

CAMBRIAN SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2010

CAMBRIAN SCHOOL DISTRICT

TABLE OF CONTENTS

JUNE 30, 2010

FINANCIAL SECTION

Independent Auditor's Report	2
Management's Discussion and Analysis	4
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets	10
Statement of Activities	11
Fund Financial Statements	
Governmental Funds - Balance Sheet	12
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	14
Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balance	15
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	17
Fiduciary Fund - Statement of Net Assets	18
Notes to Financial Statements	19

REQUIRED SUPPLEMENTARY INFORMATION

General Fund - Budgetary Comparison Schedule	40
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SUPPLEMENTARY INFORMATION

Schedule of Expenditures of Federal Awards	42
Local Education Agency Organization Structure	43
Comparative Average Daily Attendance Schedule	44
Schedule of Instructional Time	45
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements	46
Schedule of Financial Trends and Analysis	47
Schedule of Charter Schools	48
Combining Statements – Non-Major Governmental Funds	
Combining Balance Sheet	49
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	51
Note to Supplementary Information	53

INDEPENDENT AUDITOR'S REPORTS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	56
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	58
Report on State Compliance	60

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary Schedule of Auditor's Results	63
Financial Statement Findings	64
Federal Awards Findings and Questioned Costs	65
State Awards Findings and Questioned Costs	66
Summary Schedule of Prior Audit Findings	67

FINANCIAL SECTION



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, 2010, 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 2009-10*, 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, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2010, 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 on pages 4 through 9 and budgetary comparison on page 40 is not a required part of the basic financial statements, but is 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 3, 2010

CAMBRIAN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2010

This section of Cambrian School District's 2009-2010 annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2010. 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, 2010

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, 2010

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 \$36,161,299 for the fiscal year ended June 30, 2010. Of this amount, \$10,766,862 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	
	2009/2010	2008/2009
Current and other assets	\$ 24,883,708	\$ 28,166,967
Capital assets	33,241,645	34,058,019
Total Assets	58,125,353	62,224,986
Current liabilities	1,327,691	2,424,449
Long-term debt	20,636,363	20,268,261
Total Liabilities	21,964,054	22,692,710
Net Assets		
Invested in capital assets, Net of related debt	22,369,798	24,332,915
Restricted	3,024,639	3,298,841
Unrestricted	10,766,862	11,900,520
Total Net Assets	\$ 36,161,299	\$ 39,532,276

The \$10,766,862 in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations for all District funds combined. Unrestricted net assets for the government-wide statements include designated amounts in the general and other funds that are excluded from the undesignated balance and available reserves.

CAMBRIAN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2010

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	
	2009/2010	2008/2009
Revenues		
Program revenues:		
Charges for services	\$ 430,192	\$ 445,334
Operating grants and contributions	2,205,380	2,649,642
General Revenues		
Federal and State aid	7,682,125	8,516,721
Property taxes	13,478,540	13,575,196
Other general revenues	2,097,260	3,877,829
Total Revenues	25,893,497	29,064,722
Expenses		
Instruction related	21,748,995	21,563,483
Student support services	2,232,169	2,076,862
Administration	1,848,987	2,077,432
Maintenance and operations	2,491,247	2,684,317
Other	943,076	927,434
Total Expenses	29,264,474	29,329,528
Change in Net Assets	\$ (3,370,977)	\$ (264,806)

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 \$29,264,474. The amount that our taxpayers ultimately financed for these activities through local taxes, state, federal and other revenues was \$26,628,902.

CAMBRIAN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2010

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	
	2009/2010	2008/2009
Instruction and instruction related	\$ 20,020,252	\$ 19,496,282
Pupil services	1,325,421	1,080,320
General administration	1,848,906	2,070,019
Maintenance and operations	2,491,247	2,660,497
Other	943,076	927,434
Totals	\$ 26,628,902	\$ 26,234,552

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$23.7 million which is a decrease of approximately \$2.7 million from last year. This decrease is a result of a decrease in revenue limit due to the State economic crisis as well as the fact that \$1.1 million of one-time Federal Stimulus, State Fiscal Stabilization Funds, were recognized in 2008-2009 as an entitlement whereas the recognized entitlement dropped to \$66 thousand in 2009-2010. Overall expenditures in the General Fund showed an increase in instructional programs expenditures and a decrease in non-instructional expenses.

In the General Fund the 2009-2010 revenues were slightly higher than the adopted budget. The reason for this is a combination of factors including a higher ADA than originally budgeted as well as an increase in Federal revenues offset by a decrease in revenue limit not included in the adopted budget. Total expenditures were also lower than the adopted budget due to a reduction in non-salary expenditures.

The 2009-2010 actual decrease to the general fund balance was approximately \$1.2 million less than the final budget. Revenues were higher by approximately \$0.2 million due to various differences. Expenditures were lower by approximately \$1.0 million primarily due to site discretionary funding which may or may not be carried over to the 2010-2011 fiscal year pending decision from district administration.

