COLD SPRING SCHOOL DISTRICT

AUDIT REPORT
June 30, 2018

San Diego

Los Angeles

San Francisco
Bay Area

christy white associates
A PROFESSIONAL
ACCOUNTANCY CORPORATION

COLD SPRING SCHOOL DISTRICT
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JUNE 30, 2018

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FINANCIAL SECTION

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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, and each major fund of the Cold Spring School District, as of and for the year ended June 30, 2018, 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.

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, and each major fund of Cold Spring School District, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 1 and 9 to the financial statements, in 2018 Cold Spring School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis, budgetary comparison information, schedule of changes in total OPEB liability and related ratios, 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 14, 2018 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Cold Spring School District’s 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.

Christy White Associates

San Diego, California
December 14, 2018

COLD SPRING SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

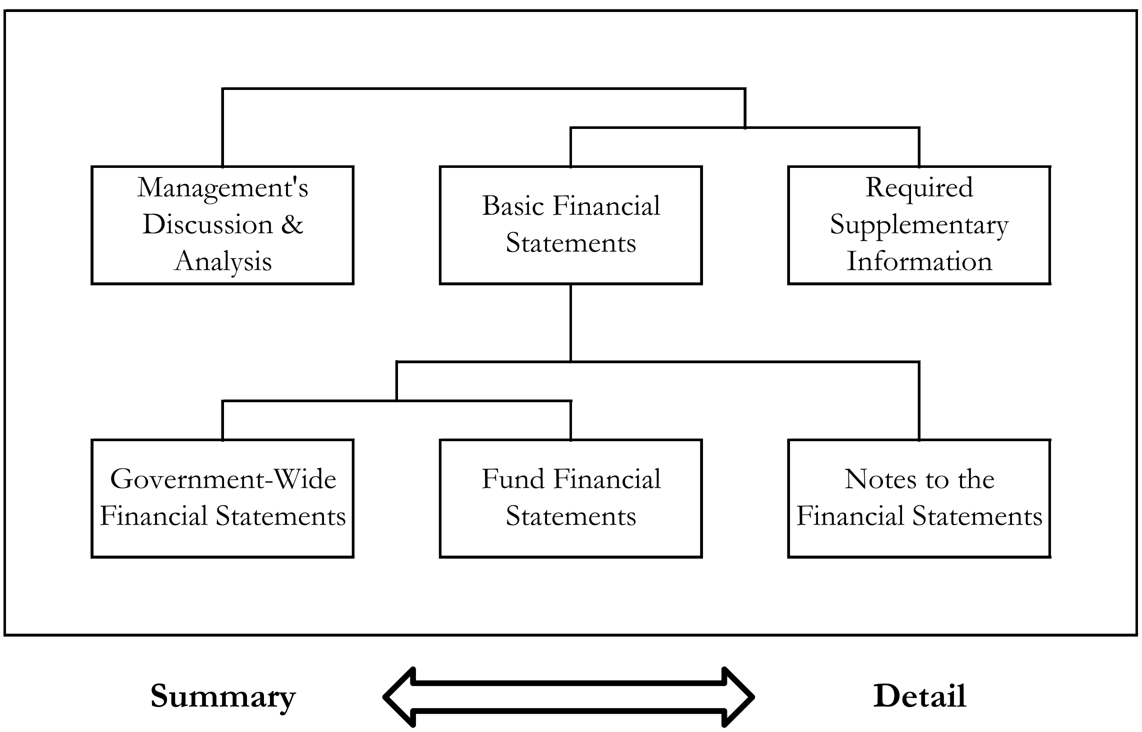
Our discussion and analysis of Cold Spring School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2018. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total net position was $(1,895,815) at June 30, 2018. This was an increase of $45,266 from the prior year after restatement.
- Overall revenues were $5,018,255 which exceeded expenses of $4,972,989.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financials Section



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.

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's net position was $(1,895,815) at June 30, 2018, as reflected in the table below. Of this amount, $(2,982,256) 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.

	Governmental Activities			Business-Type Activities		
	2018	2017	Net Change	2018	2017	Net Change
ASSETS						
Current and other assets	$ 2,774,478	$ 1,973,189	$ 801,289	$ 210	$ 1	$ 209
Capital assets	3,436,531	3,555,332	(118,801)	-	-	-
Total Assets	6,211,009	5,528,521	682,488	210	1	209
DEFERRED OUTFLOWS OF RESOURCES	2,373,869	2,432,989	(59,120)	-	-	-
LIABILITIES						
Current liabilities	354,457	377,264	(22,807)	210	-	210
Long-term liabilities	8,005,278	7,911,472	93,806	-	-	-
Total Liabilities	8,359,735	8,288,736	70,999	210	-	210
DEFERRED INFLOWS OF RESOURCES	2,120,958	1,649,527	471,431	-	-	-
NET POSITION						
Net investment in capital assets	(276,751)	(141,320)	(135,431)	-	-	-
Restricted	1,363,192	1,143,471	219,721	-	-	-
Unrestricted	(2,982,256)	(2,978,904)	(3,352)	-	1	(1)
Total Net Position	$ (1,895,815)	$ (1,976,753)	$ 80,938	$ -	$ 1	$ (1)

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 it slightly, so you can see our total revenues, expenses, and special items for the year.

	Governmental Activities			Business-Type Activities		
	2018	2017	Net Change	2018	2017	Net Change
REVENUES						
Program revenues						
Operating grants and contributions	$ 292,152	$ 358,112	$ (65,960)	$ 113	$ 1,687	$ (1,574)
General revenues						
Property taxes	3,891,115	3,658,179	232,936	-	-	-
Unrestricted federal and state aid	186,554	182,517	4,037	-	-	-
Other	605,889	271,546	334,343	42,432	57,690	(15,258)
Total Revenues	4,975,710	4,470,354	505,356	42,545	59,377	(16,832)
EXPENSES						
Instruction	2,617,612	2,590,503	27,109	-	-	-
Instruction-related services	738,800	707,975	30,825	-	-	-
General administration	592,456	441,589	150,867	-	-	-
Plant services	552,076	383,586	168,490	-	-	-
Ancillary services	161	-	161	-	-	-
Debt service	189,566	290,135	(100,569)	-	-	-
Other outgo	225,548	280,963	(55,415)	-	-	-
Enterprise activities	1,759	5,205	(3,446)	55,011	93,404	(38,393)
Total Expenses	4,917,978	4,699,956	218,022	55,011	93,404	(38,393)
Transfers & special items	(12,465)	(34,028)	21,563	12,465	34,028	(21,563)
Change in net position	45,267	(263,630)	308,897	(1)	1	(2)
Net Position - Beginning, as Restated*	(1,941,082)	(1,713,123)	(227,959)	1	-	1
Net Position - Ending	$ (1,895,815)	$ (1,976,753)	$ 80,938	$ -	$ 1	$ (1)

** Beginning Net Position was restated for governmental activities for the 2018 year only*

The cost of all our governmental activities this year was $4,917,978 (refer to the table above). The amount that our taxpayers ultimately financed for these activities through taxes was $3,891,115 with the remaining cost paid by other governments and organizations who subsidized certain programs with grants and contributions and other local revenue.

