

COLD SPRING SCHOOL DISTRICT

AUDIT REPORT

June 30, 2017

San Diego

Los Angeles

San Francisco
Bay Area

christywhite
A PROFESSIONAL
ACCOUNTANCY CORPORATION *associates*

COLD SPRING SCHOOL DISTRICT
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FOR THE YEAR ENDED JUNE 30, 2017

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Governing Board
Cold Spring School District
Santa Barbara, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Cold Spring School District, as of and for the year ended June 30, 2017, 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.

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Michael Ash, CPA

Heather Rubio

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State Board of Accountancy

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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2017 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 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.

A handwritten signature in cursive script that reads "Christy White Associates".

San Diego, California
December 15, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

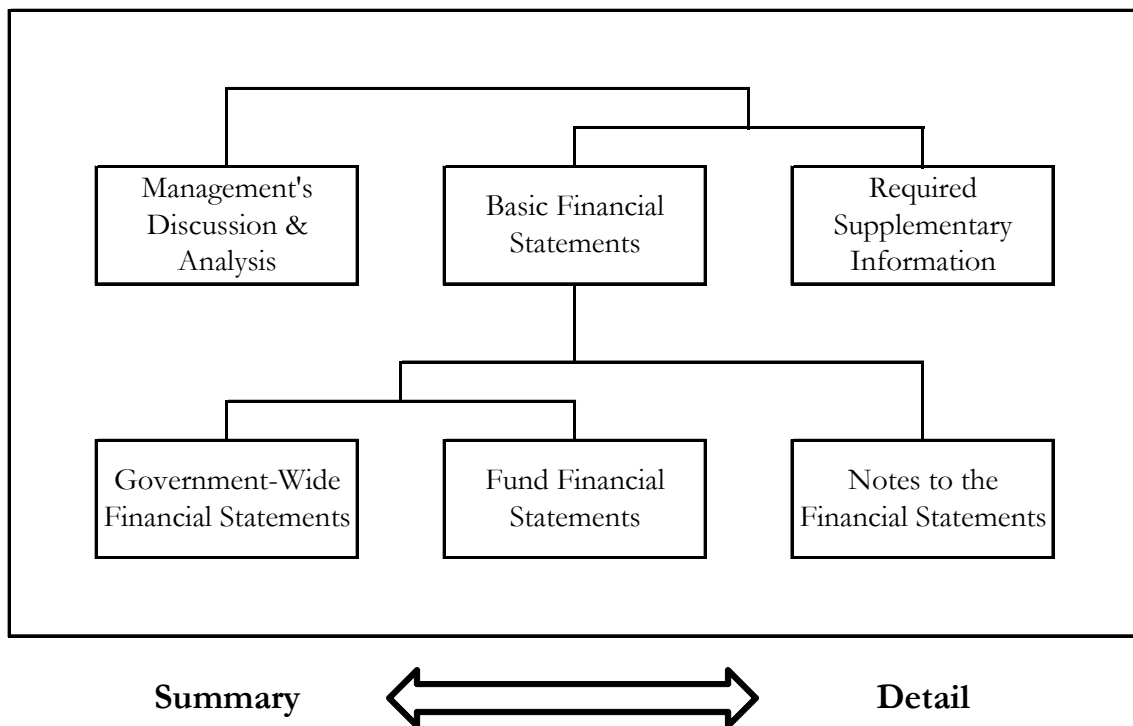
Our discussion and analysis of Cold Spring School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2017. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total combined net position was (\$1,976,752) at June 30, 2017. This was a decrease of \$263,629 from the prior year.
- Overall revenues were \$4,529,731 which was exceeded by expenses of \$4,793,360.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financials Section



