### **COLD SPRING SCHOOL DISTRICT**

AUDIT REPORT June 30, 2016

San Diego
Los Angeles
San Francisco
Bay Area



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## FINANCIAL SECTION



#### INDEPENDENT AUDITORS' REPORT

Governing Board Cold Spring School District Santa Barbara, California

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Cold Spring School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Cold Spring School District's basic financial statements as listed in the table of contents.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Christy White, CPA

Michael Ash, CPA

**Heather Rubio** 

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

#### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Cold Spring School District, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Other Matters

#### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis, budgetary comparison information, schedule of funding progress for OPEB benefits, schedules of proportionate share of net pension liability, and schedules of District contributions for pensions be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cold Spring School District's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

#### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2016 on our consideration of Cold Spring School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cold Spring School District's internal control over financial reporting and compliance.

San Diego, California

Christy White Ossociates

December 13, 2016

#### MANAGEMENT'S DISCUSSION AND ANALYSIS

#### **INTRODUCTION**

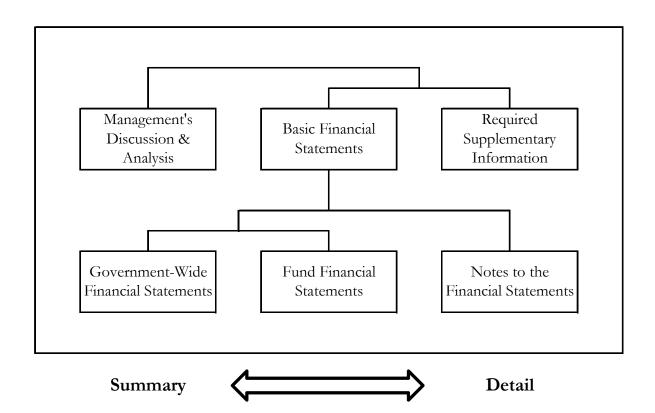
Our discussion and analysis of Cold Spring School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2016. It should be read in conjunction with the District's financial statements, which follow this section.

#### FINANCIAL HIGHLIGHTS

- The District's total net position was (\$1,713,123) at June 30, 2016. This was a decrease of \$255,156 from the prior year.
- Overall revenues were \$4,087,591 which was more than expenses of \$4,342,747.

#### **OVERVIEW OF FINANCIAL STATEMENTS**

#### Components of the Financials Section



#### COLD SPRING SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS, continued FOR THE YEAR ENDED JUNE 30, 2016

This annual report consists of three parts – Management's Discussion and Analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

- **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.
- Fund financial statements focus on reporting the individual parts of District operations in more detail. The fund financial statements comprise the remaining statements.
  - Governmental Funds provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.
  - **Proprietary Funds** report services for which the District charges customers a fee. Like the government-wide statements, they provide both long- and short-term financial information.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by a section of required and other supplementary information that further explain and support the financial statements.

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

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health. Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the District include governmental activities. All of the District's basic services are included here, such as regular education, food service, maintenance and general administration. Local control formula funding and federal and state grants finance most of these activities.

#### COLD SPRING SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS, continued FOR THE YEAR ENDED JUNE 30, 2016

#### FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

#### **Net Position**

The District's combined net position was (\$1,713,123) at June 30, 2016, as reflected in the table below. Of this amount, (\$2,682,636) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use that net position for day-to-day operations.

		Gov	ern	mental Activ	itie	s	<b>Business-Type Activities</b>							
	2016		2015	Νe	et Change	2016			2015	Net	Change			
ASSETS														
Current and other assets	\$	2,046,541	\$	2,202,808	\$	(156,267)	\$	649	\$	48	\$	601		
Capital assets		3,755,846		3,851,632		(95,786)		-		-		-		
Total Assets		5,802,387		6,054,440		(252,053)		649		48		601		
DEFERRED OUTFLOWS OF RESOURCES		1,017,909		190,707		827,202		-		-				
LIABILITIES														
Current liabilities		385,258		369,871		15,387		649		48		601		
Long-term liabilities		6,863,576		6,719,902		143,674		-		-		-		
Total Liabilities	_	7,248,834		7,089,773		159,061		649		48		601		
DEFERRED INFLOWS OF RESOURCES		1,284,585		613,341		671,244		-		-				
NET POSITION														
Net investment in capital assets		(56,893)		(103,495)		46,602		-		-		-		
Restricted		1,026,406		1,066,674		(40,268)		-		-		-		
Unrestricted		(2,682,636)		(2,421,146)		(261,490)		-		-		-		
Total Net Position	\$	(1,713,123)	\$	(1,457,967)	\$	(255,156)	\$	-	\$	-	\$	-		

#### FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

#### **Changes in Net Position**

The results of this year's operations for the District as a whole are reported in the Statement of Activities. The table below takes the information from the Statement and rearranges them slightly, so you can see our total revenues, expenses, and special items for the year.

	<b>Governmental Activities</b>							Business-Type Activities						
		2016		2015	N	et Change		2016		2015		Change		
REVENUES														
Program revenues														
Operating grants and contributions	\$	92,635	\$	12,017	\$	80,618	\$	967	\$	-	\$	967		
General revenues														
Property taxes		3,521,405		3,371,336		150,069		-		-		-		
Unrestricted federal and state aid		237,412		226,015		11,397		-		-		-		
Other		175,210		190,005		(14,795)		59,962		34,867		25,095		
Total Revenues		4,026,662		3,799,373		227,289		60,929		34,867		26,062		
EXPENSES														
Instruction		2,291,324		2,266,077		25,247		-		-		-		
Instruction-related services		551,611		524,107		27,504		-		-		-		
General administration		462,698		350,449		112,249		-		-		-		
Plant services		425,131		378,995		46,136		-		-		-		
Ancillary and community services		158		2,812		(2,654)		-		-		-		
Debt service		254,863		203,616		51,247		-		-		-		
Other Outgo		269,362		405,819		(136,457)		-		-		-		
Enterprise		-		-				87,600		53,288		34,312		
Total Expenses		4,255,147		4,131,875		123,272		87,600		53,288		34,312		
Transfers & special items		(26,671)		(18,421)		(8,250)		26,671		18,421		8,250		
Change in net position		(255,156)		(350,923)		95,767		-		-		-		
Net Position - Beginning*		(1,457,967)		(1,107,044)		(350,923)		-		-				
Net Position - Ending	\$	(1,713,123)	\$	(1,457,967)	\$	(255,156)	\$	-	\$	-	\$	-		

<sup>\*</sup> Beginning Net Position was restated for the 2015 year only

The cost of all our governmental activities this year was \$4,255,147 (refer to the table above). The amount that our taxpayers ultimately financed for these activities through taxes was only \$3,521,405 because the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions (\$330,047).

#### COLD SPRING SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS, continued FOR THE YEAR ENDED JUNE 30, 2016

#### FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

#### **Changes in Net Position (continued)**

In the table below we have presented the net cost of each of the District's functions. Net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

	Net Cost of Services									
		2016		2015						
Instruction	\$	2,222,952	\$	2,261,067						
Instruction-related services		528,455		517,100						
General administration		461,591		350,449						
Plant services		425,131		378,995						
Ancillary and community services		158		2,812						
Debt service		254,863		203,616						
Transfers to other agencies		269,362		405,819						
<b>Total Expenses</b>	\$	4,162,512	\$	4,119,858						

#### FINANCIAL ANALYSIS OF THE DISTRICT'S MAJOR FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$1,866,666, which is less than last year's ending fund balance of \$2,032,065. The District's General Fund had \$91,156 less in operating revenues than expenditures for the year ended June 30, 2016. The District's Building Fund had \$1,587 more in revenue than expenditures, the District's Special Fund for Reserve Capital Projects had \$102,679 less in operating revenue than expenditures, while the District's Bond Interest and Redemption Fund had \$15,877 more in operating revenues than expenditures for the year ended June 30, 2016.

#### **CURRENT YEAR BUDGET 2015-16**

During the fiscal year, budget revisions and appropriation transfers are presented to the Board for their approval on a monthly basis to reflect changes to both revenues and expenditures that become known during the year. In addition, the Board of Education approves financial projections included with the Adopted Budget, First Interim, and Second Interim financial reports. The Unaudited Actuals reflect the District's financial projections and current budget based on State and local financial information.

#### CAPITAL ASSET AND DEBT ADMINISTRATION

#### **Capital Assets**

By the end 2015-16 the District had invested \$3,755,846 in capital assets, net of accumulated depreciation.

