

CAMBRIAN SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
JUNE 30, 2016

CAMBRIAN SCHOOL DISTRICT

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Cambrian School District
San Jose, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Cambrian School District (District) as of and for the year ended June 30, 2016, 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 *2015-2016 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Cambrian School District, as of June 30, 2016, 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.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 to the financial statements, in 2016, the District adopted new accounting guidance, GASB Statement No. 72, *Fair Value Measurement and Application*; GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statement 67 and 68*; GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*; and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule, schedule of the district's proportionate share of 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 Cambrian School District's basic financial statements. The accompanying supplementary information, such as the combining and individual nonmajor fund financial statements, 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*, and the other supplementary information as listed on the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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 28, 2016, on our consideration of the Cambrian School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cambrian School District's internal control over financial reporting and compliance.



Palo Alto, California
November 28, 2016

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CAMBRIAN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

This section of Cambrian School District's 2015-2016 annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2016. 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 (the 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 economic resources measurement focus and 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, 2016

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 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 - Most 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, 2016

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$2,031,762 for the fiscal year ended June 30, 2016. Of this amount, -\$9,340,920 was unrestricted. 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	
	2015/2016	2014/2015
Current and other assets	\$ 34,049,988	\$ 56,133,987
Capital assets	57,212,551	35,435,759
Total Assets	<u>91,262,539</u>	<u>91,569,746</u>
Deferred Outflows of Resources	<u>2,909,672</u>	<u>1,656,917</u>
Current liabilities	5,429,472	4,204,930
Long-term debt	84,121,201	82,787,515
Total Liabilities	<u>89,550,673</u>	<u>86,992,445</u>
Deferred Inflows of Resources	<u>2,589,776</u>	<u>5,539,669</u>
Net Position		
Net investment in capital assets	9,401,888	3,063,789
Restricted	1,970,794	3,969,820
Unrestricted	(9,340,920)	(6,339,060)
Total Net Position	<u>\$ 2,031,762</u>	<u>\$ 694,549</u>

CAMBRIAN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

Unrestricted net position for the year ended June 30, 2016, consist of the following:

	Governmental Activities	
	2015/2016	2014/2015
Unrestricted General Fund	\$ 6,052,959	\$ 5,685,876
Deferred Maintenance Fund	-	62,908
Special Reserve - None - Capital Fund	-	276
Retiree Benefit Special Reserve Fund	-	4
Building Fund	8,106,826	8,140,848
Special Reserve - Capital Fund	1,975,327	5,196,343
Deferred Outflows of Resources	2,909,672	1,656,917
Deferred Inflows of Resources	(2,589,776)	(5,539,669)
Pension Liabilities	(25,675,457)	(21,403,572)
Compensated Absence	(120,471)	(138,991)
Total Unrestricted Net Position	\$ (9,340,920)	\$ (6,339,060)

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	
	2015/2016	2014/2015
Revenues		
Program Revenues:		
Charges for services	\$ 317,362	\$ 328,909
Operating grants and contributions	3,729,330	2,814,803
General Revenues:		
Federal and State aid	12,384,930	10,695,667
Property taxes	17,726,272	17,413,279
Other general revenues	2,764,079	2,002,976
Total Revenues	36,921,973	33,255,634
Expenses		
Instruction related	27,276,949	25,862,764
Student support services	2,563,287	2,268,457
Administration	2,279,226	1,956,940
Maintenance and operations	1,241,620	5,228,088
Other	2,223,678	2,544,093
Total Expenses	35,584,760	37,860,342
Change in Net Position	\$ 1,337,213	\$ (4,604,708)

CAMBRIAN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

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 \$35,584,760. However, the amount that our taxpayers ultimately financed for these activities through local taxes and other revenues was \$19,153,138, because of the total expenses, \$317,362 was paid by those who benefited from the programs, \$3,729,330 was paid by other governments and organizations who subsidized certain programs with grants and contributions, and \$12,384,930 was paid by federal and state aid that is not restricted to specific purposes.

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

Table 3

	Net Cost of Services	
	2015/2016	2014/2015
Instruction and instruction related	\$ 27,276,949	\$ 23,565,570
Pupil services	2,563,287	1,444,669
General administration	2,279,226	1,944,367
Maintenance and operations	1,241,620	5,217,931
Other	2,223,678	2,544,093
Totals	\$ 35,584,760	\$ 34,716,630

- 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 \$29.6 million which is a decrease of approximately \$23.8 million from last year. This decrease is a result of a variety of revenue and expenditure variances throughout the budget but primarily due to modernization and expansion of Steindorf S.T.E.A.M. (Science, Technology, Engineering, Arts and Math) School, the addition of a new professional development center and shop at the District Office and revitalization of other school district facilities. 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, 2016

Table 4

<u>Fund Type</u>	<u>2015/2016</u>	<u>2014/2015</u>	<u>Change</u>	<u>Percent Change</u>
General Fund	\$ 6,928,705	\$ 6,041,312	\$ 887,393	14.7%
Building Fund	18,621,436	37,013,830	(18,392,394)	-49.7%
Non-Major Governmental Funds	4,085,019	10,388,070	(6,303,051)	-60.7%
Total Governmental Funds	<u>\$ 29,635,160</u>	<u>\$ 53,443,212</u>	<u>\$ (23,808,052)</u>	-44.5%

CAPITAL ASSET & DEBT ADMINISTRATION

Capital Assets

At June 30, 2016, the District had \$79.2 million in a broad range of capital assets. Accumulated depreciation was \$22 million. The capital asset, net amount of \$57.2 million represents a net decrease (including additions, deductions and depreciation) of \$21.8 million or 61.5% over last year. See Note 5 for more details.

Long-Term Obligations

At the end of this year, the District had \$58.3 million in outstanding bonds, including bond premium. This is a decrease of \$2.9 million from prior year. The changes are the result of GASB 68 implementation, issuance and payment of new bonds in the prior year.

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 2016-2017 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. Relatively flat ADA (Average Daily Attendance) based on recent trends and enrollment projection study 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 as of May 2016.

CAMBRIAN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

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.
2. Additional expenditures for implementing Educator Effectiveness program.
3. Reduction of one professional development day and other expenditures due to the reduction of available one-time unrestricted State funding.
4. Increase in employer contributions to California State Teachers Retirement System (CalSTRS) and California Public Employee Retirement System (CalPERS).
5. Step and Column increases in staff salaries.
6. Inflation.
7. Continued spending (albeit at a much slower rate) of Measure I bond funds to allow the District to reopen Steindorf as a K-8 magnet school by August 2016 with a focus on Science, Technology, Engineering, Arts and Math (S.T.E.A.M.).

