

**CAMBRIAN SCHOOL DISTRICT**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED**  
**JUNE 30, 2014**



# CAMBRIAN SCHOOL DISTRICT

## TABLE OF CONTENTS

JUNE 30, 2014

---

### **FINANCIAL SECTION**

Independent Auditor's Report	2
Management's Discussion and Analysis	5
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	11
Statement of Activities	12
Fund Financial Statements	
Governmental Funds - Balance Sheet	13
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	15
Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balances	16
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	18
Fiduciary Fund - Statement of Net Position	19
Notes to Financial Statements	20

### **REQUIRED SUPPLEMENTARY INFORMATION**

General Fund - Budgetary Comparison Schedule	40
--	----

### **SUPPLEMENTARY INFORMATION**

Schedule of Expenditures of Federal Awards	42
Local Education Agency Organization Structure	43
Schedule of Average Daily Attendance - Bagby Elementary School Only	44
Schedule of Average Daily Attendance - All Charter Schools	45
Schedule of Instructional Time	46
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements	47
Schedule of Financial Trends and Analysis	48
Schedule of Charter Schools	49
Combining Statements – Non-Major Governmental Funds	
Combining Balance Sheet	50
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	52
Note to Supplementary Information	54

### **INDEPENDENT AUDITOR'S REPORTS**

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	57
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the OMB Circular A-133	59
Report on State Compliance	61

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

Summary Schedule of Auditor's Results	64
Financial Statement Findings	65
Federal Awards Findings and Questioned Costs	66
State Awards Findings and Questioned Costs	67
Summary Schedule of Prior Audit Findings	68





---

*FINANCIAL SECTION*

---

*This page left blank intentionally.*



## 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, 2014, 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 *Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-2014*, 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matter - Change in Accounting Principle***

As discussed in Note 14 to the financial statements, the District has adopted the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which has resulted in a restatement of beginning net position in the government-wide financial statements. The impact of the restatement is a reduction in beginning net position of \$161,007. 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 and budgetary comparison 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 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, 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 1, 2014, 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 1, 2014





## **CAMBRIAN SCHOOL DISTRICT**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014**

---

This section of Cambrian School District's 2013-2014 annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2014. 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, 2014**

---

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, 2014

---

### THE DISTRICT AS A WHOLE

#### Net Position

The District's net position was \$30,381,870 for the fiscal year ended June 30, 2014. Of this amount, \$20,348,378 was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the school board's ability to use net position for day-to-day operations. Our analysis below focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

**Table 1**

	Governmental Activities	
	2013/2014	2012/2013
Current and other assets	\$ 24,667,733	\$ 27,727,847
Capital assets	28,017,543	28,170,008
<b>Total Assets</b>	<b>52,685,276</b>	<b>55,897,855</b>
Current liabilities	2,084,167	1,965,833
Long-term debt	20,219,239	20,103,473
<b>Total Liabilities</b>	<b>22,303,406</b>	<b>22,069,306</b>
<b>Net Position</b>		
Net investment in capital assets	7,942,060	8,188,315
Restricted	2,091,432	1,283,465
Unrestricted	20,348,378	24,356,769
<b>Total Net Position</b>	<b>\$ 30,381,870</b>	<b>\$ 33,828,549</b>

The \$20,348,378 in unrestricted net position of governmental activities represents the accumulated results of all past years' operations for all District funds combined and available reserves.



# CAMBRIAN SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

### 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	
	2013/2014	2012/2013
Revenues		
Program Revenues:		
Charges for services	\$ 338,528	\$ 403,228
Operating grants and contributions	2,594,352	2,344,985
General Revenues:		
Federal and State aid	8,776,985	8,674,900
Property taxes	14,754,975	14,388,343
Other general revenues	2,765,525	2,052,783
<b>Total Revenues</b>	<b>29,230,365</b>	<b>27,864,239</b>
Expenses		
Instruction related	24,084,517	21,889,010
Student support services	2,242,713	2,031,094
Administration	2,401,475	2,185,741
Maintenance and operations	2,646,992	2,861,776
Other	1,140,340	920,549
<b>Total Expenses</b>	<b>32,516,037</b>	<b>29,888,170</b>
<b>Change in Net Position</b>	<b>\$ (3,285,672)</b>	<b>\$ (2,023,931)</b>

### 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 \$32,516,037. However, the amount that our taxpayers ultimately financed for these activities through local taxes and other revenues was \$20,806,172, because of the total expenses, \$338,528 was paid by those who benefited from the programs, \$2,594,352 was paid by other governments and organizations who subsidized certain programs with grants and contributions, and \$8,776,985 was paid by federal and state aid that is not restricted to specific purposes.

## CAMBRIAN SCHOOL DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

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	
	2013/2014	2012/2013
Instruction and instruction related	\$ 22,098,531	\$ 20,177,304
Pupil services	1,296,039	1,052,922
General administration	2,401,475	2,185,741
Maintenance and operations	2,646,772	2,861,776
Other	1,140,340	862,214
<b>Totals</b>	<b>\$ 29,583,157</b>	<b>\$ 27,139,957</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 \$22.9 million which is a decrease of approximately \$3.0 million from last year. This decrease is a result of a variety of negative revenue and expenditure variances throughout the budget.

### CAPITAL ASSET & DEBT ADMINISTRATION

#### Capital Assets

At June 30, 2014, the District had \$46.0 million in a broad range of capital assets. Accumulated depreciation was \$17.9 million. This amount represents a net decrease (including additions, deductions and depreciation) of \$152 thousand or 0.5% over last year.

## **CAMBRIAN SCHOOL DISTRICT**

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

**JUNE 30, 2014**

---

#### **Long-Term Obligations**

At the end of this year, the District had \$20,075,483 in outstanding bonds, including bond premium.

