

**CAMBRIAN SCHOOL DISTRICT**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED**  
**JUNE 30, 2015**

# CAMBRIAN SCHOOL DISTRICT

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***FINANCIAL SECTION***

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## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Cambrian School District  
San Jose, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Cambrian School District (the District) as of and for the year ended June 30, 2015, 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 *2014-2015 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 District'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 District'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, 2015, 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 2015, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. 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 of pension liability, and schedule of pension contribution 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 and Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the other supplementary information as listed on the table of contents, such as the introductory and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2015, 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  
December 3, 2015



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## CAMBRIAN SCHOOL DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

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This section of Cambrian School District's 2014-2015 annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2015. 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, 2015

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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 likely be an important component in this evaluation.

**Governmental Activities** - Most of the District's services are reported in this category. This includes the education of kindergarten through grade eight students, 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, 2015**

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**THE DISTRICT AS A WHOLE**

**Net Position**

The District's net position was \$694,549 for the fiscal year ended June 30, 2015. Of this amount, -\$6,339,060 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**

	<u>Governmental Activities</u>	
	<u>2014/2015</u>	<u>2013/2014*</u>
Current and other assets	\$ 56,133,987	\$ 24,667,733
Capital assets	35,435,759	28,017,543
Total Assets	<u>91,569,746</u>	<u>52,685,276</u>
Deferred Outflows of Resources	<u>1,656,917</u>	<u>1,464,500</u>
Current liabilities	4,204,930	2,084,167
Long-term debt	82,787,515	46,766,352
Total Liabilities	<u>86,992,445</u>	<u>48,850,519</u>
Deferred Inflows of Resources	<u>5,539,669</u>	<u>-</u>
Net Position		
Net investment in capital assets	3,063,789	7,942,060
Restricted	3,969,820	2,091,432
Unrestricted	(6,339,060)	(4,734,235)
Total Net Position	<u>\$ 694,549</u>	<u>\$ 5,299,257</u>

\* 2013-14 reflect the implementation of GASB 68.

**CAMBRIAN SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

Unrestricted net position for the year ended June 30, 2015, consist of the following:

	Governmental Activities	
	2014/2015	2013/2014*
Unrestricted General Fund	\$ 5,685,876	\$ 5,665,888
Deferred Maintenance Fund	62,908	62,908
Special Reserve - None - Capital Fund	276	645,355
Retiree Benefit Special Reserve Fund	4	4,946
Building Fund	8,140,848	7,139,883
Special Reserve - Capital Fund	5,196,343	6,973,154
Deferred Outflows of Resources	1,656,917	1,464,500
Deferred Inflows of Resources	(5,539,669)	-
Pension Liabilities	(21,403,572)	(26,547,113)
Compensated Absence	(138,991)	(143,756)
<b>Total Unrestricted Net Position</b>	<b>\$ (6,339,060)</b>	<b>\$ (4,734,235)</b>

\* 2013-14 reflect the implementation of GASB 68.

**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	
	2014/2015	2013/2014
<b>Revenues</b>		
Program Revenues:		
Charges for services	\$ 328,909	\$ 338,528
Operating grants and contributions	2,814,803	2,594,352
General Revenues:		
Federal and State aid	10,695,667	8,776,985
Property taxes	17,413,279	14,754,975
Other general revenues	2,002,976	2,765,525
<b>Total Revenues</b>	<b>33,255,634</b>	<b>29,230,365</b>
<b>Expenses</b>		
Instruction related	25,862,764	24,084,517
Student support services	2,268,457	2,242,713
Administration	1,956,940	2,401,475
Maintenance and operations	5,228,088	2,646,992
Other	2,544,093	1,140,340
<b>Total Expenses</b>	<b>37,860,342</b>	<b>32,516,037</b>
<b>Change in Net Position</b>	<b>\$ (4,604,708)</b>	<b>\$ (3,285,672)</b>

# CAMBRIAN SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

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### 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 \$37,860,342. However, the amount that our taxpayers ultimately financed for these activities through local taxes and other revenues was \$24,020,963, because of the total expenses, \$328,909 was paid by those who benefited from the programs, \$2,814,803 was paid by other governments and organizations who subsidized certain programs with grants and contributions, and \$10,695,667 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	
	2014/2015	2013/2014
Instruction and instruction related	\$ 23,565,570	\$ 22,098,531
Pupil services	1,444,669	1,296,039
General administration	1,944,367	2,401,475
Maintenance and operations	5,217,931	2,646,772
Other	2,544,093	1,140,340
<b>Totals</b>	<b>\$ 34,716,630</b>	<b>\$ 29,583,157</b>

- 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 \$53.4 million which is an increase of approximately \$30.6 million from last year. This increase is a result of a variety of revenue and expenditure variances throughout the budget but primarily due to the passage and receipt of Measure I funds. The District thanks the overwhelming community support of our educational program. 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, 2015

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**Table 4**

Fund Type	2014/2015	2013/2014	Change	Percent Change
General Fund	\$ 6,041,312	\$ 7,377,798	\$ (1,336,486)	-18.1%
Building Fund	37,013,830	7,139,883	29,873,947	418.4%
Special Reserve Capital Outlay Fund	5,196,343	6,973,154	(1,776,811)	-25.5%
Bond Interest and Redemption Funds	4,774,003	1,042,791	3,731,212	357.8%
Non-Major Governmental Funds	417,724	340,146	77,578	22.8%
Total Governmental Funds	<u>\$ 53,443,212</u>	<u>\$ 22,873,772</u>	<u>\$ 30,569,440</u>	133.6%

### CAPITAL ASSET & DEBT ADMINISTRATION

#### Capital Assets

At June 30, 2015, the District had \$55.2 million in a broad range of capital assets. Accumulated depreciation was \$19.8 million. The capital asset, net amount of \$35.4 million represents a net increase (including additions, deductions and depreciation) of \$7.4 million or 26.5% over last year. See Note 4 for more details.

#### Long-Term Obligations

At the end of this year, the District had \$61.2 million in outstanding bonds, including bond premium. This is an increase of \$41.2 million from prior year. The changes are the result of GASB 68 implementation and issuance of new bonds.

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 2015-2016 fiscal year, the District board and management used the following criteria:

The key assumptions in our revenue forecast are:

1. Relatively flat ADA (Average Daily Attendance) due to recent trends.
2. Receipt of one-time state funds for Educator Effectiveness.
3. Receipt of one-time unrestricted state funds available for any purpose.
4. Increase in principal apportionment based on expected increases in per ADA funding under the Local Control Funding Formula (LCFF).
5. Increase in state funding related to California Clean Energy Jobs Act.
6. Developer fee revenues are estimated based on the history of actual fees collected.
7. Local revenues have been reduced primarily to reflect the practice of not recognizing local revenues before an award letter or actual cash has been received.