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, 2016**

	Governmental Activities
ASSETS	
Deposits and investments	\$ 33,226,364
Receivables	811,703
Prepaid expenses	11,921
Capital assets not depreciated	18,771,261
Capital assets, net of accumulated depreciation	38,441,290
Total Assets	91,262,539
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	2,909,672
LIABILITIES	
Accounts payable	4,379,368
Interest payable	1,014,644
Unearned revenue	35,460
Long-term obligations other than pensions:	
Current portion	\$ 908,099
Noncurrent portion	57,537,645
Total Long-Term Obligations other than pensions	58,445,744
Aggregate net pension liability	25,675,457
Total Liabilities	89,550,673
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	2,589,776
NET POSITION	
Net investment in capital assets	9,401,888
Restricted for:	
Educational program	875,746
Debt service	877,270
Capital outlay	166,002
Food program	51,776
Total restricted	1,970,794
Unrestricted	(9,340,920)
Total Net Position	\$ 2,031,762

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

CAMBRIAN SCHOOL DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

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	\$ 24,049,452	\$ -	\$ 2,201,234	\$ (21,848,218)
Instruction-related activities:				
Supervision of instruction	1,204,518	-	119,083	(1,085,435)
Instructional library, media, and technology	205,563	-	-	(205,563)
School site administration	1,817,416	-	51,999	(1,765,417)
Pupil services:				
Home-to-school transportation	608,591	-	-	(608,591)
Food services	856,886	317,362	410,444	(129,080)
All other pupil services	1,097,810	-	76,545	(1,021,265)
General administration:				
Data processing	118,376	-	-	(118,376)
All other general administration	2,160,850	-	271,616	(1,889,234)
Plant services	1,241,620	-	-	(1,241,620)
Interest on long-term obligations and others	2,223,678	-	-	(2,223,678)
Total Governmental-Type Activities	<u>\$ 35,584,760</u>	<u>\$ 317,362</u>	<u>\$ 3,130,921</u>	<u>(32,136,477)</u>
General revenues and subventions:				
Property taxes, levied for general purposes				14,978,833
Property taxes, levied for debt service				2,747,439
Taxes levied for other specific purposes				882,685
Federal and state aid not restricted to specific purposes				12,384,930
Interest and investment earnings				368,918
Miscellaneous				2,110,885
Subtotal, General Revenues				<u>33,473,690</u>
Change in Net Position				1,337,213
Net Position - Beginning				694,549
Net Position - Ending				<u>\$ 2,031,762</u>

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

CAMBRIAN SCHOOL DISTRICT

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2016

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Deposits and investments	\$ 7,382,941	\$ 21,511,408	\$ 4,332,015	\$ 33,226,364
Receivables	635,353	88,931	87,419	811,703
Due from other funds	62,416	2,697	-	65,113
Prepaid expenditures	5,675	-	6,246	11,921
Total Assets	\$ 8,086,385	\$ 21,603,036	\$ 4,425,680	\$ 34,115,101
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,153,653	\$ 2,981,600	\$ 244,115	\$ 4,379,368
Due to other funds	2,697	-	62,416	65,113
Unearned revenue	1,330	-	34,130	35,460
Total Liabilities	1,157,680	2,981,600	340,661	4,479,941
Fund Balances:				
Nonspendable	7,075	-	6,246	13,321
Restricted	875,746	10,514,610	2,103,446	13,493,802
Assigned	-	8,106,826	1,975,327	10,082,153
Unassigned	6,045,884	-	-	6,045,884
Total Fund Balances	6,928,705	18,621,436	4,085,019	29,635,160
Total Liabilities and Fund Balances	\$ 8,086,385	\$ 21,603,036	\$ 4,425,680	\$ 34,115,101

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, 2016**

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

Total Fund Balance - Governmental Funds \$ 29,635,160

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	\$ 79,231,500	
Accumulated depreciation is	<u>(22,018,949)</u>	57,212,551

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. 319,896

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. (1,014,644)

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	58,325,273	
Compensated absences (vacations)	120,471	
Net pension liability	<u>25,675,457</u>	
Total Long-Term Obligations		<u>(84,121,201)</u>

Total Net Position - Governmental Activities \$ 2,031,762

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, 2016**

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
Local Control Funding Formula	\$ 25,046,620	\$ -	\$ -	\$ 25,046,620
Federal sources	956,137	-	305,328	1,261,465
Other state sources	4,356,289	-	42,086	4,398,375
Other local sources	2,423,662	286,182	3,348,268	6,058,112
Total Revenues	32,782,708	286,182	3,695,682	36,764,572
EXPENDITURES				
Current				
Instruction	22,340,022	-	-	22,340,022
Instruction-related activities:				
Supervision of instruction	1,118,901	-	-	1,118,901
Instructional library, media and technology	190,951	-	-	190,951
School site administration	1,688,234	-	-	1,688,234
Pupil services:				
Home-to-school transportation	565,332	-	-	565,332
Food services	-	-	795,978	795,978
All other pupil services	1,019,778	-	-	1,019,778
General administration:				
Data processing	109,962	-	-	109,962
All other general administration	1,915,557	-	108,924	2,024,481
Plant services	2,457,292	44,624	-	2,501,916
Facility acquisition and construction	-	19,140,865	3,433,336	22,574,201
Debt service				
Principal	-	-	3,115,000	3,115,000
Interest and other	-	6,944	2,520,924	2,527,868
Total Expenditures	31,406,029	19,192,433	9,974,162	60,572,624
Excess (Deficiency) of Revenues Over Expenditures	1,376,679	(18,906,251)	(6,278,480)	(23,808,052)
Other Financing Sources (Uses):				
Transfers in	62,912	513,857	38,341	615,110
Transfers out	(552,198)	-	(62,912)	(615,110)
Net Financing Sources (Uses)	(489,286)	513,857	(24,571)	-
NET CHANGE IN FUND BALANCES	887,393	(18,392,394)	(6,303,051)	(23,808,052)
Fund Balance - Beginning	6,041,312	37,013,830	10,388,070	53,443,212
Fund Balance - Ending	\$ 6,928,705	\$ 18,621,436	\$ 4,085,019	\$ 29,635,160

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, 2016

Total Net Change in Fund Balances - Governmental Funds \$ (23,808,052)
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. 24,025,940

Depreciation is recorded as an expense in the government-wide statement of activities, but not recorded in the governmental funds. (2,249,148)

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). 18,520

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. (69,237)

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. 3,115,000

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. (378,420)

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. 499,511

Change in Net Position of Governmental Activities \$ 1,337,213

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

CAMBRIAN SCHOOL DISTRICT

**FIDUCIARY FUND
STATEMENT OF NET POSITION
JUNE 30, 2016**

	<u>Agency Fund</u>
ASSETS	
Deposits and investments	<u>\$ 109,443</u>
LIABILITIES	
Due to student groups	<u>\$ 109,443</u>

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

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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. Up to June 30, 2016, the District operated four elementary schools and one middle school. Starting 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.).

