as noted below for the year ended June 30, 2017.

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 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 *2016-2017 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 the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of the District's compliance with those

Unmodified Opinion

In our opinion, the 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, 2017.

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

	<u>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
Mental Health Expenditures	Yes
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General Requirements	No, See Below
After School	No, See Below
Before School	No, See Below
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
Immunizations	Yes
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 Continuation Education, Early Retirement Incentives, Juvenile Court Schools, Middle or Early College High Schools, Transportation, Before and After School Safety Programs, Course Based Independent Study, and Charter School Facility Grant Programs; 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.

Vavrinek, Trine, Day & Co. LLP

Palo Alto, California
November 21, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CAMBRIAN SCHOOL DISTRICT

**SUMMARY SCHEDULE OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2017**

FINANCIAL STATEMENTS

Type of auditor's report issued:	<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>
<u>84.027, 84.173, 84.027A & 84.173A</u>	<u>Special Education Cluster</u>

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

CAMBRIAN SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

None reported.

CAMBRIAN SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

None reported.

CAMBRIAN SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

None reported.

CAMBRIAN SCHOOL DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

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