# **CAMBRIAN SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2015**

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The key assumptions in our expenditure forecast are:

1. Expenditures are based on existing educational programs and an increase in staffing to support districtwide educational program.
2. Additional expenditures for implementing Educator Effectiveness program.
3. One additional professional development day paid with one-time unrestricted state funding.
4. Additional expenditures to effectively utilize one-time unrestricted state funding.
5. Increase in employer contributions to California State Teachers Retirement System (CalSTRS) and California Public Employee Retirement System (CalPERS).
6. Step and Column increases in staff salaries.
7. Inflation.
8. Continued spending 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.).
9. Construction of a new professional development center and shop at the District office.

### **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 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 the District finding other resources to cover this additional expenditure as well cover the increased expenditures from (i) step and column, (ii) inflation on supplies and services, (iii) the Affordable Care Act and (iv) the new sick leave provisions for part-time employees.

### **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, 2015**

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	<b>Governmental Activities</b>
<b>ASSETS</b>	
Deposits and investments	\$ 54,902,626
Receivables	1,187,784
Prepaid expenses	43,577
Capital assets not depreciated	5,145,640
Capital assets, net of accumulated depreciation	<u>30,290,119</u>
<b>Total Assets</b>	<u><u>91,569,746</u></u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Current year pension contribution	<u>1,656,917</u>
<b>LIABILITIES</b>	
Accounts payable	2,657,536
Interest payable	1,514,155
Unearned revenue	33,239
Current portion of long-term obligations other than pensions	3,298,099
Noncurrent portion of long-term obligations other than pensions	58,085,844
Aggregate net pension liability	<u>21,403,572</u>
<b>Total Liabilities</b>	<u><u>86,992,445</u></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Difference between actual and expected rate of investment return	<u>5,539,669</u>
<b>NET POSITION</b>	
Net investment in capital assets	3,063,789
Restricted for:	
Educational Program	355,160
Debt service	3,259,848
Capital outlay	273,206
Food program	81,606
Unrestricted	<u>(6,339,060)</u>
<b>Total Net Position</b>	<u><u>\$ 694,549</u></u>

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

**CAMBRIAN SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015**

Functions/Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services and Sales	Operating Grants and Contributions	Revenues and Changes in Net Position
				Governmental Activities
<b>Governmental Activities:</b>				
Instruction	\$ 23,017,606	\$ -	\$ 2,191,087	\$ (20,826,519)
Instruction-related activities:				
Supervision of instruction	976,580	-	68,555	(908,025)
Instructional library, media, and technology	184,064	-	-	(184,064)
School site administration	1,684,514	-	37,552	(1,646,962)
Pupil services:				
Home-to-school transportation	406,720	-	-	(406,720)
Food services	833,075	328,909	433,557	(70,609)
All other pupil services	1,028,662	-	61,322	(967,340)
General administration:				
Data processing	148,617	-	-	(148,617)
All other general administration	1,808,323	-	12,573	(1,795,750)
Plant services	5,228,088	-	10,157	(5,217,931)
Interest on long-term obligations and others	2,544,093	-	-	(2,544,093)
<b>Total Governmental-Type Activities</b>	<b>\$ 37,860,342</b>	<b>\$ 328,909</b>	<b>\$ 2,814,803</b>	<b>(34,716,630)</b>
General revenues and subventions:				
				13,823,445
Property taxes, levied for general purposes				2,751,292
Property taxes, levied for debt service				838,542
Taxes levied for other specific purposes				10,695,667
Federal and state aid not restricted to specific purposes				255,544
Interest and investment earnings				1,747,432
Miscellaneous				<u>30,111,922</u>
<b>Subtotal, General Revenues</b>				<u>30,111,922</u>
<b>Change in Net Position</b>				<u>(4,604,708)</u>
Net Position - Beginning				30,381,870
Prior period adjustment				<u>(25,082,613)</u>
Net Position - Ending				<u>\$ 25,777,162</u>

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

**CAMBRIAN SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2015**

	<b>General Fund</b>	<b>Building Fund</b>	<b>Special Reserve Capital Outlay Fund</b>
<b>ASSETS</b>			
Deposits and investments	\$ 5,781,407	\$ 41,533,082	\$ 2,561,478
Receivables	886,970	94,380	3,766
Due from other funds	528,699	337	3,457,850
Prepaid expenditures	37,572	-	-
<b>Total Assets</b>	<b>\$ 7,234,648</b>	<b>\$ 41,627,799</b>	<b>\$ 6,023,094</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 1,184,929	\$ 1,134,584	\$ 319,258
Due to other funds	7,238	3,479,385	507,493
Unearned revenue	1,169	-	-
<b>Total Liabilities</b>	<b>1,193,336</b>	<b>4,613,969</b>	<b>826,751</b>
<b>Fund Balances:</b>			
Nonspendable	21,708	-	-
Restricted	355,160	28,872,982	-
Assigned	-	8,140,848	5,196,343
Unassigned	5,664,444	-	-
<b>Total Fund Balances</b>	<b>6,041,312</b>	<b>37,013,830</b>	<b>5,196,343</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 7,234,648</b>	<b>\$ 41,627,799</b>	<b>\$ 6,023,094</b>

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

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<b>Bond Interest and Redemption Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 4,769,003	\$ 257,656	\$ 54,902,626
5,000	197,668	1,187,784
-	7,238	3,994,124
-	6,005	43,577
<u>\$ 4,774,003</u>	<u>\$ 468,567</u>	<u>\$ 60,128,111</u>

\$ -	\$ 18,765	\$ 2,657,536
-	8	3,994,124
-	32,070	33,239
<u>-</u>	<u>50,843</u>	<u>6,684,899</u>

-	6,005	27,713
4,774,003	348,807	34,350,952
-	-	13,337,191
-	62,912	5,727,356
<u>4,774,003</u>	<u>417,724</u>	<u>53,443,212</u>
<u>\$ 4,774,003</u>	<u>\$ 468,567</u>	<u>\$ 60,128,111</u>

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**CAMBRIAN SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2015**

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

<b>Total Fund Balance - Governmental Funds</b>		\$ 53,443,212
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	\$ 55,205,560	
Accumulated depreciation is	<u>(19,769,801)</u>	35,435,759
Expenditures relating to contributions made to pension plans are expensed when paid, but are not recognized on the accrual basis in the Governmental funds. However, in the government-wide financial statements, as required by GASB 68, they are deferred and expensed in the subsequent year.		
		1,656,917
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.		
		(1,514,155)
The difference between projected and actual pension plan investment earnings are not recognized on the modified accrual basis, but are recognized on the accrual basis as an adjustment to pension expense.		
		(5,539,669)
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	61,244,952	
Compensated absences (vacations)	138,991	
Net pension liability	<u>21,403,572</u>	
Total Long-Term Obligations		<u>(82,787,515)</u>
<b>Total Net Position - Governmental Activities</b>		<u>\$ 694,549</u>