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.

One fund currently defined as special revenue fund in the California State Accounting Manual (CSAM) do not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Special Reserve Fund for Other Than Capital Outlay Projects is not substantially composed of restricted or committed revenue sources. While this fund is authorized by statute and will remain open for internal reporting purposes, this fund functions effectively as an extension of the General Fund, and accordingly has been combined with the General Fund for presentation in these audited financial statements.

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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).

Deferred Maintenance Fund

The Deferred Maintenance Fund is used to account separately for State apportionments and the District's contributions for deferred maintenance purposes (*Education Code* Sections 17582-17587) and for items of maintenance approved by the State Allocation Board.

Retiree Benefits Fund

The Retiree Benefits Fund is used for accumulating general fund moneys for retiree benefits purposes.

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, 2016

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, 2016

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 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 90 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, or 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, 2016

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, 2016, 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 Expenditures

Prepaid expenditures (expenses) 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, 2016

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 statements, but is shown as a component of general long-term debt.

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, special termination benefits, and contractually required pension contributions 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. Long-term obligations are not reflected as liabilities in governmental funds. They are disclosed in the footnotes as components of long-term debt.

Debt Issuance Costs, Premiums and Discounts

In the government-wide financial statements, long-term obligations are reported as liabilities in the governmental activities' statement of net position. 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, 2016

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 financial 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 financial 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, 2016, 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, 2016

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, unless the governing board has provided otherwise in its commitment or assignment actions.

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, 2016

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.

Change in Accounting Principles

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The District has implemented the provisions of this Statement as of June 30, 2016.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans and pensions that are within their respective scopes.

The provisions in this Statement effective as of June 30, 2016, include the provisions for assets accumulated for purposes of providing pensions through defined benefit plans and the amended provisions of Statements No. 67 and No. 68. The District has implemented these provisions as of June 30, 2016. The provisions in this Statement related to defined benefit pensions that are not within the scope of Statement No. 68 are effective for periods beginning after June 15, 2016.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

The District has implemented the provisions of this Statement as of June 30, 2016.

In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants, (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant.

If an external investment pool does not meet the criteria established by this Statement, that pool should apply the provisions in paragraph 16 of Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended. If an external investment pool meets the criteria in this Statement and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. If an external investment pool does not meet the criteria in this Statement, the pool's participants should measure their investments in that pool at fair value, as provided in paragraph 11 of Statement No. 31, as amended.

This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals.

The District has implemented the provisions of this Statement as of June 30, 2016.

New Accounting Pronouncements

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Implementation of this statement is not expected to have material impact on the District.

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017. Implementation of this statement is not expected to have material impact on the District.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients
- The gross dollar amount of taxes abated during the period
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. Early implementation is encouraged.

In December 2015, the GASB issued Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Early implementation is encouraged.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units - amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Early implementation is encouraged.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Early implementation is encouraged.

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

In March 2016, the GASB issued Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68 and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Early implementation is encouraged.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2016, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 33,226,364
Fiduciary funds	109,443
Total Deposits and Investments	<u>\$ 33,335,807</u>

Deposits and investments as of June 30, 2016, consist of the following:

Cash on hand and in banks	\$ 134,443
Cash in revolving	1,400
Investments	33,199,964
Total Deposits and Investments	<u>\$ 33,335,807</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.

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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.

General Authorizations

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

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment In One Issuer</u>
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

CAMBRIAN SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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	Carrying Amount	Fair Value	Weighted Average Maturity In Years
Certificates of Deposit	\$ 1,673,297	\$ 1,662,065	1.02
Foreign Bonds	269,252	267,714	1.55
Corporate Notes	1,458,337	1,413,625	1.36
County Treasury Pool	26,337,739	26,349,244	1.20
State Investment Pool	1,142,425	1,142,425	0.00
Municipal Bonds	2,471,284	2,376,396	1.53
Total	\$ 33,352,334	\$ 33,211,469	

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	\$ 1,662,065	\$ -	\$ 1,662,065
Foreign Bonds	267,714	267,714	-
Corporate Notes	1,413,625	1,413,625	-
County Treasury Pool	26,349,244	-	26,349,244
State Investment Pool	1,142,425	-	1,142,425
Municipal Bonds	2,376,396	2,376,396	-
Total	\$ 33,211,469	\$ 4,057,735	\$ 29,153,734

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2016, none of the District's bank balance of \$134,443 was exposed to custodial credit risk because it was insured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

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 security as of fiscal year ending June 30, 2016.

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.

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.

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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, 2016:

Investment Type	Fair Value	Level 1 Inputs	Uncategorized
Certificates of Deposit	\$ 1,662,065	\$ 1,662,065	\$ -
Foreign Bonds	267,714	267,714	-
Corporate Notes	1,413,625	1,413,625	-
County Treasury Pool	26,349,244	-	26,349,244
State Investment Pool	1,142,425	-	1,142,425
Municipal Bonds	2,376,396	2,376,396	-
Total	\$ 33,211,469	\$ 5,719,800	\$ 27,491,669

NOTE 4 – RECEIVABLES

	General	Building	Non-Major Governmental Funds	Total
Federal Government				
Categorical aid	\$ 276,321	\$ -	\$ 40,368	\$ 316,689
State Government				
Categorical aid	20,830	-	728	21,558
Lottery	296,912	-	-	296,912
Local Government				
Interest	20,031	85,054	6,715	111,800
Other Local Sources	21,259	3,877	39,608	64,744
Total	\$ 635,353	\$ 88,931	\$ 87,419	\$ 811,703

CAMBRIAN SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

Governmental Activities	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2016</u>
Capital Assets not being Depreciated:				
Construction in Progress	\$ 5,145,640	\$ 17,053,301	\$ 3,427,680	\$ 18,771,261
Capital Assets being Depreciated:				
Buildings and Improvements	<u>50,059,920</u>	<u>10,400,319</u>	<u>-</u>	<u>60,460,239</u>
Total Capital Assets	<u>55,205,560</u>	<u>27,453,620</u>	<u>3,427,680</u>	<u>79,231,500</u>
Less Accumulated Depreciation:				
Buildings and Improvements	<u>19,769,801</u>	<u>2,249,148</u>	<u>-</u>	<u>22,018,949</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 35,435,759</u>	<u>\$ 25,204,472</u>	<u>\$ 3,427,680</u>	<u>\$ 57,212,551</u>