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 2014-2015 fiscal year, the District board and management used the following criteria:

The key assumptions in our revenue forecast are:

1. Slight increase in ADA (Average Daily Attendance) due to recent trends.
2. Loss of one time federal funds for program improvement.
3. Increase in principal apportionment based on expected increases in per ADA funding under the Local Control Funding Formula (LCFF).
4. Loss of one time Common Core State Standards implementation funding.
5. Reduction 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 has been received.

The key assumptions in our expenditure forecast are:

1. Expenditures are based on existing programs. Slight increase in regular education staffing to reflect the slight increase in District enrollment.
2. Standardization of administrative clerk and health clerk positions to .49 FTE (Full Time Equivalents).
3. Two additional professional development days paid with Common Core State Standards implementation funding.
4. 3% on the salary schedules and 5% off salary schedule increases in staff compensation.

#### **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 Jackson Drive, San Jose, California, 95124.

# CAMBRIAN SCHOOL DISTRICT

## STATEMENT OF NET POSITION JUNE 30, 2014

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Deposits and investments	\$ 23,106,522
Receivables	1,518,575
Prepaid expenses	42,636
Capital assets not depreciated	1,468,748
Capital assets, net of accumulated depreciation	26,548,795
<b>Total Assets</b>	<b>52,685,276</b>
<b>LIABILITIES</b>	
Accounts payable	1,770,579
Interest payable	290,206
Unearned revenue	23,382
Current portion of long-term obligations	827,685
Noncurrent portion of long-term obligations	19,391,554
<b>Total Liabilities</b>	<b>22,303,406</b>
<b>NET POSITION</b>	
Net investment in capital assets	7,942,060
Restricted for:	
Debt service	752,585
Capital outlay	178,052
Food program	94,240
Legally restricted	1,066,555
Unrestricted	20,348,378
<b>Total Net Position</b>	<b>\$ 30,381,870</b>

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

# CAMBRIAN SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2014

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>				
Instruction	\$21,329,048	\$ -	\$ 1,838,769	\$ (19,490,279)
Instruction-related activities:				
Supervision of instruction	1,041,828	-	141,905	(899,923)
Instructional library, media, and technology	185,588	-	91	(185,497)
School site administration	1,528,053	-	5,221	(1,522,832)
Pupil services:				
Home-to-school transportation	434,321	-	-	(434,321)
Food services	900,046	338,528	464,861	(96,657)
All other pupil services	908,346	-	143,285	(765,061)
General administration:				
Data processing	491,789	-	-	(491,789)
All other general administration	1,909,686	-	-	(1,909,686)
Plant services	2,646,992	-	220	(2,646,772)
Interest on long-term obligations	1,140,340	-	-	(1,140,340)
<b>Total Governmental-Type Activities</b>	<b>\$32,516,037</b>	<b>\$ 338,528</b>	<b>\$ 2,594,352</b>	<b>(29,583,157)</b>
General revenues and subventions:				
Property taxes, levied for general purposes				12,730,402
Property taxes, levied for debt service				1,172,194
Taxes levied for other specific purposes				852,379
Federal and state aid not restricted to specific purposes				8,776,985
Interest and investment earnings				183,589
Miscellaneous				2,581,936
<b>Subtotal, General Revenues</b>				<b>26,297,485</b>
<b>Change in Net Position</b>				<b>(3,285,672)</b>
Net Position - Beginning, as restated				33,667,542
Net Position - Ending				<b>\$ 30,381,870</b>

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



# CAMBRIAN SCHOOL DISTRICT

## GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2014

	General Fund	Building Fund	Special Reserve Capital Outlay Fund
<b>ASSETS</b>			
Deposits and investments	\$ 6,852,598	\$ 7,720,864	\$ 7,199,094
Receivables	1,385,547	43,871	9,011
Due from other funds	1,375	-	-
Prepaid expenditures	36,777	-	-
<b>Total Assets</b>	<b>\$ 8,276,297</b>	<b>\$ 7,764,735</b>	<b>\$ 7,208,105</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 898,057	\$ 623,477	\$ 234,951
Due to other funds	442	1,375	-
Unearned revenue	-	-	-
<b>Total Liabilities</b>	<b>898,499</b>	<b>624,852</b>	<b>234,951</b>
<b>Fund Balances:</b>			
Nonspendable	38,177	-	-
Restricted	1,066,555	-	-
Assigned	-	7,139,883	6,973,154
Unassigned	6,273,066	-	-
<b>Total Fund Balances</b>	<b>7,377,798</b>	<b>7,139,883</b>	<b>6,973,154</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 8,276,297</b>	<b>\$ 7,764,735</b>	<b>\$ 7,208,105</b>

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

---

<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 1,333,966	\$ 23,106,522
80,146	1,518,575
442	1,817
5,859	42,636
<u>\$ 1,420,413</u>	<u>\$ 24,669,550</u>

\$ 14,094	\$ 1,770,579
-	1,817
23,382	23,382
<u>37,476</u>	<u>1,795,778</u>

5,859	44,036
1,309,224	2,375,779
67,854	14,180,891
-	6,273,066
<u>1,382,937</u>	<u>22,873,772</u>
<u>\$ 1,420,413</u>	<u>\$ 24,669,550</u>

# CAMBRIAN SCHOOL DISTRICT

## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2014

---

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

<b>Total Fund Balance - Governmental Funds</b>		<b>\$ 22,873,772</b>
--	--	----------------------

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	\$ 45,951,720	
Accumulated depreciation is	<u>(17,934,177)</u>	28,017,543

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.	(290,206)
--	-----------

Long-term liabilities at year end consist of:		
General obligation bonds, including premium	20,075,483	
Compensated absences (vacations)	<u>143,756</u>	<u>(20,219,239)</u>
<b>Total Net Position - Governmental Activities</b>		<b><u>\$ 30,381,870</u></b>

