

**COLD SPRING SCHOOL DISTRICT
COUNTY OF SANTA BARBARA
SANTA BARBARA, CALIFORNIA**

**AUDIT REPORT
June 30, 2013**

COLD SPRING SCHOOL DISTRICT
TABLE OF CONTENTS
JUNE 30, 2013

FINANCIAL SECTION

Independent Auditors' Report.....	1
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position.....	3
Statement of Activities.....	4
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	6
Reconciliation of the Governmental Funds Balance Sheet	
to the Statement of Net Position.....	8
Statement of Revenues, Expenditures, and Changes in	
Fund Balances – Governmental Funds.....	10
Reconciliation of the Governmental Funds Statement of	
Revenues, Expenditures, and Changes in Fund Balances	
to the Statement of Activities.....	12
Statement of Fiduciary Assets and Liabilities – Fiduciary Fund	13
Notes to Basic Financial Statements	14

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule:	
General Fund	29
Schedule of Funding Progress for Post Employment Benefits	
Other than Pensions	30

SUPPLEMENTARY INFORMATION SECTION

Combining Fund Financial Statements and Individual Fund Schedules:	
Combining Statements – Nonmajor Funds:	
Combining Balance Sheet – Nonmajor Governmental Funds.....	31
Combining Statement of Revenues, Expenditures, and Changes in	
Fund Balances – Nonmajor Governmental Funds	32
Individual Nonmajor Fund Budgetary Comparison Schedules:	
Deferred Maintenance Fund	33
Capital Facilities Fund	34
Organization	35
Schedule of Average Daily Attendance	36
Schedule of Instructional Time	37
Schedule of Financial Trends and Analysis	38
Schedule of Expenditures of Federal Awards	39
Note to Schedule of Expenditures of Federal Awards.....	40
Reconciliation of Annual Financial and Budget Report	
with Audited Financial Statements	42
Independent Auditors' Report on Internal Control Over Financial Reporting and on	
Compliance and Other Matters Based on an Audit of Financial Statements	
Performed in Accordance with <i>Government Auditing Standards</i>	44
Independent Auditors' Report on State Compliance	46

FINDINGS AND RECOMMENDATIONS SECTION

Schedule of Audit Findings and Questioned Costs	49
Schedule of Prior Fiscal Year Audit Findings and Questioned Costs	54

FINANCIAL SECTION



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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Cold Spring School District
Santa Barbara, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information for the Cold Spring School District (District) as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the Education Audit Appeals Panel's *Standards and Procedures for Audits of California K-12 Local Educational Agencies*. 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 auditors' 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.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Cold Spring School District, as of June 30, 2013, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

COLD SPRING SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2013

Assets	Governmental Activities
Cash in county treasury	\$ 1,930,539
Revolving cash fund	2,000
Accounts receivable	70,351
Prepaid expenses	4,200
Land	122,906
Work in progress	17,775
Buildings and improvements	5,496,013
Equipment	143,205
Less accumulated depreciation	(1,566,918)
Deferred charges, net of accumulated amortization	113,367
Total assets	6,333,438
Liabilities	
Accounts payable	27,715
Interest payable	72,519
Long-term liabilities:	
Due within one year:	
General obligation bonds payable	129,393
Total due within one year	229,627
Due after one year:	
Interest payable	214,230
General obligation bonds payable	4,435,150
OPEB payable	130,800
Total due after one year	4,780,180
Total liabilities	5,009,807
Net Position	
Net investment in capital assets	104,750
Restricted for:	
Educational programs	2,151
Capital projects	132,943
Debt service	105,776
Unrestricted	978,011
Total net position	\$ 1,323,631

The accompanying notes are an integral part of this statement.