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

Governmental Activities	
Instruction	\$ 1,552,947
Supervision of instruction	77,779
Instructional library, media, and technology	13,274
School site administration	117,356
Pupil transportation	39,298
Food services	55,332
All other pupil services	70,889
All other general administration	140,710
Data processing	7,644
Plant services	173,919
Total Depreciation Expense All Activities	<u>\$ 2,249,148</u>

CAMBRIAN SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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, 2016 consist of the following:

		Due From		
		General	Building	Total
Due To	General	\$ -	\$ 2,697	\$ 2,697
	Non-Major Governmental	62,416	-	62,416
	Total	\$ 62,416	\$ 2,697	\$ 65,113

Equity Fund Transfers

Description	Total
The Retiree Benefit Reserved Fund transferred to the General Fund to liquidate its Fund.	\$ 4
The Deferred Maintenance Fund transferred to the General Fund to liquidate its Fund.	62,908
The Special Reserve-Other Than Capital Outlay Fund transferred to the General Fund to liquidate its Fund.	277
Total	\$ 63,189

Operating Transfers

Description	Total
The General Fund transferred to the Building Fund to support clean energy projects.	\$ 513,857
The General Fund transferred to the Cafeteria Fund to cover the uncollectable meal fees.	38,341
Total	\$ 552,198

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2016, consisted of the following:

	General	Building	Non-Major Governmental	Total
Vendor payables	\$ 731,639	\$ 2,981,600	\$ 242,435	\$ 3,955,674
State principal apportionment	303,598	-	-	303,598
Salaries and benefits	118,416	-	1,680	120,096
Total	\$ 1,153,653	\$ 2,981,600	\$ 244,115	\$ 4,379,368

CAMBRIAN SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 8 - UNEARNED REVENUE

Unearned revenue at June 30, 2016, consists of the followings.

	General	Non-Major Governmental	Total
Meal prepayment for child nutrition program.	\$ -	\$ 34,130	\$ 34,130
Other local	1,330	-	1,330
Total	<u>\$ 1,330</u>	<u>\$ 34,130</u>	<u>\$ 35,460</u>

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, 2015	Additions	Deductions	Balance June 30, 2016	Due in One Year
General obligation bonds	\$ 57,881,234	\$ 378,420	\$ 3,115,000	\$ 55,144,654	\$ 725,000
GOB premium	3,363,718	-	183,099	3,180,619	183,099
Accumulated vacation - net	138,991	-	18,520	120,471	-
Pension liability	21,403,572	4,271,885	-	25,675,457	-
	<u>\$ 82,787,515</u>	<u>\$ 4,650,305</u>	<u>\$ 3,316,619</u>	<u>\$ 84,121,201</u>	<u>\$ 908,099</u>

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2015	Issuance/ Accreted	Refund/ Redeemed	Bonds Outstanding June 30, 2016
7/1/03	7/1/28	2.0-4.0%	\$ 15,524,912	\$ 790,337	\$ 42,845	\$ -	\$ 833,182
4/1/05	7/1/35	2.7-5.5%	5,450,033	5,850,897	335,575	95,000	6,091,472
8/27/13	7/1/26	3.0-5.0%	11,510,000	10,825,000	-	570,000	10,255,000
9/23/14	7/1/39	2.0-5.0%	39,000,000	39,000,000	-	2,450,000	36,550,000
9/23/14	7/1/25	3.0-5.0%	1,415,000	1,415,000	-	-	1,415,000
				<u>\$ 57,881,234</u>	<u>\$ 378,420</u>	<u>\$ 3,115,000</u>	<u>\$ 55,144,654</u>

CAMBRIAN SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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>
2017	\$ 725,000	\$ 2,018,413	\$ 2,743,413
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
2022-2026	8,885,000	8,361,863	17,246,863
2027-2031	9,740,269	12,020,312	21,760,581
2032-2036	13,734,675	10,500,550	24,235,225
2037-2040	14,965,000	1,141,556	16,106,556
Sub Total	<u>51,874,944</u>	<u>\$ 41,822,319</u>	<u>\$ 93,697,263</u>
Accretion to date:	3,269,710		
Total	<u>\$ 55,144,654</u>		

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2016, amounted to \$120,471.

CAMBRIAN SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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	\$ -	\$ -	\$ 1,400
Prepaid expenditures	5,675	-	6,246	11,921
Total Nonspendable	7,075	-	6,246	13,321
Restricted				
Legally restricted programs	875,746	-	45,530	921,276
Capital projects	-	10,514,610	166,002	10,680,612
Debt services	-	-	1,891,914	1,891,914
Total Restricted	875,746	10,514,610	2,103,446	13,493,802
Assigned				
Capital projects	-	8,106,826	1,975,327	10,082,153
Total Assigned	-	8,106,826	1,975,327	10,082,153
Unassigned				
Reserve for economic uncertainty	1,570,287	-	-	1,570,287
Remaining unassigned	4,475,597	-	-	4,475,597
Total Unassigned	6,045,884	-	-	6,045,884
Total	\$ 6,928,705	\$ 18,621,436	\$ 4,085,019	\$ 29,635,160

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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, 2016, 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.

Workers' Compensation

For fiscal year 2015-2016, 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.

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, 2016 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:

<u>Pension Plan</u>	<u>Net Pension Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Pension Expense</u>
CalSTRS	\$ 22,186,672	\$ 2,358,040	\$ 2,179,319	\$ 908,954
CalPERS	3,488,785	551,632	410,457	322,798
Total	<u>\$ 25,675,457</u>	<u>\$ 2,909,672</u>	<u>\$ 2,589,776</u>	<u>\$ 1,231,752</u>

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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, 2014, 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, 2016**

The STRP provisions and benefits in effect at June 30, 2016, 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	9.20%	8.56%
Required employer contribution rate	10.73%	10.73%
Required state contribution rate	7.12589%	7.12589%

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, 2016, are presented above and the District's total contributions were \$1,697,821.

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

At June 30, 2016, 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	\$ 22,186,672
State's proportionate share of the net pension liability associated with the District	<u>11,734,304</u>
Total	<u><u>\$ 33,920,976</u></u>

The net pension liability was measured as of June 30, 2015. 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 0.0330 percent and 0.0319 percent, resulting in a net increase in the proportionate share of 0.0011 percent.