**COLD SPRING SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2017**

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

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

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

Government-Wide Statements

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

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

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

**COLD SPRING SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2017**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's combined net position was (\$1,976,752) at June 30, 2017, as reflected in the table below. Of this amount, (\$2,978,903) 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		
	2017	2016	Net Change	2017	2016	Net Change
ASSETS						
Current and other assets	\$ 1,973,189	\$ 2,046,541	\$ (73,352)	\$ 1	\$ 649	\$ (648)
Capital assets	3,555,332	3,755,846	(200,514)	-	-	-
Total Assets	5,528,521	5,802,387	(273,866)	1	649	(648)
DEFERRED OUTFLOWS OF RESOURCES	2,432,989	1,017,909	1,415,080	-	-	-
LIABILITIES						
Current liabilities	377,264	385,258	(7,994)	-	649	(649)
Long-term liabilities	7,911,472	6,863,576	1,047,896	-	-	-
Total Liabilities	8,288,736	7,248,834	1,039,902	-	649	(649)
DEFERRED INFLOWS OF RESOURCES	1,649,527	1,284,585	364,942	-	-	-
NET POSITION						
Net investment in capital assets	(141,320)	(56,893)	(84,427)	-	-	-
Restricted	1,143,471	1,026,406	117,065	-	-	-
Unrestricted	(2,978,904)	(2,682,636)	(296,268)	1	-	1
Total Net Position	\$ (1,976,753)	\$ (1,713,123)	\$ (263,630)	\$ 1	\$ -	\$ 1

**COLD SPRING SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2017**

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		
	2017	2016	Net Change	2017	2016	Net Change
REVENUES						
Program revenues						
Operating grants and contributions	\$ 358,112	\$ 92,635	\$ 265,477	\$ 1,687	\$ 967	\$ 720
General revenues						
Property taxes	3,658,179	3,521,405	136,774	-	-	-
Unrestricted federal and state aid	182,517	237,412	(54,895)	-	-	-
Other	271,546	175,210	96,336	57,690	59,962	(2,272)
Total Revenues	4,470,354	4,026,662	443,692	59,377	60,929	(1,552)
EXPENSES						
Instruction	2,590,503	2,291,324	299,179	-	-	-
Instruction-related services	707,975	551,611	156,364	-	-	-
General administration	441,589	462,698	(21,109)	-	-	-
Plant services	383,586	425,131	(41,545)	-	-	-
Ancillary and community services	-	158	(158)	-	-	-
Debt service	290,135	254,863	35,272	-	-	-
Other Outgo	280,963	269,362	11,601	-	-	-
Enterprise activities	5,205	-	5,205	93,404	87,600	5,804
Total Expenses	4,699,956	4,255,147	444,809	93,404	87,600	5,804
Transfers & special items	(34,028)	(26,671)	(7,357)	34,028	26,671	7,357
Change in net position	(263,630)	(255,156)	(8,474)	1	-	1
Net Position - Beginning	(1,713,123)	(1,457,967)	(255,156)	-	-	-
Net Position - Ending	\$ (1,976,753)	\$ (1,713,123)	\$ (263,630)	\$ 1	\$ -	\$ 1

The cost of all our governmental activities this year was \$4,699,956 (refer to the table above). The amount that our taxpayers ultimately financed for these activities through taxes was \$3,658,179 with the remaining cost paid by other governments and organizations who subsidized certain programs with grants and contributions and other local revenue.

**COLD SPRING SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2017**

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	
	2017	2016
Instruction	\$ 2,382,015	\$ 2,222,952
Instruction-related services	651,960	528,455
General administration	433,345	461,591
Plant services	298,221	425,131
Ancillary and community services	-	158
Debt service	290,135	254,863
Transfers to other agencies	280,963	269,362
Enterprise activities	5,205	-
Total Expenses	\$ 4,341,844	\$ 4,162,512

FINANCIAL ANALYSIS OF THE DISTRICT’S MAJOR FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$1,833,352, which is less than last year’s ending fund balance of \$1,866,666. The District’s General Fund had \$31,400 less in operating revenues than expenditures for the year ended June 30, 2017. The District’s Building Fund had \$2,556 more in revenues than expenditures, the District’s Capital Facilities Fund had \$90,962 more in revenues than expenditures, the District’s Special Fund for Reserve Capital Projects had \$1,588 more in operating revenues than expenditures, while the District’s Bond Interest and Redemption Fund had \$180,468 less in operating revenues than expenditures for the year ended June 30, 2017.