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	
	2018	**2017**
Instruction	$ 2,467,095	$ 2,382,015
Instruction-related services	711,209	651,960
General administration	587,966	433,345
Plant services	442,522	298,221
Ancillary services	161	-
Debt service	189,566	290,135
Transfers to other agencies	225,548	280,963
Enterprise activities	1,759	5,205
Total Expenses	$ 4,625,826	$ 4,341,844

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 $2,650,979, which is more than last year's ending fund balance of $1,833,352. The District's General Fund had $906,726 more in operating revenues than expenditures for the year ended June 30, 2018. The District's Building Fund had $86,193 less in revenues than expenditures, the District's Capital Facilities Fund had $33,830 more in revenues than expenditures, the District's Special Fund for Reserve Capital Projects had $2,927 more in operating revenues than expenditures, while the District's Bond Interest and Redemption Fund had $27,198 less in operating revenues than expenditures for the year ended June 30, 2018.

CURRENT YEAR BUDGET 2017-2018

During the fiscal year, budget revisions and appropriation transfers are presented to the Board for their approval on a regular 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 of 2017-2018 the District had invested $3,436,531 in capital assets, net of accumulated depreciation.

	Governmental Activities		
	2018	2017	Net Change
CAPITAL ASSETS			
Land	$ 122,906	$ 122,906	$ -
Construction in progress	117,177	117,177	-
Buildings & improvements	5,627,025	5,541,013	86,012
Furniture & equipment	143,205	143,205	-
Accumulated depreciation	(2,573,782)	(2,368,969)	(204,813)
Total Capital Assets	$ 3,436,531	$ 3,555,332	$ (118,801)

Long-Term Liabilities

At year-end, the District had $8,005,278 in long-term liabilities, an increase of 1.64% from last year's restated balance – 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		
	2018	2017	Net Change
LONG-TERM LIABILITIES			
Total general obligation bonds	$ 4,397,615	$ 4,543,915	$ (146,300)
Compensated absences	9,719	2,499	7,220
Total OPEB liability*	145,787	147,129	(1,342)
Net pension liability	3,645,524	3,380,382	265,142
Less: current portion of long-term debt	(193,367)	(198,124)	4,757
Total Long-term Liabilities	$ 8,005,278	$ 7,875,801	$ 129,477

**Total OPEB liability for 2017 was restated in order to record the District's total OPEB liability in accordance with GASB Statement No. 75 which supersedes GASB Statement No. 45 for the year ended June 30, 2018.*

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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

The State's economy continues to be strong but a new governor could change the fiscal policy for the funding of public education, within the boundaries of Proposition 98. Past fiscal allocations had included higher than expected funding but on-going funding may not be as strong. The UCLA Anderson Forecast (June 2018) noted that the "era of ultra-low interest rates has passed and the economy is at full employment," which creates difficulty sustaining continued growth at the rate recently experienced. And, according to the California Legislative Analyst's Office, there are concerns about a possible mild recession.

Landmark legislation passed in Year 2013 reformed California school district finance by creating the Local Control Funding Formula (LCFF). 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 2018-19 adopted State Budget fully funded the LCFF funding gap two years ahead of schedule.

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 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, 2018. 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, inter-district 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 2018-19 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, Conny Santa Cruz, Business Manager (805) 969-2678.

COLD SPRING SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	$ 2,719,797	$ 9,047	$ 2,728,844
Accounts receivable	45,194	650	45,844
Internal balances	9,487	(9,487)	-
Capital assets, not depreciated	240,083	-	240,083
Capital assets, net of accumulated depreciation	3,196,448	-	3,196,448
Total Assets	6,211,009	210	6,211,219
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	2,123,449	-	2,123,449
Deferred amount on refunding	250,420	-	250,420
Total Deferred Outflows of Resources	2,373,869	-	2,373,869
LIABILITIES			
Accrued liabilities	161,090	210	161,300
Long-term liabilities, current portion	193,367	-	193,367
Long-term liabilities, non-current portion	8,005,278	-	8,005,278
Total Liabilities	8,359,735	210	8,359,945
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	2,120,958	-	2,120,958
Total Deferred Inflows of Resources	2,120,958	-	2,120,958
NET POSITION			
Net investment in capital assets	(276,751)	-	(276,751)
Restricted:			
Capital projects	877,137	-	877,137
Debt service	263,816	-	263,816
Educational programs	222,239	-	222,239
Unrestricted	(2,982,256)	-	(2,982,256)
Total Net Position	$ (1,895,815)	$ -	$ (1,895,815)