CAMBRIAN SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

For the year ended June 30, 2016, the District recognized pension expense of \$908,954. In addition, the District recognized pension expense and revenue of \$1,024,958 for support provided by the State. At June 30, 2016, 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	\$ 1,697,821	\$ -
Net change in proportionate share of net pension liability	660,219	-
Differences between projected and actual earnings on pension plan investments	-	(1,808,574)
Differences between expected and actual experience in the measurement of the total pension liability	-	(370,745)
Total	<u>\$ 2,358,040</u>	<u>\$ (2,179,319)</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 Inflows of Resources
2017	\$ -
2018	452,144
2019	452,144
2020	452,142
Total	<u>\$ 1,356,430</u>

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

The deferred outflows 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 2014-2015 measurement period is 7 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2017	\$ 48,246
2018	48,246
2019	48,246
2020	48,246
2021	48,246
Thereafter	48,244
Total	<u>\$ 289,474</u>

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, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2014
Measurement date	June 30, 2015
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, 2016

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%	4.50%
Private equity	12%	6.20%
Real estate	15%	4.35%
Inflation sensitive	5%	3.20%
Fixed income	20%	0.20%
Cash/liquidity	1%	0.00%

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%)	\$ 33,500,148
Current discount rate (7.60%)	\$ 22,186,672
1% increase (8.60 %)	\$ 12,784,261

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) [and the Safety Risk Pool] 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, 2014 annual actuarial valuation report(s), Schools Pool Actuarial Valuation, [and the Risk Pool Actuarial Valuation Report, Safety,] 2014. This (These) report(s) 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, 2016, 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	7.000%	6.000%
Required employer contribution rate	11.847%	11.847%

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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, 2016, are presented above and the total District contributions were \$352,243.

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

As of June 30, 2016, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$3,488,785. The net pension liability was measured as of June 30, 2015. 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, 2015 and June 30, 2014, respectively was 0.0237 percent and 0.0243 percent, resulting in a net decrease in the proportionate share of 0.0007 percent.

For the year ended June 30, 2016, the District recognized pension expense of \$322,798. At June 30, 2016, 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	\$ 352,243	\$ -
Net change in proportionate share of net pension liability	-	(76,637)
Difference between projected and actual earnings on pension plan investments	-	(119,459)
Differences between expected and actual experience in the measurement of the total pension liability	199,389	-
Changes of assumptions	-	(214,361)
Total	<u>\$ 551,632</u>	<u>\$ (410,457)</u>

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred inflows and outflows of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows (Inflows) of Resources
2017	\$ (87,569)
2018	(87,569)
2019	(87,569)
2020	143,248
Total	<u>\$ (119,459)</u>

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 2014-2015 measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows (Inflows) of Resources
2017	\$ (31,589)
2018	(31,589)
2019	(28,431)
Total	<u>\$ (91,609)</u>

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, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2014
Measurement date	June 30, 2015
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, 2016

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%	5.25%
Global fixed income	19%	0.99%
Private equity	10%	6.83%
Real estate	10%	4.50%
Inflation sensitive	6%	0.45%
Infrastructure and Forestland	2%	4.50%
Liquidity	2%	-0.55%

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%)	\$ 5,678,288
Current discount rate (7.65%)	\$ 3,488,785
1% increase (8.65%)	\$ 1,668,067

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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 \$1,024,958 (7.12589 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, 2016.

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, 2016.

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

Construction Commitment

As of June 30, 2016, the District had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECT	Remaining Construction Commitment	Expected Date of Completion
Steindorf K-8 S.T.E.A.M School	\$ 10,363,839	11/18/16
Bagby Multi Use Room	2,700,000	Spring of 2018
Farnham Outdoor Learning Area	125,000	August of 2017
	<u>\$ 13,488,839</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, 2016, the District made payments of \$891,761 and \$304,568 to the Santa Clara County Schools Insurance Group and West Valley Transportation Joint Powers Authority, respectively.

NOTE 15 - SUBSEQUENT EVENT

The District's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements from the balance sheet date through November 28, 2016, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that would have a material impact on the current year financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CAMBRIAN SCHOOL DISTRICT

**GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		GAAP	Variances -
	Original	Final	Basis	Favorable
			Actual	(Unfavorable)
				Final
				to Actual
REVENUES				
Local Control Funding Formula	\$ 25,404,526	\$ 25,042,751	\$ 25,046,620	\$ 3,869
Federal sources	932,125	993,579	956,137	(37,442)
Other state sources	3,135,886	4,272,174	4,356,289	84,115
Other local sources	2,163,206	2,381,611	2,423,657	42,046
Total Revenues	31,635,743	32,690,115	32,782,703	92,588
EXPENDITURES				
Current				
Certificated salaries	15,894,467	16,206,440	16,270,648	(64,208)
Classified salaries	3,699,298	3,869,752	3,937,213	(67,461)
Employee benefits	6,414,169	6,624,904	6,211,637	413,267
Books and supplies	1,880,256	1,298,811	963,162	335,649
Services and operating expenditures	5,933,278	4,700,111	4,023,369	676,742
Total Expenditures	33,821,468	32,700,018	31,406,029	1,293,989
Excess of Expenditures Over				
Revenues	(2,185,725)	(9,903)	1,376,674	1,386,577
Other Financing Sources (Uses):				
Transfers in	-	-	62,912	62,912
Transfers out	-	(595,952)	(552,198)	43,754
Net Financing Sources (Uses)	-	(595,952)	(489,286)	106,666
NET CHANGE IN				
FUND BALANCES	(2,185,725)	(605,855)	887,388	1,493,243
Fund Balance - Beginning	6,041,312	6,041,312	6,041,312	-
Fund Balance - Ending	\$ 3,855,587	\$ 5,435,457	\$ 6,928,700	\$ 1,493,243

See accompanying note to required supplementary information.

CAMBRIAN SCHOOL DISTRICT

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET
PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2016**

Measurement Date:	<u>June 30, 2015</u>	<u>June 30, 2014</u>
CalSTRS		
District's proportion of the net pension liability (asset)	<u>0.0330%</u>	<u>0.0319%</u>
District's proportionate share of the net pension liability (asset)	<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>11,734,304</u>	<u>11,255,574</u>
Total	<u><u>\$ 33,920,976</u></u>	<u><u>\$ 29,895,470</u></u>
District's covered - employee payroll	<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 - employee payroll	<u>159.9%</u>	<u>129.6%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>74%</u>	<u>77%</u>
CalPERS		
District's proportion of the net pension liability (asset)	<u>0.0237%</u>	<u>0.0243%</u>
District's proportionate share of the net pension liability (asset)	<u>\$ 3,488,785</u>	<u>\$ 2,763,676</u>
District's covered - employee payroll	<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 - employee payroll	<u>133.1%</u>	<u>107.6%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>79%</u>	<u>83%</u>

Note: In the future, as data become 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, 2016**

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

Note: In the future, as data become 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, 2016

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.