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, 2015**

	<b>General Fund</b>	<b>Building Fund</b>	<b>Special Reserve Capital Fund</b>
<b>REVENUES</b>			
Local Control Funding Formula	\$ 23,807,843	\$ -	\$ -
Federal sources	930,806	-	-
Other state sources	1,784,516	-	-
Other local sources	2,507,611	200,483	139,918
<b>Total Revenues</b>	<b>29,030,776</b>	<b>200,483</b>	<b>139,918</b>
<b>EXPENDITURES</b>			
Current			
Instruction	21,423,507	-	-
Instruction-related activities:			
Supervision of instruction	907,381	-	-
Instructional library, media and technology	171,864	-	-
School site administration	1,564,725	-	-
Pupil services:			
Home-to-school transportation	383,683	-	-
Food services	2,361	-	-
All other pupil services	959,866	-	-
General administration:			
Data processing	140,199	-	-
All other general administration	1,683,887	-	-
Plant services	2,533,207	21,273	-
Facility acquisition and construction	-	9,607,284	2,113,719
Debt service			
Principal	-	-	-
Interest and other	-	-	-
<b>Total Expenditures</b>	<b>29,770,680</b>	<b>9,628,557</b>	<b>2,113,719</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(739,904)</b>	<b>(9,428,074)</b>	<b>(1,973,801)</b>
<b>Other Financing Sources (Uses):</b>			
Transfers in	4,962	618,064	196,990
Other sources	21,397	40,686,936	-
Transfers out	(622,941)	(196,990)	-
Other uses	-	(1,805,989)	-
<b>Net Financing Sources (Uses)</b>	<b>(596,582)</b>	<b>39,302,021</b>	<b>196,990</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(1,336,486)</b>	<b>29,873,947</b>	<b>(1,776,811)</b>
<b>Fund Balance - Beginning</b>	<b>7,377,798</b>	<b>7,139,883</b>	<b>6,973,154</b>
<b>Fund Balance - Ending</b>	<b>\$ 6,041,312</b>	<b>\$ 37,013,830</b>	<b>\$ 5,196,343</b>

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

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<b>Bond Interest and Redemption Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ -	\$ 23,807,843
-	327,153	1,257,959
19,509	22,353	1,826,378
<u>2,743,042</u>	<u>530,554</u>	<u>6,121,608</u>
<u>2,762,551</u>	<u>880,060</u>	<u>33,013,788</u>
-	-	21,423,507
-	-	907,381
-	-	171,864
-	-	1,564,725
-	-	383,683
-	779,977	782,338
-	-	959,866
-	-	140,199
-	-	1,683,887
-	-	2,554,480
-	22,420	11,743,423
775,000	-	775,000
899,280	-	899,280
<u>1,674,280</u>	<u>802,397</u>	<u>43,989,633</u>
<u>1,088,271</u>	<u>77,663</u>	<u>(10,975,845)</u>
-	4,877	824,893
2,642,941	-	43,351,274
-	(4,962)	(824,893)
-	-	(1,805,989)
<u>2,642,941</u>	<u>(85)</u>	<u>41,545,285</u>
3,731,212	77,578	30,569,440
1,042,791	340,146	22,873,772
<u>\$ 4,774,003</u>	<u>\$ 417,724</u>	<u>\$ 53,443,212</u>



# CAMBRIAN SCHOOL DISTRICT

## RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2015

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<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$ 30,569,440
<b>Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:</b>	
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.	9,253,840
Depreciation is recorded as an expense in the government-wide statement of activities, but not recorded in the governmental funds.	(1,835,624)
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).	4,765
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.	(203,711)
Proceeds received from sale of general obligation bonds, including premium is a revenue source in the governmental funds, but it increases long-term liabilities in the statement of net position and does not affect the statement of activities.	(43,329,594)
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.	2,335,000
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.	(357,974)

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 (Continued)  
FOR THE YEAR ENDED JUNE 30, 2015**

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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.

(1,223,949)

**Change in Net Position of Governmental Activities**

\$ (4,604,708)

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

**CAMBRIAN SCHOOL DISTRICT**

**FIDUCIARY FUND  
STATEMENT OF NET POSITION  
JUNE 30, 2015**

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	<u>Agency Fund</u>
<b>ASSETS</b>	
Deposits and investments	\$ 90,244
<b>LIABILITIES</b>	
Due to student groups	\$ 90,244

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

# **CAMBRIAN SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

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### **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. The District operates four elementary and one middle school.

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

#### **Charter Schools**

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

#### **Basis of Presentation - Fund Accounting**

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

#### **Governmental Funds**

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

#### **Major Governmental Funds**

##### **General Fund**

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

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, 2015

---

### **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.

### **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).

### **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).

### **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).

# CAMBRIAN SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

---

### Capital Facilities Fund

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

### Debt Service Funds

The Debt Service funds are used to account for the accumulation of restricted, committed, or assigned resources for and the payment of principal and interest on general long-term obligations. Other than the one presented in the Major fund, the District has no other debt service fund.

### 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, 2015

---

### **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.

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.

# CAMBRIAN SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

---

### **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, 2015, 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.

### **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.



# CAMBRIAN SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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### **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.

# CAMBRIAN SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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### **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.

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 current year pension contributions.

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 the difference between actual and expected rate of return on investments specific to the net pension liability.

### **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, 2015, 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.

# CAMBRIAN SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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**Unassigned** - all other spendable amounts.

### **Spending Order Policy**

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, 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, 2015

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### 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 June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions 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 pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. The District has implemented the Provisions of this Statement for the year ended June 30, 2015.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date — An Amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The District has implemented the Provisions of this Statement for the year ended June 30, 2015.

As the result of implementing GASB Statement No. 68, the District has restated the beginning net position in the government wide Statement of Net Position, effectively decreasing net position as of July 1, 2014, by \$25,082,613. The decrease results from recognizing the net pension liability, net of related deferred outflows of resources.

### New Accounting Pronouncements

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

## CAMBRIAN SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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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. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

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. Early implementation is encouraged.

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. Early implementation is encouraged.

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. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Earlier implementation is permitted.

# CAMBRIAN SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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### NOTE 2 - DEPOSITS AND INVESTMENTS

#### Summary of Deposits and Investments

Deposits and investments as of June 30, 2015, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 54,902,626
Fiduciary funds	90,244
Total Deposits and Investments	<u>\$ 54,992,870</u>

Deposits and investments as of June 30, 2015, consist of the following:

Cash on hand and in banks	\$ 115,244
Cash in revolving	1,400
Cash with fiscal agent	7,801
Investments	54,868,425
Total Deposits and Investments	<u>\$ 54,992,870</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.

#### 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.

**CAMBRIAN SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**General Authorizations**

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

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

**Interest Rate Risk**

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

Investment Type	Carrying Amount	Fair Value	Weighted Average Maturity In Years
Certificates of Deposit	\$ 1,673,299	\$ 1,673,299	1.97
U.S. Agencies	99,492	99,492	2.72
Foreign Bonds	398,664	398,664	0.97
Corporate Notes	1,289,949	1,289,949	1.54
County Treasury Pool	48,093,236	48,117,667	1.36
State Investment Pool	1,138,330	1,138,330	0.00
Municipal Bonds	2,175,455	2,175,456	1.70
Total	<u>\$ 54,868,425</u>	<u>\$ 54,892,857</u>	

**CAMBRIAN SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**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		
		AA+	A	Unrated
Certificates of Deposit	\$ 1,673,299	\$ -	\$ -	\$ 1,673,299
U.S. Agencies	99,492	99,492	-	-
Foreign Bonds	398,664	-	398,664	-
Corporate Notes	1,289,949	-	1,289,949	-
County Treasury Pool	48,117,667	-	-	48,117,667
State Investment Pool	1,138,330	-	-	1,138,330
Municipal Bonds	2,175,455	-	2,175,455	-
Total	\$ 54,892,856	\$ 99,492	\$ 3,864,068	\$ 50,929,296

**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, 2015, none of the District's bank balance of \$137,460 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, 2015.