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



*This page left blank intentionally.*

# CAMBRIAN SCHOOL DISTRICT

## GOVERNMENTAL FUNDS

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2014

	General Fund	Building Fund	Special Reserve Capital Fund
<b>REVENUES</b>			
Local Control Funding Formula	\$ 20,984,192	\$ -	\$ -
Federal sources	1,064,966	-	-
Other state sources	2,646,557	-	-
Other local sources	2,253,049	115,771	168,150
<b>Total Revenues</b>	<b>26,948,764</b>	<b>115,771</b>	<b>168,150</b>
<b>EXPENDITURES</b>			
Current			
Instruction	20,135,118	-	-
Instruction-related activities:			
Supervision of instruction	981,490	-	-
Instructional library, media and technology	174,840	-	-
School site administration	1,439,555	-	-
Pupil services:			
Home-to-school transportation	409,167	-	-
Food services	-	-	-
All other pupil services	855,739	-	-
General administration:			
Data processing	463,307	-	-
All other general administration	1,778,381	-	-
Plant services	2,479,339	127,976	-
Facility acquisition and construction	-	1,306,038	196,990
Debt service			
Principal	-	-	-
Interest and other	-	35,149	-
<b>Total Expenditures</b>	<b>28,716,936</b>	<b>1,469,163</b>	<b>196,990</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(1,768,172)</b>	<b>(1,353,392)</b>	<b>(28,840)</b>
<b>Other Financing Sources (Uses):</b>			
Transfers in	12,353	-	-
Transfers out	(507)	-	-
<b>Net Financing Sources (Uses)</b>	<b>11,846</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(1,756,326)</b>	<b>(1,353,392)</b>	<b>(28,840)</b>
<b>Fund Balance - Beginning</b>	<b>9,134,124</b>	<b>8,493,275</b>	<b>7,001,994</b>
<b>Fund Balance - Ending</b>	<b>\$ 7,377,798</b>	<b>\$ 7,139,883</b>	<b>\$ 6,973,154</b>

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

---

Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ 20,984,192
357,225	1,422,191
32,499	2,679,056
1,607,956	4,144,926
1,997,680	29,230,365
-	20,135,118
-	981,490
-	174,840
-	1,439,555
-	409,167
847,919	847,919
-	855,739
-	463,307
-	1,778,381
-	2,607,315
5,397	1,508,425
550,000	550,000
472,951	508,100
1,876,267	32,259,356
121,413	(3,028,991)
507	12,860
(12,353)	(12,860)
(11,846)	-
109,567	(3,028,991)
1,273,370	25,902,763
\$ 1,382,937	\$ 22,873,772

---

## 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, 2014

---

Total Net Change in Fund Balances - Governmental Funds \$ (3,028,991)

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are capitalized in the statement of net position and depreciated over their estimated useful lives in the statement of activities. 1,468,748

Depreciation is recorded as an expense in the government-wide statement of activities, but not recorded in the governmental funds. (1,621,213)

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). (21,976)

Proceeds received from sale of refunding 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. (12,194,908)

Amortization of bond premium is an revenue in the statement of activities, but is not recorded in the governmental funds. 52,685

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. 12,405,000

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. (356,567)

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. 11,550

Change in Net Position of Governmental Activities \$ (3,285,672)

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

**CAMBRIAN SCHOOL DISTRICT**

**FIDUCIARY FUND**

**STATEMENT OF NET POSITION**

**JUNE 30, 2014**

---

	<u>Agency Fund</u>
<b>ASSETS</b>	
Deposits and investments	<u>\$     81,135</u>
<b>LIABILITIES</b>	
Due to student groups	<u>\$     81,135</u>

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



# **CAMBRIAN SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014**

---

### **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, 2014**

---

### **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).

### **Non-Major Governmental Funds**

#### **Special Revenue Funds**

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

#### **Cafeteria Fund**

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

#### **Deferred Maintenance Fund**

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

#### **Retiree Benefits Fund**

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

### **Capital Project Funds**

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

#### **Capital Facilities Fund**

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



# **CAMBRIAN SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014**

---

### **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 debt.

#### **Bond Interest and Redemption Fund**

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

### **Fiduciary Funds**

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

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

### **Basis of Accounting - Measurement Focus**

#### **Government-Wide Financial Statements**

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

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

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



# **CAMBRIAN SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014**

---

### **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, 2014**

---

### **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, 2014, 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, 2014**

---

### **Compensated Absences**

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

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

### **Accrued Liabilities and Long-Term Obligations**

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

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

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

### **Debt Issuance Costs, Premiums and Discounts**

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

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.



# **CAMBRIAN SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014**

---

### **Fund Balances - Governmental Funds**

As of June 30, 2014, fund balances of the governmental funds are classified as follows:

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

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

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

**Unassigned** - all other spendable amounts.

### **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.

# **CAMBRIAN SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014**

---

### **Budgetary Data**

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

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

### **Property Tax**

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Santa Clara bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

### **Change in Accounting Principles**

As the result of implementing GASB Statement No. 65, the District has restated the beginning net position in the government-wide Statement of Net Position, effectively decreasing net position as of July 1, 2013, by \$161,007. The decrease results from no longer deferring and amortizing bond issuance costs.

### **New Accounting Pronouncements**

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 provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68.



# CAMBRIAN SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

---

### NOTE 2 - DEPOSITS AND INVESTMENTS

#### Summary of Deposits and Investments

Deposits and investments as of June 30, 2014, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 23,106,522
Fiduciary funds	81,135
Total Deposits and Investments	<u>\$ 23,187,657</u>

Deposits and investments as of June 30, 2014, consist of the following:

Cash on hand and in banks	\$ 115,157
Cash in revolving	1,400
Cash with fiscal agent	6,764
Investments	23,064,336
Total Deposits and Investments	<u>\$ 23,187,657</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, 2014

### 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	\$ 1,448,888	\$ 1,448,888	2.65
U.S. Agencies	249,507	249,507	3.50
Foreign Bonds	384,410	384,410	1.68
Corporate Notes	1,141,668	1,141,668	1.89
County Treasury Pool	15,751,707	15,769,391	1.14
State Investment Pool	1,734,659	1,738,475	0.64
Municipal Bonds	2,353,497	2,353,497	2.20
Total	<u>\$ 23,064,336</u>	<u>\$ 23,085,836</u>	



# CAMBRIAN SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

### 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	\$ 1,448,888	\$ -	\$ -	\$ 1,448,888
U.S. Agencies	249,507	249,507	-	-
Foreign Bonds	384,410	-	384,410	-
Corporate Notes	1,141,668	-	1,141,668	-
County Treasury Pool	15,769,391	-	-	15,769,391
State Investment Pool	1,738,475	-	-	1,738,475
Municipal Bonds	2,353,497	-	2,353,497	-
Total	\$ 23,085,836	\$ 249,507	\$ 3,879,575	\$ 18,956,754

### 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, 2014, none of the District's bank balance of \$110,535 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, 2014.