Net (Expense)
Revenue and
Changes in
Net Position

\$ (1,995,497)

(51,429)

(80,808)

(290,332)

(203,855)

(337,376)

(52,060)

(239,325)

(121,168)

(197,962)

(3,569,812)

2,798,863

273,919

150,660

10,364

276,410

3,510,216

(59,596)

1,383,227

\$ 1,323,631

Special Reserve Fund	Bond Interest & Redemption Fund	Other Governmental Funds	Total Governmental Funds
\$ 49,097	\$ 392,236	\$ 137,067	\$ 1,930,539
-	-	-	2,000
39	289	107	70,351
-	-	-	4,200
<u>49,136</u>	<u>392,525</u>	<u>137,174</u>	<u>2,007,090</u>
\$ 17,775	\$ -	\$ -	\$ 27,715
<u>17,775</u>	<u>-</u>	<u>-</u>	<u>27,715</u>
-	-	-	6,200
-	392,525	132,943	842,008
31,361	-	4,231	64,148
-	-	-	1,067,019
<u>31,361</u>	<u>392,525</u>	<u>137,174</u>	<u>1,979,375</u>
\$ <u>49,136</u>	\$ <u>392,525</u>	\$ <u>137,174</u>	\$ <u>2,007,090</u>

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Special Reserve Fund	Bond Interest & Redemption Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ (3,406)
-	-	-	2,798,863
-	-	-	20,179
-	588	-	169,278
220	274,399	15,223	560,105
<u>220</u>	<u>274,987</u>	<u>15,223</u>	<u>3,545,019</u>
-	-	-	1,989,364
-	-	-	446,968
-	-	-	51,427
-	-	-	204,346
20,107	-	4,427	375,742
-	-	-	121,852
-	100,000	-	100,000
-	171,165	-	171,165
<u>20,107</u>	<u>271,165</u>	<u>4,427</u>	<u>3,460,864</u>
<u>(19,887)</u>	<u>3,822</u>	<u>10,796</u>	<u>84,155</u>
(19,887)	3,822	10,796	84,155
51,248	388,703	126,378	1,895,220
<u>\$ 31,361</u>	<u>\$ 392,525</u>	<u>\$ 137,174</u>	<u>\$ 1,979,375</u>

COLD SPRING SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2013

ASSETS:

Cash on Hand and in Banks
 Total Assets

	Agency Fund
	<hr/>
	Student Body Fund
	<hr/>
\$	764
\$	<hr/> <hr/> 764

LIABILITIES:

Due to Student Groups
 Total Liabilities

\$	764
\$	<hr/> <hr/> 764

The accompanying notes are an integral part of this statement.

COLD SPRING SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

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 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 fiscal 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 assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as unearned revenue. On the governmental funds financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been 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 expenditure 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.

E. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity or retained earnings, revenues, and expenditures or expenses, as appropriate. The District's resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized into major, nonmajor, and fiduciary funds as follows:

Major Governmental Funds:

The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

One fund currently defined as a special revenue fund in the California State Accounting Manual (CSAM) did not meet the GASB Statement No. 54 special revenue definition. The Special Reserve Fund for other than Capital Outlay is not substantially composed of restricted or committed revenue sources. While this fund is authorized by statute and will remain open for internal reporting purposes, this fund functions effectively as an extension of the General Fund, and accordingly has been combined with the General Fund for presentation in these audited financial statements.

The Building Fund is used to account for acquisition of major capital facilities and buildings from the sale of bond proceeds.

The Special Reserve Fund for Capital Outlay is used to set aside funds for projects.

The Bond Interest and Redemption Fund is used to account for general obligation bond interest and redemption of bond principal.

Nonmajor Governmental Funds:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The District maintains one nonmajor special revenue fund:

The Deferred Maintenance Fund is used for the purpose of major repair or replacement of the District's property.

COLD SPRING SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. New Accounting Pronouncements (Continued)

Governmental Accounting Standards Board Statement No. 62

For the fiscal year ended June 30, 2013, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 62 "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." This Statement is effective for periods beginning after December 15, 2011. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the FASB and AICPA pronouncements issued on or before November 30, 1989. This Statement specifically identifies and consolidates the accounting and financial reporting provisions that apply to state and local governments. Implementation of the GASB Statement No. 62, did not have an impact on the District's financial statements for the fiscal year ended June 30, 2013.