**CAMBRIAN SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 3 - RECEIVABLES**

	General	Building	Special Reserve Capital	Bond Interest and Redemption	Non-Major Funds	Total
Federal Government						
Categorical aid	\$ 448,954	\$ -	\$ -	\$ -	\$ 45,351	\$ 494,305
State Government						
State apportionment	-	-	-	-	-	-
Categorical aid	85,173	-	-	-	3,399	88,572
Lottery	288,734	-	-	-	-	288,734
Local Government						
Interest	11,609	94,380	3,766	5,000	422	115,177
Other Local Sources	52,500	-	-	-	148,496	200,996
Total	<u>\$ 886,970</u>	<u>\$ 94,380</u>	<u>\$ 3,766</u>	<u>\$ 5,000</u>	<u>\$ 197,668</u>	<u>\$ 1,187,784</u>

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

<b>Governmental Activities</b>	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Capital Assets not being Depreciated:				
Construction in Progress	\$ 1,468,748	\$ 4,900,724	\$ 1,223,832	\$ 5,145,640
Capital Assets being Depreciated:				
Buildings and Improvements	44,482,972	5,576,948	-	50,059,920
Total Capital Assets	45,951,720	10,477,672	1,223,832	55,205,560
Less Accumulated Depreciation:				
Buildings and Improvements Governmental Activities	17,934,177	1,835,624	-	19,769,801
Capital Assets, Net	<u>\$ 28,017,543</u>	<u>\$ 8,642,048</u>	<u>\$ 1,223,832</u>	<u>\$ 35,435,759</u>

**CAMBRIAN SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

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

**Governmental Activities**

Instruction	\$ 1,286,328
Supervision of instruction	54,482
Instructional library, media, and technology	10,319
School site administration	93,950
Pupil transportation	23,037
Food services	46,974
All other pupil services	57,633
All other general administration	101,105
Data processing	8,418
Plant services	153,378
Total Depreciation Expense All Activities	<u>\$ 1,835,624</u>

**NOTE 5 - 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, 2015 consist of the following:

		Due From				Total
		General	Building	Special Reserve Capital	Non-Major Funds	
Due To	General	\$ -	\$ -	\$ -	\$ 7,238	\$ 7,238
	Building	21,535	337	3,457,850	-	3,479,722
	Special Reserve Capital	507,156	-	-	-	507,156
	Non-Major Governmental	8	-	-	-	8
	Total	<u>\$ 528,699</u>	<u>\$ 337</u>	<u>\$ 3,457,850</u>	<u>\$ 7,238</u>	<u>\$ 3,994,124</u>

**Equity Fund Transfers**

During the year, the District's Retiree Benefit Special Reserve fund transferred \$4,962 to the General fund to close out the fund.

**CAMBRIAN SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**Operating Transfers**

Transfer Out	Transfer In			
	Building	Special Reserve Capital	Non-Major Governmental	Total
	General	\$ 618,064	\$ -	\$ 4,877
Building	-	196,990	-	196,990
Total	<u>\$ 618,064</u>	<u>\$ 196,990</u>	<u>\$ 4,877</u>	<u>\$ 819,931</u>

The General Fund transferred to the Building Fund to support clean energy projects.	\$ 618,064
The General Fund transferred to the Cafeteria fund to cover the uncollectable meal fees.	4,877
The Building Fund transferred to the special Reserve Capital Fund for Measure I expenditure reimbursements.	<u>196,990</u>
Total	<u>\$ 819,931</u>

**NOTE 6 - DEFERRED OUTFLOWS OF RESOURCES**

Deferred outflows of resources is a consumption of net position by the District that is applicable to a future reporting period. The District's current year pension contribution of \$1,656,917 was made after the pension liability measurement date, June 30, 2014. Therefore, the recognition of current year payment is deferred and will be recognized as a pension expense in fiscal year 2015-16 (see Note 12 for more information on pension related activities).

Deferred outflow of resources at June 30, 2015, consisted of the following:

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Current year pension contribution	<u>\$ 1,464,500</u>	<u>\$ 1,656,917</u>	<u>\$ 1,464,500</u>	<u>\$ 1,656,917</u>

**NOTE 7 - ACCOUNTS PAYABLE**

Accounts payable at June 30, 2015, consisted of the following:

	General	Building	Special Reserve Capital	Non-Major Governmental	Total
Vendor payables	\$ 1,016,220	\$ 1,134,854	\$ 319,258	\$ 17,162	\$ 2,487,494
State principal apportionment	145,754	-	-	1,602	147,356
Salaries and benefits	22,955	-	-	-	22,955
Total	<u>\$ 1,184,929</u>	<u>\$ 1,134,854</u>	<u>\$ 319,258</u>	<u>\$ 18,765</u>	<u>\$ 2,657,536</u>

**CAMBRIAN SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 8 - UNEARNED REVENUE**

Unearned revenue at June 30, 2015, consists of the followings.

	General	Non-Major Governmental	Total
Meal prepayment for child nutrition program.	\$ -	\$ 32,070	\$ 32,070
Other local	1,169	-	1,169
Total	<u>\$ 1,169</u>	<u>\$ 32,070</u>	<u>\$ 33,239</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, 2014	Additions	Deductions	Balance June 30, 2015	Due in One Year
General obligation bonds	\$ 19,443,260	\$ 40,772,974	\$ 2,335,000	\$ 57,881,234	\$ 3,115,000
GOB premium	632,223	2,914,594	183,099	3,363,718	183,099
Accumulated vacation - net	143,756	-	4,765	138,991	-
Pension liability	26,547,113	-	5,143,541	21,403,572	-
	<u>\$ 46,766,352</u>	<u>\$ 43,687,568</u>	<u>\$ 7,666,405</u>	<u>\$ 82,787,515</u>	<u>\$ 3,298,099</u>

**Bonded Debt**

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2014	Issuance/ Accreted	Refund/ Redeemed	Bonds Outstanding June 30, 2015
7/1/03	7/1/28	2.0-4.0%	\$ 15,524,912	\$ 749,831	\$ 40,506	\$ -	\$ 790,337
4/1/05	7/1/35	2.7-5.5%	5,450,033	7,183,429	317,468	1,650,000	5,850,897
8/27/13	7/1/26	3.0-5.0%	11,510,000	11,510,000	-	685,000	10,825,000
9/23/14	7/1/39	2.0-5.0%	39,000,000	-	39,000,000	-	39,000,000
9/23/14	7/1/25	3.0-5.0%	1,415,000	-	1,415,000	-	1,415,000
				<u>\$ 19,443,260</u>	<u>\$ 40,772,974</u>	<u>\$ 2,335,000</u>	<u>\$ 57,881,234</u>

