

CAMBRIAN SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2011

CAMBRIAN SCHOOL DISTRICT

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Cambrian School District
San Jose, California

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, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. 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; 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 Educational Agencies 2010-11*, 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in the Notes to the basic financial statements, the accompanying financial statements reflect certain changes required as a result of the implementation of GASB Statement No. 54 for the year ended June 30, 2011. These changes required a restatement to the beginning fund balance of the General Fund and the Non-Major Governmental Funds, as discussed in Note 14.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2011, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The required supplementary information, such as management's discussion and analysis and budgetary comparison as listed in the table of contents, are not a required part of the basic financial statements, but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the table of contents, including the Schedule of Expenditures of Federal Awards which is required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Vavrinek, Trine, Day & Co. LLP

Palo Alto, California
December 15, 2011

CAMBRIAN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2011

This section of Cambrian School District's 2010-2011 annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2011. 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.

CAMBRIAN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2011

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Assets and the Statement of Activities

The *Statement of Net Assets* 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.

These two statements report the District's *net assets* and changes in them. Net assets are the difference between assets and liabilities, one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net assets are one indicator of whether its *financial health* 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.

CAMBRIAN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2011

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 Assets*. 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.

THE DISTRICT AS A WHOLE

Net Assets

The District's net assets were \$36,829,181 for the fiscal year ended June 30, 2011. Of this amount, \$15,024,253 was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the school board's ability to use those net assets for day-to-day operations. Our analysis below focuses on the net assets (Table 1) and change in net assets (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2010/2011	2009/2010
Current and other assets	\$ 27,188,890	\$ 24,883,708
Capital assets	31,533,766	33,241,645
Total Assets	58,722,656	58,125,353
Current liabilities	1,435,245	1,327,691
Long-term debt	20,458,230	20,636,363
Total Liabilities	21,893,475	21,964,054
Net Assets		
Invested in capital assets, Net of related debt	20,179,417	22,369,798
Restricted	1,625,511	3,024,639
Unrestricted	15,024,253	10,766,862
Total Net Assets	\$ 36,829,181	\$ 36,161,299

The \$15,024,253 in unrestricted net assets 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, 2011

Changes in Net Assets

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	
	2010/2011	2009/2010
Revenues		
Program revenues:		
Charges for services	\$ 388,724	\$ 430,192
Operating grants and contributions	2,761,451	2,205,380
General Revenues		
Federal and State aid	9,405,490	7,682,125
Property taxes	13,230,098	13,478,540
Other general revenues	1,919,681	2,097,260
Total Revenues	27,705,444	25,893,497
Expenses		
Instruction related	20,192,446	21,748,995
Student support services	1,774,853	2,232,169
Administration	1,774,968	1,848,987
Maintenance and operations	2,336,529	2,491,247
Other	958,766	943,076
Total Expenses	27,037,562	29,264,474
Change in Net Assets	\$ 667,882	\$ (3,370,977)

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 \$27,037,562. The amount that our taxpayers ultimately financed for these activities through local taxes, state, federal and other revenues was \$23,887,387.

CAMBRIAN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2011

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	
	2010/2011	2009/2010
Instruction and instruction related	\$ 17,936,880	\$ 20,020,252
Pupil services	880,244	1,325,421
General administration	1,774,968	1,848,906
Maintenance and operations	2,336,529	2,491,247
Other	958,766	943,076
Totals	\$ 23,887,387	\$ 26,628,902

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$25.9 million which is an increase of approximately \$2.2 million from last year. This increase is primarily a function of the reality that in anticipation of major funding cuts the district made staffing adjustments to bring the budget more into balance. The funding was eventually restored thereby creating an unanticipated current year surplus.

CAPITAL ASSET & DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had \$44.5 million in a broad range of capital assets. Accumulated depreciation was \$12.9 million. This amount represents a net decrease (including additions, deductions and depreciation) of \$1.7 million or 5% over last year.

CAMBRIAN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2011

Long-Term Obligations

At the end of this year, the District had \$20,333,586 in outstanding bonds. Lease revenue bond obligations consisted of \$40,000 for leased daycare relocatable buildings.

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 2011-2012 fiscal year, the District board and management used the following criteria:

The key assumptions in our revenue forecast are:

1. A slight increase in ADA due to recent trends and also the addition of two new special education classes. The revenue limit was decreased significantly (\$330/ADA) however, in anticipation of funding cuts as the State struggles to solve its budget challenge.
2. Developer fee revenues are estimated based on the history of actual fees collected.
3. Other State revenues have been reduced to account for larger K-3 classes and therefore reduced class size reduction revenues.
4. Local revenues have been reduced primarily to reflect the practice of not recognizing local revenues before an award letter has been received.

Expenditures are based on existing programs. Regular education staffing has been reduced to reflect an increase in district wide class size as well as a small reduction in support services. Special education staffing has been adjusted to service increased population of SPED students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Chief Financial Officer, Business Services, at Cambrian School District, 4115 Jacksol Drive, San Jose, California, 95124.