CAPITAL ASSET & DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had \$33.2 million in a broad range of capital assets, net of accumulated depreciation of \$11.2 million. This amount represents a net decrease (including additions, deductions and depreciation) of \$0.8 million or 2% over last year.

CAMBRIAN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2010

Long-Term Obligations

At the end of this year, the District had \$20,458,101 in outstanding bonds. Lease revenue bond obligations consisted of \$80,000 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 2010-2011 fiscal year, the District board and management used the following criteria:

The key assumptions in our revenue forecast are:

1. Revenue limit income based on a 1.4% increase in average daily attendance and 0.39% decrease in net COLA/deficit.
2. Interest earnings will decrease slightly due to reduced cash balances as well as a continued weak market.
3. Developer fee revenues are based on the 2009-10 actual fees collected.
4. Other State revenues have been reduced to account for larger K-3 classes and therefore reduced class size reduction revenues.
5. Local revenues have been reduced to reflect the loss of some local grants as well as the practice of not recognizing local revenues before an award letter has been received.

Expenditures are based on existing programs. Staffing has been reduced to reflect an increase in district wide class size as well as a small reduction in support services.

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, 2010

	Governmental Activities
ASSETS	
Deposits and investments	\$ 22,302,791
Receivables	2,379,675
Prepaid expenses	8,036
Deferred charges	193,206
Capital assets, net of accumulated depreciation	33,241,645
Total Assets	58,125,353
LIABILITIES	
Accounts payable	646,257
Interest payable	331,068
Deferred revenue	350,366
Current portion of long-term obligations	548,262
Noncurrent portion of long-term obligations	20,088,101
Total Liabilities	21,964,054
NET ASSETS	
Invested in capital assets, net of related debt	22,369,798
Restricted for:	
Debt service	421,596
Capital outlay	93,873
Special revenue	119,187
Legally restricted	1,750,458
Unrestricted	11,406,387
Total Net Assets	\$ 36,161,299

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

CAMBRIAN SCHOOL DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010**

Functions/Programs	Expenses	Program Revenues		Governmental Activities	Net (Expenses) Revenues and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions		
Governmental Activities:					
Instruction	\$ 19,363,601	\$ -	\$ 1,692,804		\$(17,670,797)
Instruction-related activities:					
Supervision of instruction	534,074	-	26,632		(507,442)
Instructional library, media, and technology	171,859	-	6,395		(165,464)
School site administration	1,679,461	-	2,912		(1,676,549)
Pupil services:					
Home-to-school transportation	505,100	32,233	23,062		(449,805)
Food services	829,925	397,959	406,021		(25,945)
All other pupil services	897,144	-	47,473		(849,671)
General administration:					
Data processing	130,149	-	-		(130,149)
All other general administration	1,718,838	-	81		(1,718,757)
Plant services	2,491,247	-	-		(2,491,247)
Interest on long-term obligations	942,627	-	-		(942,627)
Other outgo	449	-	-		(449)
Total Governmental-Type Activities	\$ 29,264,474	\$ 430,192	\$ 2,205,380		(26,628,902)
General revenues and subventions:					
					11,630,917
					1,045,711
					801,912
					7,682,125
					267,969
					1,829,291
					23,257,925
					(3,370,977)
					39,532,276
					\$ 36,161,299

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

CAMBRIAN SCHOOL DISTRICT

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2010

	General Fund	Building Fund	Special Reserve Capital Outlay Fund
ASSETS			
Deposits and investments	\$ 4,626,839	\$ 9,621,213	\$ 6,424,906
Receivables	2,130,928	45,351	168,122
Prepaid expenditures	8,036	-	-
Total Assets	\$ 6,765,803	\$ 9,666,564	\$ 6,593,028
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 500,628	\$ 310	\$ 85,619
Deferred revenue	350,366	-	-
Total Liabilities	850,994	310	85,619
Fund Balances:			
Reserved for:			
Grant reservation	1,547,658	-	-
Other reservations	9,436	-	-
Unreserved:			
Designated	1,272,000	-	-
Undesignated, reported in:			
General fund	3,085,715	-	-
Special revenue funds	-	-	-
Debt service fund	-	-	-
Capital projects funds	-	9,666,254	6,507,409
Total Fund Balance	5,914,809	9,666,254	6,507,409
Total Liabilities and Fund Balances	\$ 6,765,803	\$ 9,666,564	\$ 6,593,028

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

Non Major Governmental Funds	Total Governmental Funds
\$ 1,629,833	\$ 22,302,791
35,274	2,379,675
-	8,036
<u>\$ 1,665,107</u>	<u>\$ 24,690,502</u>
\$ 59,700	\$ 646,257
-	350,366
<u>59,700</u>	<u>996,623</u>
-	1,547,658
158	9,594
-	1,272,000
-	3,085,715
758,712	758,712
752,664	752,664
93,873	16,267,536
<u>1,605,407</u>	<u>23,693,879</u>
<u>\$ 1,665,107</u>	<u>\$ 24,690,502</u>