	Governmental Activities								
	2016			2015	N	et Change			
CAPITAL ASSETS									
Land	\$	122,906	\$	122,906	\$	-			
Construction in progress		117,177		12,450		104,727			
Buildings & improvements		5,541,013		5,541,013		-			
Furniture & equipment		143,205		143,205		-			
Accumulated depreciation		(2,168,455)		(1,967,942)		(200,513)			
<b>Total Capital Assets</b>	\$	3,755,846	\$	3,851,632	\$	(95,786)			

#### COLD SPRING SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS, continued FOR THE YEAR ENDED JUNE 30, 2016

#### CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

#### **Long-Term Liabilities**

At year-end, the District had \$6,863,576 in long-term liabilities, an increase of 2.1% from last year – as shown in the table below. (More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.)

	Governmental Activities									
	2016			2015		et Change				
LONG-TERM LIABILITIES										
Total general obligation bonds	\$	4,351,694	\$	4,413,899	\$	(62,205)				
Compensated absences		2,455		4,730		(2,275)				
Net OPEB obligation		170,906		158,796		12,110				
Net pension liability		2,487,125		2,283,279		203,846				
Less: current portion of long-term debt		(148,604)		(140,802)		(7,802)				
Total Long-term Liabilities	\$	6,863,576	\$	6,719,902	\$	143,674				

#### COLD SPRING SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS, continued FOR THE YEAR ENDED JUNE 30, 2016

#### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

At the time these financial statements were prepared and audited, the District was aware of several circumstances that could affect its future financial health.

Landmark legislation passed in Year 2013 reformed California school district finance by creating the Local Control Funding Formula (LCFF). The District continues to analyze the impact of the LCFF on funding for our program offerings and services. The LCFF is designed to provide a flexible funding mechanism that links student achievement to state funding levels. The LCFF provides a per pupil base grant amount, by grade span, that is augmented by supplemental funding for targeted student groups in low income brackets, those that are English language learners and foster youth. The State anticipates all school districts to reach the statewide targeted base funding levels by 2020-21 but the annual amount funded to meet the target is uncertain.

Factors related to LCFF that the District is monitoring include: (1) estimates of funding in the next budget year and beyond; (2) the Local Control and Accountability Plan (LCAP) that aims to link student accountability measurements to funding allocations; (3) ensuring the integrity of reporting student data through the California Longitudinal Pupil Achievement Data System (CALPADs); and, (4) meeting annual compliance and audit requirements.

The State's economy is expected to grow faster than the national economy with unemployment dropping. Personal income is expected to grow 3.6%; according to the UCLA Anderson Economic Forecast, April 2016. The ability of the State to fund the LCFF and other programs is largely dependent on the strength of the State's economy and while positive remains uncertain.

The District participates in state employee pensions plans, PERS and STRS, and both are underfunded. The District's proportionate share of the liability is reported in the Statement of Net Position as of June 30, 2016. The amount of the liability is material to the financial position of the District. To address the underfunding issues, the pension plans continue to raise employer rates in future years and the increased costs are significant.

Enrollment can fluctuate due to factors such as population growth, competition from private, parochial, interdistrict transfers in or out, economic conditions and housing values. Losses in enrollment will cause a school district to lose operating revenues without necessarily permitting the district to make adjustments in fixed operating costs.

All of these factors were considered in preparing the District's budget for the 2016-17 fiscal year.

#### 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 Business Office, Mary Stark, Chief Business Officer (805) 969-2678.

		vernmental		ness-Type		m . 1
ACCETC		Activities	A	ctivities		Total
ASSETS  Cash and investments	\$	1,904,928	\$	779	\$	1,905,707
Accounts receivable	Ψ	102,768	Ψ	28,859	Ψ	131,627
Internal balances		28,989		(28,989)		131,027
Prepaid expenses		9,856		(20,707)		9,856
Capital assets, not depreciated		240,083		_		240,083
Capital assets, not depreciated  Capital assets, net of accumulated depreciation		3,515,763		_		3,515,763
Total Assets		5,802,387		649		5,803,036
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows related to pensions		1,017,909		-		1,017,909
<b>Total Deferred Outflows of Resources</b>		1,017,909		-		1,017,909
LIABILITIES						
Accrued liabilities		236,654		649		237,303
Long-term liabilities, current portion		148,604		-		148,604
Long-term liabilities, non-current portion		6,863,576		-		6,863,576
Total Liabilities		7,248,834		649		7,249,483
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows related to pensions		1,284,585		-		1,284,585
<b>Total Deferred Inflows of Resources</b>		1,284,585		-		1,284,585
NET POSITION						
Net investment in capital assets		(56,893)		-		(56,893)
Restricted:						
Capital projects		630,653		-		630,653
Debt service		334,818		-		334,818
Educational programs		60,935		-		60,935
Unrestricted		(2,682,636)				(2,682,636)
Total Net Position	\$	(1,713,123)	\$	-	\$	(1,713,123)

#### COLD SPRING SCHOOL DISTRICT STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2016

Net (Expenses)
Revenues and
Changes in

		Progr	am Revenues				
Function/Programs	Expenses	G	Operating rants and ntributions	(	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES							
Instruction	\$ 2,291,324	\$	68,372	\$	(2,222,952)		
Instruction-related services							
Instructional supervision and administration	84,506		19,206		(65,300)		
Instructional library, media, and technology	72,016		1,300		(70,716)		
School site administration	395,089		2,650		(392,439)		
General administration							
Centralized data processing	4,975		-		(4,975)		
All other general administration	457,723		1,107		(456,616)		
Plant services	425,131		-		(425,131)		
Ancillary services	158		-		(158)		
Interest on long-term debt	254,863		-		(254,863)		
Other Outgo	269,362		-		(269,362)		
Total Governmental Activities	\$ 4,255,147	\$	92,635		(4,162,512)		
BUSINESS-TYPE ACTIVITIES							
Enterprise activities	87,600		967		\$	(86,633)	
Total Business-Type Activities	87,600		967		_	(86,633)	
Total School District	\$ 4,342,747	\$	93,602		_	\$	(4,249,145)
	General revenues						
	Taxes and subventions						
	Property taxes, levied	for genera	l purposes		3,187,680	-	3,187,680
	Property taxes, levied	for debt se	rvice		333,725	-	333,725
	Federal and state aid not	restricted	for specific				
	purposes				237,412	-	237,412
	Interest and investmen	t earnings			164,266	13	164,279
	Miscellaneous				10,944	59,949	70,893
	Subtotal, General Reven	ue			3,934,027	59,962	3,993,989
	Change in net position b	efore trans	fers & special				
	items				(228,485)	(26,671)	(255,156)
	Internal transfers				(26,671)	26,671	-
	Total Transfers & Specia	ıl Items			(26,671)	26,671	-
	CHANGE IN NET POSI	TION			(255,156)	-	(255,156)
	Net Position - Beginning	;			(1,457,967)	-	(1,457,967)
	Net Position - Ending			\$	(1,713,123) \$	- \$	(1,713,123)

#### COLD SPRING SCHOOL DISTRICT GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2016

	Gen	eral Fund	Building Fund		Fu	pecial Reserve nd for Capital utlay Projects	Bond Interest & Redemption Fund		(	Non-Major Governmental Funds	(	Total Governmental Funds
ASSETS		ciui i unu	- DC	anung runu	Outlay 1 Tojects		Reachiphon Fund			Tunus		Tunus
Cash and investments	\$	563,719	\$	340,827	\$	419,986	\$	391,597	¢	188,799	\$	1,904,928
Accounts receivable	Ψ	80,103	Ψ	497	Ψ	605	Ψ	071,077	Ψ	21,563	Ψ	102,768
Due from other funds		55,830		427		003		_		21,303		55,830
Prepaid expenditures		9,856		-		-		-		-		9,856
Total Assets	<u></u>		ď	241 224	ď	420 E01	\$	201 507	\$	210.262	\$	
Total Assets	Þ	709,508	Þ	341,324	Þ	420,591	Ф	391,597	Þ	210,362	Ф	2,073,382
LIABILITIES												
Accrued liabilities	\$	179,575	\$	-	\$	300	\$	-	\$	-	\$	179,875
Due to other funds		26,841		-		-		-		-		26,841
<b>Total Liabilities</b>		206,416		-		300		-		-		206,716
FUND BALANCES												
Nonspendable		9,856		_		-		-		-		9,856
Restricted		60,935		341,324		420,291		391,597		210,362		1,424,509
Assigned		401		, -		-		-		-		401
Unassigned		431,900		-		-		-		-		431,900
Total Fund Balances		503,092		341,324		420,291		391,597		210,362		1,866,666
Total Liabilities and Fund Balances	\$	709,508	\$	341,324	\$	420,591	\$	391,597	\$	210,362	\$	2,073,382