# CAMBRIAN SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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### Debt Service Requirements to Maturity

The general obligation bonds mature through 2036 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Maturity</u>	<u>Total</u>
2016	\$ 3,115,000	\$ 2,518,524	\$ 5,633,524
2017	725,000	2,018,413	2,743,413
2018	765,000	1,995,563	2,760,563
2019	870,000	1,969,038	2,839,038
2020	1,015,000	1,932,963	2,947,963
2021-2025	7,840,000	8,736,813	16,576,813
2026-2030	9,910,832	10,843,287	20,754,119
2031-2035	12,711,068	11,987,182	24,698,250
2036	18,038,044	2,339,062	20,377,106
Sub Total	54,989,944	<u>\$ 44,340,845</u>	<u>\$ 99,330,789</u>
Accretion to date:	2,891,290		
Total	<u>\$ 57,881,234</u>		

### Current Year Refunding

On September 23, 2014, the District issued \$1,415,000 in General Obligation Bonds with interest rates ranging from three to five percent to current refund \$1,560,000 of outstanding 2002 Series B current interest bonds. The net proceeds of \$1,627,543 (after payment of \$59,110 costs of issuance) were used to redeem the refunded bonds at 100 percent of the principal amount. This current refunding reduced the District's total debt service payments over the next 11 years by \$55 thousand with an economic gain of \$30 thousand.

### Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2015, amounted to \$138,991.

**CAMBRIAN SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 10 - FUND BALANCES**

Fund balances are composed of the following elements:

	General Fund	Building Fund	Special Reserve Capital Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds
<b>Nonspendable</b>					
Revolving cash	\$ 1,400	\$ -	\$ -	\$ -	\$ -
Prepaid expenditures	20,308	-	-	-	6,005
Total Nonspendable	<u>21,708</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,005</u>
<b>Restricted</b>					
Legally restricted programs	355,160	-	-	-	75,601
Capital projects	-	28,872,982	-	-	273,206
Debt services	-	-	-	4,774,003	-
Total Restricted	<u>355,160</u>	<u>28,872,982</u>	<u>-</u>	<u>4,774,003</u>	<u>348,807</u>
<b>Assigned</b>					
Capital projects	-	8,140,848	5,196,343	-	-
OPEB	-	-	-	-	4
Maintenance	-	-	-	-	62,908
Total Assigned	<u>-</u>	<u>8,140,848</u>	<u>5,196,343</u>	<u>-</u>	<u>62,912</u>
<b>Unassigned</b>					
Reserve for economic uncertainty	1,488,534	-	-	-	-
Remaining unassigned	4,175,910	-	-	-	-
Total Unassigned	<u>5,664,444</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u><u>\$ 6,041,312</u></u>	<u><u>\$ 37,013,830</u></u>	<u><u>\$ 5,196,343</u></u>	<u><u>\$ 4,774,003</u></u>	<u><u>\$ 417,724</u></u>

# CAMBRIAN SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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### 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, 2015, 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 2014-2015, 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).

The District implemented GASB Statements No. 68 and No. 71 for the fiscal year ended June 30, 2015. As a result, the District reported its proportionate share of the net pension liabilities, pension expense and deferred inflow of resources for each of the above plans and a deferred outflow of resources for each of the above plans as follows:

<u>Pension Plan</u>	<u>Proportionate Share of Net Pension Liability</u>	<u>Deferred Outflow of Resources</u>	<u>Proportionate Share of Deferred Inflow of Resources</u>	<u>Proportionate Share of Pension Expense</u>
CalSTRS	\$ 18,639,896	\$ 1,357,043	\$ 4,590,039	\$ 1,609,225
CalPERS	2,763,676	299,874	949,630	245,634
Total	<u>\$ 21,403,572</u>	<u>\$ 1,656,917</u>	<u>\$ 5,539,669</u>	<u>\$ 1,854,859</u>

# CAMBRIAN SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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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, 2013, 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, 2015**

The STRP provisions and benefits in effect at June 30, 2015, are summarized as follows:

	STRP Defined Benefit Program	
	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	8.15%	8.15%
Required employer contribution rate	8.88%	8.88%
Required state contribution rate	5.95%	5.95%

**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, 2015, are presented above and the District's total contributions were \$1,357,043.

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

At June 30, 2015, 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	\$ 18,639,896
State's proportionate share of the net pension liability associated with the District	11,255,574
Total	<u>\$ 29,895,470</u>

The net pension liability was measured as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2015, the District's proportion was 0.0319 percent.

**CAMBRIAN SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

For the year ended June 30, 2015, the District recognized its proportionate share of pension expense of \$1,609,225. In addition, the District recognized pension expense and revenue of \$971,719 for support provided by the State. At June 30, 2015, 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	\$ 1,357,043	\$ -
Net differences between projected and actual earnings on plan investments	-	4,590,039
Total	<u>\$ 1,357,043</u>	<u>\$ 4,590,039</u>

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The deferred inflow of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2016	\$ 1,147,510
2017	1,147,510
2018	1,147,510
2019	1,147,509
Total	<u>\$ 4,590,039</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, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
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, 2015**

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' 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 independently from year to year to develop expected percentile for the long-term distribution of annualized returns. The assumed asset allocation is based on 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:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
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:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.60%)	\$ 29,054,723
Current discount rate (7.60%)	\$ 18,639,896
1% increase (8.60 %)	\$ 9,955,823

# CAMBRIAN SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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### 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, 2013 annual actuarial valuation report(s), Schools Pool Actuarial Valuation, [and the Risk Pool Actuarial Valuation Report, Safety,] 2013. 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, 2015, 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	11.771%	11.771%

**CAMBRIAN SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

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**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, 2015, are presented above and the total District contributions were \$299,874.

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

As of June 30, 2015, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$2,763,676. The net pension liability was measured as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2015, the District's proportion was 0.0243 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$245,634. At June 30, 2015, 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	\$ 299,874	\$ -
Net differences between projected and actual earnings on plan investments	-	949,630
Total	<u>\$ 299,874</u>	<u>\$ 949,630</u>

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The deferred inflow of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2016	\$ 237,408
2017	237,408
2018	237,408
2019	237,406
Total	<u>\$ 949,630</u>

# CAMBRIAN SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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### 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, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.50%
Investment rate of return	7.50%
Consumer price inflation	2.75%
Wage growth	3.00%

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:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	47%	5.25%
Global fixed income	19%	0.99%
Private equity	12%	6.83%
Real estate	11%	4.50%
Inflation sensitive	6%	0.45%
Infrastructure and Forestland	3%	4.50%
Liquidity	2%	-0.55%

# CAMBRIAN SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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### Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

<u>Discount rate</u>	<u>Net Pension Liability</u>
1% decrease (6.50%)	\$ 4,848,119
Current discount rate (7.50%)	\$ 2,763,676
1% increase (8.50%)	\$ 1,021,914

### 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 \$751,553 (5.679 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, 2015.