CAMBRIAN SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010**

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

Total Fund Balance - Governmental Funds		\$ 23,693,879
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>(11,241,327)</u>	33,241,645
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.		193,206
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.		(331,068)
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	20,458,101	
Compensated absences (vacations)	98,262	
Lease revenue bonds	<u>80,000</u>	<u>(20,636,363)</u>
Total Net Assets - Governmental Activities		<u><u>\$ 36,161,299</u></u>

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

CAMBRIAN SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2010**

	General Fund	Building Fund	Special Reserve Capital Fund
REVENUES			
Revenue limit sources	\$ 15,264,367	\$ -	\$ -
Federal sources	1,236,646	-	-
Other state sources	4,660,398	-	-
Other local sources	2,485,997	133,332	223,059
Total Revenues	23,647,408	133,332	223,059
EXPENDITURES			
Current			
Instruction	18,259,901	-	-
Instruction-related activities:			
Supervision of instruction	502,669	-	-
Instructional library, media and technology	161,754	-	-
School site administration	1,580,705	-	-
Pupil Services:			
Home-to-school transportation	475,399	-	-
Food services	-	-	-
All other pupil services	744,722	-	-
General administration:			
Data processing	122,496	-	-
All other general administration	1,694,978	-	-
Plant services	2,435,584	-	-
Facility acquisition and construction	40,598	655,235	6,428
Other outgo	10,449	-	-
Debt service			
Principal	35,000	-	-
Interest and other	5,598	-	-
Total Expenditures	26,069,853	655,235	6,428
Excess (Deficiency) of Revenues Over Expenditures	(2,422,445)	(521,903)	216,631
Other Financing Sources (Uses):			
Transfers in	780,000	-	-
Transfers out	-	(770,000)	-
Net Financing Sources (Uses)	780,000	(770,000)	-
NET CHANGE IN FUND BALANCES	(1,642,445)	(1,291,903)	216,631
Fund Balance - Beginning	7,557,254	10,958,157	6,290,778
Fund Balance - Ending	\$ 5,914,809	\$ 9,666,254	\$ 6,507,409

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

Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 15,264,367
304,389	1,541,035
107,509	4,767,907
1,487,800	4,330,188
<u>1,899,698</u>	<u>25,903,497</u>
-	18,259,901
-	502,669
-	161,754
-	1,580,705
-	475,399
781,124	781,124
-	744,722
-	122,496
-	1,694,978
14,256	2,449,840
5,315	707,576
-	10,449
380,000	415,000
662,986	668,584
<u>1,843,681</u>	<u>28,575,197</u>
<u>56,017</u>	<u>(2,671,700)</u>
-	780,000
<u>(10,000)</u>	<u>(780,000)</u>
<u>(10,000)</u>	<u>-</u>
46,017	(2,671,700)
1,559,390	26,365,579
<u>\$ 1,605,407</u>	<u>\$ 23,693,879</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, 2010

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

Total Net Change in Fund Balances - Governmental Funds \$ (2,671,700)

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	(1,482,543)	
Capital outlays	<u>666,169</u>	(816,374)

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). This year, vacation earned was more than the amounts used by \$23,680. (23,860)

Bond issuance costs are an expenditure in the governmental funds, but are recorded as a deferred charge and amortized to operations in the statement of activities. (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. 35,000

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. 380,000

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. (269,840)

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. 6,530

Change in Net Assets of Governmental Activities \$ (3,370,977)

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

CAMBRIAN SCHOOL DISTRICT

**FIDUCIARY FUND
STATEMENT OF NET ASSETS
JUNE 30, 2010**

	<u>Agency Fund</u>
ASSETS	
Deposits and investments	<u>\$ 153,013</u>
LIABILITIES	
Due to student groups	<u>\$ 153,013</u>

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

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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 the ordinary operations of a District. All transactions except those required or permitted by law to be in another fund are accounted for in this fund.

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.

Special Reserve Fund for Capital Outlay Projects The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

Other Non-Major Governmental Funds

Special Revenue Funds The Special Revenue Funds are established to account for the proceeds from specific revenue sources (other than trusts or for major capital projects) that are restricted to the financing of particular activities:

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.

Special Reserve Fund for Other than Capital Outlay The Special Reserve for Other Than Capital Outlay Projects is used primarily to provide for the accumulation of General Fund monies for general operating purposes other than for capital outlay (*Education Code* Section 42840).

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 established to account for the accumulation of resources for and the payment of principal and interest on general long-term debt.

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

Fiduciary Funds Fiduciary 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.

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).

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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. Eliminations have been made to minimize the double counting of internal activities.

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, 2010

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, 2010, 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, 2010

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, 2010

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.

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

Fund Balance Reserves and Designations

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for revolving cash accounts, stores inventories, prepaid expenditures (expenses), and legally restricted grants and entitlements.

Designations of fund balances consist of that portion of the fund balance that has been designated (set aside) by the governing board to provide for specific purposes or uses. Fund equity designations have been established for economic uncertainties and other purposes. Designations of fund balance are reflected as a component of unrestricted net assets in the Statement of Net Assets.

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.

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.

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

New Accounting Pronouncements

In March 2009, the GASB issued GASB 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 requirements of this Statement are effective for the financial statements for periods beginning after June 15, 2010. Early implementation is encouraged.