Governmental Accounting Standards Board Statement No. 63

For the fiscal year ended June 30, 2013, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." This Statement is effective for periods beginning after December 15, 2011. The objective of this Statement is to establish guidance for reporting deferred outflows or resources, deferred inflows of resources, and net position in a statement of financial position. This Statement sets forth framework that specifies where deferred outflows of resources and deferred inflows of resources, as well as assets and liabilities should be displayed. This Statement also specifies how net position, no longer referred to as net assets, should be displayed. Implementation of the Statement and the impact of the District's financial statements are explained in Note 11 – Net Position.

J. Assets, Liabilities, and Equity

1. Deposits and Investments

Cash balances held in banks and in revolving funds are insured up to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institutions is fully insured or collateralized.

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Santa Barbara County Treasury. The County pools these funds with those of other districts in the County and invests the cash. These pooled funds are carried at fair value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et. seq.. The funds maintained by the County are either secured by the Federal Depository Insurance Corporation or are collateralized.

Information regarding the amount of dollars invested in derivatives with the Santa Barbara County Treasury was not available.

2. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as interfund receivables/payables.

3. Prepaid Items

The District has the option of reporting expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure during the period benefited.

4. Amortization of Bond Expense and Bond Discounts

The cost of issuance of bonds is being amortized on the straight line method over the life of the bonds on the government-wide statements.

COLD SPRING SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Assets, Liabilities, and Equity (Continued)

7. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District. The liabilities are recognized in the General Fund at fiscal year end.

Accumulated employee 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 since 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.

8. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position.

9. Fund Balances

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance – represents amounts that can only be used for a specific purpose because of a formal action by the District's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance – represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purpose of the District.

Unassigned Fund Balance – represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

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

COLD SPRING SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 2 - CASH AND INVESTMENTS (Continued)

Cash on Hand, in Banks, and in Revolving Fund

Cash balance on hand and in banks (\$764 as of June 30, 2013) and in the revolving fund (\$2,000) are insured up to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

Investments Authorized by the District's Investment Policy

The District's investment policy only authorizes investment in the local government investment pool administered by the County of Santa Barbara. The District's investment policy does not contain any specific provisions intended to limit the District's exposure to interest rate risk, credit risk, and concentration of credit risk.

Disclosures Relating to 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. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Remaining Maturity (in Months)</u>			
		<u>12 Months Or Less</u>	<u>13-24 Months</u>	<u>25-60 Months</u>	<u>More than 60 Months</u>
Santa Barbara County Investment Pool	\$ 1,930,539	\$ 1,930,539	\$ -	\$ -	\$ -
Total	\$ 1,930,539	\$ 1,930,539	\$ -	\$ -	\$ -

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District's investments.

Disclosures Relating to Credit Risk

Generally, 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 rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Fiscal Year End</u>		
				<u>AAA</u>	<u>Aa</u>	<u>Not Rated</u>
Santa Barbara County Investment Pool	\$1,930,539	N/A	\$ -	\$ -	\$ -	\$1,930,539
Total	\$1,930,539		\$ -	\$ -	\$ -	\$1,930,539

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

COLD SPRING SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 5 – CAPITAL ASSETS AND DEPRECIATION (Continued)

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
Less accumulated depreciation for:				
Buildings and improvements	\$ 1,235,276	\$ 197,402	\$	\$ 1,432,678
Equipment	133,680	560		134,240
Total accumulated depreciation	<u>1,368,956</u>	<u>197,962</u>		<u>1,566,918</u>
Total capital assets, being depreciated, net	<u>\$ 4,249,620</u>	<u>\$ (177,320)</u>	<u>\$ -</u>	<u>\$ 4,072,300</u>
Governmental activities, capital assets, net	<u>\$ 4,372,526</u>	<u>\$ (159,545)</u>	<u>\$ -</u>	<u>\$ 4,212,981</u>

Depreciation expense was charged to governmental activities, as follows:

Governmental Activities:

Unallocated	<u>\$ 197,962</u>
Total depreciation expense	<u>\$ 197,962</u>

NOTE 6 - BONDED DEBT

The outstanding general obligation bonded debt of the Cold Spring School District at June 30, 2013, is:

Date Of Issue	Interest Rate	Maturity Date	Amount of Original Issue	Outstanding July 1, 2012	Issued Current Fiscal Year	Redeemed Current Fiscal Year	Outstanding June 30, 2013
2007	3.9%-4.1%	2027	\$ 2,430,000	\$2,240,000	\$ -	\$ 100,000	\$ 2,140,000
2009	5.0%-10.0%	2039	1,578,434	1,578,434			1,578,434
2009	2.0%-10.0%	2034	861,109	846,109			846,109
			<u>\$ 4,869,543</u>	<u>\$4,664,543</u>	<u>\$ -</u>	<u>\$ 100,000</u>	<u>\$ 4,564,543</u>

The annual requirements to amortize general obligation bonds payable outstanding as of June 30, 2013, are as follows:

Fiscal Year Ended June 30	Principal	Interest	Total
2014	\$ 129,393	\$ 176,022	\$ 305,415
2015	140,286	175,729	316,015
2016	140,802	175,613	316,415
2017	148,604	178,171	326,775
2018	165,512	167,685	333,197
2019-2023	940,028	807,838	1,747,866
2024-2028	1,173,220	793,566	1,966,786
2029-2033	144,652	1,121,598	1,266,250
2034-2038	897,046	662,910	1,559,956
2039-2040	<u>685,000</u>	<u>35,125</u>	<u>720,125</u>
Totals	<u>\$ 4,564,543</u>	<u>\$ 4,294,257</u>	<u>\$ 8,858,800</u>

COLD SPRING SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 9 – EMPLOYEES’ RETIREMENT SYSTEMS (Continued)

California Public Employees’ Retirement System (CalPERS) (Continued)

Funding Policy

Active plan members are required to contribute 7.0% of their salary and the Cold Spring School 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 the fiscal year 2012-2013, was 11.417% of annual payroll. The contribution requirements of Plan members are established by State statutes. The Cold Spring School District's contributions to CalPERS for the fiscal years ending June 30, 2013, 2012, and 2011, were \$43,702, \$48,100, and \$46,574, respectively, and equal 100% of the required contributions for each fiscal year.

NOTE 10 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

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 are for a maximum of 7 years but not beyond age 65.

Funding Policy

The District pays 100% of the health benefits for one retiree up to a predetermined –annual cap of \$5,000 per retiree. During fiscal year 2012-2013, expenditures of \$5,000 were recognized for post-retirement health insurance contributions on a pay as you go basis. No coverage is provided for dependents or family.

The District is required to contribute the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of the GASB Statement No. 45. The District used the alternate valuation method as allowed under 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 liabilities (or funding excess) over a period not to exceed thirty years.

Annual OPEB Cost and Net OPEB Obligation/(Asset)

The following table shows the components of the District's Annual OPEB Cost for the fiscal year ended June 30, 2013, the amount actually contributed to the plan (including administrative costs), and changes in the District's Net OPEB Obligation/(Asset):

	Fiscal Year Ended
Annual Required Contributions	\$ 16,456
Interest on Net OPEB Obligation/(Asset)	4,590
Annual OPEB costs (expense)	21,046
Contribution made	(5,000)
Increase in Net OPEB Obligations/(Asset)	16,046
Net OPEB Obligations/(Asset) - beginning of fiscal year	114,754
Net OPEB Obligations/(Asset) - end of fiscal year	<u>\$ 130,800</u>

The District's Annual OPEB Cost, the percentage of Annual OPEB Cost contributed to the plan, and the Net OPEB Obligation/(Asset) are as follows:

Fiscal Year Ended	Annual OPEB Cost	Actual Contribution	Percentage of OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	\$ 21,046	\$ 5,000	24%	\$ 130,800
June 30, 2012	\$ 40,132	\$ -	0%	\$ 114,754
June 30, 2011	\$ 38,221	\$ -	0%	\$ 74,622