# CAMBRIAN SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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### 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, 2015.

### Construction Committee

As of June 30, 2015, 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	\$ 19,671,921	08/04/16
Price ceiling, lighting and flooring	1,513,240	08/04/15
Safety and security project (fencing)	576,246	08/04/15
	<u>\$ 21,761,407</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, 2015, the District made payments of \$855,230 and \$160,842 to the Santa Clara County Schools Insurance Group and West Valley Transportation Joint Powers Authority, respectively.



**CAMBRIAN SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

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**NOTE 15 - RESTATEMENT OF PRIOR YEAR NET POSITION**

The District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in the current year. The restatement does not include deferred inflows of resources, as this information was not available. As a result, the effect on the current fiscal year is as follows:

**Statement of Net Position**

Net Position - Beginning	\$ 30,381,870
Restatement related to pension activities	<u>(25,082,613)</u>
Net Position - Beginning as Restated	<u>\$ 5,299,257</u>

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***REQUIRED SUPPLEMENTARY INFORMATION***

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**CAMBRIAN SCHOOL DISTRICT**

**GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variances -</b>
	<b>Original</b>	<b>Final</b>		<b>Favorable (Unfavorable)</b>
				<b>Final to Actual</b>
<b>REVENUES</b>				
Local Control Funding Formula	\$ 22,158,749	\$ 23,246,337	\$ 23,807,843	\$ 561,506
Federal sources	836,348	948,558	930,806	(17,752)
Other state sources	724,585	983,446	1,032,963	49,517
Other local sources	2,373,732	2,449,849	2,505,953	56,104
<b>Total Revenues<sup>1</sup></b>	<b>26,093,414</b>	<b>27,628,190</b>	<b>28,277,565</b>	<b>649,375</b>
<b>EXPENDITURES</b>				
Current				
Certificated salaries	15,649,647	15,652,640	15,641,274	11,366
Classified salaries	3,638,536	3,716,549	3,775,577	(59,028)
Employee benefits	5,248,446	5,238,065	4,811,420	426,645
Books and supplies	1,221,240	1,713,642	1,161,454	552,188
Services and operating expenditures	3,599,983	3,691,988	3,629,399	62,589
<b>Total Expenditures<sup>1</sup></b>	<b>29,357,852</b>	<b>30,012,884</b>	<b>29,019,124</b>	<b>993,760</b>
<b>Excess of Expenditures Over</b>				
<b>Revenues</b>	(3,264,438)	(2,384,694)	(741,559)	1,643,135
<b>Other Financing Uses:</b>				
Transfers in	600,000	651,696	651,696	-
Other sources	-	21,397	21,397	-
Transfers out	-	-	(622,941)	(622,941)
<b>Net Financing Sources (Uses)</b>	<b>600,000</b>	<b>673,093</b>	<b>50,152</b>	<b>(622,941)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(2,664,438)</b>	<b>(1,711,601)</b>	<b>(691,407)</b>	<b>1,020,194</b>
<b>Fund Balance - Beginning</b>	<b>6,732,443</b>	<b>6,732,443</b>	<b>6,732,443</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 4,068,005</b>	<b>\$ 5,020,842</b>	<b>6,041,036</b>	<b>\$ 1,020,194</b>
Special Reserve Fund for Other Than Capital Outlay			276	
<b>Fund Balance - Ending, GAAP Basis</b>			<b>\$ 6,041,312</b>	

<sup>1</sup> On behalf payments of \$751,553 has been excluded from this schedule.

**CAMBRIAN SCHOOL DISTRICT**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET  
PENSION LIABILITY  
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>2015</u>
CalSTRS	
District's proportion of the net pension liability (asset)	<u>0.0319%</u>
District's proportionate share of the net pension liability (asset)	\$ 18,639,896
State's proportionate share of the net pension liability (asset) associated with the District	<u>11,255,574</u>
Total	<u>\$ 29,895,470</u>
District's covered - employee payroll	<u>\$ 14,383,583</u>
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	<u>129.6%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>77%</u>
 CalPERS	
District's proportion of the net pension liability (asset)	<u>0.0243%</u>
District's proportionate share of the net pension liability (asset)	<u>\$ 2,763,676</u>
District's covered - employee payroll	<u>\$ 2,567,727</u>
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	<u>107.6%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>83%</u>

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

**CAMBRIAN SCHOOL DISTRICT**

**SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS  
FOR THE YEAR ENDED JUNE 30, 2015**

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	<u>2015</u>
<b>CalSTRS</b>	
Contractually required contribution	\$ 1,357,043
Contributions in relation to the contractually required contribution	<u>1,357,043</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 13,879,366</u>
Contributions as a percentage of covered - employee payroll	<u>9.8%</u>
 <b>CalPERS</b>	
Contractually required contribution	\$ 299,874
Contributions in relation to the contractually required contribution	<u>299,874</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 2,620,822</u>
Contributions as a percentage of covered - employee payroll	<u>11.4%</u>

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

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***SUPPLEMENTARY INFORMATION***

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**CAMBRIAN SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed through the California Department of Education:			
No Child Left Behind Act:			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14981	\$ 169,011
Title I, Part A, Program Improvement LEA Corrective Action Resources	84.010	14955	13,500
ARRA, State Fiscal Stabilization Fund	84.394	25008	-
Title II, Part A, Teacher Quality	84.367	14341	68,777
Title III, Limited English Proficiency Student Program	84.365	10084	35,689
Title III, Immigrant Education Program	84.365	14346	6,042
Individuals with Disabilities Act:			
Basic Local Assistance Entitlement, Part B	84.027	13379	526,897
Basic Local Assistance Entitlement, Part B, Private School	84.027	10115	3,263
Preschool Grants, Part B	84.173	13430	32,293
Preschool Local Entitlement, Part B	84.027A	13682	75,116
Preschool Staff Development, Part B	84.173A	13431	218
Total Special Education Cluster			<u>930,806</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through the California Department of Education:			
Child Nutrition Act:			
Basic School Breakfast Program	10.553	13390	16,948
Especially Needy Breakfast	10.553	13526	38,992
National School Lunch Program	10.555	13524	224,884
Meal supplement	10.555	13396	8,501
Fair Market Value of Commodities	10.555	13524	37,828
Total Child Nutrition Cluster			<u>327,153</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,257,959</u></u>

See accompanying note to supplementary information.