NOTE 2 – DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2010, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 22,302,791
Fiduciary funds	153,013
Total Deposits and Investments	<u><u>\$ 22,455,804</u></u>

Deposits and investments as of June 30, 2010, consist of the following:

Cash on hand and in banks	\$ 864,802
Cash in revolving	1,558
Investments	21,589,444
Total Deposits and Investments	<u><u>\$ 22,455,804</u></u>

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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, 2010**

General Authorizations

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

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

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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	\$ 2,834,388	\$ 2,834,388	4.01
Money Market Mutual Funds	445,807	445,807	-
Foreign Bonds	42,680	42,680	1.29
Corporate Notes	1,408,193	1,408,193	0.99
County Treasury Pool	12,598,743	12,658,587	0.89
State Investment Pool	4,259,633	4,266,619	0.89
Total	\$ 21,589,444	\$ 21,656,274	

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	\$ 2,834,388	\$2,834,388	\$ -	\$ -	\$ -	\$ -	\$ -
Money Market Mutual Funds	445,807	-	-	-	-	-	445,807
Foreign Bonds	42,680	-	-	-	-	-	42,680
Corporate Notes	1,408,193	-	211,876	134,198	957,915	104,204	-
County Treasury Pool	12,658,587	-	-	-	-	-	12,658,587
State Investment Pool	4,266,619	-	-	-	-	-	4,266,619
Total	\$21,656,274	\$2,834,388	\$211,876	\$134,198	\$957,915	\$104,204	\$17,413,693

CAMBRIAN SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

Foreign Currency Risk

Investment Type	Cost	Currency	Maturity	Fair Value
Conoco Phillips Funding Bond	\$ 43,324	Canadian Dollar	10/15/2011	\$ 42,680

The District's investments in foreign currency—denominated corporate bonds were rated A by Standard & Poor's.

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, 2010, none of the District's bank balance of \$865,873 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 uninsured and 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 Corp	U.S. Agency Securities	\$ 2,558,513	11.81%

CAMBRIAN SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 3 – RECEIVABLES

	<u>General</u>	<u>Building</u>	<u>Special Reserve Capital</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Federal Government					
Categorical aid	\$ 335,653	\$ -	\$ -	\$ 12,637	\$ 348,290
State Government					
Apportionment	1,115,224	-	-	-	1,115,224
Categorical aid	372,260	-	-	-	372,260
Lottery	193,184	-	-	-	193,184
Local Government					
Interest	10,491	45,351	13,575	1,713	71,130
Other Local Sources	104,116	-	154,547	20,924	279,587
Total	<u>\$ 2,130,928</u>	<u>\$ 45,351</u>	<u>\$ 168,122</u>	<u>\$ 35,274</u>	<u>\$ 2,379,675</u>

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2010</u>
Governmental Activities				
Capital Assets not being depreciated:				
Construction in Progress	\$ 778,838	\$ -	\$ 778,838	\$ -
Capital Assets being depreciated:				
Buildings and Improvements	43,037,965	1,445,007	-	44,482,972
Total Capital Assets	<u>43,816,803</u>	<u>1,445,007</u>	<u>778,838</u>	<u>44,482,972</u>
Less Accumulated Depreciation:				
Buildings and Improvements	9,758,784	1,482,543	-	11,241,327
Governmental Activities Capital Assets, Net	<u>\$ 34,058,019</u>	<u>\$ (37,536)</u>	<u>\$ 778,838</u>	<u>\$ 33,241,645</u>

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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

Governmental Activities

Instruction	\$ 1,103,700
Supervision of instruction	31,405
Instructional library, media, and technology	10,105
School site administration	98,756
Pupil transportation	29,701
Food services	48,801
All other pupil services	46,527
All other general administration	105,895
Data processing	7,653
Total Depreciation Expense All Activities	<u><u>\$ 1,482,543</u></u>

NOTE 5 – INTERFUND TRANSACTIONS

Operating Transfers

Interfund transfers for the year ended June 30, 2010, consisted of the following:

The Building Fund transferred to the General Fund to support variety of maintenance projects.	\$ 770,000
The Special Reserve - Other Than Capital Outlay Fund transferred to the General Fund for contribution.	10,000
	<u><u>\$ 780,000</u></u>

NOTE 6 – ACCOUNTS PAYABLE

Accounts payable at June 30, 2010, consisted of the following:

	General	Building	Special Reserve Capital	Non-Major Governmental	Total
Vendor payables	\$ 415,368	\$ 310	\$ -	\$ 23,229	\$ 438,907
State apportionment	31,866	-	-	429	32,295
Salaries and benefits	53,394	-	-	36,042	89,436
Lessor Deposits	-	-	85,619	-	85,619
Total	<u><u>\$ 500,628</u></u>	<u><u>\$ 310</u></u>	<u><u>\$ 85,619</u></u>	<u><u>\$ 59,700</u></u>	<u><u>\$ 646,257</u></u>

CAMBRIAN SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 7 – DEFERRED REVENUE

Deferred revenue at June 30, 2010, consists of the following:

	<u>General</u>
Federal financial assistance	\$ 13,173
State categorical aid	258,868
Other local	78,325
Total	<u>\$ 350,366</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:

	<u>Balance July 1, 2009</u>	<u>Accretion</u>	<u>Deductions</u>	<u>Balance June 30, 2010</u>	<u>Due in One Year</u>
General obligation bonds	\$ 20,568,261	\$ 269,840	\$ 380,000	\$ 20,458,101	\$ 410,000
Accumulated vacation - net	74,402	23,860	-	98,262	98,262
Lease revenue bond	115,000	-	35,000	80,000	40,000
	<u>\$ 20,757,663</u>	<u>\$ 293,700</u>	<u>\$ 415,000</u>	<u>\$ 20,636,363</u>	<u>\$ 548,262</u>

Bonded Debt

The outstanding general obligation bonded debt is as follows:

<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Bonds Outstanding</u>			<u>Bonds Outstanding</u>
				<u>July 1, 2009</u>	<u>Accreted</u>	<u>Redeemed</u>	<u>June 30, 2010</u>
7/1/2003	7/1/2028	2.0%-4.0%	\$ 15,524,912	\$ 14,255,750	\$ 31,212	\$ 380,000	\$ 13,906,962
4/1/2005	7/1/2035	2.7%-5.5%	5,450,033	6,312,511	238,628	-	6,551,139
				<u>\$ 20,568,261</u>	<u>\$ 269,840</u>	<u>\$ 380,000</u>	<u>\$ 20,458,101</u>

CAMBRIAN SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

Debt Service Requirements to Maturity

The general obligation bonds mature through 2036 as follows:

Fiscal Year	Principal	Maturity	Total
2011	\$ 410,000	\$ 656,537	\$ 1,066,537
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
2016-2020	4,020,000	2,546,557	6,566,557
2021-2025	6,040,000	1,574,242	7,614,242
2026-2030	4,530,832	4,305,068	8,835,900
2031-2035	1,961,067	7,303,932	9,264,999
2036	93,045	606,956	700,001
Total	19,169,944	<u>\$ 19,474,511</u>	<u>\$ 38,644,455</u>
Accretion to date:	1,288,157		
	<u>\$ 20,458,101</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
2011	\$ 40,000	\$ 3,900	\$ 43,900
2012	40,000	1,950	41,950
Total	<u>\$ 80,000</u>	<u>\$ 5,850</u>	<u>\$ 85,850</u>

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2010, amounted to \$98,262.

CAMBRIAN SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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
Reserved					
Revolving cash	\$ 1,400	\$ -	\$ -	\$ 158	\$ 1,558
Prepaid expenditures	8,036	-	-	-	8,036
Restricted programs	1,547,658	-	-	-	1,547,658
Total Reserved	<u>1,557,094</u>	<u>-</u>	<u>-</u>	<u>158</u>	<u>1,557,252</u>
Unreserved					
Designated					
Economic uncertainties	1,272,000	-	-	-	1,272,000
Undesignated	3,085,715	9,666,254	6,507,409	1,605,249	20,864,627
Total Unreserved	<u>4,357,715</u>	<u>9,666,254</u>	<u>6,507,409</u>	<u>1,605,249</u>	<u>22,136,627</u>
Total	<u>\$ 5,914,809</u>	<u>\$ 9,666,254</u>	<u>\$ 6,507,409</u>	<u>\$ 1,605,407</u>	<u>\$ 23,693,879</u>

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, 2010, 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, 2010

Workers' Compensation

For fiscal year 2009-2010, 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 2009-2010 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, 2010, 2009, and 2008, were \$1,148,087, \$1,112,538 and \$1,087,747, respectively, and equal 100 percent of the required contributions for each year.

CAMBRIAN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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 2009-2010 was 9.709 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, 2010, 2009, and 2008, were \$242,759, \$231,995 and \$229,182, 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 \$593,804, \$609,131 and \$595,557, (4.267 percent of annual payroll for 2010 and 4.517 for 2009 and 2008, respectively) for the fiscal years ending June 30, 2010, 2009, and 2008 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, 2010

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, 2010.

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, 2010.

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, 2010, the District made payments of \$820,331 and \$238,935 to the Santa Clara County Schools Insurance Group and West Valley Transportation Joint Powers Authority, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