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

COLD SPRING SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

		Program Revenues	Net (Expenses) Revenues and Changes in Net Position		
Function/Programs	**Expenses**	**Operating Grants and Contributions**	**Governmental Activities**	**Business-Type Activities**	**Total**
GOVERNMENTAL ACTIVITIES					
Instruction	$ 2,617,612	$ 150,517	$ (2,467,095)		
Instruction-related services					
Instructional supervision and administration	25,862	-	(25,862)		
Instructional library, media, and technology	139,997	17,142	(122,855)		
School site administration	572,941	10,449	(562,492)		
General administration					
Centralized data processing	5,019	-	(5,019)		
All other general administration	587,437	4,490	(582,947)		
Plant services	552,076	109,554	(442,522)		
Ancillary services	161	-	(161)		
Enterprise activities	1,759	-	(1,759)		
Interest on long-term debt	189,566	-	(189,566)		
Other outgo	225,548	-	(225,548)		
Total Governmental Activities	$ 4,917,978	$ 292,152	(4,625,826)		
BUSINESS-TYPE ACTIVITIES					
Enterprise activities	$ 55,011	$ 113		$ (54,898)	
Total Business-Type Activities	55,011	113		(54,898)	
Total School District	$ 4,972,989	$ 292,265			$ (4,680,724)
General revenues					
Taxes and subventions					
Property taxes, levied for general purposes			3,583,548	-	3,583,548
Property taxes, levied for debt service			307,567	-	307,567
Federal and state aid not restricted for specific purposes			186,554	-	186,554
Interest and investment earnings			27,716	178	27,894
Miscellaneous			578,173	42,254	620,427
Subtotal, General Revenue			4,683,558	42,432	4,725,990
Change in net position before transfers & special items			57,732	(12,466)	45,266
Internal transfers			(12,465)	12,465	-
Total Transfers & Special Items			(12,465)	12,465	-
CHANGE IN NET POSITION			45,267	(1)	45,266
Net Position - Beginning, as Restated			(1,941,082)	1	(1,941,081)
Net Position - Ending			$ (1,895,815)	$ -	$ (1,895,815)

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

COLD SPRING SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2018

	General Fund	Building Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest & Redemption Fund	Total Governmental Funds
ASSETS						
Cash and investments	$ 1,405,033	$ 139,614	$ 333,936	$ 540,679	$ 300,535	$ 2,719,797
Accounts receivable	40,904	896	1,218	1,304	872	45,194
Due from other funds	9,487	-	-	-	-	9,487
Total Assets	$ 1,455,424	$ 140,510	$ 335,154	$ 541,983	$ 301,407	$ 2,774,478
LIABILITIES						
Accrued liabilities	$ 123,499	$ -	$ -	$ -	$ -	$ 123,499
Total Liabilities	123,499	-	-	-	-	123,499
FUND BALANCES						
Restricted	222,239	140,510	335,154	541,983	301,407	1,541,293
Assigned	402,466	-	-	-	-	402,466
Unassigned	707,220	-	-	-	-	707,220
Total Fund Balances	1,331,925	140,510	335,154	541,983	301,407	2,650,979
Total Liabilities and Fund Balances	$ 1,455,424	$ 140,510	$ 335,154	$ 541,983	$ 301,407	$ 2,774,478

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

COLD SPRING SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Total Fund Balance - Governmental Funds			$	2,650,979
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				
Capital assets	$	6,010,313		
Accumulated depreciation		(2,573,782)		3,436,531
Deferred amount on refunding:				
In governmental funds, the net effect of refunding bonds is recognized when debt is issued, whereas this amount is deferred and amortized in the government-wide financial statements:				250,420
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:				(37,591)
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	$	4,397,615		
Compensated absences		9,719		
Total OPEB liability		145,787		
Net pension liability		3,645,524		(8,198,645)
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				
Deferred outflows of resources related to pensions	$	2,123,449		
Deferred inflows of resources related to pensions		(2,120,958)		2,491
Total Net Position - Governmental Activities			$	(1,895,815)

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

COLD SPRING SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Building Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest & Redemption Fund	Total Governmental Funds
REVENUES						
LCFF sources	$ 3,707,639	$ -	$ -	$ -	$ -	$ 3,707,639
Federal sources	11,348	-	-	-	-	11,348
Other state sources	315,092	-	-	-	439	315,531
Other local sources	674,293	3,219	33,830	2,927	309,941	1,024,210
Total Revenues	4,708,372	3,219	33,830	2,927	310,380	5,058,728
EXPENDITURES						
Current						
Instruction	2,321,750	-	-	-	-	2,321,750
Instruction-related services						
Instructional supervision and administration	20,350	-	-	-	-	20,350
Instructional library, media, and technology	136,855	-	-	-	-	136,855
School site administration	374,802	-	-	-	-	374,802
General administration						
Centralized data processing	5,019	-	-	-	-	5,019
All other general administration	377,958	-	-	-	-	377,958
Plant services	348,988	-	-	-	-	348,988
Facilities acquisition and maintenance	-	89,412	-	-	-	89,412
Enterprise activities	1,759	-	-	-	-	1,759
Transfers to other agencies	214,165	-	-	-	-	214,165
Debt service						
Principal	-	-	-	-	198,124	198,124
Interest and other	-	-	-	-	139,454	139,454
Total Expenditures	3,801,646	89,412	-	-	337,578	4,228,636
Excess (Deficiency) of Revenues Over Expenditures	906,726	(86,193)	33,830	2,927	(27,198)	830,092
Other Financing Sources (Uses)						
Transfers in	-	-	-	117,177	-	117,177
Transfers out	(12,465)	(117,177)	-	-	-	(129,642)
Net Financing Sources (Uses)	(12,465)	(117,177)	-	117,177	-	(12,465)
NET CHANGE IN FUND BALANCE	894,261	(203,370)	33,830	120,104	(27,198)	817,627
Fund Balance - Beginning	437,664	343,880	301,324	421,879	328,605	1,833,352
Fund Balance - Ending	$ 1,331,925	$ 140,510	$ 335,154	$ 541,983	$ 301,407	$ 2,650,979

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

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, 2018

Net Change in Fund Balances - Governmental Funds		$ 817,627
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		
Expenditures for capital outlay:	$ 86,012	
Depreciation expense:	(204,813)	(118,801)
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-		218,811
Deferred amounts on refunding:		
In governmental funds, deferred amounts on refunding are recognized in the period they are incurred. In the government-wide statements, the deferred amounts on refunding are amortized over the life of the debt. The net effect of the deferred amounts on refunding during the period was:		(11,383)
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:		1,712
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.		(72,511)
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:		(7,220)

(continued on next page)

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

Postemployment benefits other than pensions (OPEB):		
In governmental funds, OPEB expenses are recognized when employer OPEB contributions are made. In the statement of activities, OPEB expenses are recognized on the accrual basis. This year, the difference between OPEB expenses and actual employer OPEB contributions was:		1,342
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:		(784,310)
Change in Net Position of Governmental Activities	$	45,267

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

COLD SPRING SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2018

		Business-Type Activities
		Dolphin Center Fund
ASSETS		
Current assets		
Cash and investments	$	9,047
Accounts receivable		650
Total Assets		9,697
LIABILITIES		
Current liabilities		
Accrued liabilities		210
Due to other funds		9,487
Total Liabilities		9,697
NET POSITION		
Unrestricted		-
Total Net Position	$	-