COLD SPRING SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 12 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Special Reserve Fund	Bond Interest & Redemption Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable						
Revolving cash	\$ 2,000	\$ -	\$ -	\$ -	\$ -	\$ 2,000
Prepaid expenditures	4,200					4,200
Restricted						
Lottery: instructional materials	2,151					2,151
Capital projects		314,389			132,943	447,332
Debt service				392,525		392,525
Assigned						
Deferred maintenance projects					4,231	4,231
Capital projects		28,556	31,361			59,917
Unassigned	1,067,019					1,067,019
Total	<u>\$ 1,075,370</u>	<u>\$ 342,945</u>	<u>\$ 31,361</u>	<u>\$ 392,525</u>	<u>\$ 137,174</u>	<u>\$ 1,979,375</u>

NOTE 13 - JOINT VENTURES (Joint Powers Agreements)

The Cold Spring School District participates in two joint ventures under joint powers agreements (JPA's); the Self-Insured Schools of California II and the Self-Insured Schools of California III. The relationship between the Cold Spring School District and the JPA's are such that none of the JPAs are a component unit of the Cold Spring School District for financial reporting purposes.

The JPAs are independently accountable for their fiscal matters. The insurance groups maintain their own accounting records. Budgets are not subject to any approval other than of the respective governing boards. Member districts share surpluses and deficits proportionately to their participation in the JPA.

The Self-Insured Schools of California II (S.I.S.C. II)

S.I.S.C. II arranges for and provides property and liability insurance for its member school districts. The Cold Spring School District pays a premium commensurate with the level of coverage requested.

The Self-Insured Schools of California III (S.I.S.C. III)

S.I.S.C III arranges for and provides health and welfare insurance for its member school districts. The Cold Spring School District pays a premium commensurate with the level of health and welfare insurance provided.

REQUIRED SUPPLEMENTARY INFORMATION

COLD SPRING SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Revenue Limit Sources:				
State Apportionments	\$ (19,425)	\$ (19,425)	\$ (3,406)	\$ 16,019
Local Sources	2,800,326	2,784,495	2,798,863	14,368
Federal Revenue	22,000	22,000	20,179	(1,821)
Other State Revenue	30,080	108,742	168,690	59,948
Other Local Revenue	166,062	205,250	268,286	63,036
Total Revenues	<u>2,999,043</u>	<u>3,101,062</u>	<u>3,252,612</u>	<u>151,550</u>
Expenditures:				
Current:				
Certificated Salaries	1,249,458	1,358,395	1,349,019	9,376
Classified Salaries	584,406	643,933	643,933	-
Employee Benefits	618,809	688,057	663,499	24,558
Books And Supplies	131,512	136,630	134,524	2,106
Services And Other Operating Expenditures	231,172	231,172	204,882	26,290
Other Outgo	125,000	125,000	121,852	3,148
Total Expenditures	<u>2,940,357</u>	<u>3,183,187</u>	<u>3,117,709</u>	<u>65,478</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>58,686</u>	<u>(82,125)</u>	<u>134,903</u>	<u>217,028</u>
Other Financing Sources (Uses):				
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	58,686	(82,125)	134,903	217,028
Fund Balance, July 1	940,467	940,467	940,467	-
Fund Balance, June 30	<u>\$ 999,153</u>	<u>\$ 858,342</u>	<u>\$ 1,075,370</u>	<u>\$ 217,028</u>

SUPPLEMENTARY INFORMATION SECTION

COLD SPRING SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2013

	Special Revenue Fund <u>Deferred Maintenance Fund</u>	Capital Projects Fund <u>Capital Facilities Fund</u>	Total Nonmajor Governmental Funds
ASSETS:			
Cash in County Treasury	\$ 4,227	\$ 132,840	\$ 137,067
Accounts Receivable	4	103	107
Total Assets	<u>4,231</u>	<u>132,943</u>	<u>137,174</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Total Liabilities	\$ -	\$ -	\$ -
Fund Balances:			
Restricted	-	132,943	132,943
Assigned	4,231	-	4,231
Total Fund Balances	<u>4,231</u>	<u>132,943</u>	<u>137,174</u>
Total Liabilities and Fund Balances	<u>\$ 4,231</u>	<u>\$ 132,943</u>	<u>\$ 137,174</u>