CAMBRIAN SCHOOL DISTRICT

**GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual	Variances -
	Original	Final		Favorable (Unfavorable)
				Final to Actual
REVENUES				
Revenue limit sources	\$ 16,830,807	\$15,147,257	\$15,264,367	\$ 117,110
Federal sources	633,673	1,122,121	1,236,646	114,525
Other state sources	3,953,487	4,018,545	4,066,594	48,049
Other local sources	1,807,253	2,519,087	2,445,399	(73,688)
Total Revenues¹	23,225,220	22,807,010	23,013,006	205,996
EXPENDITURES				
Current				
Certificated salaries	13,964,323	14,185,341	14,063,866	121,475
Classified salaries	3,217,848	3,265,843	3,369,025	(103,182)
Employee benefits	4,396,426	4,444,255	4,390,711	53,544
Books and supplies	919,840	1,522,317	751,839	770,478
Services and operating expenditures	3,263,004	3,011,947	2,808,963	202,984
Other outgo	-	-	10,449	(10,449)
Capital outlay	40,602	40,602	40,598	4
Total Expenditures¹	25,802,043	26,470,305	25,435,451	1,034,854
Excess (Deficiency) of Revenues Over Expenditures	(2,576,823)	(3,663,295)	(2,422,445)	1,240,850
Other Financing Sources (Uses):				
Transfers in	780,000	780,000	780,000	-
NET CHANGE IN FUND BALANCES	(1,796,823)	(2,883,295)	(1,642,445)	1,240,850
Fund Balance - Beginning	7,557,254	7,557,254	7,557,254	-
Fund Balance - Ending	\$ 5,760,431	\$ 4,673,959	\$ 5,914,809	\$ 1,240,850

¹ The Actual column does not include PERS and lease revenue bond payments made by the State and local governments on behalf of the District in the amount of \$593,804 and \$40,598, respectively.

SUPPLEMENTARY INFORMATION

CAMBRIAN SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

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	\$ 183,046
Title I-ARRA, Part A, Basic Grants Low Income and Neglected	84.389	15005	55,358
ARRA, State Fiscal Stabilization Fund	84.394	25008	22,642
Title II, Part A, Teacher Quality	84.367	14341	86,200
Title II, Part D, Enhancing Education Through Technology	84.318	14334	159
Title IV, Part A, Drug-Free Schools	84.186	14347	7,402
Individuals with Disabilities Act:			
IDEA, Basic Local Assistance Entitlement, Part B	84.027	13379	416,424
IDEA, Basic Local Assistance Entitlement, Part B, Private School	84.027	10115	3,439
IDEA, Preschool Grants, Part B	84.173	13430	22,478
IDEA, Preschool Local Entitlement, Part B	84.027A	13682	48,442
IDEA, Preschool Staff Development, Part B	84.173A	13431	173
IDEA-ARRA, Basic Local Assistance Entitlement, Part B	84.391	15003	142,421
IDEA-ARRA, Preschool Grants, Part B	84.392	15000	28,090
IDEA-ARRA, Preschool Local Entitlement, Part B	84.391	15002	16,000
Subtotal			<u>1,032,274</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through the California Department of Education:			
Child Nutrition Act:			
Basic School Breakfast Program	10.553	13525	48,726
Especially Needy Breakfast	10.553	13526	10,879
National School Lunch Program	10.555	13391	244,784
Fair Market Value of Commodities ¹	10.558	13534	50,657
Subtotal			<u>355,046</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Education (CDE):			
Medi-Cal Administrative Activites	93.778	10060	160,415
Total Expenditures of Federal Awards			<u>\$ 1,547,735</u>

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

See accompanying note to supplementary information.

CAMBRIAN SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE FOR THE YEAR ENDED JUNE 30, 2010

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>
Sue Pyne	President	2012
Alan N. Baker	Vice President	2010
Karen Chung	Clerk	2010
Donald Rocha	Member	2012
Gary D. Chronert	Member	2010

ADMINISTRATION

Dr. Deborah Blow	Superintendent
Julie Swanson	Chief Financial Officer

See accompanying note to supplementary information.

CAMBRIAN SCHOOL DISTRICT

**COMPARATIVE AVERAGE DAILY ATTENDANCE SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2010**

	Amended Second Period Report	Annual Report
	<u>Report</u>	<u>Report</u>
ELEMENTARY		
Kindergarten	99	99
First through third	319	320
Fourth through sixth	210	211
Seventh and eighth	13	13
Special education	75	75
Total Elementary	<u>716</u>	<u>718</u>
CHARTER SCHOOLS - ALL CLASSROOM BASED		
Kindergarten	237	238
First through third	709	711
Fourth through sixth	794	793
Seventh and eighth	648	648
Total Charter Schools- All Classroom Based	<u>2,388</u>	<u>2,390</u>
Grand Total	<u><u>3,104</u></u>	<u><u>3,108</u></u>

See accompanying note to supplementary information.

CAMBRIAN SCHOOL DISTRICT

**SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2010**

<u>Grade Level</u>	<u>1982-83 Actual Minutes</u>	<u>Reduced 1982-83 Actual Minutes</u>	<u>1986-87 Minutes Requirement</u>	<u>Reduced 1986-87 Minutes Requirement</u>	<u>2009-10 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Kindergarten	31,860	31,860	36,000	36,000	36,260	180	In compliance
Grades 1 - 3							
Grade 1	45,090	45,090	50,400	50,400	50,677	180	In compliance
Grade 2	45,090	45,090	50,400	50,400	50,677	180	In compliance
Grade 3	45,090	45,090	50,400	50,400	50,677	180	In compliance
Grades 4 - 6							
Grade 4	49,755	49,755	54,000	54,000	54,415	180	In compliance
Grade 5	49,755	49,755	54,000	54,000	54,415	180	In compliance
Grade 6	49,755	49,755	54,000	54,000	55,123	180	In compliance
Grades 7 - 8							
Grade 7	52,800	52,800	54,000	54,000	55,759	180	In compliance
Grade 8	52,800	52,800	54,000	54,000	55,759	180	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, 2010**

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements as of June 30, 2010.