# CAMBRIAN SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

### NOTE 3 - RECEIVABLES

	General	Building	Special Reserve Capital	Non-Major Funds	Total
Federal Government					
Categorical aid	\$ 183,517	\$ -	\$ -	\$ 43,524	\$ 227,041
State Government					
State apportionment	629,437	-	-	-	629,437
Categorical aid	240,790	-	-	2,491	243,281
Lottery	262,767	-	-	-	262,767
Local Government					
Interest	8,513	43,871	7,011	710	60,105
Other Local Sources	60,523	-	2,000	33,421	95,944
Total	<u>\$ 1,385,547</u>	<u>\$ 43,871</u>	<u>\$ 9,011</u>	<u>\$ 80,146</u>	<u>\$ 1,518,575</u>

### NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
<b>Governmental Activities</b>				
Capital Assets not being Depreciated:				
Construction in Progress	\$ -	\$ 1,468,748	\$ -	\$ 1,468,748
Capital Assets being Depreciated:				
Buildings and Improvements	44,482,972	-	-	44,482,972
Total Capital Assets	44,482,972	1,468,748	-	45,951,720
Less Accumulated Depreciation:				
Buildings and Improvements	16,312,964	1,621,213	-	17,934,177
Governmental Activities Capital Assets, Net	<u>\$ 28,170,008</u>	<u>\$ (152,465)</u>	<u>\$ -</u>	<u>\$ 28,017,543</u>

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

<b>Governmental Activities</b>	
Instruction	\$ 1,193,930
Supervision of instruction	60,338
Instructional library, media, and technology	10,748
School site administration	88,498
Pupil transportation	25,154
Food services	52,127
All other pupil services	52,607
All other general administration	109,329
Data processing	28,482
Total Depreciation Expense All Activities	<u>\$ 1,621,213</u>

# CAMBRIAN SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

---

### 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, 2014 consist of \$1,375 from the Building Fund due to the General Fund and \$442 from the General Fund to the Cafeteria Fund.

#### Operating Transfers

Interfund transfers for the year ended June 30, 2014 consists of the Special Reserved-Post Employment Benefits Fund transferred \$12,353 to the General fund to pay for benefits for services rendered by former employees, and \$507 from the General Fund to the Cafeteria Fund for covering the cost of the child nutrition program.

### NOTE 6 – ACCOUNTS PAYABLE

Accounts payable at June 30, 2014, consisted of the following:

	General	Building	Special Reserve Capital	Non-Major Governmental	Total
Vendor payables	\$ 567,487	\$ 623,477	\$ 234,951	\$ 11,668	\$ 1,437,583
State principal apportionment	242,936	-	-	-	242,936
Salaries and benefits	87,634	-	-	2,426	90,060
Total	<u>\$ 898,057</u>	<u>\$ 623,477</u>	<u>\$ 234,951</u>	<u>\$ 14,094</u>	<u>\$ 1,770,579</u>

### NOTE 7 - UNEARNED REVENUE

Unearned revenue at June 30, 2014, consists of \$23,382 from the meal prepayments in food programs.

# CAMBRIAN SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

### NOTE 8 - 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, 2013	Additions	Deductions	Balance June 30, 2014	Due in One Year
General obligation bonds (GOB)	\$ 19,981,693	\$ 11,866,567	\$ 12,405,000	\$ 19,443,260	\$ 775,000
GOB premium	-	684,908	52,685	632,223	52,685
Accumulated vacation - net	121,780	21,976	-	143,756	-
	<u>\$ 20,103,473</u>	<u>\$ 12,573,451</u>	<u>\$ 12,457,685</u>	<u>\$ 20,219,239</u>	<u>\$ 827,685</u>

#### Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2013	Issuance/ Accreted	Refund/ Redeemed	Bonds Outstanding June 30, 2014
07/01/03	07/01/28	2.0-4.0%	\$ 15,524,912	\$ 13,017,605	\$ 57,226	\$ 12,325,000	\$ 749,831
04/01/05	07/01/35	2.7-5.5%	5,450,033	6,964,088	299,341	80,000	7,183,429
08/27/13	07/01/26	3.0-5.0%	11,510,000	-	11,510,000	-	11,510,000
				<u>\$ 19,981,693</u>	<u>\$ 11,866,567</u>	<u>\$ 12,405,000</u>	<u>\$ 19,443,260</u>

#### Debt Service Requirements to Maturity

The general obligation bonds mature through 2036 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2015	\$ 775,000	\$ 503,756	\$ 1,278,756
2016	665,000	481,231	1,146,231
2017	725,000	459,381	1,184,381
2018	780,000	435,706	1,215,706
2019	840,000	410,081	1,250,081
2020-2024	5,360,000	1,432,709	6,792,709
2025-2029	5,218,910	2,955,565	8,174,475
2030-2034	2,224,422	7,715,578	9,940,000
2035-2036	321,612	1,573,388	1,895,000
Total	<u>16,909,944</u>	<u>\$ 15,967,395</u>	<u>\$ 32,877,339</u>
Accretion to date:	<u>2,533,316</u>		
	<u>\$ 19,443,260</u>		

# CAMBRIAN SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

### Current Year Refunding

On August 27, 2013, the District issued \$11,510,000 in General Obligation Bonds with interest rates ranging from three to five percent to current refund \$11,855,000 of outstanding 2002 Series A current interest bonds. The net proceeds of \$11,982,797 (after payment of \$212,112 in costs of issuance) were used to redeem the refunded bonds at 100% of the principal amount. This current refunding reduced the District's total debt service payments over the next 13 years by \$1,141,973 with an economic gain of \$915,802.

### Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2014, amounted to \$143,756.

### NOTE 9 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Special Reserve Capital Fund	Non-Major Governmental Funds	Total
<b>Nonspendable</b>					
Revolving cash	\$ 1,400	\$ -	\$ -	\$ -	\$ 1,400
Prepaid expenditures	36,777	-	-	5,859	42,636
Total Nonspendable	38,177	-	-	5,859	44,036
<b>Restricted</b>					
Legally restricted programs	1,066,555	-	-	88,381	1,154,936
Capital projects	-	-	-	178,052	178,052
Debt services	-	-	-	1,042,791	1,042,791
Total Restricted	1,066,555	-	-	1,309,224	2,375,779
<b>Assigned</b>					
Capital projects	-	7,139,883	6,973,154	-	14,113,037
OPEB	-	-	-	4,946	4,946
Maintenance	-	-	-	62,908	62,908
Total Assigned	-	7,139,883	6,973,154	67,854	14,180,891
<b>Unassigned</b>					
Reserve for economic uncertainty	1,400,145	-	-	-	1,400,145
Remaining unassigned	4,872,921	-	-	-	4,872,921
Total Unassigned	6,273,066	-	-	-	6,273,066
Total	\$ 7,377,798	\$ 7,139,883	\$ 6,973,154	\$ 1,382,937	\$ 22,873,772



## **CAMBRIAN SCHOOL DISTRICT**

### **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014**

---

#### **NOTE 10 - 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, 2014, 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 2013-2014, 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 11 - EMPLOYEE RETIREMENT SYSTEMS**

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

##### **CalSTRS**

##### **Plan Description**

The District contributes to the California State Teachers' Retirement System (CalSTRS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to beneficiaries. As a result of the Public Employee Pension Reform Act of 2013 (PEPRA), changes have been made to the defined benefit pension plan effective January 1, 2013. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 100 Waterfront Place, West Sacramento, CA 95605.



## **CAMBRIAN SCHOOL DISTRICT**

### **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014**

---

#### **Funding Policy**

Due to the implementation of the PEPRA, new members must pay at least 50 percent of the normal costs of the plan, which can fluctuate from year to year. For 2013-14, the required contribution rate for new members is 8.0 percent. "Classic" plan members are also required to contribute 8.0 percent of their salary. The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2013-2014 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ending June 30, 2014, 2013, and 2012, were \$1,186,646, \$1,089,910, and \$1,063,652, respectively, and equal 100 percent of the required contributions for each year.

#### **CalPERS**

##### **Plan Description**

The District contributes to the School Employer 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. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to plan members and beneficiaries. As a result of the PEPRA, changes have been made to the defined benefit pension plan effective January 1, 2013. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

##### **Funding Policy**

As a result of the implementation of the PEPRA, new members must pay at least 50 percent of the normal costs of the plan, which can fluctuate from year to year. For 2013-14, the normal cost is 11.85 percent, which rounds to a 6.0 percent contribution rate. "Classic" plan members continue to contribute 7.0 percent. The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2013-2014 was 11.442 percent of covered payroll. The contribution requirements of the plan members are established by State statute. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2014, 2013, and 2012, were \$293,799, \$262,538, and \$254,479, respectively, and equal 100 percent of the required contributions for each year.

##### **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.

# **CAMBRIAN SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014**

---

### **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 \$714,027 (5.541 percent of FY2011-12 creditable earning). 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 12 - 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, 2014.

#### **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, 2014.

### **NOTE 13 - 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, 2014, the District made payments of \$798,432 and \$201,809 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, 2014

---

### NOTE 14 - RESTATEMENT OF PRIOR YEAR NET POSITION

The District adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, in the current year. Under the provisions of GASB 65, deferred issuance costs are now considered to be period expenses and are no longer deferred and amortized to expense. As a result, the deferred issuance costs as of June 30, 2013 of \$161,007 have been offset against beginning net position in the government-wide financial statements as follows:

#### Statement of Net Position

Net Position - Beginning	\$ 33,828,549
Restatement/cost of issuance	(161,007)
Net Position - Beginning as Restated	<u>\$ 33,667,542</u>

---

*REQUIRED SUPPLEMENTARY INFORMATION*

---



# CAMBRIAN SCHOOL DISTRICT

## GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variances - Favorable (Unfavorable)
	Original	Final		Final to Actual
<b>REVENUES</b>				
Local Control Funding Formula	\$ 17,577,424	\$ 20,688,852	\$ 20,984,192	\$ 295,340
Federal sources	920,933	1,077,315	1,064,966	(12,349)
Other state sources	3,842,165	1,663,592	1,932,530	268,938
Other local sources	2,238,711	2,318,974	2,250,344	(68,630)
<b>Total Revenues<sup>1</sup></b>	<b>24,579,233</b>	<b>25,748,733</b>	<b>26,232,032</b>	<b>483,299</b>
<b>EXPENDITURES</b>				
Current				
Certificated salaries	13,860,405	14,831,094	14,588,825	242,269
Classified salaries	3,251,042	3,504,517	3,685,282	(180,765)
Employee benefits	4,632,092	4,801,820	4,560,631	241,189
Books and supplies	1,546,070	1,765,809	1,208,042	557,767
Services and operating expenditures	2,917,940	3,569,459	3,960,129	(390,670)
<b>Total Expenditures<sup>1</sup></b>	<b>26,207,549</b>	<b>28,472,699</b>	<b>28,002,909</b>	<b>469,790</b>
<b>Excess of Expenditures Over Revenues</b>	<b>(1,628,316)</b>	<b>(2,723,966)</b>	<b>(1,770,877)</b>	<b>953,089</b>
<b>Other Financing Uses:</b>				
Transfers in	-	12,353	12,353	-
Transfers out	-	-	(507)	(507)
<b>Net Financing Sources (Uses)</b>	<b>-</b>	<b>12,353</b>	<b>11,846</b>	<b>(507)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(1,628,316)</b>	<b>(2,711,613)</b>	<b>(1,759,031)</b>	<b>952,582</b>
<b>Fund Balance - Beginning</b>	<b>8,491,474</b>	<b>8,491,474</b>	<b>8,491,474</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 6,863,158</b>	<b>\$ 5,779,861</b>	<b>6,732,443</b>	<b>\$ 952,582</b>
Special Reserve Fund				
for Other Than Capital Outlay			645,355	
<b>Fund Balance - Ending, GAAP Basis</b>			<b>\$ 7,377,798</b>	