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

COLD SPRING SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

	Business-Type Activities
	Dolphin Center Fund
OPERATING REVENUE	
Other local revenues	$ 42,253
Total operating revenues	42,253
OPERATING EXPENSE	
Salaries and benefits	45,757
Supplies and materials	2,232
Professional services	7,022
Total operating expenses	55,011
Operating income/(loss)	(12,758)
NON-OPERATING REVENUES/(EXPENSES)	
Interest income	179
Grant income	113
Transfers in	12,465
Total non-operating revenues/(expenses)	12,757
CHANGE IN NET POSITION	(1)
Net Position - Beginning	1
Net Position - Ending	$ -

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

COLD SPRING SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

	Business-Type Activities	
	Dolphin Center Fund	
Cash flows from operating activities		
Cash received from user charges	$	75,944
Cash payments for payroll, insurance, and operating costs		(88,214)
Net cash used for operating activities		(12,270)
Cash flows from non-capital financing activities		
Non-operating grants received		113
Interfund transfers in		12,465
Net cash provided by non-capital financing activities		12,578
Cash flows from investing activities		
Interest received		179
Net cash provided by investing activities		179
NET INCREASE IN CASH AND CASH EQUIVALENTS		487
CASH AND CASH EQUIVALENTS		
Beginning of year		8,560
End of year	$	9,047
Reconciliation of operating loss to cash used for operating activities		
Operating loss	$	(12,758)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Changes in assets and liabilities:		
Decrease in accounts receivable		23,663
Decrease in due from other funds		10,028
Increase in accounts payable		210
Decrease in due to other funds		(33,413)
Net cash used for operating activities	$	(12,270)

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

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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).

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).

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

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. Basis of Accounting – Measurement Focus

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus (continued)

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.

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	Estimated Useful Life
Buildings and Improvements	20 to 50 years
Furniture and Equipment	5 to 20 years
Vehicles	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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Postemployment Benefits Other Than Pensions (OPEB)
For purposes of measuring the total OPEB liability, deferred outflows of resources related to OPEB and deferred inflows of resources related to OPEB, and OPEB expense have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms.

Generally accepted accounting principles require the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	July 1, 2017
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017

Gains and losses related to changes in total OPEB liability are recognized in OPEB expense systematically over time. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The amortization period differs depending on the source of gain or loss. The difference between projected and actual earnings is amortized on a straight-line basis over five years. All other amounts are amortized on a straight-line basis over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) at the beginning of the measurement period.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. New Accounting Pronouncements

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 implemented GASB Statement No. 75 for the year ended June 30, 2018.

GASB Statement No. 84 – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This standard's primary objective is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement is effective for periods beginning after December 15, 2018. The District has not yet determined the impact on the financial statements.

GASB Statement No. 85 – In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. This standard's primary objective is to address practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The statement is effective for periods beginning after June 15, 2017. The District has implemented GASB Statement No. 85 for the year ended June 30, 2018.

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, *Leases*. This standard's primary objective is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The statement is effective for periods beginning after December 15, 2019. The District has not determined the impact on the financial statements.

GASB Statement No. 88 – In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This standard's primary objective is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The statement is effective for periods beginning after June 15, 2018. The District has not determined the impact on the financial statements.

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Governmental Activities	Business-Type Activities
Investment in county treasury	$ 2,705,982	$ 36
Cash on hand and in banks	13,815	9,011
Total cash and investments	$ 2,719,797	$ 9,047

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.

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

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 $2,687,592 and an amortized book value of $2,706,018. The average weighted maturity for this pool is 448 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, 2018, 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, 2018, 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, 2018 were as follows:

	Uncategorized
Investment in county treasury	$ 2,687,592
Total fair market value of investments	$ 2,687,592

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2018 consisted of the following:

	General Fund	Building Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest & Redemption Fund	Total Governmental Activities	Total Business-Type Activities
Federal Government							
Categorical aid	$ 8,184	$ -	$ -	$ -	$ -	$ 8,184	$ -
Local Government							
Other local sources	32,720	896	1,218	1,304	872	37,010	650
Total	$ 40,904	$ 896	$ 1,218	$ 1,304	$ 872	$ 45,194	$ 650

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

	Balance July 01, 2017	Additions	Deletions	Balance June 30, 2018
Governmental Activities				
Capital assets not being depreciated				
Land	$ 122,906	$ -	$ -	$ 122,906
Construction in progress	117,177	-	-	117,177
Total Capital Assets not Being Depreciated	240,083	-	-	240,083
Capital assets being depreciated				
Buildings & improvements	5,541,013	86,012	-	5,627,025
Furniture & equipment	143,205	-	-	143,205
Total Capital Assets Being Depreciated	5,684,218	86,012	-	5,770,230
Less Accumulated Depreciation				
Buildings & improvements	2,232,488	204,253	-	2,436,741
Furniture & equipment	136,481	560	-	137,041
Total Accumulated Depreciation	2,368,969	204,813	-	2,573,782
Governmental Activities				
Capital Assets, net	$ 3,555,332	$ (118,801)	$ -	$ 3,436,531

Depreciation expense was charged to governmental activities, as follows:

Governmental Activities	
Instruction	$ 132,553
Instructional supervision and administratio	5,512
Instructional library, media, and technology	5,584
School site administration	20,462
All other general administration	17,868
Plant services	22,673
Ancillary services	161
Total depreciation expense	$ 204,813

NOTE 5 – INTERFUND TRANSACTIONS

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

Individual interfund receivable and payable balances at June 30, 2018 consisted of the Dolphin Center Fund owing the General Fund $9,487 to repay a temporary loan.