See accompanying note to supplementary information.

CAMBRIAN SCHOOL DISTRICT

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010**

	(Budget) 2011 ¹	2010	2009	2008
GENERAL FUND				
Revenues	\$ 22,120,217	\$ 23,013,004	\$ 26,460,184	\$ 25,763,702
Transfers in	737,000	780,000	770,000	350,000
Total Revenues and Other Sources	22,857,217	23,793,004	27,230,184	26,113,702
Expenditures	24,212,551	25,425,000	25,897,387	25,212,546
Other uses and transfers out	7,109	10,449	20,000	1,000,000
Total Expenditures and Other Uses	24,219,660	25,435,449	25,917,387	26,212,546
INCREASE (DECREASE) IN FUND BALANCE	\$ (1,362,443)	\$ (1,642,445)	\$ 1,312,797	\$ (98,844)
ENDING FUND BALANCE	\$ 4,552,366	\$ 5,914,809	\$ 7,557,254	\$ 6,244,457
AVAILABLE RESERVES²	\$ 3,531,827	\$ 4,357,715	\$ 5,684,144	\$ 4,734,249
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO³	14.58%	17.54%	22.45%	18.48%
LONG-TERM OBLIGATIONS	\$ 20,088,101	\$ 20,636,363	\$ 20,757,663	\$ 20,923,984
AVERAGE DAILY ATTENDANCE AT P-2	3,157	3,104	3,064	2,964

The General Fund balance has decreased by \$329,648 over the past two years. The fiscal year 2010-11 budget projects a decrease of \$1,362,443. 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 deficit during the 2010-11 fiscal year. Total long-term obligations have decreased by \$287,621 over the past two years due to principal payment of general obligation bonds.

Average daily attendance has increased by 140 over the past two years. An increase of 53 ADA is anticipated during fiscal year 2010-11.

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

² Available reserves consist of all undesignated fund balances and all funds designated for economic uncertainty contained within the General Fund.

³ On-behalf payments of \$593,804, \$609,131 and \$595,557, have been excluded from the calculation of the available reserves percentage for the fiscal years ending June 30, 2010, 2009, and 2008, respectively.

CAMBRIAN SCHOOL DISTRICT

**SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2010**

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

See accompanying note to supplementary information.

CAMBRIAN SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2010**

	Cafeteria Fund	Deferred Maintenance Fund	Special Reserve Non-Capital Fund
ASSETS			
Deposits and investments	\$ 82,618	\$ 54,397	\$ 638,157
Receivables	24,987	129	1,368
Total Assets	\$ 107,605	\$ 54,526	\$ 639,525
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 59,700	\$ -	\$ -
Total Liabilities	59,700	-	-
Fund Balances:			
Reserved for:			
Other reservations	158	-	-
Unreserved:			
Undesignated, reported in:			
Special revenue funds	47,747	54,526	639,525
Debt service funds	-	-	-
Capital projects funds	-	-	-
Total Fund Balance	47,905	54,526	639,525
Total Liabilities and Fund Balances	\$ 107,605	\$ 54,526	\$ 639,525

See accompanying note to supplementary information.

Retiree Benefits Special Reserve Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
\$ 16,878	\$ 85,119	\$ 752,664	\$ 1,629,833
36	8,754	-	35,274
<u>\$ 16,914</u>	<u>\$ 93,873</u>	<u>\$ 752,664</u>	<u>\$ 1,665,107</u>
\$ -	\$ -	\$ -	\$ 59,700
-	-	-	59,700
-	-	-	158
16,914	-	-	758,712
-	-	752,664	752,664
-	93,873	-	93,873
<u>16,914</u>	<u>93,873</u>	<u>752,664</u>	<u>1,605,407</u>
<u>\$ 16,914</u>	<u>\$ 93,873</u>	<u>\$ 752,664</u>	<u>\$ 1,665,107</u>

CAMBRIAN SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2010**

	Cafeteria Fund	Deferred Maintenance Fund	Special Reserve Non-Capital Fund
REVENUES			
Federal sources	\$ 304,389	\$ -	\$ -
Other State sources	73,798	24,301	-
Other local sources	425,792	541	6,913
Total Revenues	803,979	24,842	6,913
EXPENDITURES			
Current			
Pupil Services:			
Food services	781,124	-	-
Plant services	-	14,256	-
Facility acquisition and construction	-	-	-
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total Expenditures	781,124	14,256	-
Excess (Deficiency) of Revenues Over Expenditures	22,855	10,586	6,913
Other Financing Sources (Uses):			
Transfers out	-	-	(10,000)
NET CHANGE IN FUND BALANCES	22,855	10,586	(3,087)
Fund Balance - Beginning	25,050	43,940	642,612
Fund Balance - Ending	\$ 47,905	\$ 54,526	\$ 639,525

See accompanying note to supplementary information.