## COLD SPRING SCHOOL DISTRICT RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

JUNE 30, 2016

Total Fund Balance - Governmental Funds			\$ 1,866,666
Amounts reported for assets and liabilities for governmental activities in the			
statement of net position are different from amounts reported in governmental			
funds because:			
Capital assets:			
In governmental funds, only current assets are reported. In the statement of			
net position, all assets are reported, including capital assets and			
accumulated depreciation:	_		
Capital assets	\$	5,924,301	
Accumulated depreciation		(2,168,455)	3,755,846
Unmatured interest on long-term debt:			
In governmental funds, interest on long-term debt is not recognized until the			
period in which it matures and is paid. In the government-wide statement			
of activities, it is recognized in the period that it is incurred. The additional			
liability for unmatured interest owing at the end of the period was:			(56,779)
Long-term liabilities:			
In governmental funds, only current liabilities are reported. In the			
statement of net position, all liabilities, including long-term liabilities, are			
reported. Long-term liabilities relating to governmental activities consist of:			
Total general obligation bonds	\$	4,351,694	
Compensated absences		2,455	
Net OPEB obligation		170,906	
Net pension liability		2,487,125	(7,012,180)
Deferred outflows and inflows of resources relating to pensions:			
In governmental funds, deferred outflows and inflows of resources relating			
to pensions are not reported because they are applicable to future periods.			
In the statement of net position, deferred outflows and inflows of resources			
relating to pensions are reported.			
Deferred outflows of resources related to pensions	\$	1,017,909	
Deferred inflows of resources related to pensions		(1,284,585)	(266,676)
•			
Total Net Position - Governmental Activities		_	\$ (1,713,123)

#### COLD SPRING SCHOOL DISTRICT GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2016

			Special Reserve		Non-Major Governmental	Total
	General Fur	nd Building Fu	Fund for Capita nd Outlay Projects			Governmental Funds
REVENUES	General Ful	iu Dununig Fu	iu Outlay 110 Jects	s Redemption Func	runus	rulus
LCFF sources	\$ 3,309,	901 \$	- \$	- \$ -	\$ -	\$ 3,309,901
Federal sources		893	-		-	21,893
Other state sources	250,		_	- 530	_	251,040
Other local sources	121,		587 2,04		49,493	508,405
Total Revenues	3,703,		587 2,04			4,091,239
EXPENDITURES						
Current						
Instruction	2,339,	030	-		-	2,339,030
Instruction-related services						
Instructional supervision and administration	93,	326	-		-	93,326
Instructional library, media, and technology	77,	761	-		-	77,761
School site administration	334,	453	-		-	334,453
General administration						
Centralized data processing	4,	975	-		-	4,975
All other general administration	353,	305	-		-	353,305
Plant services	322,	563	-		-	322,563
Facilities acquisition and maintenance		-	- 104,72	27 -	11,850	116,577
Transfers to other agencies	269,	362	-		-	269,362
Debt service						
Principal		-	-	- 140,802	-	140,802
Interest and other		-	-	- 177,813	-	177,813
Total Expenditures	3,794,	775	- 104,72	27 318,615	11,850	4,229,967
Excess (Deficiency) of Revenues						_
Over Expenditures	(91,	156) 1,	587 (102,67	79) 15,877	37,643	(138,728)
Other Financing Sources (Uses)						
Transfers out	(26,	671)	-		-	(26,671)
Net Financing Sources (Uses)	(26,	671)	-		-	(26,671)
NET CHANGE IN FUND BALANCE	(117,	827) 1,	587 (102,67	79) 15,877	37,643	(165,399)
Fund Balance - Beginning	620,	919 339,	737 522,97	70 375,720	172,719	2,032,065
Fund Balance - Ending	\$ 503,	092 \$ 341,	324 \$ 420,29	91 \$ 391,597	\$ 210,362	\$ 1,866,666

## COLD SPRING SCHOOL DISTRICT RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2016

#### Net Change in Fund Balances - Governmental Funds

(165,399)

Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:

#### Capital outlay:

In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay:

Depreciation expense:

\$ 104,727

(200,513)

(95,786)

#### Debt service:

In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:

160,000

#### Unmatured interest on long-term debt:

In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was:

1,547

#### Accreted interest on long-term debt:

In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current sources. In the government-wide statement of activities, however, this is recorded as interest expense for the period.

(97,795)

#### Compensated absences:

In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amount earned. The difference between compensated absences paid and compensated absences earned, was:

2,275

# COLD SPRING SCHOOL DISTRICT RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES, continued

FOR THE YEAR ENDED JUNE 30, 2016

Postemployment benefits other than pensions (OPEB):

In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was:

(12,110)

#### Pensions:

In governmental funds, pension costs are recognized when employer contributions are made, in the government-wide statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and employer contributions was:

(47,888)

Change in Net Position of Governmental Activities

(255,156)

#### COLD SPRING SCHOOL DISTRICT PROPRIETARY FUNDS STATEMENT OF NET POSITION JUNE 30, 2016

		Business-Type Activities  Dolphin Center Fund	
	Dolphir		
ASSETS			
Current assets			
Cash and investments	\$	779	
Accounts receivable		28,859	
Due from other funds		26,841	
Total Assets		56,479	
LIABILITIES			
Current liabilities			
Accrued liabilities		649	
Due to other funds		55,830	
<b>Total Liabilities</b>		56,479	
NET POSITION			
Unrestricted		-	
<b>Total Net Position</b>	\$	-	

## COLD SPRING SCHOOL DISTRICT PROPRIETARY FUNDS STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE YEAR ENDED JUNE 30, 2016

	<b>Business-Type</b>			
	Activities			
	Dolphin	Dolphin Center Fund		
OPERATING REVENUE				
Other local revenues	\$	59,950		
Total operating revenues		59,950		
OPERATING EXPENSE				
Salaries and benefits		76,722		
Supplies and materials		3,197		
Professional services		7,681		
Total operating expenses		87,600		
Operating income/(loss)		(27,650)		
NON-OPERATING REVENUES/(EXPENSES)				
Interest income		12		
Grant income		967		
Transfers in		26,671		
Total non-operating revenues/(expenses)		27,650		
CHANGE IN NET POSITION		-		
Net Position - Beginning		-		
Net Position - Ending	\$	-		

#### COLD SPRING SCHOOL DISTRICT PROPRIETARY FUNDS STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2016

	Business-Type Activities  Dolphin Center Fund	
Cash flows from operating activities		
Cash received from user charges	\$	21,386
Cash payments for payroll, insurance, and operating costs		(48,257)
Net cash provided by (used for) operating activities		(26,871)
Cash flows from non-capital financing activities		
Non-operating grants received		967
Interfund transfers in (out)		26,671
Net cash provided by (used for) non-capital financing activities		27,638
Cash flows from investing activities		
Interest received		12
Net cash provided by (used for) investing activities		12
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		779
CASH AND CASH EQUIVALENTS		
Beginning of year		-
End of year	\$	779
Reconciliation of operating income (loss) to cash		
provided by (used for) operating activities		
Operating income (loss)	\$	(27,650)
Adjustments to reconcile operating income (loss) to net cash		
provided by (used in) operating activities:		
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable		(19,514)
(Increase) decrease in due from other funds		(19,050)
Increase (decrease) in accounts payable		601
Increase (decrease) in due to other funds		38,742
Net cash provided by (used for) operating activities	\$	(26,871)

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Financial Reporting Entity

The Cold Spring School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

The District operates under a locally elected Board form of government and provides educational services to grades K-6 as mandated by the state. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student-related activities.

#### B. Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. The District has no such component units.

#### C. Basis of Presentation

Government-Wide Statements. The statement of net position and the statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenue, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenue for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reserved for 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 of 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 program or business segment is self-financing or draws from the general revenues of the District.

#### C. Basis of Presentation (continued)

**Fund Financial Statements.** The fund financial statements provide information about the District's funds, including its proprietary funds. Separate statements for each fund category – governmental, and proprietary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

Governmental funds are used to account for activities that are governmental in nature. Governmental activities are typically tax-supported and include education of pupils, operation of food service and child development programs, construction and maintenance of school facilities, and repayment of long-term debt.

Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the District, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting.

#### **Major Governmental Funds**

**General Fund:** The General Fund is the main operating fund of the District. It is used to account for all activities except those that are required to be accounted for in another fund. In keeping with the minimum number of funds principle, all of the District's activities are reported in the General Fund unless there is a compelling reason to account for an activity in another fund. A District may have only one General Fund.

**Building Fund:** This fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code Section* 15146) and may not be used for any purposes other than those for which the bonds were issued. Other authorized revenues to the Building Fund are proceeds from the sale or lease-with-option-to-purchase of real property (*Education Code Section* 17462) and revenue from rentals and leases of real property specifically authorized for deposit into the fund by the governing board (*Education Code Section* 41003).