B. Operating Transfers

Interfund transfers for the year ended June 30, 2018 consisted of the following:

	Interfund Transfers In					
Interfund Transfers Out		Special Reserve Fund for Capital Outlay Projects		Dolphin Center Fund		Total
General Fund	$	-	$	12,465	$	12,465
Building Fund		117,177		-		117,177
Total Interfund Transfers	$	117,177	$	12,465	$	129,642

The General Fund transferred to the Dolphin Center Fund for operating expenses.	$	12,465
The Building Fund transferred to the Special Reserve Fund for Capital Outlay Projects for project costs.		117,177
Total	$	129,642

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2018 consisted of the following:

		General Fund		District-Wide		Total Governmental Activities		Total Business-Type Activities
Vendors payable	$	123,499	$	-	$	123,499		210
Unmatured interest		-		37,591		37,591		-
Total	$	123,499	$	37,591	$	161,090	$	210

NOTE 7 – LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2018 consisted of the following:

	Restated Balance July 01, 2017	Additions	Deductions	Balance June 30, 2018	Balance Due In One Year
Governmental Activities					
General obligation bonds	$ 4,543,915	$ 72,511	$ 218,811	$ 4,397,615	$ 193,367
Compensated absences	2,499	7,220	-	9,719	-
Total OPEB liability	147,129	-	1,342	145,787	-
Net pension liability	3,380,382	265,142	-	3,645,524	-
Total	$ 8,073,925	$ 344,873	$ 220,153	$ 8,198,645	$ 193,367

- 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, 2018 is:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 01, 2017	Additions	Deductions	Bonds Outstanding June 30, 2018
Election 2008, Series 2009A	November 10, 2009	August 1, 2039	2.000% - 6.310%	$ 1,578,434	$ 188,639	$ 19,336	$ -	$ 207,975
Election 2008, Series 2009B	November 10, 2009	August 1, 2034	3.410% - 6.400%	861,109	738,399	53,175	61,199	730,375
2016 Refunding	September 30, 2016	August 1, 2039	3.260%	3,699,279	3,616,877	-	157,612	3,459,265
					$ 4,543,915	$ 72,511	$ 218,811	$ 4,397,615

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. During the 2016-17 fiscal year the 2016 General Obligation Refunding Bonds were issued to early refund a portion of the outstanding principal balance. At June 30, 2018, the Series 2009A General Obligation Bonds principal balance outstanding was $207,975, including accreted interest.

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. During the 2016-17 fiscal year the 2016 General Obligation Refunding Bonds were issued to early refund a portion of the outstanding principal balance. At June 30, 2018, the Series 2009B General Obligation Bonds principal balance outstanding was $730,375, including accreted interest.

NOTE 7 – LONG-TERM DEBT (continued)

A. <u>General Obligation Bonds (continued)</u>

2016 General Obligation Refunding Bonds

On September 30, 2016, the District issued $3,699,279 of General Obligation Refunding Bonds, with interest rates at 3.260 percent, to refund certain outstanding general obligation bonds. The 2016 General Obligation Refunding Bonds were issued as current interest bonds. The net proceeds received for the 2016 General Obligation Refunding Bonds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for debt service payments to advance refund all of the 2007 Refunding Bonds, a portion of the outstanding Election 2008, Series 2009A Bonds and a portion of the Election 2008, Series 2009B Bonds. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the District's financial statements. Amounts paid to the refunded bond escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred charges on refunding on the statement of net position and are amortized as an expense over the life of the bond. Deferred Outflows on Refunding of $250,420 remain to be amortized. This refunding reduced total debt service payments by $200,020 and resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of $123,512. At June 30, 2018, the 2016 General Obligation Refunding Bonds principal balance outstanding was $3,459,265, including accreted interest.

The annual requirements to amortize general obligation bonds payable outstanding as of June 30, 2018, are as follows:

Year Ended June 30,	Principal	Interest	Total
2019	$ 193,367	$ 135,602	$ 328,969
2020	198,268	135,858	334,126
2021	205,513	136,742	342,255
2022	234,461	135,901	370,362
2023	271,852	114,301	386,153
2024 - 2028	1,115,411	669,687	1,785,098
2029 - 2033	241,145	1,011,400	1,252,545
2034 - 2038	1,125,644	550,892	1,676,536
2039 - 2040	518,551	17,141	535,692
Accretion	293,403	(293,403)	-
Total	$ 4,397,615	$ 2,614,121	$ 7,011,736

B. <u>Compensated Absences</u>

Total unpaid employee compensated absences as of June 30, 2018 amounted to $9,719. 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

The District's restated beginning total OPEB liability was $147,129 and decreased by $1,342 during the year ended June 30, 2018. The ending total OPEB liability at June 30, 2018 was $145,787. See Note 9 for additional information regarding the total OPEB liability.

D. Net Pension Liability

The District's beginning net pension liability was $3,380,382 and increased by $265,142 during the year ended June 30, 2018. The ending net pension liability at June 30, 2018 was $3,645,524. 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, 2018:

	General Fund	Building Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest & Redemption Fund	Total Governmental Funds
Restricted						
Educational programs	$ 222,239	$ -	$ -	$ -	$ -	$ 222,239
Capital projects	-	140,510	335,154	541,983	-	1,017,647
Debt service	-	-	-	-	301,407	301,407
Total restricted	222,239	140,510	335,154	541,983	301,407	1,541,293
Assigned						
CSS Foundation contribution	125,000	-	-	-	-	125,000
Johnson Ohana Foundation contribution	4,000	-	-	-	-	4,000
QAD, Inc. laser cut printer	23,361	-	-	-	-	23,361
Williams-Corbett Foundation contributi	14,148	-	-	-	-	14,148
Various donations	234,442	-	-	-	-	234,442
Retiree health benefits	1,515	-	-	-	-	1,515
Total assigned	402,466	-	-	-	-	402,466
Unassigned						
Reserve for economic uncertainties	707,220	-	-	-	-	707,220
Total unassigned	707,220	-	-	-	-	707,220
Total	$ 1,331,925	$ 140,510	$ 335,154	$ 541,983	$ 301,407	$ 2,650,979

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 $65,000 or 5 percent of General Fund expenditures and other financing uses.

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

A. Plan Description

The Cold Spring School District's defined benefit OPEB plan, Cold Spring School District Retiree Benefit Plan (the Plan) is described below. The Plan is a single employer defined benefit plan administered by the District.

B. Benefits Provided

The District provides postretirement 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. District-paid benefits are subject to the following annual caps (a maximum lifetime contribution will not exceed $35,000):

Service at Retirement	Annual Cap
20 – 24 years	$5,000
25 – 29 years	6,000
30+ years	7,000

C. Contributions

The contribution requirements of Plan members and the Cold Spring School District are established and may be amended by the Cold Spring School District. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

D. Plan Membership

Membership of the Plan consisted of the following:

	Number of participants
Inactive employees receiving benefits	7
Inactive employees entitled to but not receiving benefits*	-
Participating active employees	21
Total number of participants**	28

*Information not provided

**As of the July 1, 2017 valuation date

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

E. Total OPEB Liability

The Cold Spring School District's total OPEB liability of $145,787 was measured as of June 30, 2017 and was determined by an actuarial valuation as July 1, 2017.

F. Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Salary increases	3.00%
Medical cost trend rates	6.00% for 2017; 5.00% for 2018 and later
Dental, vision, and other cost trend rates	4.00%

Pre-retirement mortality rates were based on the RP-2014 Employee Mortality Table for Males or Females, as appropriate, without projection. Post-retirement mortality rates were based on the RP-2014 Health Annuitant Mortality Table for Males or Females, as appropriate, without projection.

The actuarial assumptions used in the July 1, 2017 valuation were based on a review of plan experience during the period July 1, 2016 to June 30, 2017.

The discount rate was based on the Bond Buyer 20 Bond Index. The actuary assumed contributions would be sufficient to fully fund the obligation over a period not to exceed thirty years.

G. Changes in Total OPEB Liability

	June 30, 2018
Total OPEB Liability	
Service Cost	$ 7,762
Interest on total OPEB liability	4,396
Benefits payments	(13,500)
Net change in total OPEB liability	(1,342)
Total OPEB liability - beginning	147,129
Total OPEB liability - ending	$ 145,787
Covered payroll	$ 2,184,932
District's total OPEB liability as a percentage of covered payroll	6.67%

The Cold Spring School District has invoked Paragraph 244 of GASB Statement 75 for the transition due to cost constraints. Consequently, in order to determine the beginning total OPEB liability, a "roll-back" technique has been used.

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

H. Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Cold Spring School District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.13 percent) or one percentage point higher (4.13 percent) than the current discount rate:

	1% Decrease (2.13%)	Valuation Discount Rate (3.13%)	1% Increase (4.13%)
Total OPEB liability	$ 157,737	$ 145,787	$ 134,944

I. Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the total OPEB liability of the Cold Spring School District, as well as what the District's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (5.00 percent) or one percentage point higher (7.00 percent) than the current healthcare cost trend rate:

	1% Decrease (5.00%)	Valuation Trend Rate (6.00%)	1% Increase (7.00%)
Total OPEB liability	$ 131,580	$ 145,787	$ 162,519

J. OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2018, the Cold Spring School District recognized OPEB expense of $(1,342). At June 30, 2018, the Cold Spring School District reported no deferred outflows of resources related to OPEB or deferred inflows of resources related to OPEB.

Prior periods of deferred outflows and deferred inflows of resources were not restated due to the fact that prior valuations were not rerun in accordance with Paragraph 244 of GASB Statement 75. It was determined the time and expense necessary to rerun prior valuations and to restate prior financial statements was not justified. In the future, gains and losses related to changes in total OPEB liability will be recognized in OPEB expense systematically over time. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The amortization period differs depending on the source of gain or loss. The difference between projected and actual earnings is amortized on a straight-line basis over five years. All other amounts are amortized on a straight-line basis over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) at the beginning of the measurement 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:

	Net pension liability	Deferred outflows related to pensions	Deferred inflows related to pensions	Pension expense
STRS Pension	$ 2,672,512	$ 1,619,022	$ 943,194	$ 254,548
PERS Pension	973,012	504,427	1,177,764	817,628
Total	$ 3,645,524	$ 2,123,449	$ 2,120,958	$ 1,072,176

A. 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:

1. 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 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.

2. 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 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.

NOTE 10 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS) (continued)

Contributions

Active plan CalSTRS 2% at 60 and 2% at 62 members are required to contribute 10.25% and 9.205% of their salary for fiscal year 2018, 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 2018 was 14.43% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were $210,001 for the year ended June 30, 2018.

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 $128,459 to CalSTRS.

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

At June 30, 2018, 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	$	2,672,512
State's proportionate share of the net pension liability associated with the District		1,581,049
Total	$	4,253,561

The net pension liability was measured as of June 30, 2017, 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, 2016 and rolling forward the total pension liability to June 30, 2017. 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, 2017, the District's proportion was 0.003 percent, which did not change from its proportion measured as of June 30, 2016.

NOTE 10 – PENSION PLANS (continued)

A. 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)

For the year ended June 30, 2018, the District recognized pension expense of $254,548. In addition, the District recognized pension expense and revenue of $45,441 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual earnings on plan investments	$ -	$ 71,176
Differences between expected and actual experience	9,883	46,613
Changes in assumptions	495,114	
Changes in proportion and differences between District contributions and proportionate share of contributions	904,024	825,405
District contributions subsequent to the measurement date	210,001	-
	$ 1,619,022	$ 943,194

The $210,001 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2019	$ 264,971	$ 264,848
2020	264,971	160,838
2021	264,971	199,231
2022	264,971	268,969
2023	264,970	27,117
2024	84,167	22,191
	$ 1,409,021	$ 943,194

NOTE 10 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS) (continued)

Actuarial Assumptions
The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	2.75%
Investment Rate of Return*	7.10%
Wage Inflation	3.50%

* 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 MP-2016 series tables adjusted to fit CalSTRS experience.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010–June 30, 2015.

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. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2017, are summarized in the following table:

Asset Class	**Assumed Asset Allocation**	**Long-Term Expected Real Rate of Return***
Global Equity	47%	6.30%
Fixed Income	12%	0.30%
Real Estate	13%	5.20%
Private Equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation Sensitive	4%	3.80%
Cash/Liquidity	2%	-1.00%
	100%	

*20-year geometric average

NOTE 10 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS) (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.10 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 (7.10 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 7.10 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 (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's proportionate share of the net pension liability	$ 3,924,097	$ 2,672,512	$ 1,656,767

Pension Plan Fiduciary Net Position

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

NOTE 10 – PENSION PLANS (continued)

B. 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 6.5% 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 2018 was 15.531% of annual payroll. Contributions to the plan from the District were $77,865 for the year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of $973,012 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2016 and rolling forward the total pension liability to June 30, 2017. 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, 2017, the District's proportion was 0.004 percent, which did not change from its proportion measured as of June 30, 2016.