<sup>1</sup> On behalf payments of \$714,027 has been excluded from this schedule.



---

*SUPPLEMENTARY INFORMATION*

---

# CAMBRIAN SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2014

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	\$ 172,680
Title I, Part A, Program Improvement LEA Corrective Action Resources	84.010	14955	136,500
ARRA, State Fiscal Stabilization Fund	84.394	25008	-
Title II, Part A, Teacher Quality	84.367	14341	68,795
Title III, Limited English Proficiency Student Program	84.365	10084	5,972
Title III, Immigrant Education Program	84.365	14346	42,554
Individuals with Disabilities Act:			
Basic Local Assistance Entitlement, Part B	84.027	13379	544,269
Basic Local Assistance Entitlement, Part B, Private School	84.027	10115	5,198
Preschool Grants, Part B	84.173	13430	28,209
Preschool Local Entitlement, Part B	84.027A	13682	60,568
Preschool Staff Development, Part B	84.173A	13431	221
Subtotal			<u>1,064,966</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through the California Department of Education:			
Child Nutrition Act:			
Basic School Breakfast Program	10.553	13525	32,822
Especially Needy Breakfast	10.553	13526	37,486
National School Lunch Program	10.555	13391	234,627
Meal supplement	10.555	13396	10,824
Fair Market Value of Commodities	10.555	13534	41,466
Subtotal			<u>357,225</u>
Total Expenditures of Federal Awards			<u>\$ 1,422,191</u>

See accompanying note to supplementary information.

## **CAMBRIAN SCHOOL DISTRICT**

### **LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE FOR THE YEAR ENDED JUNE 30, 2014**

---

#### **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>
Stacey Brown	President	2014
Alan Baker	Vice President	2014
Jeneva Sneed	Clerk	2016
Doron Aronson	Member	2016
Randy Scofield	Member	2014

#### **ADMINISTRATION**

Dr. Deborah Blow	Superintendent
Jason Vann	Chief Financial Officer

See accompanying note to supplementary information.

**CAMBRIAN SCHOOL DISTRICT****SCHEDULE OF AVERAGE DAILY ATTENDANCE  
- DISTRICT BAGBY ELEMENTARY SCHOOL ONLY  
FOR THE YEAR ENDED JUNE 30, 2014**

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	450.45	451.05
Fourth through sixth	233.18	233.47
Total Regular ADA	683.63	684.52
Extended Year Special Education		
Transitional kindergarten through third	3.52	3.52
Fourth through sixth	1.50	1.50
Seventh and eighth	0.19	0.19
Total Extended Year Special Education	5.21	5.21
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	1.10	0.98
Fourth through sixth	0.07	0.28
Seventh and eighth	0.98	1.50
Total Special Education, Nonpublic, Nonsectarian Schools	2.15	2.76
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.24	0.24
Seventh and eighth	0.14	0.14
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	0.38	0.38
Total ADA	691.37	692.87

See accompanying note to supplementary information.

**CAMBRIAN SCHOOL DISTRICT**

**SCHEDULE OF AVERAGE DAILY ATTENDANCE  
- ALL CHARTER SCHOOLS  
FOR THE YEAR ENDED JUNE 30, 2014**

	Second Period Report				Total
	Farnham	Sartorette	Ida Price	Fammatre	
Classroom-Based Regular ADA					
Kindergarten through third	353.20	327.87	-	349.96	1,031.03
Fourth through sixth	165.97	174.86	344.84	170.61	856.28
Seventh and eighth	-	-	683.03	-	683.03
Total Classroom-Based	519.17	502.73	1,027.87	520.57	2,570.34
Non Classroom-Based Regular ADA					
Kindergarten through third	1.64	2.50	-	1.95	6.09
Fourth through sixth	0.55	0.82	0.55	0.75	2.67
Seventh and eighth	-	-	0.52	-	0.52
Total Non Classroom-Based	2.19	3.32	1.07	2.70	9.28
Total Charter School	521.36	506.05	1,028.94	523.27	2,579.62

  

	Annual Report				Total
	Farnham	Sartorette	Ida Price	Fammatre	
Classroom-Based Regular ADA					
Kindergarten through third	353.01	329.29	-	350.45	1,032.75
Fourth through sixth	166.01	174.90	344.79	170.88	856.58
Seventh and eighth	-	-	682.97	-	682.97
Total Classroom-Based	519.02	504.19	1,027.76	521.33	2,572.30
Non Classroom-Based Regular ADA					
Kindergarten through third	1.46	2.32	-	1.83	5.61
Fourth through sixth	0.47	0.72	0.60	0.76	2.55
Seventh and eighth	-	-	0.41	-	0.41
Total Non Classroom-Based	1.93	3.04	1.01	2.59	8.57
Total Charter School	520.95	507.23	1,028.77	523.92	2,580.87

See accompanying note to supplementary information.