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.

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.

Changes in Benefit Terms

There were no changes in benefit terms since the previous valuation for either CalSTRS and CalPERS.

Changes in Assumptions

The CalSTRS plan rate of investment return assumption was not changed from the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.50 percent to 7.65 percent since the previous valuation.

SUPPLEMENTARY INFORMATION

CAMBRIAN SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

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	84.010	14329		\$ 169,447
Title II, Part A, Teacher Quality	84.367	14341		67,742
Title III, English Language Acquisition State Grants				
Limited English Proficiency Student Program	84.365	10084	\$ 50,764	
Immigrant Education Program	84.365	14346	5,907	
Total English Language Acquisition State Grants				56,671
Individuals with Disabilities Act:				
Basic Local Assistance Entitlement	84.027	13379	521,257	
Basic Local Assistance Entitlement, Private School	84.027	10115	1,773	
Preschool Grants	84.173	13430	41,876	
Preschool Local Entitlement	84.027A	13682	97,231	
Preschool Staff Development	84.173A	13431	140	
Total Special Education Cluster				662,277
Total U.S. Department of Education				956,137
U.S. DEPARTMENT OF AGRICULTURE				
Passed through the California Department of Education:				
Child Nutrition Act:				
Especially Needy Breakfast	10.553	13526	29,351	
National School Lunch Program	10.555	13524	226,358	
Meal supplement	10.555	13396	9,115	
Fair Market Value of Commodities	10.555	13524	40,504	
Total Child Nutrition Cluster				305,328
Total U.S. Department of Agriculture				305,328
Total Expenditures of Federal Awards				\$1,261,465

See accompanying note to supplementary information.

CAMBRIAN SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE FOR THE YEAR ENDED JUNE 30, 2016

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 and one middle school.

GOVERNING BOARD OF TRUSTEES

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Doron Aronson	President	2016
Randy Scofield	Vice President	2018
Jarrold Middleton	Clerk	2018
Jeneva Sneed	Member	2016
Carol Presunka	Member	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
- BAGBY ELEMENTARY SCHOOL ONLY
FOR THE YEAR ENDED JUNE 30, 2016**

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	397.30	397.04
Fourth through sixth	221.52	221.26
Total Regular ADA	<u>618.82</u>	<u>618.30</u>
Extended Year Special Education		
Transitional kindergarten through third	3.48	3.48
Fourth through sixth	2.50	2.50
Seventh and eighth	0.62	0.62
Total Extended Year Special Education	<u>6.60</u>	<u>6.60</u>
Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	4.31	4.12
Seventh and eighth	0.98	0.98
Total Special Education, Nonpublic, Nonsectarian Schools	<u>5.29</u>	<u>5.10</u>
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	0.26	0.26
Seventh and eighth	-	-
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	<u>0.26</u>	<u>0.26</u>
Total ADA	<u><u>630.97</u></u>	<u><u>630.26</u></u>

See accompanying note to supplementary information.

CAMBRIAN SCHOOL DISTRICT

**SCHEDULE OF AVERAGE DAILY ATTENDANCE
- ALL CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2016**

	Second Period Report				
	Fammatre	Farnham	Sartorette	Ida Price	Total
Classroom-Based Regular ADA					
Kindergarten through third	367.73	354.79	300.20	-	1,022.72
Fourth through sixth	159.79	187.92	176.70	354.66	879.07
Seventh and eighth	-	-	-	727.32	727.32
Total Classroom-Based	<u>527.52</u>	<u>542.71</u>	<u>476.90</u>	<u>1,081.98</u>	<u>2,629.11</u>
Non Classroom-Based Regular ADA					
Kindergarten through third	3.20	2.02	1.61	-	6.83
Fourth through sixth	1.03	0.51	0.79	0.09	2.42
Seventh and eighth	-	-	-	0.36	0.36
Total Non Classroom-Based	<u>4.23</u>	<u>2.53</u>	<u>2.40</u>	<u>0.45</u>	<u>9.61</u>
Total Charter School	<u>531.75</u>	<u>545.24</u>	<u>479.30</u>	<u>1,082.43</u>	<u>2,638.72</u>
	Annual Report				
	Fammatre	Farnham	Sartorette	Ida Price	Total
Classroom-Based Regular ADA					
Kindergarten through third	368.07	356.57	299.71	-	1,024.35
Fourth through sixth	159.32	188.09	176.52	355.20	879.13
Seventh and eighth	-	-	-	726.49	726.49
Total Classroom-Based	<u>527.39</u>	<u>544.66</u>	<u>476.23</u>	<u>1,081.69</u>	<u>2,629.97</u>
Non Classroom-Based Regular ADA					
Kindergarten through third	2.85	1.80	1.58	-	6.23
Fourth through sixth	0.90	0.47	0.71	0.12	2.20
Seventh and eighth	-	-	-	0.34	0.34
Total Non Classroom-Based	<u>3.75</u>	<u>2.27</u>	<u>2.29</u>	<u>0.46</u>	<u>8.77</u>
Total Charter School	<u>531.14</u>	<u>546.93</u>	<u>478.52</u>	<u>1,082.15</u>	<u>2,638.74</u>

See accompanying note to supplementary information.