NOTE 10 – PENSION PLANS (continued)

B. 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, 2018, the District recognized pension expense of $817,628. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual earnings on plan investments	$ 33,660	$ -
Differences between expected and actual experience	34,859	-
Changes in assumptions	142,124	11,456
Changes in proportion and differences between District contributions and proportionate share of contributions	215,919	1,166,308
District contributions subsequent to the measurement date	77,865	-
	$ 504,427	$ 1,177,764

The $77,865 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2019	$ 282,639	$ 497,291
2020	95,394	459,996
2021	66,961	220,477
2022	(18,432)	-
	$ 426,562	$ 1,177,764

NOTE 10 – PENSION PLANS (continued)

B. 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, 2016, and rolling forward the total pension liability to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Discount Rate	7.15%
Salary Increases	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, 2016, 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 adjusted to account for assumed administrative expenses.

NOTE 10 – PENSION PLANS (continued)

B. 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.

Asset Class	Assumed Asset Allocation	Real Return Years 1 – 10*	Real Return Years 11+**
Global Equity	47.0%	4.90%	5.38%
Fixed Income	19.0%	0.80%	2.27%
Inflation Assets	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	-0.90%
	100.0%		

*An expected inflation of 2.50% used for this period.
**An expected inflation of 3.00% used for this period.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 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 7.15 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 (6.15 percent) or 1-percentage-point higher (8.15 percent) than the current rate:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
District's proportionate share of the net pension liability	$ 1,431,613	$ 973,012	$ 592,565

NOTE 10 – PENSION PLANS (continued)

B. California Public Employees' Retirement System (CalPERS) (continued)

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

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, 2018.

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, 2018.

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.

NOTE 13 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

A. Refunded Debt

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities,* the District recognized deferred outflows or inflows of resources in the District-wide financial statements. The deferred outflow of resources pertains to the difference in the carrying value of the refunded debt and its reacquisition price (deferred amount on refunding). Previous financial reporting standards require this to be presented as part of the District's long-term debt. This deferred outflow of resources is recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the new debt, whichever is shorter. At June 30, 2018, the deferred amount on refunding was $250,420.

B. Pension Plans

Pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* the District recognized deferred outflows of resources related to pensions and deferred inflows of resources related to pensions in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 10. At June 30, 2018, total deferred outflows related to pensions was $2,123,449 and total deferred inflows related to pensions was $2,120,958.

NOTE 14 – RESTATEMENT OF NET POSITION

The beginning net position of Governmental Activities has been restated in order to record the District's total OPEB liability in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The effect on beginning net position is presented as follows:

	Governmental Activities
Net Position - Beginning, as Previously Reported	$ (1,976,753)
Restatement	35,671
Net Position - Beginning, as Restated	$ (1,941,082)

REQUIRED SUPPLEMENTARY INFORMATION

COLD SPRING SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual*	Variances -
	Original	Final	(Budgetary Basis)	Final to Actual
REVENUES				
LCFF sources	$ 3,587,650	$ 3,641,958	$ 3,707,639	$ 65,681
Federal sources	13,180	11,061	11,348	287
Other state sources	347,751	360,413	315,092	(45,321)
Other local sources	134,450	180,893	672,137	491,244
Total Revenues	4,083,031	4,194,325	4,706,216	511,891
EXPENDITURES				
Certificated salaries	1,513,948	1,544,992	1,501,321	43,671
Classified salaries	676,209	631,989	653,282	(21,293)
Employee benefits	896,787	922,483	884,678	37,805
Books and supplies	143,845	147,232	207,456	(60,224)
Services and other operating expenditures	336,902	356,417	340,744	15,673
Capital outlay	200,066	280,686	-	280,686
Other outgo				
Excluding transfers of indirect costs	323,206	323,206	214,165	109,041
Total Expenditures	4,090,963	4,207,005	3,801,646	405,359
Excess (Deficiency) of Revenues				
Over Expenditures	(7,932)	(12,680)	904,570	917,250
Other Financing Sources (Uses)				
Transfers out	(8,500)	(17,478)	(246,907)	(229,429)
Net Financing Sources (Uses)	(8,500)	(17,478)	(246,907)	(229,429)
NET CHANGE IN FUND BALANCE	(16,432)	(30,158)	657,663	687,821
Fund Balance - Beginning	295,181	295,181	295,181	-
Fund Balance - Ending	$ 278,749	$ 265,023	$ 952,844	$ 687,821

* 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.

See accompanying note to required supplementary information.

COLD SPRING SCHOOL DISTRICT
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2018

		June 30, 2018
Total OPEB Liability		
Service Cost	$	7,762
Interest on total OPEB liability		4,396
Benefits payments		(13,500)
Net change in total OPEB liability		(1,342)
Total OPEB liability - beginning		147,129
Total OPEB liability - ending	$	145,787
Covered payroll	$	2,184,932
District's total OPEB liability as a percentage of covered payroll		6.67%

See accompanying note to required supplementary information.

COLD SPRING SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2018

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
District's proportion of the net pension liability	0.003%	0.003%	0.001%	0.001%
District's proportionate share of the net pension liability	$ 2,672,512	$ 2,497,035	$ 928,918	$ 1,838,586
State's proportionate share of the net pension liability associated with the District	1,581,049	1,421,727	491,293	1,110,218
Total	$ 4,253,561	$ 3,918,762	$ 1,420,211	$ 2,948,804
District's covered payroll	$ 1,530,816	$ 1,555,335	$ 1,482,738	$ 1,401,358
District's proportionate share of the net pension liability as a percentage of its covered payroll	174.6%	160.5%	62.6%	131.2%
Plan fiduciary net position as a percentage of the total pension liability	69.5%	70.0%	74.0%	76.5%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

See accompanying note to required supplementary information.

COLD SPRING SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALPERS
FOR THE YEAR ENDED JUNE 30, 2018

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
District's proportion of the net pension liability	0.004%	0.004%	0.011%	0.010%
District's proportionate share of the net pension liability	$ 973,012	$ 883,347	$ 1,558,207	$ 444,693
District's covered payroll	$ 533,081	$ 554,649	$ 476,859	$ 411,204
District's proportionate share of the net pension liability as a percentage of its covered payroll	182.5%	159.3%	326.8%	108.1%
Plan fiduciary net position as a percentage of the total pension liability	71.9%	73.9%	79.4%	83.4%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

See accompanying note to required supplementary information.