CURRENT YEAR BUDGET 2016-17

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

**COLD SPRING SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2017**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end 2016-17 the District had invested \$3,555,332 in capital assets, net of accumulated depreciation.

	Governmental Activities		
	2017	2016	Net Change
CAPITAL ASSETS			
Land	\$ 122,906	\$ 122,906	\$ -
Construction in progress	117,177	117,177	-
Buildings & improvements	5,541,013	5,541,013	-
Furniture & equipment	143,205	143,205	-
Accumulated depreciation	(2,368,969)	(2,168,455)	(200,514)
Total Capital Assets	\$ 3,555,332	\$ 3,755,846	\$ (200,514)

Long-Term Liabilities

At year-end, the District had \$7,911,472 in long-term liabilities, an increase of 15.3% from last year – as shown in the table below. (More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.)

	Governmental Activities		
	2017	2016	Net Change
LONG-TERM LIABILITIES			
Total general obligation bonds	\$ 4,543,915	\$ 4,351,694	\$ 192,221
Compensated absences	2,499	2,455	44
Net OPEB obligation	182,800	170,906	11,894
Net pension liability	3,380,382	2,487,125	893,257
Less: current portion of long-term debt	(198,124)	(148,604)	(49,520)
Total Long-term Liabilities	\$ 7,911,472	\$ 6,863,576	\$ 1,047,896

**COLD SPRING SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2017**

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.

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

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

State revenues are estimated to increase modestly in 2017-18 but there is uncertainty about the State's long-term economic growth. According to the Legislative Analyst's Office, there are concerns about a possible mild recession. In addition, purchasing power has not been restored to pre-2007/08 levels for most school districts as added funding is going to pay for increases in CalPERS and CalSTRS rates increases and rising health care costs.

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, 2017. 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 2017-18 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, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 1,885,798	\$ 8,560	\$ 1,894,358
Accounts receivable	42,455	24,313	66,768
Internal balances	32,872	(32,872)	-
Prepaid expenses	12,064	-	12,064
Capital assets, not depreciated	240,083	-	240,083
Capital assets, net of accumulated depreciation	3,315,249	-	3,315,249
Total Assets	5,528,521	1	5,528,522
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	2,171,186	-	2,171,186
Deferred amount on refunding	261,803	-	261,803
Total Deferred Outflows of Resources	2,432,989	-	2,432,989
LIABILITIES			
Accrued liabilities	179,140	-	179,140
Long-term liabilities, current portion	198,124	-	198,124
Long-term liabilities, non-current portion	7,911,472	-	7,911,472
Total Liabilities	8,288,736	-	8,288,736
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	1,649,527	-	1,649,527
Total Deferred Inflows of Resources	1,649,527	-	1,649,527
NET POSITION			
Net investment in capital assets	(141,320)	-	(141,320)
Restricted:			
Capital projects	723,203	-	723,203
Debt service	289,302	-	289,302
Educational programs	130,966	-	130,966
Unrestricted	(2,978,904)	1	(2,978,903)
Total Net Position	\$ (1,976,753)	\$ 1	\$ (1,976,752)

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

COLD SPRING SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Function/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position	
		Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES					
Instruction	\$ 2,590,503	\$ 208,488	\$ (2,382,015)		
Instruction-related services					
Instructional supervision and administration	160,974	26,010	(134,964)		
Instructional library, media, and technology	113,895	10,768	(103,127)		
School site administration	433,106	19,237	(413,869)		
General administration					
Centralized data processing	4,975	-	(4,975)		
All other general administration	436,614	8,244	(428,370)		
Plant services	383,586	85,365	(298,221)		
Enterprise activities	5,205	-	(5,205)		
Interest on long-term debt	290,135	-	(290,135)		
Other Outgo	280,963	-	(280,963)		
Total Governmental Activities	\$ 4,699,956	\$ 358,112	(4,341,844)		
BUSINESS-TYPE ACTIVITIES					
Enterprise activities	93,404	1,687		\$ (91,717)	
Total Business-Type Activities	93,404	1,687		(91,717)	
Total School District	\$ 4,793,360	\$ 359,799			\$ (4,433,561)
General revenues					
Taxes and subventions					
Property taxes, levied for general purposes			3,345,929	-	3,345,929
Property taxes, levied for debt service			312,250	-	312,250
Federal and state aid not restricted for specific purposes			182,517	-	182,517
Interest and investment earnings			13,718	63	13,781
Miscellaneous			257,828	57,627	315,455
Subtotal, General Revenue			4,112,242	57,690	4,169,932
Change in net position before transfers & special items			(229,602)	(34,027)	(263,629)
Internal transfers			(34,028)	34,028	-
Total Transfers & Special Items			(34,028)	34,028	-
CHANGE IN NET POSITION					
Net Position - Beginning			(1,713,123)	-	(1,713,123)
Net Position - Ending			\$ (1,976,753)	\$ 1	\$ (1,976,752)