# CAMBRIAN SCHOOL DISTRICT

## LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE FOR THE YEAR ENDED JUNE 30, 2015

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### 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>
Jeneva Sneed	President	2016
Doron Aronson	Vice President	2016
Randy Scofield	Clerk	2018
Jarod Middleton	Member	2018
Carol Presunka	Member	2018

### ADMINISTRATION

Dr. Carrie Andrews	Superintendent
Jason 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, 2015**

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	433.56	435.06
Fourth through sixth	210.89	210.94
Total Regular ADA	<u>644.45</u>	<u>646.00</u>
Extended Year Special Education		
Transitional kindergarten through third	3.82	3.82
Fourth through sixth	1.63	1.63
Seventh and eighth	0.19	0.19
Total Extended Year Special Education	<u>5.64</u>	<u>5.64</u>
Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	1.91	1.93
Seventh and eighth	1.12	0.85
Total Special Education, Nonpublic, Nonsectarian Schools	<u>3.03</u>	<u>2.78</u>
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	0.38	0.38
Seventh and eighth	0.35	0.35
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	<u>0.73</u>	<u>0.73</u>
Total ADA	<u><u>653.85</u></u>	<u><u>655.15</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, 2015**

	Second Period Report				Total
	Fammatre	Farnham	Sartorette	Ida Price	
Classroom-Based Regular ADA					
Kindergarten through third	374.97	342.17	312.56	394.05	1,423.75
Fourth through sixth	165.26	178.10	188.94	674.45	1,206.75
Total Classroom-Based	540.23	520.27	501.50	1,068.50	2,630.50
Non Classroom-Based Regular ADA					
Kindergarten through third	2.36	1.38	1.71	0.30	5.75
Fourth through sixth	1.07	0.84	0.68	0.40	2.99
Total Non Classroom-Based	3.43	2.22	2.39	0.70	8.74
Total Charter School	543.66	522.49	503.89	1,069.20	2,639.24
	Annual Report				Total
	Fammatre	Farnham	Sartorette	Ida Price	
Classroom-Based Regular ADA					
Kindergarten through third	375.87	342.34	312.94	393.34	1,424.49
Fourth through sixth	165.81	178.83	188.72	675.26	1,208.62
Total Classroom-Based	541.68	521.17	501.66	1,068.60	2,633.11
Non Classroom-Based Regular ADA					
Kindergarten through third	2.19	1.17	1.62	0.28	5.26
Fourth through sixth	0.89	0.69	0.69	0.46	2.73
Total Non Classroom-Based	3.08	1.86	2.31	0.46	7.99
Total Charter School	544.76	523.03	503.97	1,069.06	2,641.10

See accompanying note to supplementary information.

# CAMBRIAN SCHOOL DISTRICT

## SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2015

<b>DISTRICT</b>	1986-87	Reduced	2014-15	Number of	
	Minutes	1986-87	Actual	Days	
Grade Level	Requirement	Requirement	Minutes	Traditional	Status
				Calendar	
<b>District (Cambrian Elementary School)</b>					
Kindergarten	36,000	35,000	46,805	180	Complied
Grade 1	50,400	49,000	50,787	180	Complied
Grade 2	50,400	49,000	50,787	180	Complied
Grade 3	50,400	49,000	50,787	180	Complied
Grade 4	54,000	52,500	54,145	180	Complied
Grade 5	54,000	52,500	54,145	180	Complied
<b>ALL CHARTER SCHOOLS</b>					
	Ed Code	Reduced	2014-15	Number of	
	47612.5	Ed Code	Actual	Days	
Grade Level	Requirement	Requirement	Minutes	Traditional	Status
				Calendar	
<b>Fammatre Charter School</b>					
Kindergarten	36,000	34,971	46,810	180	Complied
Grade 1	50,400	48,960	50,920	180	Complied
Grade 2	50,400	48,960	50,920	180	Complied
Grade 3	50,400	48,960	50,920	180	Complied
Grade 4	54,000	52,457	55,160	180	Complied
Grade 5	54,000	52,457	55,160	180	Complied
<b>Farnham Charter School</b>					
Kindergarten	36,000	34,971	49,405	180	Complied
Grade 1	50,400	48,960	51,120	180	Complied
Grade 2	50,400	48,960	51,120	180	Complied
Grade 3	50,400	48,960	51,120	180	Complied
Grade 4	54,000	52,457	54,420	180	Complied
Grade 5	54,000	52,457	54,420	180	Complied
<b>Sartorette Charter School</b>					
Kindergarten	36,000	34,971	45,820	180	Complied
Grade 1	50,400	48,960	50,466	180	Complied
Grade 2	50,400	48,960	50,466	180	Complied
Grade 3	50,400	48,960	50,466	180	Complied
Grade 4	54,000	52,457	54,426	180	Complied
Grade 5	54,000	52,457	54,426	180	Complied
<b>Ida Price Charter School</b>					
Grade 6	54,000	52,457	57,226	180	Complied
Grade 7	54,000	52,457	57,226	180	Complied
Grade 8	54,000	52,457	57,226	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, 2015**

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

	<u>General</u>	<u>Special Reserve Non-Capital</u>
FUND BALANCE		
Balance, June 30, 2015, Unaudited Actuals	\$ 6,041,036	\$ 276
To conform with GASB 54, the District consolidated the Special Reserve Fund for Other Than Capital Outlay into the General Fund.	276	(276)
Balance, June 30, 2015, Audited Financial Statement	<u>\$ 6,041,312</u>	<u>\$ -</u>

See accompanying note to supplementary information.

**CAMBRIAN SCHOOL DISTRICT**

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015**

	(Budget) 2016 <sup>1</sup>	2015	2014	2013
<b>GENERAL FUND<sup>4</sup></b>				
Revenues	\$ 31,509,458	\$ 29,029,121	\$ 26,232,032	\$ 24,979,193
Transfers in	-	673,093	12,353	-
Total Revenues and Other Sources	31,509,458	29,702,214	26,244,385	24,979,193
Expenditures	32,469,031	29,770,680	28,002,909	25,447,614
Transfers out	-	622,941	507	1,000
Total Expenditures and Other Uses	32,469,031	30,393,621	28,003,416	25,547,614
<b>INCREASE (DECREASE) IN FUND BALANCE</b>	<b>\$ (959,573)</b>	<b>\$ (691,407)</b>	<b>\$ (1,759,031)</b>	<b>\$ (568,421)</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 5,081,463</b>	<b>\$ 6,041,036</b>	<b>\$ 6,732,443</b>	<b>\$ 8,491,474</b>
<b>AVAILABLE RESERVES<sup>2</sup></b>	<b>\$ 2,878,178</b>	<b>\$ 5,664,444</b>	<b>\$ 6,273,066</b>	<b>\$ 8,897,310</b>
<b>AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO<sup>3</sup></b>	<b>8.86%</b>	<b>18.64%</b>	<b>22.40%</b>	<b>34.83%</b>
<b>LONG-TERM OBLIGATIONS</b>	<b>\$ 79,489,416</b>	<b>\$ 82,787,515</b>	<b>\$ 46,766,352</b>	<b>\$ 20,103,473</b>
<b>AVERAGE DAILY ATTENDANCE AT P-2</b>	<b>3,318</b>	<b>3,293</b>	<b>3,272</b>	<b>3,292</b>

The General Fund balance has decreased by \$2,450,438 over the past two years. The fiscal year 2015-2016 budget projects a decrease of \$959,573. 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 operating deficits in the previous three years. The District anticipates incurring an operating deficit during the 2015-2016 fiscal year. Total long-term obligations have increased by \$62,684,042 over the past two years due to implementation of GASB 68 which has resulted in a restatement of beginning pension liability of \$26,647,113 and a new \$39 million new bond issuance.