COLD SPRING SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2018

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution	$ 210,001	$ 187,805	$ 167,729	$ 131,638
Contributions in relation to the contractually required contribution*	(210,001)	(187,805)	(167,729)	(131,638)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll	$ 1,462,884	$ 1,530,816	$ 1,555,335	$ 1,482,738
Contributions as a percentage of covered payroll	14.36%	12.27%	10.78%	8.88%

*Amounts do not include on-behalf contributions

See accompanying note to required supplementary information.

COLD SPRING SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALPERS
FOR THE YEAR ENDED JUNE 30, 2018

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution	$ 77,865	$ 69,151	$ 65,387	$ 59,069
Contributions in relation to the contractually required contribution	(77,865)	(69,151)	(65,387)	(59,069)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll	$ 521,173	$ 533,081	$ 554,649	$ 476,859
Contributions as a percentage of covered payroll	14.94%	12.97%	11.79%	12.39%

See accompanying note to required supplementary information.

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 Changes in Total OPEB Liability and Related Ratios

This 10-year schedule is required by GASB Statement No. 75 for all sole and agent employers that provide other postemployment benefits (OPEB). Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 75 was applicable. The schedule presents the sources of change in the total OPEB liability, and the components of the total OPEB liability and related ratios, including the total OPEB liability as a percentage of covered-employee 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 covered payroll, the District's proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered payroll, and the pension plan's fiduciary net position as a percentage of the total pension liability.

Changes in Benefit Terms

There were no changes in benefit terms since the previous valuations for CalSTRS and CalPERS.

Changes in Assumptions

The CalSTRS plan rate of investment return assumption was changed from 7.60 percent to 7.10 percent since the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.65 percent to 7.15 percent since the previous valuation.

NOTE 1 – PURPOSE OF SCHEDULES (continued)

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, the difference between 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 payroll, and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percentage of the District's covered payroll.

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2018, the District incurred an excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code, as follows:

	Expenditures and Other Uses		
	Budget	Actual	Excess
General Fund			
Classified salaries	$ 631,989	$ 653,282	$ 21,293
Books and supplies	$ 147,232	$ 207,456	$ 60,224

SUPPLEMENTARY INFORMATION

COLD SPRING SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
FOR THE YEAR ENDED JUNE 30, 2018

	Second Period Report <E62999DA>	Annual Report <EA0C690F>
SCHOOL DISTRICT		
TK/K through Third		
Regular ADA	91.35	90.95
Fourth through Sixth		
Regular ADA	71.82	71.86
TOTAL SCHOOL DISTRICT	163.17	162.81

See accompanying note to supplementary information.

COLD SPRING SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2018

Grade Level	Minutes Requirement	2017-18 Actual Minutes	Number of Days	Status
Kindergarten	36,000	49,355	180	Complied
Grade 1	50,400	51,780	180	Complied
Grade 2	50,400	51,780	180	Complied
Grade 3	50,400	51,780	180	Complied
Grade 4	54,000	55,290	180	Complied
Grade 5	54,000	55,290	180	Complied
Grade 6	54,000	55,290	180	Complied

See accompanying note to supplementary information.

COLD SPRING SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

	2019 (Budget)	2018	2017	2016
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	$ 3,564,903	$ 4,706,216	$ 4,065,434	$ 3,779,200
Expenditures And Other Financing Uses	4,038,769	4,048,553	4,031,880	3,816,653
Net change in Fund Balance	$ (473,866)	$ 657,663	$ 33,554	$ (37,453)
Ending Fund Balance	$ 478,978	$ 952,844	$ 295,181	$ 261,627
Available Reserves*	$ 589,863	$ 707,220	$ 292,605	$ 431,900
Available Reserves As A Percentage Of Outgo	14.61%	17.47%	7.26%	11.32%
Long-term Debt	$ 8,005,278	$ 8,198,645	$ 8,109,596	$ 7,012,180
Average Daily Attendance At P-2	166	163	166	149

The General Fund balance has increased by $691,217 over the past two years. The fiscal year 2018-19 budget projects a decrease of $473,866. For a District this size, the State recommends available reserves of at least $65,000 or 5% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years but anticipates incurring an operating deficit during the 2018-19 fiscal year. Total long-term obligations have increased by $1,186,465 over the past two years.

Average daily attendance has increased by 14 ADA over the past two years. Additional increase of 3 ADA is anticipated during the 2018-19 fiscal year.

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

**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.

See accompanying note to supplementary information.

COLD SPRING SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Special Reserve Fund for Other Than Capital Outlay Projects	Special Reserve Fund for Postemployment Benefits
June 30, 2018, annual financial and budget report fund balance	$ 952,844	$ 377,566	$ 1,515
Adjustments and reclassifications:			
Increase (decrease) in total fund balances:			
Fund balance transfer (GASB 54)	379,081	(377,566)	(1,515)
Net adjustments and reclassifications	379,081	(377,566)	(1,515)
June 30, 2018, audited financial statement fund balance	$ 1,331,925	$ -	$ -

See accompanying note to supplementary information.

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
Jennifer Miller	President	2018
Gregg Peterson	Vice President	2020
Kimberly Ferrarin	Clerk	2018
Katherine Davidson	Trustee	2020
Leslie Kneafsey	Trustee	2018

DISTRICT ADMINISTRATORS

Dr. Amy Alzina
District Superintendent/Principal

See accompanying note to supplementary information.

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, 2018, the District participated in the Longer Day incentive funding program. As of June 30, 2018, 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.

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

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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 of Cold Spring School District, as of and for the year ended June 30, 2018, 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 14, 2018.

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.

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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Christy White Associates

San Diego, California
December 14, 2018

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REPORT ON STATE COMPLIANCE

Independent Auditors' Report

Governing Board
Cold Spring School District
Santa Barbara, California

Report on State Compliance

We have audited Cold Spring School District's compliance with the types of compliance requirements described in the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810, 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, 2018, 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 *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* , prescribed in Title 5, *California Code of Regulations*, section 19810.. 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, 2018.

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:

PROGRAM NAME	PROCEDURES 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
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes

Procedures Performed (continued)

PROGRAM NAME	PROCEDURES PERFORMED
After/Before 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
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 14, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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, 2018 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

FIVE DIGIT CODE	AB 3627 FINDING TYPE
20000	Inventory of Equipment
30000	Internal Control

The District had no financial statement findings for the year ended June 30, 2018.

FIVE DIGIT CODE	**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, 2018.

COLD SPRING SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

The District did not have any audit findings for the year ended June 30, 2017.