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

**Bond Interest and Redemption Fund:** This fund is used for the repayment of bonds issued for the District (*Education Code Sections* 15125–15262). The board of supervisors of the county issues the bonds. The proceeds from the sale of the bonds are deposited in the county treasury to the Building Fund of the District. Any premiums or accrued interest received from the sale of the bonds must be deposited in the Bond Interest and Redemption Fund of the District. The county auditor maintains control over the District's Bond Interest and Redemption Fund. The principal and interest on the bonds must be paid by the county treasurer from taxes levied by the county auditor-controller.

#### C. Basis of Presentation (continued)

#### Non-Major Governmental Funds

**Capital Project Funds:** 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: This fund is used primarily to account separately for moneys received from fees levied on developers or other agencies as a condition of approving a development (*Education Code Sections* 17620–17626). The authority for these levies may be county/city ordinances (*Government Code Sections* 65970–65981) or private agreements between the District and the developer. Interest earned in the Capital Facilities Fund is restricted to that fund (*Government Code Section* 66006).

#### **Proprietary Funds**

**Enterprise Funds:** Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services.

**Dolphin Center Fund:** This fund is used to account for the activities of the District's Dolphin Center.

#### D. <u>Basis of Accounting - Measurement Focus</u>

#### **Government-Wide and Proprietary Financial Statements**

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Net Position equals assets and deferred outflows of resources minus liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The net position should be reported as restricted when constraints placed on its 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. The net position restricted for other activities results from special revenue funds and the restrictions on their use.

Proprietary funds distinguish operating revenues and expenses from non operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

#### **Governmental Funds**

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Governmental funds use the modified accrual basis of accounting.

#### D. <u>Basis of Accounting – Measurement Focus (continued)</u>

#### Revenues – Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under 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 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. Generally, "available" means collectible within the current period or within 60 days after year-end. However, to achieve comparability of reporting among California school districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for school districts as collectible within one year.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from the grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

#### **Unearned Revenue**

Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

Certain grants received that have not met eligibility requirements are recorded as unearned revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as unearned revenue.

#### **Expenses/Expenditures**

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

#### COLD SPRING SCHOOL DISTRICT NOTES TO FINANCIAL STATEMENTS, continued JUNE 30, 2016

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position

#### **Cash and Cash Equivalents**

The District's cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

#### **Investments**

Investments 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.

#### **Inventories**

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time the individual inventory items are requisitioned. Inventories are valued at historical cost and consist of expendable supplies held for consumption.

#### **Capital Assets**

The accounting and reporting treatment applied to the capital assets associated with a fund is determined by its measurement focus. Capital assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their acquisition value as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not own any infrastructure as defined in GASB Statement No. 34. 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. All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following estimated useful lives:

#### **Asset Class**

Buildings and Improvements Furniture and Equipment Vehicles

#### **Estimated Useful Life**

20 to 50 years 5 to 20 years 8 years

#### **Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Due from other funds/Due to other funds." These amounts are eliminated in the governmental activities columns of the statement of net position.

### E. <u>Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net</u> Position (continued)

#### **Compensated Absences**

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. 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 resource. These amounts are recorded in the fund from which the employees who have accumulated leave are paid.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken because such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

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

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

#### **Premiums and Discounts**

In the government-wide and proprietary fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method.

#### **Deferred Outflows/Deferred Inflows of Resources**

In addition to assets, the District will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the District will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

#### **Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit pension plans (the Plans) of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

## E. <u>Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)</u>

#### **Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

*Nonspendable* - The nonspendable fund balance classification reflects amounts that are not in spendable form. Examples include inventory, prepaid items, the long-term portion of loans receivable, and nonfinancial assets held for resale. This classification also reflects amounts that are in spendable form but that are legally or contractually required to remain intact, such as the principal of a permanent endowment.

Restricted - The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Governing Board. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. In contrast to restricted fund balance, committed fund balance may be redirected by the government to other purposes as long as the original constraints are removed or modified in the same manner in which they were imposed, that is, by the same formal action of the Governing Board.

Assigned - The assigned fund balance classification reflects amounts that the government *intends* to be used for specific purposes. Assignments may be established either by the Governing Board or by a designee of the governing body, and are subject to neither the restricted nor committed levels of constraint. In contrast to the constraints giving rise to committed fund balance, constraints giving rise to assigned fund balance are not required to be imposed, modified, or removed by formal action of the Governing Board. The action does not require the same level of formality and may be delegated to another body or official. Additionally, the assignment need not be made before the end of the reporting period, but rather may be made any time prior to the issuance of the financial statements.

*Unassigned* - In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes. However, deficits in any fund, including the General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

#### F. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental activities columns of the statement of activities.

#### G. 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.

#### H. 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. For purposes of the budget, on-behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

#### I. 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 Auditor-Controller bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

#### J. New Accounting Pronouncements

**GASB Statement No. 72** – In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This standard addresses accounting and financial reporting issues related to fair value measurements. The Statement is effective for periods beginning after June 15, 2015. The District has implemented GASB Statement No. 72 for the year ended June 30, 2016.

GASB Statement No. 73 – In June 2015, GASB issued Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. This standard establishes requirements for defined benefit pensions that are not within the scope of GASB Statement 68 and amends certain provisions of GASB Statements 67 and 68. A portion of this Statement is effective for periods beginning after June 15, 2015. The District has implemented GASB Statement No. 73 for the year ended June 30, 2016.

**GASB Statement No. 75** – In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This standard's primary objective is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. The Statement is effective for periods beginning after June 15, 2017. The District has not yet determined the impact on the financial statements.

**GASB Statement No. 80** – In January 2016, GASB issued Statement No. 80, Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14. This standard's primary objective is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The Statement is effective for periods beginning after June 15, 2016. The District has not yet determined the impact on the financial statements.

#### **NOTE 2 – CASH AND INVESTMENTS**

#### A. Summary of Cash and Investments

	Governmental		<b>Business-Type</b>		
		Funds		Activities	
Investment in county treasury	\$	1,904,928	\$	779	
Total cash and investments	\$	1,904,928	\$	779	

#### **B.** 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; collateralized mortgage obligations; and the County Investment Pool.

**Investment in County Treasury** – The District maintains substantially all of its cash in the County Treasury in accordance with *Education Code Section* 41001. The Santa Barbara County Treasurer's pooled investments are managed by the County Treasurer who reports on a monthly basis to the board of supervisors. In addition, the function of the County Treasury Oversight Committee is to review and monitor the County's investment policy. The committee membership includes the Treasurer and Tax Collector, the Auditor-Controller, Chief Administrative Officer, Superintendent of Schools Representative, and a public member. The fair value of the District's investment in the pool is based upon the District's pro-rata share of the fair value 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.

#### NOTE 2 - CASH AND INVESTMENTS (continued)

#### C. General Authorizations

Except for investments by trustees of debt proceeds, the authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website. The table below identifies the investment types permitted by California Government Code.

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

#### D. 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 investing in the County Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately \$1,910,927 and an amortized book value of \$1,905,707. The average weighted maturity for this pool is 419 days.

#### E. 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. The investments in the County Treasury are not required to be rated. As of June 30, 2016, the pooled investments in the County Treasury were not rated.

#### NOTE 2 - CASH AND INVESTMENTS (continued)

#### F. 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. 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 agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2016, the District's bank balance was not exposed to custodial credit risk.

#### G. Fair Value

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, either directly or indirectly.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonable available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the Santa Barbara County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

The District's fair value measurements at June 30, 2016 were as follows:

	of I	nvestments
	Un	categorized
Investment in county treasury	\$	1,910,927
Total fair market value of investments	\$	1,910,927

Fair Market Value

#### NOTE 3 – ACCOUNTS RECEIVABLE

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

	Gen	General Fund		Building Fund		ecial Reserve ad for Capital tlay Projects	d for Capital Governmental Go		Total Governmental Activities		 l Business- e Activities
Federal Government											-
Categorical aid	\$	37	\$	-	\$	-	\$	-	\$	37	\$ -
State Government											
Categorical aid		14		-		-		-		14	-
Lottery		10,769		-		-		-		10,769	-
Local Government											
Other local sources		69,283		497		605		21,563		91,948	28,859
Total	\$	80,103	\$	497	\$	605	\$	21,563	\$	102,768	\$ 28,859

#### **NOTE 4 – CAPITAL ASSETS**

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

	Balance						Balance	
	July 01, 2015			Additions	Deletions	June 30, 2016		e 30, 2016
Governmental Activities								
Capital assets not being depreciated								
Land	\$	122,906	\$	-	\$	-	\$	122,906
Construction in progress		12,450		104,727		-		117,177
Total Capital Assets not Being Depreciated		135,356		104,727		-		240,083
Capital assets being depreciated								
Buildings & improvements		5,541,013		-		-		5,541,013
Furniture & equipment		143,205		-		-		143,205
Total Capital Assets Being Depreciated		5,684,218		-		-		5,684,218
Less Accumulated Depreciation								
Buildings & improvements		1,832,582		199,953		-		2,032,535
Furniture & equipment		135,360		560		-		135,920
Total Accumulated Depreciation		1,967,942		200,513		-		2,168,455
Governmental Activities								
Capital Assets, net	\$	3,851,632	\$	(95,786)	\$	-	\$	3,755,846