CAMBRIAN SCHOOL DISTRICT

STATEMENT OF NET ASSETS JUNE 30, 2011

	Governmental Activities
ASSETS	
Deposits and investments	\$ 22,816,532
Receivables	4,177,162
Prepaid expenses	12,723
Deferred charges	182,473
Capital assets, net of accumulated depreciation	31,533,766
Total Assets	58,722,656
LIABILITIES	
Accounts payable	413,495
Interest payable	323,933
Due to other governments	70,859
Deferred revenue	626,958
Current portion of long-term obligations	579,644
Noncurrent portion of long-term obligations	19,878,586
Total Liabilities	21,893,475
NET ASSETS	
Invested in capital assets, net of related debt	20,179,417
Restricted for:	
Debt service	482,862
Capital outlay	112,744
Legally restricted	1,029,905
Unrestricted	15,024,253
Total Net Assets	\$ 36,829,181

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

CAMBRIAN SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction	\$17,860,818	\$ -	\$ 2,148,001	\$(15,712,817)
Instruction-related activities:				
Supervision of instruction	585,438	-	106,701	(478,737)
Instructional library, media, and technology	149,913	-	688	(149,225)
School site administration	1,596,277	-	176	(1,596,101)
Pupil services:				
Home-to-school transportation	242,048	-	22,965	(219,083)
Food services	853,782	388,724	397,407	(67,651)
All other pupil services	679,023	-	85,513	(593,510)
General administration:				
Data processing	122,834	-	-	(122,834)
All other general administration	1,652,134	-	-	(1,652,134)
Plant services	2,336,529	-	-	(2,336,529)
Facility acquisition and construction	11,251	-	-	(11,251)
Interest on long-term obligations	944,794	-	-	(944,794)
Other outgo	2,721	-	-	(2,721)
Total Governmental-Type Activities	\$27,037,562	\$ 388,724	\$ 2,761,451	(23,887,387)
General revenues and subventions:				
				11,288,988
Property taxes, levied for general purposes				1,114,448
Property taxes, levied for debt service				826,662
Taxes levied for other specific purposes				9,405,490
Federal and state aid not restricted to specific				184,291
Interest and investment earnings				1,735,390
Miscellaneous				
Subtotal, General Revenues				24,555,269
Change in Net Assets				667,882
Net Assets - Beginning				36,161,299
Net Assets - Ending				\$ 36,829,181

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

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CAMBRIAN SCHOOL DISTRICT

GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2011

	General Fund	Building Fund	Special Reserve Capital Outlay Fund
ASSETS			
Deposits and investments	\$ 6,104,584	\$ 8,983,863	\$ 6,630,967
Receivables	3,931,554	35,374	171,686
Prepaid expenditures	12,723	-	-
Total Assets	\$ 10,048,861	\$ 9,019,237	\$ 6,802,653
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 236,258	\$ -	\$ 84,104
Due to other governments	70,859	-	-
Deferred revenue	626,958	-	-
Total Liabilities	934,075	-	84,104
Fund Balances:			
Nonspendable	14,123	-	-
Restricted	790,271	-	-
Assigned	-	9,019,237	6,718,549
Unassigned	8,310,392	-	-
Total Fund Balances	9,114,786	9,019,237	6,718,549
Total Liabilities and Fund Balances	\$ 10,048,861	\$ 9,019,237	\$ 6,802,653

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

Non Major Governmental Funds	Total Governmental Funds
\$ 1,097,118	\$ 22,816,532
38,548	4,177,162
-	12,723
<u>\$ 1,135,666</u>	<u>\$ 27,006,417</u>
\$ 93,133	\$ 413,495
-	70,859
-	626,958
<u>93,133</u>	<u>1,111,312</u>
158	14,281
962,419	1,752,690
79,956	15,817,742
-	8,310,392
<u>1,042,533</u>	<u>25,895,105</u>
<u>\$ 1,135,666</u>	<u>\$ 27,006,417</u>

CAMBRIAN SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS JUNE 30, 2011

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

Total Fund Balance - Governmental Funds		\$25,895,105
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	\$ 44,482,972	
Accumulated depreciation is	<u>(12,949,206)</u>	31,533,766
Bond issuance costs are expensed in governmental funds but are capitalized as deferred charges and amortized over the life of the debt in the government-wide statements.		182,473
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.		(323,933)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		
Long-term liabilities at year end consist of:		
General obligation bonds	20,333,586	
Compensated absences (vacations)	84,644	
Lease revenue bonds	<u>40,000</u>	<u>(20,458,230)</u>
Total Net Assets - Governmental Activities		<u>\$36,829,181</u>