COLD SPRING SCHOOL DISTRICT
DEFERRED MAINTENANCE FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Other Local Revenue	\$ -	\$ 32	\$ 32
Total Revenues	-	32	32
Expenditures:			
Current:			
Services And Other Operating Expenditures	2,195	2,194	1
Total Expenditures	2,195	2,194	1
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,195)	(2,162)	33
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balance	(2,195)	(2,162)	33
Fund Balance, July 1	6,393	6,393	-
Fund Balance, June 30	\$ 4,198	\$ 4,231	\$ 33

COLD SPRING SCHOOL DISTRICT
ORGANIZATION
JUNE 30, 2013

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.

BOARD OF TRUSTEES

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Bryan J. Goligoski	President	2016
Allison Marcillac	Vice-President	2014
Michael Wasserman	Clerk	2014
Matt Marquis	Trustee	2014
Julie Hayashida	Trustee	2016

DISTRICT ADMINISTRATION

Dr. Tricia T. Price, District Superintendent/Principal

COLD SPRING SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Grade Level	1982-83 Actual Minutes	Revised 1982-83 Minutes Requirement	1986-87 Minutes Requirement	Revised 1986-87 Minutes Requirement	2012-13 Actual Minutes	Number of days Traditional Calendar	Status
Kindergarten	32,575	31,670	36,000	35,000	49,320	180	In compliance
Grade 1	49,875	48,940	50,400	49,000	51,405	180	In compliance
Grade 2	49,875	48,940	50,400	49,000	51,405	180	In compliance
Grade 3	49,875	48,940	50,400	49,000	55,310	180	In compliance
Grade 4	53,335	51,853	54,000	52,500	55,310	180	In compliance
Grade 5	53,335	51,853	54,000	52,500	55,310	180	In compliance
Grade 6	53,335	51,853	54,000	52,500	55,310	180	In compliance

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 minutes requirement, whichever is greater by Education Code Section 46201.

The District has not received incentive funding for increasing instructional time as provided by the Incentive for Longer Instructional Day. This schedule presents information on the amount of instruction time offered by the District and whether the District complied with the provisions of Education Code Sections 46201 through 46206.

COLD SPRING SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

<u>Federal Grantor/Pass Through Grantor/Program or Cluster Title</u>	<u>Federal Catalog Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
Federal programs:			
U.S. Department of Education:			
Passed through California			
Department of Education (CDE):			
Title I	84.010	14329	\$ 16,143
Improving teacher quality	84.367	14341	3,569
ARRA Ed Jobs	84.310	25152	<u>463</u>
			<u>20,175</u>
U.S. Department of Agriculture:			
Passed through County of			
Santa Barbara:			
Forest reserve funds	10.665	10044	<u>4</u>
			<u>4</u>
Total expenditures of federal awards			<u><u>\$ 20,179</u></u>

The accompanying note is an integral part of this schedule

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Capital Facilities Fund	Bond Interest and Redemption Fund	(Capital Projects) Special Reserve Fund	Building Fund
<u>\$ 132,943</u>	<u>\$ 392,525</u>	<u>\$ 31,361</u>	<u>\$ 342,945</u>
<u>\$ 132,943</u>	<u>\$ 392,525</u>	<u>\$ 31,361</u>	<u>\$ 342,945</u>

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.

Moss, Renz & Hartgeim LLP

Santa Maria, California
December 13, 2013

<u>Description</u>	<u>Procedures in Panel's Audit Guide</u>	<u>Procedures Performed</u>
Classroom teacher salaries	1	Yes
Early retirement incentive	4	Not applicable
GANN Limit calculation	1	Yes
Class size reduction (including charter schools)		
General requirements	7	Yes
Option one	3	Yes
Option two	4	Not applicable
Only one school serving grades K-3	4	Yes
After school education and safety program:		
General requirements	4	Not applicable
After school	5	Not applicable
Before school	6	Not applicable
Charter schools		
Contemporaneous records of attendance	1	Not applicable
Mode of instruction	1	Not applicable
Nonclassroom-based instruction/independent study	15	Not applicable
Determination of funding for nonclassroom-based study	3	Not applicable
Annual instruction minutes – classroom based	4	Not applicable

Opinion on State Compliance

In our opinion, the Cold Spring School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed in the schedule above for the fiscal year ended June 30, 2013.