CAMBRIAN SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2016

DISTRICT				
Grade Level	1986-87 Minutes Requirement	2015-16 Actual Minutes	Number of Days Traditional Calendar	Status
District (Cambrian Elementary School)				
Kindergarten	36,000	46,965	180	Complied
Grade 1	50,400	50,889	180	Complied
Grade 2	50,400	50,889	180	Complied
Grade 3	50,400	50,889	180	Complied
Grade 4	54,000	54,325	180	Complied
Grade 5	54,000	54,325	180	Complied
ALL CHARTER SCHOOLS				
Grade Level	Ed Code 47612.5 Requirement	2015-16 Actual Minutes	Number of Days Traditional Calendar	Status
Fammatre Charter School				
Kindergarten	36,000	47,075	180	Complied
Grade 1	50,400	51,070	180	Complied
Grade 2	50,400	51,070	180	Complied
Grade 3	50,400	51,070	180	Complied
Grade 4	54,000	54,425	180	Complied
Grade 5	54,000	54,425	180	Complied
Farnham Charter School				
Kindergarten	36,000	49,535	180	Complied
Grade 1	50,400	51,195	180	Complied
Grade 2	50,400	51,195	180	Complied
Grade 3	50,400	51,195	180	Complied
Grade 4	54,000	54,545	180	Complied
Grade 5	54,000	54,545	180	Complied
Sartorette Charter School				
Kindergarten	36,000	45,955	180	Complied
Grade 1	50,400	50,745	180	Complied
Grade 2	50,400	50,745	180	Complied
Grade 3	50,400	50,566	180	Complied
Grade 4	54,000	54,586	180	Complied
Grade 5	54,000	54,586	180	Complied
Ida Price Charter School				
Grade 6	54,000	57,236	180	Complied
Grade 7	54,000	57,236	180	Complied
Grade 8	54,000	57,236	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, 2016

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2016.

See accompanying note to supplementary information.

CAMBRIAN SCHOOL DISTRICT

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

	(Budget) 2017 ¹	2016	2015	2014
GENERAL FUND				
Revenues	\$ 32,144,416	\$ 32,782,708	\$ 29,030,776	\$ 26,948,764
Transfers in	-	62,912	26,359	12,353
Total Revenues and Other Sources	32,144,416	32,845,620	29,057,135	26,961,117
Expenditures	34,006,459	31,406,029	29,770,680	28,716,936
Transfers out	34,999	552,198	622,941	507
Total Expenditures and Other Uses	34,041,458	31,958,227	30,393,621	28,717,443
INCREASE (DECREASE) IN FUND BALANCE	<u>\$ (1,897,042)</u>	<u>\$ 887,393</u>	<u>\$ (1,336,486)</u>	<u>\$ (1,756,326)</u>
ENDING FUND BALANCE	<u>\$ 5,031,663</u>	<u>\$ 6,928,705</u>	<u>\$ 6,041,312</u>	<u>\$ 7,377,798</u>
AVAILABLE RESERVES²	<u>\$ 2,302,067</u>	<u>\$ 6,045,884</u>	<u>\$ 5,664,444</u>	<u>\$ 6,273,066</u>
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO³	<u>6.76%</u>	<u>19.54%</u>	<u>19.11%</u>	<u>22.40%</u>
LONG-TERM OBLIGATIONS	<u>\$ 82,305,003</u>	<u>\$ 83,213,102</u>	<u>\$ 82,787,515</u>	<u>\$ 46,766,352</u>
AVERAGE DAILY ATTENDANCE AT P-2	<u>3,342</u>	<u>3,270</u>	<u>3,293</u>	<u>3,272</u>

The General Fund balance has decreased by \$448,816 over the past two years. The fiscal year 2016-2017 budget projects a decrease of \$1,897,042. 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 2016-2017 fiscal year. Total long-term obligations have increased by \$36,446,750 over the past two years due to implementation of GASB 68 and a new \$39 million new bond issuance in prior year.

Average daily attendance has decreased by 2 over the past two years, but anticipates an increase of 72 ADA during fiscal year 2016-2017.

¹ Budget 2017 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 and Special Reserve Fund for Other than Capital Outlay.

³ On-behalf payments of \$1,024,958, \$751,553, and \$714,027, have been excluded from the calculation of the available reserves percentage for the fiscal years ending June 30, 2016, 2015, and 2014, respectively.

See accompanying note to supplementary information.

CAMBRIAN SCHOOL DISTRICT

**SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2016**

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

See accompanying note to supplementary information.

CAMBRIAN SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2016**

	Cafeteria Fund	Deferred Maintenance Fund	Retiree Benefits Special Reserve Fund
ASSETS			
Deposits and investments	\$ 119,592	\$ -	\$ -
Receivables	41,276	-	-
Prepaid expenditures	6,246	-	-
Total Assets	\$ 167,114	\$ -	\$ -
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 18,792	\$ -	\$ -
Due to other funds	62,416	-	-
Unearned revenue	34,130	-	-
Total Liabilities	115,338	-	-
Fund Balances:			
Nonspendable	6,246	-	-
Restricted	45,530	-	-
Assigned	-	-	-
Total Fund Balances	51,776	-	-
Total Liabilities and Fund Balances	\$ 167,114	\$ -	\$ -

See accompanying note to supplementary information.

Capital Facilities Fund	Special Reserve Capital Outlay Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds
\$ 141,158	\$ 2,180,989	\$ 1,890,276	\$ 4,332,015
39,904	4,601	1,638	87,419
-	-	-	6,246
<u>\$ 181,062</u>	<u>\$ 2,185,590</u>	<u>\$ 1,891,914</u>	<u>\$ 4,425,680</u>
\$ 15,060	\$ 210,263	\$ -	\$ 244,115
-	-	-	62,416
-	-	-	34,130
<u>15,060</u>	<u>210,263</u>	<u>-</u>	<u>340,661</u>
-	-	-	6,246
166,002	-	1,891,914	2,103,446
-	1,975,327	-	1,975,327
<u>166,002</u>	<u>1,975,327</u>	<u>1,891,914</u>	<u>4,085,019</u>
<u>\$ 181,062</u>	<u>\$ 2,185,590</u>	<u>\$ 1,891,914</u>	<u>\$ 4,425,680</u>

CAMBRIAN SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016**

	Cafeteria Fund	Deferred Maintenance Fund	Retiree Benefits Special Reserve Fund
REVENUES			
Federal sources	\$ 305,328	\$ -	\$ -
Other state sources	19,528	-	-
Other local sources	402,951	-	-
Total Revenues	<u>727,807</u>	<u>-</u>	<u>-</u>
EXPENDITURES			
Current			
Pupil services:			
Food services	795,978	-	-
General administration:			
All other general administration	-	-	-
Facility acquisition and construction	-	-	-
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total Expenditures	<u>795,978</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(68,171)</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses):			
Transfers in	38,341	-	-
Transfers out	-	(62,908)	(4)
Net Financing Sources (Uses)	<u>38,341</u>	<u>(62,908)</u>	<u>(4)</u>
NET CHANGE IN FUND BALANCES	<u>(29,830)</u>	<u>(62,908)</u>	<u>(4)</u>
Fund Balance - Beginning	81,606	62,908	4
Fund Balance - Ending	<u>\$ 51,776</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying note to supplementary information.