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

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CAMBRIAN SCHOOL DISTRICT

GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED JUNE 30, 2011

	General Fund	Building Fund	Special Reserve Capital Fund
REVENUES			
Revenue limit sources	\$ 16,901,467	\$ -	\$ -
Federal sources	1,409,659	-	-
Other state sources	4,501,741	-	-
Other local sources	2,644,338	81,023	212,314
Total Revenues	25,457,205	81,023	212,314
EXPENDITURES			
Current			
Instruction	16,586,431	-	-
Instruction-related activities:			
Supervision of instruction	542,388	-	-
Instructional library, media and technology	138,889	-	-
School site administration	1,478,895	-	-
Pupil Services:			
Home-to-school transportation	224,249	-	-
Food services	-	-	-
All other pupil services	629,091	-	-
General administration:			
Data processing	113,802	-	-
All other general administration	1,543,262	-	-
Plant services	2,320,125	-	-
Facility acquisition and construction	-	1,040	1,174
Other outgo	2,721	-	-
Debt service			
Principal	40,000	-	-
Interest and other	3,900	-	-
Total Expenditures	23,623,753	1,040	1,174
Excess (Deficiency) of Revenues Over Expenditures	1,833,452	79,983	211,140
Other Financing Sources (Uses):			
Transfers in	737,000	-	-
Transfers out	(10,000)	(727,000)	-
Net Financing Sources (Uses)	727,000	(727,000)	-
NET CHANGE IN FUND BALANCES	2,560,452	(647,017)	211,140
Fund Balance - Beginning	6,554,334	9,666,254	6,507,409
Fund Balance - Ending	\$ 9,114,786	\$ 9,019,237	\$ 6,718,549

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

Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 16,901,467
307,962	1,717,621
105,579	4,607,320
1,541,361	4,479,036
<u>1,954,902</u>	<u>27,705,444</u>
-	16,586,431
-	542,388
-	138,889
-	1,478,895
-	224,249
790,999	790,999
-	629,091
-	113,802
-	1,543,262
16,404	2,336,529
9,037	11,251
-	2,721
410,000	450,000
651,811	655,711
<u>1,878,251</u>	<u>25,504,218</u>
<u>76,651</u>	<u>2,201,226</u>
-	737,000
-	<u>(737,000)</u>
-	-
76,651	2,201,226
965,882	23,693,879
<u>\$ 1,042,533</u>	<u>\$ 25,895,105</u>

CAMBRIAN SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2011

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

Total Net Change in Fund Balances - Governmental Funds

\$ 2,201,226

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 assets and depreciated over their estimated useful lives in the statement of activities.

This is the amount by which depreciation exceeds capital outlays in the period.

Depreciation expense

(1,707,879)

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).

13,618

Amortization of bond issuance costs is an expense in the statement of activities, but is recorded in the governmental funds.

(10,733)

Repayment of lease revenue bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities.

40,000

Repayment of general obligation bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities.

410,000

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.

(285,485)

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.

7,135

Change in Net Assets of Governmental Activities

\$ 667,882

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

CAMBRIAN SCHOOL DISTRICT

**FIDUCIARY FUND
STATEMENT OF NET ASSETS
JUNE 30, 2011**

	<u>Agency Fund</u>
ASSETS	
Deposits and investments	<u>\$ 149,930</u>
LIABILITIES	
Due to student groups	<u>\$ 149,930</u>

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

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

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 schools.

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 School

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 and report all financial resources not accounted for and reported in another 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, 2011

Building Fund The Building Fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

Other Non-Major Governmental Funds

Special Revenue Funds The Special Revenue Funds are established to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for the specific purpose (other than debt service or capital projects) of the individual funds.

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, except for State apportionments which, as a result of Senate Bill 4 of the 2009-10 Third Extraordinary Session (SBX3 4), may be used for any educational purpose.

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 established to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

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

Debt Service Funds The Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest on long-term obligations.

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

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into two classifications: trust funds and agency funds. The District only has agency funds.

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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

Fund Financial Statements

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

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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.

Deferred Revenue

Deferred 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 deferred revenue is removed from the combined balance sheet and revenue is recognized.

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, 2011, 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.

Restricted Assets

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation.

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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 "interfund receivables/payables." These amounts are eliminated in the governmental column of the statement of net assets.

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

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 assets. 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.

Deferred Issuance Costs, Premiums and Discounts

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method.

Fund Balances - Governmental Funds

As of June 30, 2011, 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.

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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 Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt 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 assets are 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 assets are 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, 2011

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.

Changes in Accounting Principles

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The initial distinction that is made in reporting fund balance information is identifying amounts that are considered *nonspendable*, such as fund balance associated with inventories. This Statement also provides for additional classification as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

The *restricted* fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The *committed* fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. Amounts in the *assigned* fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. *Unassigned* fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned. Governments also are required to classify and report amounts in the appropriate fund balance classifications by applying their accounting policies that determine whether restricted, committed, assigned, and unassigned amounts are considered to have been spent. Disclosure of the policies in the notes to the financial statements is required.

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

This Statement also provides guidance for classifying stabilization amounts on the face of the balance sheet and requires disclosure of certain information about stabilization arrangements in the notes to the financial statements.

New Accounting Pronouncements

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements.

This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, this Statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination.

This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. For component units that currently are blended based on the "substantively the same governing body" criterion, it additionally requires that (1) the primary government and the component unit have a financial benefit or burden relationship or (2) management (below the level of the elected officials) of the primary government have operational responsibility (as defined in paragraph 8a) for the activities of the component unit. New criteria also are added to require blending of component units whose total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government. The blending provisions are amended to clarify that funds of a blended component unit have the same financial reporting requirements as a fund of the primary government. Lastly, additional reporting guidance is provided for blending a component unit if the primary government is a business-type activity that uses a single column presentation for financial reporting.

This Statement also clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. Early implementation is encouraged.