#### **NOTE 4 – CAPITAL ASSETS (continued)**

Depreciation expense was charged to governmental activities, as follows:

#### **Governmental Activities**

Instruction	\$ 129,770
Instructional supervision and administration	5,396
Instructional library, media, and technology	5,467
School site administration	20,032
All other general administration	17,493
Plant services	22,197
Ancillary services	158
	\$ 200,513

#### **NOTE 5 – INTERFUND TRANSACTIONS**

#### A. Interfund Receivables/Payables (Due From/Due To)

Individual interfund receivable and payable balances at June 30, 2016 were as follows:

	Due From Other Funds									
			Do	olphin Center						
Due To Other Funds	Gen	eral Fund		Fund		Total				
General Fund	\$	-	\$	26,841	\$	26,841				
Dolphin Center Fund		55,830		-		55,830				
Total Due From Other Funds	\$	55,830	\$	26,841	\$	82,671				
The Dolphin Center Fund owed the General Fund for o	perational cash fl	ow.			\$	55,830				
The General Fund owed the Dolphin Center Fund for o	perational expend	ditures.				26,841				
Total					\$	82,671				

#### B. Operating Transfers

Interfund transfers for the year ended June 30, 2016 consisted the General Fund transferring to the Dolphin Center Fund \$26,671 for operating expenditures.

#### **NOTE 6 – ACCRUED LIABILITIES**

Accrued liabilities at June 30, 2016 consisted of the following:

			Spe	ecial Reserve			Total		
			Fur	nd for Capital		G	overnmental	T	otal Business-
	Ger	neral Fund	Οι	ıtlay Projects	District-Wide		Activities	T	ype Activities
Vendors payable	\$	179,575	\$	300	\$ -	\$	179,875	\$	649
Unmatured interest		-		-	56,779		56,779		-
Total	\$	179,575	\$	300	\$ 56,779	\$	236,654	\$	649

#### **NOTE 7 – LONG-TERM DEBT**

A schedule of changes in long-term debt for the year ended June 30, 2016 consisted of the following:

	Balance ly 01, 2015	Additions	Deductions	Balance June 30, 2016	Balance Due In One Year
Governmental Activities					
General obligation bonds	\$ 4,413,899	\$ 97 <i>,</i> 795	\$ 160,000	\$ 4,351,694	\$ 148,604
Compensated absences	4,730	-	2,275	2,455	-
Net OPEB obligation	158,796	12,110	-	170,906	-
Net pension liability	2,283,279	203,846	-	2,487,125	-
Total	\$ 6,860,704	\$ 313,751	\$ 162,275	\$ 7,012,180	\$ 148,604

Payments for bonds associated with general obligation bonds are made in the Bond Interest and Redemption Fund. Payments for compensated absences are typically liquidated in the General Fund.

#### A. General Obligation Bonds

The outstanding general obligation bonded debt of the District as of June 30, 2015 is:

Bonds
Outstanding
ine 30, 2016
1,805,000
1,656,101
890,593
4,351,694

#### 2007 General Obligation Refunding Bonds

On April 10, 2007, the District issued \$2,700,000 of General Obligation Refunding Bonds, with interest rates ranging from 3.900 to 4.100 percent, to refund certain outstanding general obligation bonds. The 2007 General Obligation Refunding Bonds were issued as current interest bonds. At June 30, 2016, the principal balance outstanding was \$1,805,000.

#### NOTE 7 - LONG-TERM DEBT (continued)

#### A. General Obligation Bonds (continued)

#### Election 2008, Series 2009A

On November 10, 2009, the District issued \$1,578,434 of Series 2009A General Obligation Bonds, with interest rates ranging from 2.000 to 6.310 percent, to finance new construction and additions to and modernization of school facilities for the District. The 2009A General Obligation Bonds were issued as both current interest and capital appreciation bonds, with the value of capital appreciation bonds accreting \$93,434, and an aggregate principal debt service balance of \$740,000. At June 30, 2016, the Series 2009 A General Obligation Bonds principal balance outstanding was \$1,656,101.

#### Election 2008, Series 2009B

On November 10, 2009, the District issued \$861,109 of Series 2009B General Obligation Bonds, with interest rates ranging from 3.410 to 6.400 percent, to finance new construction and additions to and modernization of school facilities for the District. The 2009B General Obligation Bonds were issued as both current interest and capital appreciation bonds, with the value of capital appreciation bonds accreting \$696,109, and an aggregate principal debt service balance of \$1,880,000. At June 30, 2016, the Series 2009 A General Obligation Bonds principal balance outstanding was \$890,593.

The annual requirements to amortize general obligation bonds payable outstanding as of June 30, 2016, are as follows:

Year Ended June 30,	Principal	Interest	Total
2017	\$ 148,604	\$ 178,171 \$	326,775
2018	165,512	167,685	333,197
2019	170,512	166,081	336,593
2020	178,044	166,125	344,169
2021	180,576	166,668	347,244
2022 - 2026	1,116,680	757,625	1,874,305
2027 - 2031	567,398	972,696	1,540,094
2032 - 2036	381,737	1,059,469	1,441,206
2037 - 2040	1,245,000	132,375	1,377,375
Accretion	 197,631	(197,631)	-
Total	\$ 4,351,694	\$ 3,569,264 \$	7,920,958

#### B. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2016 amounted to \$2,455. This amount is included as part of long-term liabilities in the government-wide financial statements.

#### NOTE 7 - LONG-TERM DEBT (continued)

#### C. Other Postemployment Benefits (OPEB Obligation)

The District implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions during the year ended June 30, 2010. The District's annual required contribution for the year ended June 30, 2016, was \$14,942. Interest and other adjustments on the net OPEB obligation were (\$2,832), which resulted in a net increase to the OPEB obligation of \$12,110. As of June 30, 2016, the net OPEB obligation was \$170,906. See Note 9 for additional information regarding the OPEB obligation and the postemployment benefits plan.

#### D. Net Pension Liability

The District's beginning net pension liability was \$2,283,279 and increased by \$203,846 during the year ended June 30, 2016. The ending net pension liability at June 30, 2016 was \$2,487,125. See Note 10 for additional information regarding the net pension liability.

#### **NOTE 8 – FUND BALANCES**

Fund balances were composed of the following elements at June 30, 2016:

				Spe	ecial Reserve		Non-Major		Total
				Fur	nd for Capital	Bond Interest &	Governmental	G	overnmental
	Ge	neral Fund	<b>Building Fund</b>	Οι	ıtlay Projects	Redemption Fund	Funds		Funds
Non-spendable									
Prepaid expenditures	\$	9,856	\$ -	\$	=	\$ -	\$ -	\$	9,856
Total non-spendable		9,856	-		=	-	-		9,856
Restricted									
Educational programs		60,935	-		-	-	-		60,935
Capital projects		-	341,324		420,291	-	210,362		971,977
Debt service		=	-		-	391,597	-		391,597
Total restricted		60,935	341,324		420,291	391,597	210,362		1,424,509
Assigned									
Postemployment benefits		401	=		=	-	-		401
Total assigned		401	=		=	-	-		401
Unassigned									
Reserve for economic uncertainties		431,900	=		=	-	-		431,900
Total unassigned		431,900	-		=	-	-		431,900
Total	\$	503,092	\$ 341,324	\$	420,291	\$ 391,597	\$ 210,362	\$	1,866,666

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District's Minimum Fund Balance Policy requires a Reserve for Economic Uncertainties, consisting of unassigned amounts, equal to no less than \$50,000 or 5 percent of General Fund expenditures and other financing uses.

#### NOTE 9 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

#### A. Plan Description and Contribution Information

The District provides post-retirement health benefits to all retirees with twenty years of service who retire from the District and must have reached the minimum age of 55. The duration of the benefits is for a maximum of 7 years but not beyond age 65.

Membership of the plan consisted of the following:

Retirees and beneficiaries receiving benefits	4
Active plan members	16
Total*	20
Now have of most distribution and account	1
Number of participating employers	1
*** ( I ! - 1 - 201   ( ! - ! ! - ! - ! - ! -	

<sup>\*</sup>As of July 1, 2015 actuarial study

#### B. Funding Policy

The District's contribution is currently based on a project pay-as-you-go funding method, that is, benefits are payable when due.