# CAMBRIAN SCHOOL DISTRICT

## SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2014

DISTRICT	1986-87	Reduced	2013-14	Number of	
	Minutes	Minutes	Actual	Days	
Grade Level	Requirement	Requirement	Minutes	Traditional	Status
Calendar					
District (Cambrian Elementary School)					
Kindergarten	36,000	35,000	48,000	180	Complied
Grade 1	50,400	49,000	50,889	180	Complied
Grade 2	50,400	49,000	50,889	180	Complied
Grade 3	50,400	49,000	50,889	180	Complied
Grade 4	54,000	52,500	54,325	180	Complied
Grade 5	54,000	52,500	54,325	180	Complied
ALL CHARTER SCHOOLS					
	Ed Code	Reduced	2013-14	Number of	
	47612.5	Ed Code	Actual	Days	
Grade Level	Requirement	Requirement	Minutes	Traditional	Status
Calendar					
Farnham Charter School					
Kindergarten	36,000	34,971	49,995	180	Complied
Grade 1	50,400	48,960	50,627	180	Complied
Grade 2	50,400	48,960	50,627	180	Complied
Grade 3	50,400	48,960	50,627	180	Complied
Grade 4	54,000	52,457	55,009	180	Complied
Grade 5	54,000	52,457	55,009	180	Complied
Sartorette Charter School					
Kindergarten	36,000	34,971	48,422	180	Complied
Grade 1	50,400	48,960	50,750	180	Complied
Grade 2	50,400	48,960	50,750	180	Complied
Grade 3	50,400	48,960	50,750	180	Complied
Grade 4	54,000	52,457	54,571	180	Complied
Grade 5	54,000	52,457	54,571	180	Complied
Fammatre Charter School					
Kindergarten	36,000	34,971	48,270	180	Complied
Grade 1	50,400	48,960	51,070	180	Complied
Grade 2	50,400	48,960	51,070	180	Complied
Grade 3	50,400	48,960	51,070	180	Complied
Grade 4	54,000	52,457	54,650	180	Complied
Grade 5	54,000	52,457	54,650	180	Complied
Price Charter School					
Grade 6	54,000	52,457	55,252	180	Complied
Grade 7	54,000	52,457	55,812	180	Complied
Grade 8	54,000	52,457	55,812	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, 2014

---

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, 2014, Unaudited Actuals	\$ 6,732,443	\$ 645,355
To conform with GASB 54, the District consolidated the Special Reserve Fund for Other Than Capital Outlay into the General Fund.	645,355	(645,355)
Balance, June 30, 2014, Audited Financial Statement	<u>\$ 7,377,798</u>	<u>\$ -</u>

See accompanying note to supplementary information.

# CAMBRIAN SCHOOL DISTRICT

## SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2014

	(Budget) 2015 <sup>1</sup>	2014	2013	2012
<b>GENERAL FUND <sup>4</sup></b>				
Revenues	\$ 26,093,414	\$ 26,232,032	\$ 24,979,193	\$ 26,249,910
Transfers in	600,000	12,353	-	-
Total Revenues and Other Sources	26,693,414	26,244,385	24,979,193	26,249,910
Expenditures	29,357,852	28,002,909	25,447,614	25,670,232
Transfers out	-	507	1,000	-
Total Expenditures and Other Uses	29,357,852	28,003,416	25,547,614	25,670,232
<b>INCREASE (DECREASE) IN FUND BALANCE</b>	<b>\$ (2,664,438)</b>	<b>\$ (1,759,031)</b>	<b>\$ (568,421)</b>	<b>\$ 579,678</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 4,068,005</b>	<b>\$ 6,732,443</b>	<b>\$ 8,491,474</b>	<b>\$ 9,059,895</b>
<b>AVAILABLE RESERVES <sup>2</sup></b>	<b>\$ 3,171,492</b>	<b>\$ 6,273,066</b>	<b>\$ 8,897,310</b>	<b>\$ 9,469,255</b>
<b>AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO <sup>3</sup></b>	<b>10.80%</b>	<b>22.40%</b>	<b>34.83%</b>	<b>37.89%</b>
<b>LONG-TERM OBLIGATIONS</b>	<b>\$ 19,322,016</b>	<b>\$ 19,932,016</b>	<b>\$ 20,103,473</b>	<b>\$ 20,297,519</b>
<b>AVERAGE DAILY ATTENDANCE AT P-2</b>	<b>3,274</b>	<b>3,272</b>	<b>3,292</b>	<b>3,236</b>

The General Fund balance has decreased by \$2,327,452 over the past two years. The fiscal year 2014-2015 budget projects a decrease of \$2,664,438. For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred two operating deficits in the previous three years. The District anticipates incurring an operating deficit during the 2014-2015 fiscal year. Total long-term obligations have decreased by \$365,503 over the past two years due to principal payments of general obligation bonds.

Average daily attendance has increased by 36 over the past two years, and anticipates to increase 2 ADA during fiscal year 2014-2015.

<sup>1</sup> Budget 2015 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 \$714,027, \$684,939, and \$675,631, have been excluded from revenues, expenditures and the calculation of the available reserves percentage for the fiscal years ending June 30, 2014, 2013, and 2012, 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, 2014

---

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

See accompanying note to supplementary information.



**CAMBRIAN SCHOOL DISTRICT****NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2014**

	<b>Cafeteria Fund</b>	<b>Deferred Maintenance Fund</b>	<b>Retiree Benefits Special Reserve Fund</b>
<b>ASSETS</b>			
Deposits and investments	\$ 66,331	\$ 62,908	\$ 4,941
Receivables	59,084	-	5
Due from other funds	442	-	-
Prepaid expenses	5,859	-	-
<b>Total Assets</b>	<b>\$ 131,716</b>	<b>\$ 62,908</b>	<b>\$ 4,946</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 14,094	\$ -	\$ -
Unearned revenue	23,382	-	-
<b>Total Liabilities</b>	<b>37,476</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>			
Nonspendable	5,859	-	-
Restricted	88,381	-	-
Assigned	-	62,908	4,946
<b>Total Fund Balances</b>	<b>94,240</b>	<b>62,908</b>	<b>4,946</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 131,716</b>	<b>\$ 62,908</b>	<b>\$ 4,946</b>

See accompanying note to supplementary information.