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

NOTE 2 – DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2011, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 22,816,532
Fiduciary funds	149,930
Total Deposits and Investments	<u>\$ 22,966,462</u>

Deposits and investments as of June 30, 2011, consist of the following:

Cash on hand and in banks	\$ 1,113,873
Cash in revolving	1,558
Investments	21,851,031
Total Deposits and Investments	<u>\$ 22,966,462</u>

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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, 2011

General Authorizations

Limitations as they relate to interest rate risk, credit 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

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

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
U.S. Agencies	\$ 2,863,789	\$ 2,863,789	1.66
Money Market Mutual Funds	316,470	316,470	-
Corporate Notes	1,411,409	1,411,409	0.63
County Treasury Pool	13,705,509	13,753,204	1.24
State Investment Pool	3,553,862	3,559,477	1.24
Total	<u>\$ 21,851,039</u>	<u>\$ 21,904,349</u>	

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 Districts' 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					
		AAA	AA+	A+	A	A-	Unrated
U.S. Agencies	\$ 2,863,789	\$2,863,789	\$ -	\$ -	\$ -	\$ -	\$ -
Money Market Mutual Funds	316,470	-	-	-	-	-	316,470
Corporate Notes	1,411,409	-	259,297	50,471	998,415	103,226	-
County Treasury Pool	13,753,204	-	-	-	-	-	13,753,204
State Investment Pool	3,559,477	-	-	-	-	-	3,559,477
Total	<u>\$21,904,349</u>	<u>\$2,863,789</u>	<u>\$ 259,297</u>	<u>\$ 50,471</u>	<u>\$998,415</u>	<u>\$103,226</u>	<u>\$17,629,151</u>

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

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, 2011, none of the District's bank balance of \$1,115,431 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 following issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) had investments that represent 5% or more of the District's total investments:

Issuer	Investment Type	Reported Amount	Percentage
Federal Home Loan Mortgage Corporation	U.S. Agency Securities	\$ 1,345,646	6.14%

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

NOTE 3 – RECEIVABLES

	General	Building	Special Reserve Capital	Nonmajor Funds	Total
Federal Government					
Categorical aid	\$ 447,591	\$ -	\$ -	\$ 9,565	\$ 457,156
State Government					
Apportionment	2,340,406	-	-	-	2,340,406
Categorical aid	788,502	-	-	825	789,327
Lottery	237,139	-	-	-	237,139
Local Government					
Interest	13,864	35,374	11,575	27,338	88,151
Other Local Sources	104,052	-	160,111	820	264,983
Total	<u>\$ 3,931,554</u>	<u>\$ 35,374</u>	<u>\$ 171,686</u>	<u>\$ 38,548</u>	<u>\$ 4,177,162</u>

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
Governmental Activities				
Capital Assets being depreciated:				
Buildings and Improvements	\$ 44,482,972	\$ -	\$ -	\$ 44,482,972
Less Accumulated Depreciation:				
Buildings and Improvements	11,241,327	1,707,879	-	12,949,206
Governmental Activities Capital Assets, Net	<u>\$ 33,241,645</u>	<u>\$ (1,707,879)</u>	<u>\$ -</u>	<u>\$ 31,533,766</u>

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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

Governmental Activities

Instruction	\$ 1,274,387
Supervision of instruction	43,050
Instructional library, media, and technology	11,024
School site administration	117,382
Pupil transportation	17,799
Food services	62,783
All other pupil services	49,932
All other general administration	122,490
Data processing	9,032
Total Depreciation Expense All Activities	<u>\$ 1,707,879</u>

NOTE 5 – INTERFUND TRANSACTIONS

Operating Transfers

Interfund transfers for the year ended June 30, 2011, consisted of the following:

The Building Fund transferred to the General Fund to support variety of maintenance projects.	\$ 727,000
The Special Reserve - Other Than Capital Outlay Fund transferred to the General Fund for contribution.	10,000
	<u>\$ 737,000</u>

NOTE 6 – ACCOUNTS PAYABLE

Accounts payable at June 30, 2011, consisted of the following:

	General	Special Reserve Capital	Non-Major Governmental	Total
Vendor payables	\$ 155,760	\$ -	\$ 23,992	\$ 179,752
State apportionment	108,268	-	-	108,268
Salaries and benefits	43,089	-	69,141	112,230
Lessor Deposits	-	84,104	-	84,104
Total	<u>\$ 307,117</u>	<u>\$ 84,104</u>	<u>\$ 93,133</u>	<u>\$ 484,354</u>

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

NOTE 7 – DEFERRED REVENUE

Deferred revenue at June 30, 2011, consists of the following:

	General
Federal financial assistance	\$ 547,447
Other local	79,511
Total	<u>\$ 626,958</u>

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, 2010	Accretion	Deductions	Balance June 30, 2011	Due in One Year
General obligation bonds	\$ 20,458,101	\$ 285,485	\$ 410,000	\$ 20,333,586	\$ 455,000
Accumulated vacation - net	98,262	-	13,618	84,644	84,644
Lease revenue bond	80,000	-	40,000	40,000	40,000
	<u>\$ 20,636,363</u>	<u>\$ 285,485</u>	<u>\$ 463,618</u>	<u>\$ 20,458,230</u>	<u>\$ 579,644</u>