As of June 30, 2016, the District has not established a plan or equivalent that contains an irrevocable transfer of assets dedicated to providing benefits to retirees in accordance with the terms of the plan and that are legally protected from creditors.

#### NOTE 9 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

#### C. Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	\$	14,942
Interest on net OPEB obligation		6,352
Adjustment to annual required contribution		(9,184)
Annual OPEB cost (expense)		12,110
Contributions made		-
Increase (decrease) in net OPEB obligation	'	12,110
Net OPEB obligation, beginning of the year		158,796
Net OPEB obligation, end of the year	\$	170,906

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the year ended June 30, 2016 and the preceding two years were as follows:

	Annual			
	OPEB	Percentage		Net OPEB
Year Ended June 30,	Cost	Contributed	(	Obligation
2016	\$ 12,110	0%	\$	170,906
2015	\$ 13,872	0%	\$	158,796
2014	\$ 14,124	0%	\$	144,924

#### NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

#### D. Funded Status and Funding Progress

The funded status of the plan as of the most recent actuarial evaluation consists of the following:

			Actuarial				
Actuarial			Accrued	Unfunded			UAAL as a
Valuation	Actuarial Valu	ation	<b>Liability</b>	AAL		Covered	Percentage of
Date	of Assets		(AAL)	(UAAL)	<b>Funded Ratio</b>	Payroll	Covered Payroll
July 1, 20	15 \$	- \$	112,963	\$ 112,963	0%	\$ 2,087,498	5%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

#### E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2015 valuation, the level percentage of payroll method was used. The assumptions included a 4.0 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 8 percent. The value of plan assets was not calculated in this as there are no assets to value. The plan unfunded accrued liability is being amortized over a 30-year amortization period.

#### **NOTE 10 - PENSION PLANS**

Qualified employees are covered under multiple-employer contributory 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). The District reported its proportionate share of the net pension liabilities, pension expense, deferred outflow of resources, and deferred inflow of resources for each of the above plans as follows:

			]	Deferred	Defe	erred inflows		
	No	et pension	outí	lows related	1	related to		
		liability	to	pensions		pensions	Pens	ion expense
STRS Pension	\$	928,918	\$	167,729	\$	1,129,648	\$	(101,130)
PERS Pension		1,558,207		850,180		154,937		382,134
Total	\$	2,487,125	\$	1,017,909	\$	1,284,585	\$	281,004

#### California State Teachers' Retirement System (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 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.

#### Benefits provided

The CalSTRS defined benefit plan has two benefit formulas:

CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS

CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS

#### CalSTRS 2% at 60

CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.

#### COLD SPRING SCHOOL DISTRICT NOTES TO FINANCIAL STATEMENTS, continued JUNE 30, 2016

#### NOTE 10 - PENSION PLANS (continued)

#### California State Teachers' Retirement System (CalSTRS) (continued)

#### Benefits provided (continued)

#### CalSTRS 2% at 62

CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

#### Contributions

Active plan CalSTRS 2% at 60 and 2% at 62 members are required to contribute 9.20% and 8.56% of their salary for fiscal year 2016, respectively, 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 2016 was 10.73% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were \$167,729 for the year ended June 30, 2016.

#### **On-Behalf Payments**

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately \$103,590 to CalSTRS (7.126% of 2013-14 creditable compensation subject to CalSTRS).

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

At June 30, 2016, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the	
net pension liability	\$ 928,918
State's proportionate share of the net	
pension liability associated with the District	491,293
Total	\$ 1,420,211

#### NOTE 10 - PENSION PLANS (continued)

#### California State Teachers' Retirement System (CalSTRS) (continued)

## Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2015, the District's proportion was 0.001 percent, which did not change from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of (\$101,130). In addition, the District recognized pension expense and revenue of \$38,046 for support provided by the State. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows of Resources		Deferred Inflow of Resources	
\$	-	\$	75,722
	-		15,523
	-		1,038,403
	167,729		-
\$	167,729	\$	1,129,648
	of I	of Resources \$ 167,729	of Resources of \$ - \$ - 167,729

#### COLD SPRING SCHOOL DISTRICT NOTES TO FINANCIAL STATEMENTS, continued JUNE 30, 2016

#### NOTE 10 - PENSION PLANS (continued)

#### California State Teachers' Retirement System (CalSTRS) (continued)

## Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

The \$167,729 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Defe	erred Inflows
Year Ended June 30,	of	Resources
2017	\$	194,585
2018		194,585
2019		194,585
2020		194,585
2021		175,654
2022		175,654
	\$	1,129,648

#### **Actuarial assumptions**

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	3.00%
Investment Yield*	7.60%
Wage Inflation	3.75%

<sup>\*</sup> Net of investment expenses, but gross of administrative expenses.

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2006–June 30, 2010.

#### NOTE 10 - PENSION PLANS (continued)

#### California State Teachers' Retirement System (CalSTRS) (continued)

#### Actuarial assumptions (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance - PCA) as an input to the process. Based on the model from CalSTRS consulting actuary's (Milliman) investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

		Long-Term*
	<b>Assumed Asset</b>	<b>Expected Real</b>
Asset Class	Allocation	Rate of Return
Global Equity	47%	4.50%
Private Equity	12%	6.20%
Real Estate	15%	4.35%
Inflation Sensitive	5%	3.20%
Fixed Income	20%	0.20%
Cash/Liquidity	1%	0.00%
	100%	

<sup>\* 10-</sup>year geometric average

#### COLD SPRING SCHOOL DISTRICT NOTES TO FINANCIAL STATEMENTS, continued JUNE 30, 2016

#### NOTE 10 - PENSION PLANS (continued)

#### California State Teachers' Retirement System (CalSTRS) (continued)

#### Discount rate

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

#### Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.60 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.60 percent) or 1-percentage-point higher (8.60 percent) than the current rate:

	1%		(	Current		1%	
	]	Decrease (6.60%)		count Rate (7.60%)		Increase (8.60%)	
District's proportionate share of		(0.00 /0)		(1100 70)		(0.00 /0)	
the net pension liability	\$	1,402,593	\$	928,918	\$	535,255	

#### Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalSTRS financial report.

#### COLD SPRING SCHOOL DISTRICT NOTES TO FINANCIAL STATEMENTS, continued JUNE 30, 2016

#### NOTE 10 - PENSION PLANS (continued)

#### California Public Employees' Retirement System (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 death 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.

#### Benefits provided

The benefits for the defined benefit plan are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years of credited service.

#### Contributions

Active plan members who entered into the plan prior to January 1, 2013, are required to contribute 7.0% of their salary. The California Public Employees' Pension Reform Act (PEPRA) specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 6.0% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contribution to CalPERS unless the employer payment of the member's contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

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 2016 was 11.847% of annual payroll. Contributions to the plan from the District were \$65,387 for the year ended June 30, 2016.

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

At June 30, 2016, the District reported a liability of \$1,558,207 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2015, the District's proportion was 0.011 percent, which was an increase of 0.001 percent from its proportion measured as of June 30, 2014.

#### NOTE 10 - PENSION PLANS (continued)

#### California Public Employees' Retirement System (CalPERS) (continued)

## Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

For the year ended June 30, 2016, the District recognized pension expense of \$382,134. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows</b>		<b>Deferred Inflows</b>	
	of I	of Resources		Resources
Differences between projected and actual earnings on plan investments  Differences between expected and	\$	-	\$	53,353
actual experience		89,054		-
Changes in assumptions Changes in proportion and differences		-		95,741
between District contributions and proportionate share of contributions		695,739		5,843
District contributions subsequent		,		2,0 =2
to the measurement date	\$	65,387 850,180	\$	154,937

The \$65,387 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

sources
48,300
48,300
44,999
13,338
154,937

#### COLD SPRING SCHOOL DISTRICT NOTES TO FINANCIAL STATEMENTS, continued JUNE 30, 2016

#### NOTE 10 - PENSION PLANS (continued)

#### California Public Employees' Retirement System (CalPERS) (continued)

#### **Actuarial assumptions**

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation 2.75% Investment Yield\* 7.65%

Wage Inflation Varies by Entry Age and Service

CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are derived using CalPERS' membership data for all funds. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

The actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the period from 1997 to 2011.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were taken into account. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

<sup>\*</sup> Net of investment expenses, but gross of administrative expenses.

#### NOTE 10 - PENSION PLANS (continued)

#### California Public Employees' Retirement System (CalPERS) (continued)

#### **Actuarial assumptions (continued)**

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

	<b>Assumed Asset</b>	Real Return	<b>Real Return</b>
Asset Class	Allocation	<b>Years 1-10*</b>	Years 11+**
Global Equity	51%	5.25%	5.71%
Global Fixed Income	19%	0.99%	2.43%
Inflation Sensitive	6%	0.45%	3.36%
Private Equity	10%	6.83%	6.95%
Real Estate	10%	4.50%	5.13%
Infrastructure and Forestland	2%	4.50%	5.09%
Liquidity	2%	-0.55%	-1.05%
	100%		

<sup>\*</sup> An expected inflation of 2.5% used for this period

#### Discount rate

The discount rate used to measure the total pension liability was 7.65 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS' website.

#### Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.65 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.65 percent) or 1-percentage-point higher (8.65 percent) than the current rate:

	1%			Current	1%		
	]	Decrease	Dis	scount Rate		Increase	
		(6.65%)	(7.65%)		(8.65%)		
District's proportionate share of							
the net pension liability	\$	2,536,112	\$	1,558,207	\$	745,014	

#### Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report.

<sup>\*\*</sup> An expected inflation of 3.0% used for this period

#### COLD SPRING SCHOOL DISTRICT NOTES TO FINANCIAL STATEMENTS, continued JUNE 30, 2016

#### **NOTE 11 - COMMITMENTS AND CONTINGENCIES**

#### A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2016.

#### B. Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2016.

#### NOTE 12 – PARTICIPATION IN JOINT POWERS AUTHORITIES

The District participates in two joint ventures under joint powers authorities (JPAs), the Self-Insured Schools of California II (SISC II), the Self-Insured Schools of California III (SISC III), and the Self Insurance Program for Employees (SIPE). The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes.

The JPAs 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 JPAs and the District are included in these statements. The audited financial statements are generally available from the respective entities.

# REQUIRED SUPPLEMENTARY INFORMATION

#### COLD SPRING SCHOOL DISTRICT GENERAL FUND – BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2016

	<b>Budgeted Amounts</b>			Actual*		Variances -		
	Original			Final		dgetary Basis)	Final to Actual	
REVENUES								
LCFF sources	\$	3,275,297	\$	3,309,901	\$	3,309,901	\$ -	
Federal sources		28,783		21,893		21,893	-	
Other state sources		109,950		250,510		250,510	-	
Other local sources		145,805		119,948		119,948	<u>-</u>	
Total Revenues		3,559,835		3,702,252		3,702,252	-	
EXPENDITURES								
Certificated salaries		1,423,443		1,554,070		1,554,070	-	
Classified salaries		579,869		661,187		661,187	-	
Employee benefits		653,129		872,039		872,039	-	
Books and supplies		142,656		140,808		140,808	-	
Services and other operating expenditures		312,994		297,309		297,309	-	
Other outgo								
Excluding transfers of indirect costs		236,000		269,362		269,362	-	
Total Expenditures		3,348,091		3,794,775		3,794,775	-	
Excess (Deficiency) of Revenues							·	
Over Expenditures		211,744		(92,523)		(92,523)	-	
Other Financing Sources (Uses)							_	
Transfers in		-		76,948		76,948	-	
Transfers out		(204,701)		(21,878)		(21,878)	-	
Net Financing Sources (Uses)		(204,701)		55,070		55,070		
NET CHANGE IN FUND BALANCE		7,043		(37,453)		(37,453)	-	
Fund Balance - Beginning		300,307		299,080		299,080	-	
Fund Balance - Ending	\$	307,350	\$	261,627	\$	261,627	\$ -	

<sup>\*</sup> The actual amounts reported on this schedule do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance for the following reasons:

Actual amounts reported in this schedule are for the General Fund only, and do not agree with the
amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the
amounts on that schedule include the financial activity of the Special Reserve Fund for Other Than Capital
Outlay Projects and the Special Reserve Fund for Postemployment Benefits, in accordance with the fund
type definitions promulgated by GASB Statement No. 54.

#### COLD SPRING SCHOOL DISTRICT SCHEDULE OF FUNDING PROGRESS FOR THE YEAR ENDED JUNE 30, 2016

			Actuarial				
Actuarial			Accrued	Unfunded			UAAL as a
Valuation	Actuarial Valuat	tion	Liability	AAL		Covered	Percentage of
Date	of Assets		(AAL)	(UAAL)	<b>Funded Ratio</b>	Payroll	Covered Payroll
July 1, 201	5 \$	- \$	112,963	\$ 112,963	0%	\$ 2,087,498	5%
July 1, 201	2 \$	- \$	148,008	\$ 148,008	0%	\$ 1,712,607	9%
July 1, 200	9 \$	- \$	281,234	\$ 281,234	0%	\$ 1,703,928	17%

## COLD SPRING SCHOOL DISTRICT SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALSTRS

#### FOR THE YEAR ENDED JUNE 30, 2016

	Ju	ne 30, 2016	Ju	ne 30, 2015
District's proportion of the net pension liability		0.001%		0.001%
District's proportionate share of the net pension liability	\$	928,918	\$	1,838,586
States's proportionate share of the net pension liability associated with the District Total	\$	491,293 1,420,211	\$	1,110,218 2,948,804
District's covered-employee payroll	\$	1,555,335	\$	1,482,738
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll		59.7%		124.0%
Plan fiduciary net position as a percentage of the total pension liability.		76.5%		76.5%

## COLD SPRING SCHOOL DISTRICT SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALPERS

FOR THE YEAR ENDED JUNE 30, 2016

	Ju	ne 30, 2016	Jun	e 30, 2015
District's proportion of the net pension liability		0.011%		0.010%
District's proportionate share of the net pension liability	\$	1,558,207	\$	444,693
District's covered-employee payroll	\$	554,649	\$	476,859
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll		280.9%		93.3%
Plan fiduciary net position as a percentage of the total pension liability.		83.4%		83.4%

#### COLD SPRING SCHOOL DISTRICT SCHEDULE OF DISTRICT CONTRIBUTIONS - CALSTRS FOR THE YEAR ENDED JUNE 30, 2016

	Ju	ne 30, 2016	June 30, 2015		
Contractually required contribution	\$	167,729	\$	131,638	
Contributions in relation to the contractually required contribution*		(167,729)		(131,638)	
Contribution deficiency (excess)	\$	-	\$		
District's covered-employee payroll	\$	1,555,335	\$	1,482,738	
Contributions as a percentage of covered-employee payroll		10.78%		8.88%	

<sup>\*</sup>Amounts do not include on behalf contributions

#### COLD SPRING SCHOOL DISTRICT SCHEDULE OF DISTRICT CONTRIBUTIONS - CALPERS FOR THE YEAR ENDED JUNE 30, 2016

	Jun	e 30, 2016	June 30, 2015		
Contractually required contribution	\$	65,387	\$	59,069	
Contributions in relation to the contractually required contribution		(65,387)		(59,069)	
Contribution deficiency (excess)	\$		\$		
District's covered-employee payroll	\$	554,649	\$	476,859	
Contributions as a percentage of covered-employee payroll		11.79%		12.39%	

#### COLD SPRING SCHOOL DISTRICT NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2016

#### NOTE 1 – PURPOSE OF SCHEDULES

#### **Budgetary Comparison Schedule**

This schedule is required by GASB Statement No. 34 as required supplementary information (RSI) for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedule presents both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the District's budgetary basis. A separate column to report the variance between the final budget and actual amounts is also presented, although not required.

#### **Schedule of Funding Progress**

This schedule is required by GASB Statement No. 45 for all sole and agent employers that provide other postemployment benefits (OPEB). The schedule presents, for the most recent actuarial valuation and the two preceding valuations, information about the funding progress of the plan, including, for each valuation, the actuarial valuation date, the actuarial value of assets, the actuarial accrued liability, the total unfunded actuarial liability (or funding excess), the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio), the annual covered payroll, and the ratio of the total unfunded actuarial liability (or funding excess) to annual covered payroll.

#### Schedule of the District's Proportionate Share of the Net Pension Liability

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's proportion (percentage) of the collective net pension liability, the District's proportionate share (amount) of the collective net pension liability, the District's proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered-employee payroll, and the pension plan's fiduciary net position as a percentage of the total pension liability.

#### **Schedule of District Contributions**

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's statutorily or contractually required employer contribution, the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the District's covered-employee payroll, and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contributions as a percentage of the District's covered-employee payroll.

#### NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2016, the District incurred no excesses of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code.