Capital Facilities Fund	Special Reserve Capital Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ 305,328
4,957	-	17,601	42,086
41,029	168,054	2,736,234	3,348,268
<u>45,986</u>	<u>168,054</u>	<u>2,753,835</u>	<u>3,695,682</u>
-	-	-	795,978
108,924	-	-	108,924
44,266	3,389,070	-	3,433,336
-	-	3,115,000	3,115,000
-	-	2,520,924	2,520,924
<u>153,190</u>	<u>3,389,070</u>	<u>5,635,924</u>	<u>9,974,162</u>
<u>(107,204)</u>	<u>(3,221,016)</u>	<u>(2,882,089)</u>	<u>(6,278,480)</u>
-	-	-	38,341
-	-	-	(62,912)
-	-	-	(24,571)
<u>(107,204)</u>	<u>(3,221,016)</u>	<u>(2,882,089)</u>	<u>(6,303,051)</u>
273,206	5,196,343	4,774,003	10,388,070
<u>\$ 166,002</u>	<u>\$ 1,975,327</u>	<u>\$ 1,891,914</u>	<u>\$ 4,085,019</u>

CAMBRIAN SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2016

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 the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 (F&A) costs of the Uniform Guidance.

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.

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.

CAMBRIAN SCHOOL DISTRICT

**NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2016**

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 (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Cambrian School District's basic financial statements, and have issued our report thereon dated November 28, 2016.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 to the financial statements, in 2016, the District adopted new accounting guidance, GASB Statement No. 72, *Fair Value Measurement and Application*; GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statement 67 and 68*; GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*; and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of This Report

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



Palo Alto, California
November 28, 2016



**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 compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Cambrian School District's (the District) major Federal programs for the year ended June 30, 2016. Cambrian School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Cambrian School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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.


Palo Alto, California
November 28, 2016



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 *2015-2016 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Cambrian School District's State government programs as noted below for the year ended June 30, 2016.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Cambrian School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2015-2016 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Cambrian School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of Cambrian School District's compliance with those requirements.

Basis for Qualified Opinion on Unduplicated Local Control Funding Formula Pupil Counts

As described in the accompanying schedule of findings and questioned costs, Cambrian School District did not comply with requirements regarding Unduplicated Local Control Funding Formula Pupil Counts (2016-001). Compliance with such requirements is necessary, in our opinion, for Cambrian School District to comply with the requirements applicable to that program.

Qualified Opinion on Unduplicated Local Control Funding Formula Pupil Counts

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Cambrian School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2016.

Unmodified Opinion on Each of the Other Programs

In our opinion, Cambrian School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2016, except as described in the Schedule of State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs.

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

	<u>Procedures Performed</u>
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No, See Below
Continuation Education	No, See Below
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, See Below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, See Below
Middle or Early College High Schools	No, See Below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	No, See Below
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

Procedures
Performed

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 and Charter School Facility Programs; therefore, we did not perform procedures related to these programs.

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



Palo Alto, California
November 28, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CAMBRIAN SCHOOL DISTRICT

**SUMMARY SCHEDULE OF AUDITOR’S RESULTS
FOR THE YEAR ENDED JUNE 30, 2016**

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>
84.027, 84.173, 84.027A & 84.173A	Special Education Cluster

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

STATE AWARDS

Type of auditor's report issued on compliance for all programs:
 Unmodified for all programs except for Unduplicated Local Control Funding Formula Pupil Counts which was qualified.

CAMBRIAN SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

None reported.

CAMBRIAN SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

None reported.

CAMBRIAN SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

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

Five Digit Code AB 3627 Finding Type
40000 State Compliance

2016-001 **Code: 40000** Unduplicated Local Control Funding Formula Pupil Counts (UPC)

Criteria or Specific Requirements

In accordance with Education Code sections 52574(b)(3)(C) and 42238.02(b)(3)(B), the Controller shall include instructions in the audit guide required by subdivision (a) of Section 14502.1, for determining if the data reported by a county superintendent of schools using the California Longitudinal Pupil Achievement Data System (CaLPADS) is consistent with pupil data records maintained by the county office of education. The instructions shall include procedures for determining if the English Learner, foster youth, and free or reduced-price meal eligible pupil counts are consistent with the school district’s or charter school’s English learner, foster youth, and free or reduced-price meal eligible pupil records.

Condition

During our testing for students that are identified as only English Learner (ELAS), we selected 20 samples and noted that 2 identified as ELAS, in fact, are not ELAS students. We examined the testing to encompass 100 percent ELAS students and a total of 23 students’ statuses were corrected as a result of the additional procedures performed. The corrections are as follows:

<u>School Name</u>	<u>P-2 UPC</u>	<u>Adjustment</u>	<u>Revised UPC</u>
Bagby School	154	-4	150
Fammatre Charter	132	-1	131
Ida Price Charter	230	-15	215
Sartorette Charter	153	-3	150
Total		23	

Questioned Costs

\$5,799

The reclassification of 23 students’ status from ELAS to non ELAS, results in the following Unduplicated Pupil Percentage (UPP) and funding adjustments:

<u>School Name</u>	<u>P-2 UPP</u>	<u>Adjusted UPP</u>	<u>Questioned Costs</u>
Bagby School	23.81%	23.62%	\$ 1,025
Fammatre Charter	27.44%	27.38%	256
Ida Price Charter	22.96%	22.51%	3,754
Sartorette Charter	31.36%	31.16%	764
Total			\$ 5,799

Context

The above condition pertains to the testing of 2015-16 ELAS students only.

CAMBRIAN SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016

Effect

Incorrect reporting can result in calculation error in LCFF funding.

Cause

“1.18 – FRPM / English Learner / Foster Youth – Student List” discloses both “Status Date” and “Effective Start Date” fields in the report. These two fields cause the general confusion, because “Effective Start Date” was used in CALPADS as “the date any status was created in CALPADS”, and this data is also used to pull ELAS students while the “Status Date” should be used. After the communication between the District and CALPADS administrative personnel, the CALPADS and its vendors feel that the major issues with the new design/logic have been identified and corrected, so going forward should not be an issue in reporting.

Recommendation

Periodic review and reconciliation of the District’s data and CALPADS data should be performed to ensure the integrity of data.

District Response

The District’s administrative staff agrees with the auditors’ recommendation and will institute periodic review and reconciliation of the District’s data and CALPADS data to ensure the integrity of the data. To ensure this happens the District will make this periodic review and reconciliation the direct responsibility of the Coordinator of Data and Information Systems with a second level of review by the Assistant Superintendent of Educational Services. The Business Services department will provide appropriate assistance in setting up review and reconciliation procedures and ensure the steps are being performed.

CAMBRIAN SCHOOL DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

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