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2010	Accreted	Redeemed	Bonds Outstanding June 30, 2011
7/1/2003	7/1/2028	2.0%-4.0%	\$ 15,524,912	\$ 14,101,962	\$ 32,907	\$ 350,000	\$ 13,784,869
4/1/2005	7/1/2035	2.7%-5.5%	5,450,033	6,356,139	252,578	60,000	6,548,717
				<u>\$ 20,458,101</u>	<u>\$ 285,485</u>	<u>\$ 410,000</u>	<u>\$ 20,333,586</u>

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

Debt Service Requirements to Maturity

The general obligation bonds mature through 2036 as follows:

Fiscal Year	Principal	Maturity	Total
2012	\$ 455,000	\$ 644,086	\$ 1,099,086
2013	500,000	630,111	1,130,111
2014	550,000	614,411	1,164,411
2015	610,000	592,611	1,202,611
2016	670,000	568,212	1,238,212
2017-2021	4,375,000	2,385,119	6,760,119
2022-2026	6,535,000	1,312,868	7,847,868
2027-2031	3,395,269	5,705,231	9,100,500
2032-2036	1,669,675	6,365,325	8,035,000
Total	18,759,944	\$ 18,817,974	\$ 37,577,918
Accretion to date:	1,573,642		
	<u>\$ 20,333,586</u>		

Lease Revenue Bonds

During 1997, the District entered into a long-term lease agreement with the City of San Jose (the "City") for the use of portable classroom facilities. The City issued lease revenue bonds in the total amount of \$9,805,000, the proceeds of which have been used to purchase portable school buildings and other items. The District's allocation of the bond proceeds at par is \$445,000. The District pays back the City in the form of annual payments equal to their proportional share of the annual debt service on the bonds. The payments are due annually in principal amounts ranging from \$20,000 to \$40,000 plus interest at approximately 4.6 percent per annum. The final payment is due June 30, 2012. A schedule of the future payments due under this obligation is as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2012	\$ 40,000	\$ 1,950	\$ 41,950

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2011, amounted to \$84,644.

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

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
Nonspendable					
Revolving cash	\$ 1,400	\$ -	\$ -	\$ 158	\$ 1,558
Prepaid expenditures	12,723	-	-	-	12,723
Total Nonspendable	14,123	-	-	158	14,281
Restricted					
Legally restricted programs	790,271	-	-	962,419	1,752,690
Assigned					
Capital Projects	-	9,019,237	6,718,549	-	15,737,786
OPEB	-	-	-	17,048	17,048
Maintenance	-	-	-	62,908	62,908
Total Assigned	-	9,019,237	6,718,549	79,956	15,817,742
Unassigned					
Reserve for economic uncertainties	1,152,500	-	-	-	1,152,500
Remaining unassigned	7,157,892	-	-	-	7,157,892
Total Unassigned	8,310,392	-	-	-	8,310,392
Total	\$ 9,114,786	\$ 9,019,237	\$ 6,718,549	\$ 1,042,533	\$ 25,895,105

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, 2011, the District contracted with the Santa Clara County Schools Insurance Group for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Workers' Compensation

For fiscal year 2010-2011, 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 Groups' 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. 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, 7919 Folsom Blvd., Sacramento, CA 95826.

Funding Policy

Active plan members are required to contribute 8.0 percent of their salary and 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 2010-2011 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, 2011, 2010, and 2009, were \$1,025,444, \$1,148,087 and \$1,112,538, respectively, and equal 100 percent of the required contributions for each year.

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

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. 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

Active plan members are required to contribute 7.0 percent of their salary and 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 2010-2011 was 10.707 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, 2011, 2010, and 2009, were \$247,134, \$242,759 and \$231,995, 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.

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 amounts of \$530,372, \$593,804 and \$609,131, (4.267 percent of annual payroll for 2011, 2010, respectively and 4.517 percent for 2009,) for the fiscal years ending June 30, 2011, 2010, and 2009, respectively. 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 budget amounts reported in the General Fund Budgetary Schedule.

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

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, 2011.

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, 2011.

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, 2011, the District made payments of \$738,939 and \$167,276 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, 2011

NOTE 14 - RESTATEMENT OF PRIOR YEAR FUND BALANCES

The District's prior year fund balances for the General Fund and for the Non-Major Governmental Funds have been restated as of June 30, 2011 to conform to GASB Statement No. 54's definition of governmental funds. Accordingly, the beginning fund balance for Special Reserve Fund for Other Than Capital Outlay Projects, as presented in the Non-Major Governmental Fund opinion unit, are reported as a restatement to the beginning fund balance of the General Fund. The restatement does not change the total fund balance amounts reported in the District's audited financial statements.