# SUPPLEMENTARY INFORMATION

#### COLD SPRING SCHOOL DISTRICT SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA) FOR THE YEAR ENDED JUNE 30, 2016

	Second	
	Period	Annual
	Report	Report
SCHOOL DISTRICT		_
TK/K through Third		
Regular ADA	84.73	84.67
Fourth through Sixth		
Regular ADA	63.85	63.86
TOTAL SCHOOL DISTRICT	148.58	148.53

#### COLD SPRING SCHOOL DISTRICT SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2016

		2015-16		
	Minutes	Actual	Number	
Grade Level	Requirement	Minutes	of Days	Status
Kindergarten	36,000	49,260	180	Complied
Grade 1	50,400	51,790	180	Complied
Grade 2	50,400	51,790	180	Complied
Grade 3	50,400	55,340	180	Complied
Grade 4	54,000	55,340	180	Complied
Grade 5	54,000	55,340	180	Complied
Grade 6	54,000	55,340	180	Complied

#### COLD SPRING SCHOOL DISTRICT SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2016

	20	17 (Budget)	2016	2015	2014
General Fund - Budgetary Basis**					
Revenues And Other Financing Sources	\$	3,641,230	\$ 3,779,200	\$ 3,492,794 \$	3,385,634
Expenditures And Other Financing Uses		3,630,871	3,816,653	3,621,122	3,193,443
Net change in Fund Balance	\$	10,359	\$ (37,453)	\$ (128,328) \$	192,191
Ending Fund Balance	\$	271,986	\$ 261,627	\$ 299,080 \$	427,408
Available Reserves*	\$	452,715	\$ 431,900	\$ 560,555 \$	1,279,970
Available Reserves As A					
Percentage Of Outgo		12.47%	11.32%	15.48%	40.08%
Long-term Debt	\$	6,863,576	\$ 7,012,180	\$ 6,860,704 \$	4,678,808
Average Daily					
Attendance At P-2		165	149	155	160

The General Fund balance has decreased by \$165,781 over the past two years. The fiscal year 2016-17 budget projects an increase of \$10,359. For a District this size, the State recommends available reserves of at least \$50,000 or 5% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years but anticipates incurring an operating surplus during the 2016-17 fiscal year. Total long term obligations have increased by \$2,333,372 over the past two years.

Average daily attendance has decreased by 11 ADA over the past two years. An increase of 16 ADA is anticipated during the 2016-17 fiscal year.

<sup>\*</sup>Available reserves consist of all unassigned fund balance within the General Fund and the Special Reserve Fund for Other Than Capital Outlay Projects.

<sup>\*\*</sup>The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Special Reserve Fund for Other Than Capital Outlay Projects and the Special Reserve Fund for Postemployment Benefits, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

#### COLD SPRING SCHOOL DISTRICT RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

	General	Fu	ecial Reserve nd for Other han Capital Outlay	•	ecial Reserve Fund for temployment
	Fund		Projects	105	Benefits
June 30, 2016, annual financial and budget report fund balance	\$ 261,627	\$	241,064	\$	401
Adjustments and reclassifications:					
Increase (decrease) in total fund balances:					
Fund balance transfer (GASB 54)	241,465		(241,064)		(401)
Net adjustments and reclassifications	241,465		(241,064)		(401)
June 30, 2016, audited financial statement fund balance	\$ 503,092	\$	-	\$	-

	Com!	(a) Ea 2:1:1:		lon-Major	
	Capı	tal Facilities Fund	Go	vernmental Funds	
ASSETS		1 unu		- Lances	
Cash and investments	\$	188,799	\$	188,799	
Accounts receivable		21,563		21,563	
Total Assets	\$	210,362	\$	210,362	
LIABILITIES					
Accrued liabilities	\$	-	\$	_	
<b>Total Liabilities</b>		-			
FUND BALANCES					
Restricted		210,362		210,362	
<b>Total Fund Balances</b>		210,362		210,362	
<b>Total Liabilities and Fund Balance</b>	\$	210,362	\$ 210,362		

## COLD SPRING SCHOOL DISTRICT COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2016

			Non-Major		
	Capit	al Facilities	Governmental		
		Fund		Funds	
REVENUES					
Other local sources	\$	49,493	\$	49,493	
Total Revenues		49,493		49,493	
EXPENDITURES					
Current					
Facilities acquisition and maintenance		11,850		11,850	
Total Expenditures		11,850		11,850	
NET CHANGE IN FUND BALANCE		37,643		37,643	
Fund Balance - Beginning		172,719		172,719	
Fund Balance - Ending	\$	210,362	\$	210,362	

#### COLD SPRING SCHOOL DISTRICT LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2016

The Cold Spring School District is located in Santa Barbara County. During the fiscal year, the District operated one elementary school with grades kindergarten through sixth. There were no changes in the boundaries of the District during the current fiscal year.

#### **GOVERNING BOARD**

Member	Office	Term Expires	
Bryan J. Goligoski	President	2016	
Michael Wasserman	Vice-President	2016	
Jennifer Miller	Clerk	2018	
Kimberly Ferrarin	Trustee	2016	
Gregg Peterson (appointed October 23, 2015)	Trustee	2016	

#### **DISTRICT ADMINISTRATORS**

Dr. Tricia T. Price

District Superintendent/Principal

### COLD SPRING SCHOOL DISTRICT NOTES TO SUPPLEMENTARY INFORMATION JUNE 30, 2016

#### NOTE 1 – PURPOSE OF SCHEDULES

#### **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**

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 46208. During the year ended June 30, 2016, the District participated in the Longer Day incentive funding program. As of June 30, 2016, the District had not yet met its target funding.

#### **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.

#### 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 Annual Financial and Budget Report Unaudited Actuals to the audited financial statements.

#### <u>Combining Statements – Non-Major Funds</u>

These statements provide information on the District's non-major funds.

#### **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.

# OTHER INDEPENDENT AUDITORS' 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 GOVERNMENT AUDITING STANDARDS

**Independent Auditors' Report** 

Governing Board Cold Spring School District Santa Barbara, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Cold Spring School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Cold Spring School District's basic financial statements, and have issued our report thereon dated December 13, 2016.

#### **Internal Control over Financial Reporting**

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

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

Christy White, CPA

Michael Ash, CPA

**Heather Rubio** 

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State Board of Accountancy

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

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Cold Spring 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*.

#### **Purpose of this Report**

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

San Diego, California December 13, 2016

Christy White associates



#### REPORT ON STATE COMPLIANCE

**Independent Auditors' Report** 

Christy White, CPA
Michael Ash, CPA

**Heather Rubio** 

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#### **Report on State Compliance**

We have audited Cold Spring School District's compliance with the types of compliance requirements described in the 2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting, issued by the California Education Audit Appeals Panel that could have a direct and material effect on each of Cold Spring School District's state programs for the fiscal year ended June 30, 2016, as identified below.

#### Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

#### Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Cold Spring School District's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the 2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about Cold Spring School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with the requirements referred to above. However, our audit does not provide a legal determination of Cold Spring School District's compliance with those requirements.

#### Opinion on State Compliance

In our opinion, Cold Spring School District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2016.

#### **Procedures Performed**

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

	<b>PROCEDURES</b>
PROGRAM NAME	PERFORMED
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Not Applicable
Continuation Education	Not Applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Not Applicable
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes

## Procedures Performed (continued)

	PROCEDURES
PROGRAM NAME	PERFORMED
After School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
Immunizations	Yes
Attendance; for charter schools	Not Applicable
Mode of Instruction; for charter schools	Not Applicable
Nonclassroom-Based Instruction/Independent Study;	
for charter schools	Not Applicable
Determination of Funding for Nonclassroom-Based	
Instruction; for charter schools	Not Applicable
Annual Instructional Minutes – Classroom Based; for	
charter schools	Not Applicable
Charter School Facility Grant Program	Not Applicable

Christy White associates

San Diego, California December 13, 2016

# SCHEDULE OF FINDINGS AND QUESTIONED COSTS

# COLD SPRING SCHOOL DISTRICT SUMMARY OF AUDITORS' RESULTS FOR THE YEAR ENDED JUNE 30, 2016

FINANCIAL STATEMENTS	
Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Non-compliance material to financial statements noted?	No
FEDERAL AWARDS  The District was not subject to Uniform Guidance Single Audit for the year ended  June 30, 2016 because federal award expenditures did not exceed \$750,000.	
STATE AWARDS	
Internal control over state programs:	
Material weaknesses identified?	No
Significant deficiency(ies) identified?	None Reported
Type of auditors' report issued on compliance for state programs:	Unmodified

## COLD SPRING SCHOOL DISTRICT FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2016

**FIVE DIGIT CODE** 

**AB 3627 FINDING TYPE** 

20000 30000 Inventory of Equipment Internal Control

The District had no financial statement findings for the year ended June 30, 2016.

# COLD SPRING SCHOOL DISTRICT STATE AWARD FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016

<b>FIVE DIGIT CODE</b>	AB 3627 FINDING TYPE
10000	Attendance
40000	State Compliance
42000	Charter Schools Facilities Program
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

The District had no State award findings or questioned costs for the year ended June 30, 2016.

# COLD SPRING SCHOOL DISTRICT SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2016

The District did not have any prior audit findings for the fiscal year ended June 30, 2015.