---

<b>Capital Facilities Fund</b>	<b>Bond Interest and Redemption Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ 157,541	\$ 1,042,245	\$ 1,333,966
20,511	546	80,146
-	-	442
-	-	5,859
<u>\$ 178,052</u>	<u>\$ 1,042,791</u>	<u>\$ 1,420,413</u>

\$ -	\$ -	\$ 14,094
-	-	23,382
<u>-</u>	<u>-</u>	<u>37,476</u>

-	-	5,859
178,052	1,042,791	1,309,224
-	-	67,854
<u>178,052</u>	<u>1,042,791</u>	<u>1,382,937</u>
<u>\$ 178,052</u>	<u>\$ 1,042,791</u>	<u>\$ 1,420,413</u>

# CAMBRIAN SCHOOL DISTRICT

## NON-MAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2014

	<b>Cafeteria Fund</b>	<b>Deferred Maintenance Fund</b>	<b>Retiree Benefit Special Reserve Fund</b>
<b>REVENUES</b>			
Federal sources	\$ 357,225	\$ -	\$ -
Other State sources	23,500	-	-
Other local sources	422,665	-	34
<b>Total Revenues</b>	<b>803,390</b>	<b>-</b>	<b>34</b>
<b>EXPENDITURES</b>			
Current			
Pupil services:			
Food services	847,919	-	-
Facility acquisition and construction	-	-	-
Debt service			
Principal	-	-	-
Interest and other	-	-	-
<b>Total Expenditures</b>	<b>847,919</b>	<b>-</b>	<b>-</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(44,529)</b>	<b>-</b>	<b>34</b>
<b>Other Financing Sources (Uses):</b>			
Transfers in	507	-	-
Transfers out	-	-	(12,353)
<b>Net Financing Sources (Uses)</b>	<b>507</b>	<b>-</b>	<b>(12,353)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(44,022)</b>	<b>-</b>	<b>(12,319)</b>
<b>Fund Balance - Beginning</b>	<b>138,262</b>	<b>62,908</b>	<b>17,265</b>
<b>Fund Balance - Ending</b>	<b>\$ 94,240</b>	<b>\$ 62,908</b>	<b>\$ 4,946</b>

See accompanying note to supplementary information.

<b>Capital Facilities Fund</b>	<b>Bond Interest and Redemption Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ -	\$ -	\$ 357,225
-	8,999	32,499
21,033	1,164,224	1,607,956
21,033	1,173,223	1,997,680
-	-	847,919
5,397	-	5,397
-	550,000	550,000
-	472,951	472,951
5,397	1,022,951	1,876,267
15,636	150,272	121,413
-	-	507
-	-	(12,353)
-	-	(11,846)
15,636	150,272	109,567
162,416	892,519	1,273,370
\$ 178,052	\$ 1,042,791	\$ 1,382,937



# **CAMBRIAN SCHOOL DISTRICT**

## **NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2014**

---

### **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, 2014**

---

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

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

---

---

***INDEPENDENT AUDITOR'S REPORTS***

---

---



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

Board of Trustees  
Cambrian School District  
San Jose, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cambrian School District (the District) as of and for the year ended June 30, 2014, 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 1, 2014.

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

As discussed in Note 14 to the financial statements, the District has adopted the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. 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.

A handwritten signature in cursive script that reads "Vassinek, Thine, Day & Co., LLP".

Palo Alto, California  
December 1, 2014



**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, 2014. 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, 2014.

## 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 1, 2014





## 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 *Standards and Procedures for Audit of California K-12 Local Educational Agencies 2013-2014* 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, 2014.

### 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 *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2013-2014*. 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 State Programs Listed Below

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, 2014.



## Other Matters

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

	Procedures in Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	Not applicable
Continuation Education	10	Not applicable
Instructional Time:		
School Districts	10	Yes
Instructional Materials:		
General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	Not applicable
Local Control Funding Formula Certification	1	Yes
California Clean Energy Jobs Act	3	No
After School Education and Safety Program:		
General Requirements	4	Yes
After School	5	Yes
Before School	6	Yes
Education Protection Account Funds	1	Yes
Common Core Implementation Funds	3	Yes
Unduplicated Local Control Funding Formula Pupil Counts	3	Yes
Charter Schools:		
Contemporaneous Records of Attendance	8	Yes
Mode of Instruction	1	Yes
Non Classroom-Based Instruction/Independent Study	15	No
Determination of Funding for Non Classroom-Based Instruction	3	No
Annual Instruction Minutes Classroom-Based	4	Yes
Charter School Facility Grant Program	1	Not applicable

We did not perform testing for non classroom-based instruction/ independent study and determination of funding for non classroom-based instruction because the ADA generated by the programs was below the minimum threshold of testing. In addition, we did not test California clean energy jobs act because the District has not incurred any expenditures as of June 30, 2014.

*Wassinek, Trine Day & Co., LLP*

Palo Alto, California  
December 1, 2014

---

---

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

---

---

# CAMBRIAN SCHOOL DISTRICT

## SUMMARY SCHEDULE OF AUDITOR'S RESULTS FOR THE YEAR ENDED JUNE 30, 2014

---

### 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, IDEA Cluster</u>
<u>84.010</u>	<u>Title I 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>
---	-------------------

**CAMBRIAN SCHOOL DISTRICT**

**FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2014**

---

None reported.



**CAMBRIAN SCHOOL DISTRICT**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2014**

---

None reported.

**CAMBRIAN SCHOOL DISTRICT**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2014**

---

None reported.

**CAMBRIAN SCHOOL DISTRICT**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2014**

---

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