Retiree Benefit Special Reserve Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ 304,389
-	-	9,410	107,509
181	17,519	1,036,854	1,487,800
<u>181</u>	<u>17,519</u>	<u>1,046,264</u>	<u>1,899,698</u>
-	-	-	781,124
-	-	-	14,256
-	5,315	-	5,315
-	-	380,000	380,000
-	-	662,986	662,986
-	<u>5,315</u>	<u>1,042,986</u>	<u>1,843,681</u>
181	12,204	3,278	56,017
-	-	-	(10,000)
<u>181</u>	<u>12,204</u>	<u>3,278</u>	<u>46,017</u>
16,733	81,669	749,386	1,559,390
<u>\$ 16,914</u>	<u>\$ 93,873</u>	<u>\$ 752,664</u>	<u>\$ 1,605,407</u>

CAMBRIAN SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2010

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. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2010. The unspent balances are reported as legally restricted ending balances within the General Fund.

Description	CFDA Number	Amount
Total Federal Revenues Statement of Revenues, Expenditures and Changes in Fund Balance:		\$ 1,541,035
Fair Market Value of Commodities	10.558	50,657
Unspent American Recovery Reinvestment Act - State Fiscal Stabilization Fund federal grants	84.394	(43,957)
Total Schedule of Expenditures of Federal Awards		<u>\$ 1,547,735</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, 2010

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.

Assessed Property Valuation and Ten Largest Property Tax Payers

As of June 30, 2010, the secured assessed valuation within the District's boundaries is \$4,282,994,046 and the unsecured assessed valuation is \$95,326,502.

The ten highest net values are as follows:

Hercules Holding II LLC	\$ 102,746,146
WTA Campbell Tech Park LLC	73,472,654
Camden Park LLC	23,814,068
Bascom Sub LLC	22,778,913
Dayton Hudson Corporation	16,260,938
HD Development of Maryland Inc	16,004,145
Castello, Joseph G., Trustee & Et.al.	14,079,697
Salvatore LLC	13,808,674
RMP Properties LLC	13,757,715
Grand Prix Campbell SJ LLC	12,612,543
Total	<u>\$ 309,335,493</u>

The information was extracted from the July 2010 County Assessor Master File for secured, nonresidential parcels within the Cambrian School District.

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, 2010, which collectively comprise Cambrian School District's basic financial statements and have issued our report thereon dated December 3, 2010. 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

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.

Vavrinck, Trine, Day & Co. LLP

Palo Alto, California
December 3, 2010



**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 the compliance of Cambrian School District 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 its major Federal programs for the year ended June 30, 2010. Cambrian School District's major Federal programs are identified in the summary of auditors' 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, 2010.

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 our 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 would not necessarily 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, 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 3, 2010



INDEPENDENT AUDITOR’S REPORT ON STATE COMPLIANCE

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, 2010, and have issued our report thereon dated December 3, 2010. 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 2009-10*, 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.

Compliance with the requirements of laws, regulations, contracts, and grants listed below is the responsibility of Cambrian School District's management. In connection with the audit referred to above, we selected and tested transactions and records to determine the Cambrian School District's compliance with the State laws and regulations applicable to the following items:

	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Attendance Accounting:		
Attendance reporting	8	Yes
Kindergarten continuance	3	Yes
Independent study	23	Not Applicable
Continuation education	10	Not Applicable
Instructional Time:		
School districts	6	Yes
County offices of education	3	Not Applicable
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

	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Class Size Reduction Program (including in Charter Schools):		
General requirements	7	Yes
Option one classes	3	Not Applicable
Option two classes	4	Not Applicable
District or charter schools with only one school serving K-3	4	Yes
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	Not Applicable
Non classroom-based instruction/independent study	15	Not Applicable
Determination of funding for non classroom-based instruction	3	Not Applicable
Annual instruction minutes classroom based	3	Yes

Based on our audit, we found that for the items tested, the Cambrian School District complied with the State laws and regulations referred to above. Further, based on our audit, for items not tested, nothing came to our attention to indicate that the Cambrian School District had not complied with the laws and regulations. Our audit does not provide a legal determination on Cambrian School District's compliance with the State laws and regulations referred to 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, the California Department of Finance, 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.

Vavrinck, Trine, Day & Co. LLP

Palo Alto, California
December 3, 2010

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CAMBRIAN SCHOOL DISTRICT

**SUMMARY SCHEDULE OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2010**

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)	<u>No</u>
Identification of major programs:	

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027, 84.173, 84.391-ARRA, 84.392-ARRA	<u>Special Education Cluster</u>
<u>10.553, 10.555, 10.556</u>	<u>Child Nutrition Cluster</u>

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

STATE AWARDS

Internal control over State 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 State programs:	<u>Unqualified</u>

CAMBRIAN SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010**

None Reported.

CAMBRIAN SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

None Reported.

CAMBRIAN SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

None Reported.

CAMBRIAN SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2010

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of financial statement findings.

Financial Statement Findings

None reported.

Federal Award Findings

None reported.

State Award Findings

None reported.