Average daily attendance has increased by \$1 over the past two years, and anticipates an increase of \$25 ADA during fiscal year 2015-2016.

<sup>1</sup> Budget 2016 is included for analytical purposes only and has not been subjected to audit.

<sup>2</sup> Available reserves consist of all unassigned fund balances contained within the General Fund and Special Reserve Fund for Other than Capital Outlay.

<sup>3</sup> On-behalf payments of \$751,553, \$714,027, and \$684,939, have been excluded from revenues, expenditures and the calculation of the available reserves percentage for the fiscal years ending June 30, 2015, 2014, and 2013, respectively.

<sup>4</sup> General Fund amounts do not include activity related to the consolidation of the Special Reserve Fund for Other than Capital Outlay.

See accompanying note to supplementary information.

**CAMBRIAN SCHOOL DISTRICT**

**SCHEDULE OF CHARTER SCHOOLS  
FOR THE YEAR ENDED JUNE 30, 2015**

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<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, 2015**

	<b>Cafeteria Fund</b>	<b>Deferred Maintenance Fund</b>	<b>Retiree Benefits Special Reserve Fund</b>
<b>ASSETS</b>			
Deposits and investments	\$ 38,592	\$ 62,908	\$ -
Receivables	80,614	-	4
Due from other funds	7,238	-	-
Prepaid expenditures	6,005	-	-
<b>Total Assets</b>	<u>\$ 132,449</u>	<u>\$ 62,908</u>	<u>\$ 4</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 18,765	\$ -	\$ -
Due to other funds	8	-	-
Unearned revenue	32,070	-	-
<b>Total Liabilities</b>	<u>50,843</u>	<u>-</u>	<u>-</u>
<b>Fund Balances:</b>			
Nonspendable	6,005	-	-
Restricted	75,601	-	-
Assigned	-	62,908	4
<b>Total Fund Balances</b>	<u>81,606</u>	<u>62,908</u>	<u>4</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 132,449</u>	<u>\$ 62,908</u>	<u>\$ 4</u>

See accompanying note to supplementary information.

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<b>Capital Facilities Fund</b>	<b>Non-Major Governmental Funds</b>
\$ 156,156	\$ 257,656
117,050	197,668
-	7,238
-	6,005
<u>\$ 273,206</u>	<u>\$ 468,567</u>
\$ -	\$ 18,765
-	8
-	32,070
<u>-</u>	<u>50,843</u>
-	6,005
273,206	348,807
-	62,912
<u>273,206</u>	<u>417,724</u>
<u>\$ 273,206</u>	<u>\$ 468,567</u>



**CAMBRIAN SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Cafeteria Fund</u>	<u>Deferred Maintenance Fund</u>	<u>Retiree Benefits Special Reserve Fund</u>
<b>REVENUES</b>			
Federal sources	\$ 327,153	\$ -	\$ -
Other state sources	22,353	-	-
Other local sources	412,960	-	20
<b>Total Revenues</b>	<u>762,466</u>	<u>-</u>	<u>20</u>
<b>EXPENDITURES</b>			
Current			
Pupil services:			
Food services	779,977	-	-
General administration:			
Facility acquisition and construction	-	-	-
<b>Total Expenditures</b>	<u>779,977</u>	<u>-</u>	<u>-</u>
<b>Excess (Deficiency) of</b>			
<b>Revenues Over Expenditures</b>	<u>(17,511)</u>	<u>-</u>	<u>20</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	4,877	-	-
Transfers out	-	-	(4,962)
<b>Net Financing Sources (Uses)</b>	<u>4,877</u>	<u>-</u>	<u>(4,962)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(12,634)</u>	<u>-</u>	<u>(4,942)</u>
<b>Fund Balance - Beginning</b>	94,240	62,908	4,946
<b>Fund Balance - Ending</b>	<u>\$ 81,606</u>	<u>\$ 62,908</u>	<u>\$ 4</u>

See accompanying note to supplementary information.

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<b>Capital Facilities Fund</b>	<b>Non-Major Governmental Funds</b>
\$ -	\$ 327,153
-	22,353
<u>117,574</u>	<u>530,554</u>
<u>117,574</u>	<u>880,060</u>
-	779,977
<u>22,420</u>	<u>22,420</u>
<u>22,420</u>	<u>802,397</u>
<u>95,154</u>	<u>77,663</u>
-	4,877
-	(4,962)
<u>-</u>	<u>(85)</u>
95,154	77,578
178,052	340,146
<u>\$ 273,206</u>	<u>\$ 417,724</u>

# CAMBRIAN SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2015

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### 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.

#### **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 neither met nor 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.

#### **Reconciliation of Annual Financial and Budget Report with Audited Financial Statements**

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual Financial Report, to the audited financial statements.

#### **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, 2015**

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**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.

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***INDEPENDENT AUDITOR'S REPORTS***

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

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, 2015, and the related notes to the financial statements, which collectively comprise Cambrian School District's basic financial statements, and have issued our report thereon dated December 3, 2015.

**Emphasis of Matter - Change in Accounting Principles**

As discussed in Note 1 to the financial statements, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

**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  
December 3, 2015



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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 Circular A-133 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, 2015. 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 requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2015.

### ***Other Matters***

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133.


### **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 OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Palo Alto, California  
December 3, 2015



## 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 *2014-2015 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, 2015.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State's 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 *2014-2015 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.

### ***Unmodified Opinion on Each of the 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, 2015.

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>
Attendance Accounting:	
Attendance Reporting	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
Regional Occupational Centers or Programs Maintenance of Effort	No, See Below
Adult Education Maintenance of Effort	No, See Below
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
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Charter Schools:	
Attendance	Yes
Mode of Instruction	Yes
Non Classroom-Based Instruction/Independent Study	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 Incentive, Juvenile Court Schools, Middle or Early College High Schools, Transportation, Regional Occupation Center, Adult Education, After School Safety Program and Charter School Facility Grant Program ; therefore, we did not perform procedures related to these programs.

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

*Wassinek, Trine, Day & Co., LLP*

Palo Alto, California  
December 3, 2015

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***SCHEDULE OF FINDINGS AND QUESTIONED COSTS***

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**CAMBRIAN SCHOOL DISTRICT**

**SUMMARY SCHEDULE OF AUDITOR'S RESULTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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**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 of OMB Circular A-133? Section .510(a)	<u>No</u>

Identification of major federal programs:

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

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

**STATE AWARDS**

Type of auditor's report issued on compliance for all programs:	<u>Unmodified</u>
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**CAMBRIAN SCHOOL DISTRICT**

**FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015**

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None reported.

**CAMBRIAN SCHOOL DISTRICT**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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None reported.

**CAMBRIAN SCHOOL DISTRICT**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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None reported.



**CAMBRIAN SCHOOL DISTRICT**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015**

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