As discussed in the Notes to the basic financial statements, the accompanying financial statements reflect certain changes required as a result of the implementation of GASB Statement No. 54 for the year ended June 30, 2011. These changes required a restatement to the beginning fund balance of the General Fund and the Non-Major Governmental Funds as follows:

General Fund

Fund Balance - Beginning	\$ 5,914,809
Change in accounting principles to conform to GASB Statement No. 54	639,525
Fund Balance - Beginning as Restated	<u>\$ 6,554,334</u>

Non-Major Governmental Funds

Fund Balance - Beginning	\$ 1,605,407
Change in accounting principles to conform to GASB Statement No. 54	(639,525)
Fund Balance - Beginning as Restated	<u>\$ 965,882</u>

REQUIRED SUPPLEMENTARY INFORMATION

CAMBRIAN SCHOOL DISTRICT

GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variances - Favorable (Unfavorable)
	Original	Final	Non GAAP Basis	Final to Actual
REVENUES				
Revenue limit sources	\$ 15,318,483	16,996,279	\$ 16,901,467	\$ (94,812)
Federal sources	1,117,988	1,134,501	1,409,659	275,158
Other state sources	3,493,543	3,926,592	3,971,369	44,777
Other local sources	2,200,203	2,547,216	2,595,394	48,178
Total Revenues¹	22,130,217	24,604,588	24,877,889	273,301
EXPENDITURES				
Current				
Certificated salaries	12,364,132	12,831,409	12,610,369	221,040
Classified salaries	2,933,220	3,084,099	3,183,193	(99,094)
Employee benefits	3,931,944	4,245,777	4,128,968	116,809
Books and supplies	589,730	864,502	671,453	193,049
Services and operating expenditures	4,342,516	3,217,214	2,452,777	764,437
Other outgo	7,109	7,109	2,721	4,388
Capital outlay	43,900	-	-	-
Total Expenditures¹	24,212,551	24,250,110	23,049,481	1,200,629
Excess (Deficiency) of Revenues				
Over Expenditures	(2,082,334)	354,478	1,828,408	1,473,930
Other Financing Sources (Uses):				
Transfers in	737,000	737,000	737,000	-
NET CHANGE IN FUND BALANCES	(1,345,334)	1,091,478	2,565,408	1,473,930
Fund Balance - Beginning	5,914,809	5,914,809	5,914,809	-
Fund Balance - Ending	\$ 4,569,475	\$ 7,006,287	8,480,217	\$ 1,473,930
Special Reserve Fund for Other Than Capital Outlay			634,569	
Fund Balance - Ending, GAAP Basis			\$ 9,114,786	

¹ On behalf payments of \$530,372 has been excluded from this schedule.

SUPPLEMENTARY INFORMATION

CAMBRIAN SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through the California Department of Education:			
No Child Left Behind:			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14981	\$ 167,792
ARRA, State Fiscal Stabilization Fund	84.394	25008	1,360,596
Title II, Part A, Teacher Quality	84.367	14341	85,005
Title III, Limited English Proficiency Student Program	84.365	10084	29,504
Individuals with Disabilities Act:			
IDEA, Basic Local Assistance Entitlement, Part B	84.027	13379	422,321
IDEA, Basic Local Assistance Entitlement, Part B, Private School	84.027	10115	10,617
IDEA, Preschool Grants, Part B	84.173	13430	35,821
IDEA, Preschool Local Entitlement, Part B	84.027A	13682	78,426
IDEA, Preschool Staff Development, Part B	84.173A	13431	470
IDEA-ARRA, Basic Local Assistance Entitlement, Part B	84.391	15003	298,668
IDEA - ARRA, Part B, Section 611, Local Assistance Private School	84.391	10123	9,584
IDEA-ARRA, Preschool Local Entitlement, Part B	84.391	15002	34,573
Subtotal			<u>2,533,377</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through the California Department of Education:			
Child Nutrition Act:			
Basic School Breakfast Program	10.553	13525	50,041
Especially Needy Breakfast	10.553	13526	11,779
National School Lunch Program	10.555	13391	246,142
Fair Market Value of Commodities ¹	10.558	13534	49,062
Subtotal			<u>357,024</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Education (CDE):			
Medi-Cal Administrative Activities	93.778	10060	53,111
Total Expenditures of Federal Awards			<u>\$ 2,943,512</u>

^[1] Commodities are not recorded in the financial statements.

CAMBRIAN SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE FOR THE YEAR ENDED JUNE 30, 2011

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 and one middle schools.

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Alan N. Baker	President	2014
Sue Pyne	Vice President	2012
Randy Scofield	Clerk	2014
Doron Aronson	Member	2012
Stacey Brown	Member	2014

ADMINISTRATION

Dr. Deborah Blow	Superintendent
Don Fox	Interim Chief Financial Officer

See accompanying note to supplementary information.

CAMBRIAN SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE SCHEDULE FOR THE YEAR ENDED JUNE 30, 2011

	Second Period Report	Annual Report
ELEMENTARY		
Kindergarten	106	106
First through third	327	328
Fourth through sixth	222	222
Special education	34	35
Total Elementary	689	691
CHARTER SCHOOL		
Classroom-Based		
Kindergarten	262	263
First through third	785	787
Fourth through sixth	823	821
Seventh and eighth	681	679
Total Classroom-Based	2,551	2,550
Non Classroom-Based		
Kindergarten	2	1
First through third	4	3
Fourth through sixth	2	2
Seventh and eighth	1	1
Total Non Classroom-Based	9	7
Total Charter School		
Kindergarten	264	264
First through third	788	790
Fourth through sixth	825	823
Seventh and eighth	682	680
Total Charter School	2,559	2,557
Grand Total	3,248	3,248

See accompanying note to supplementary information.