This report is intended solely for the information and use of the Board of Trustees, management, State Controller's Office, Department of Finance, and Department of Education, and is not intended to be and should not be used by anyone other than these specified parties.

Moss, Remy & Hutzheim LLP

Santa Maria, California
December 13, 2013

FINDINGS AND RECOMMENDATIONS SECTION

COLD SPRING SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2013

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

Material weaknesses identified?

_____ Yes X No

Significant deficiencies identified not considered
to be material weaknesses?

 X Yes _____ None reported

Noncompliance material to financial statements noted?

_____ Yes X No

State Awards

Internal control over state programs:

Material weaknesses identified?

_____ Yes X No

Significant deficiencies identified not considered
to be material weaknesses?

_____ Yes X None reported

Type of auditors' report issued on compliance
for state programs:

Unmodified

COLD SPRING SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2013

Finding 2013-3: Internal Control Over Dolphin Center Policies and Procedures (30000)

Criteria:

Internal control is a process designed to provide reasonable assurance regarding the achievement of objectives in effectiveness and efficiency of operations, reliability of reporting, and compliance with applicable laws and regulations. Having adequate policies and procedures in place is part of having sound internal controls.

Condition:

When testing the Dolphin Center's receipts, it was noted that several essential operating functions were missing policies and procedures. Even though billing was performed consistently for the most part, there were months or instances when billing was not done on a certain month or account. Late payment and write-off of accounts were done at the discretion of the Dolphin Center Director. Payment collection was not centralized allowing for timely processing and posting on accounts. Cash payments were being kept at the Dolphin Center and used as petty cash for emergency uses. Late pickup fees were given to the Counselor in-charged for that given day.

Cause:

District oversight.

Effect:

Potential for misappropriation of funds due to lack of proper policies and procedures.

Recommendation:

The District should design, implement, and enforce policies and procedures in order to ensure that functions taking place at the Dolphin Center are carried over consistently.

District's Corrective Action Plan:

The Dolphin Center Director, Superintendent, and Business Office will work together to create a policies and procedures manual for Dolphin Center. Policies will be developed in priority order and will address segregation of duties, fees, sign-in/sign-out, collections, billing, payment plans, financial reports, independent review, budget, staffing, petty cash, late pick-up and annual letters.

Finding 2013-4: Dolphin Center Cash Handling (30000)

Criteria:

Cash should be secured and recorded properly.

Condition:

During testing of the Dolphin Center receipts, it was noted that checks to be deposited were kept in an unlocked drawer inside the Dolphin Center and forwarded to the business office only once a month to be deposited. Furthermore, checks were not date-stamped in order to determine whether a late payment penalty should be assessed. Cash payments were not recorded in the general ledger, but were kept at the Dolphin Center to be used as petty cash for Dolphin Center operating emergencies.

Cause:

District oversight.

Effect:

Potential for misappropriation of funds due to funds not being secured and either not recorded in the accounting system or not recorded in a timely manner.

Recommendation:

The District should make that sure that funds collected and waiting to be deposited are secured in order to prevent funds from being lost. Furthermore, the District should ensure all funds are submitted timely to be deposited and recorded in the system properly.

District's Corrective Action Plan:

The District will purchase a safe for the secure deposit of cash and checks. In addition, procedures over cash handling will be established to include receipting and timely deposit. If a petty cash fund is necessary, the Business Office will develop a formal petty cash procedure.

COLD SPRING SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2013

Section III – State Award Findings and Questioned Costs

There were no State award findings and questioned costs.

COLD SPRING SCHOOL DISTRICT

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS JUNE 30, 2013

Section III – State Award Findings and Questioned Costs

There were no State award findings and questioned costs.