CAMBRIAN SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2011

Grade Level	1982-83 Actual Minutes	Reduced 1982-83 Actual Minutes	1986-87 Minutes Requirement	Reduced 1986-87 Minutes Requirement	2010-11 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	31,860	31,860	36,000	35,000	35,645	177	In compliance
Grades 1 - 3							
Grade 1	45,090	45,090	50,400	49,000	49,783	177	In compliance
Grade 2	45,090	45,090	50,400	49,000	49,783	177	In compliance
Grade 3	45,090	45,090	50,400	49,000	49,783	177	In compliance
Grades 4 - 6							
Grade 4	49,755	49,755	54,000	52,500	53,539	177	In compliance
Grade 5	49,755	49,755	54,000	52,500	53,539	177	In compliance
Grade 6	49,755	49,755	54,000	52,500	54,227	177	In compliance
Grades 7 - 8							
Grade 7	52,800	52,800	54,000	52,500	54,716	177	In compliance
Grade 8	52,800	52,800	54,000	52,500	54,716	177	In compliance

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, 2011**

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements as of June 30, 2011.

See accompanying note to supplementary information.

CAMBRIAN SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2011

	(Budget) 2012 ¹	2011	2010	2009
GENERAL FUND ⁴				
Revenues	\$ 24,782,262	\$ 24,921,789	\$ 23,013,004	\$ 26,460,184
Transfers in	-	737,000	780,000	770,000
Total Revenues and Other Sources	24,782,262	25,658,789	23,793,004	27,230,184
Expenditures	24,293,947	23,093,381	25,425,000	25,897,387
Other uses and transfers out	-	-	10,449	20,000
Total Expenditures and Other Uses	24,293,947	23,093,381	25,435,449	25,917,387
INCREASE (DECREASE) IN FUND BALANCE	\$ 488,315	\$ 2,565,408	\$ (1,642,445)	\$ 1,312,797
ENDING FUND BALANCE	\$ 8,968,531	\$ 8,480,217	\$ 5,914,809	\$ 7,557,254
AVAILABLE RESERVES ²	\$ 7,931,340	\$ 8,310,392	\$ 4,357,715	\$ 5,684,144
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO ³	32.65%	35.99%	17.54%	22.45%
LONG-TERM OBLIGATIONS	\$ 19,878,586	\$ 20,458,230	\$ 20,636,363	\$ 20,757,663
AVERAGE DAILY ATTENDANCE AT P-2	3,304	3,248	3,104	3,064

The General Fund balance has increased by \$922,963 over the past two years. The fiscal year 2011-12 budget projects an increase of \$488,314. For a district this size, the State recommends available reserves of at least 3 percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred two operating surpluses and one operating deficit in the previous three years. The District anticipates incurring an operating surplus during the 2011-12 fiscal year. Total long-term obligations have decreased by \$299,433 over the past two years due to principal payments of general obligation bonds and lease revenue bonds.

Average daily attendance has increased by 184 over the past two years. An increase of 56 ADA is anticipated during fiscal year 2011-12.

¹ Budget 2011 is included for analytical purposes only and has not been subjected to audit.

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

³ On-behalf payments of \$530,372, \$593,804 and \$609,131, have been excluded from the calculation of the available reserves percentage for the fiscal years ending June 30, 2011, 2010, and 2009, respectively.

⁴ General Fund amounts do not include activity related to the consolidation of the Special Reserve Fund for other than Capital Outlay.

CAMBRIAN SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS FOR THE YEAR ENDED JUNE 30, 2011

Name of Charter School	Included in Audit Report
Farnham Charter School	Yes
Sartorette Charter School	Yes
Ida Price Charter School	Yes
Fammatre Charter School	Yes

See accompanying note to supplementary information.

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CAMBRIAN SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2011**

	Cafeteria Fund	Deferred Maintenance Fund
ASSETS		
Deposits and investments	\$ 125,666	\$ 62,798
Receivables	10,505	110
Total Assets	\$ 136,171	\$ 62,908
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 93,133	\$ -
Total Liabilities	93,133	-
Fund Balances:		
Nonspendable	158	-
Restricted	42,880	-
Assigned	-	62,908
Total Fund Balances	43,038	62,908
Total Liabilities and Fund Balances	\$ 136,171	\$ 62,908

See accompanying note to supplementary information.

Retiree Benefits Special Reserve Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
\$ 17,018	\$ 85,391	\$ 806,245	\$ 1,097,118
30	27,353	550	38,548
<u>\$ 17,048</u>	<u>\$ 112,744</u>	<u>\$ 806,795</u>	<u>\$ 1,135,666</u>

<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 93,133</u>
-	-	-	93,133
-	-	-	158
-	112,744	806,795	962,419
17,048	-	-	79,956
<u>17,048</u>	<u>112,744</u>	<u>806,795</u>	<u>1,042,533</u>
<u>\$ 17,048</u>	<u>\$ 112,744</u>	<u>\$ 806,795</u>	<u>\$ 1,135,666</u>

CAMBRIAN SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED JUNE 30, 2011

	Cafeteria Fund	Deferred Maintenance Fund
REVENUES		
Federal sources	\$ 307,962	\$ -
Other State sources	71,113	24,358
Other local sources	407,057	428
Total Revenues	786,132	24,786
EXPENDITURES		
Current		
Pupil Services:		
Food services	790,999	-
Plant services	-	16,404
Facility acquisition and construction	-	-
Debt service		
Principal	-	-
Interest and other	-	-
Total Expenditures	790,999	16,404
NET CHANGE IN FUND BALANCES	(4,867)	8,382
Fund Balance - Beginning	47,905	54,526
Fund Balance - Ending	\$ 43,038	\$ 62,908

See accompanying note to supplementary information.

Retiree Benefit Special Reserve Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ 307,962
-	-	10,108	105,579
134	27,908	1,105,834	1,541,361
134	27,908	1,115,942	1,954,902
-	-	-	790,999
-	-	-	16,404
-	9,037	-	9,037
-	-	410,000	410,000
-	-	651,811	651,811
-	9,037	1,061,811	1,878,251
134	18,871	54,131	76,651
16,914	93,873	752,664	965,882
\$ 17,048	\$ 112,744	\$ 806,795	\$ 1,042,533

CAMBRIAN SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2011

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

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

Description	CFDA	
	Number	Amount
Total Federal Revenues Statement of Revenues, Expenditures and Changes in Fund Balance:		\$ 1,717,621
Fair Market Value of Commodities	10.558	49,062
State Fiscal Stabilization grants received last year but spent this year	84.394	1,176,829
Total Schedule of Expenditures of Federal Awards		<u>\$ 2,943,512</u>

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. 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.

CAMBRIAN SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2011

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.

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

The Combining Non-major Governmental Funds Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance 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 Balance.

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 the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cambrian School District as of and for the year ended June 30, 2011, which collectively comprise Cambrian School District's basic financial statements and have issued our report thereon dated December 15, 2011. 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.

Internal Control Over Financial Reporting

The management of Cambrian School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Cambrian School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cambrian School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Cambrian School District's internal control over financial reporting.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cambrian School District's financial statements are free of 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*.

This report is intended solely for the information and use of the governing board, management, the California Department of Education, the State Controller's Office, Federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinek, Trine, Day & Co. LLP

Palo Alto, California
December 15, 2011



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Trustees
Cambrian School District
San Jose, California

Compliance

We have audited Cambrian School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Cambrian School District's major Federal programs for the year ended June 30, 2011. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of Cambrian School District's management. Our responsibility is to express an opinion on Cambrian School District's compliance based on our audit.

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. Our audit does not provide a legal determination of Cambrian School District's compliance with those requirements.

In our opinion, Cambrian School District complied, in all material respects, with the 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, 2011.

Internal Control Over Compliance

The management of Cambrian School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered Cambrian School District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 the 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.

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 that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the governing board, management, the California Department of Education, the State Controller's Office, Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinek, Trine, Day & Co. LLP

Palo Alto, California
December 15, 2011



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees
Cambrian School District
San Jose, California

We have audited Cambrian School District's compliance with the requirements as identified in the *Standards and Procedures for Audit of California K-12 Local Educational Agencies 2010-11* applicable to Cambrian School District's government programs as noted below for the year ended June 30, 2011. Compliance with the requirements referred to above is the responsibility of Cambrian School District's management. Our responsibility is to express an opinion on Cambrian School District's compliance based on our audit.

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 2010-11* 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.

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, 2011.

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	8	Yes
Kindergarten continuance	3	Yes
Independent study	23	No
Continuation education	10	Not Applicable
Instructional Time:		
School districts	6	Yes
County offices of education	3	Not Applicable

	Procedures in Audit Guide	Procedures Performed
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
Public hearing requirement - receipt of funds	1	Yes
Class Size Reduction Program (including in Charter Schools):		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	Not Applicable
District or charter schools with only one school serving K-3	4	Not Applicable
After School Education and Safety Program:		
General requirements	4	Not Applicable
After school	4	Not Applicable
Before school	5	Not Applicable
Charter Schools:		
Contemporaneous records of attendance	1	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	3	Yes

We did not perform testing for independent study ADA because the amounts reported by the District were below the minimum threshold for testing.

This report is intended solely for the information and use of the governing board, management, the California Department of Education, the State Controller's Office, the California Department of Finance, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinek, Trine, Day & Co. LLP

Palo Alto, California
December 15, 2011

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CAMBRIAN SCHOOL DISTRICT

SUMMARY SCHEDULE OF AUDITOR'S RESULTS FOR THE YEAR ENDED JUNE 30, 2011

FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None reported</u>
Type of auditor's report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with of OMB Circular A-133? Section .510(a)	
Identification of major programs:	<u>No</u>

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027, 84.027A, 84.391-ARRA, 84.173, 84.173A	<u>Special Education Cluster</u>
84.394-ARRA	<u>ARRA: State Fiscal Stabilization Fund</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 programs:	<u>Unqualified</u>
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CAMBRIAN SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

None Reported.

CAMBRIAN SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

None Reported.

CAMBRIAN SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

None Reported.

CAMBRIAN SCHOOL DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

Financial Statement Findings

None reported.

Federal Award Findings

None reported.

State Award Findings

None reported.