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

COLD SPRING SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2017

	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	\$ 502,766	\$ 343,136	\$ 300,675	\$ 411,138	\$ 328,083	\$ 1,885,798
Accounts receivable	39,799	744	649	741	522	42,455
Due from other funds	32,900	-	-	10,000	-	42,900
Prepaid expenditures	12,064	-	-	-	-	12,064
Total Assets	\$ 587,529	\$ 343,880	\$ 301,324	\$ 421,879	\$ 328,605	\$ 1,983,217
LIABILITIES						
Accrued liabilities	\$ 139,837	\$ -	\$ -	\$ -	\$ -	\$ 139,837
Due to other funds	10,028	-	-	-	-	10,028
Total Liabilities	149,865	-	-	-	-	149,865
FUND BALANCES						
Nonspendable	12,064	-	-	-	-	12,064
Restricted	130,966	343,880	301,324	421,879	328,605	1,526,654
Assigned	2,029	-	-	-	-	2,029
Unassigned	292,605	-	-	-	-	292,605
Total Fund Balances	437,664	343,880	301,324	421,879	328,605	1,833,352
Total Liabilities and Fund Balances	\$ 587,529	\$ 343,880	\$ 301,324	\$ 421,879	\$ 328,605	\$ 1,983,217

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, 2017

Total Fund Balance - Governmental Funds	\$ 1,833,352
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Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

Capital assets:

In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation:

Capital assets	\$ 5,924,301	
Accumulated depreciation	<u>(2,368,969)</u>	3,555,332

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:

261,803

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 unmatrued interest owing at the end of the period was:

(39,303)

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	\$ 4,543,915	
Compensated absences	2,499	
Net OPEB obligation	182,800	
Net pension liability	<u>3,380,382</u>	(8,109,596)

Deferred outflows and inflows of resources relating to pensions:

In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.

Deferred outflows of resources related to pensions	\$ 2,171,186	
Deferred inflows of resources related to pensions	<u>(1,649,527)</u>	521,659

Total Net Position - Governmental Activities	\$ <u>(1,976,753)</u>
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**COLD SPRING SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017**

	General Fund	Building Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest & Redemption Fund	Total Governmental Funds
REVENUES						
LCFF sources	\$ 3,470,290	\$ -	\$ -	\$ -	\$ -	\$ 3,470,290
Federal sources	13,226	-	-	-	-	13,226
Other state sources	314,468	-	-	-	434	314,902
Other local sources	168,468	2,556	96,487	2,083	313,767	583,361
Total Revenues	3,966,452	2,556	96,487	2,083	314,201	4,381,779
EXPENDITURES						
Current						
Instruction	2,321,338	-	-	-	-	2,321,338
Instruction-related services						
Instructional supervision and administration	145,419	-	-	-	-	145,419
Instructional library, media, and technology	101,703	-	-	-	-	101,703
School site administration	392,341	-	-	-	-	392,341
General administration						
Centralized data processing	4,975	-	-	-	-	4,975
All other general administration	400,623	-	-	-	-	400,623
Plant services	345,285	-	-	-	-	345,285
Facilities acquisition and maintenance	-	-	5,525	495	-	6,020
Enterprise activities	5,205	-	-	-	-	5,205
Transfers to other agencies	280,963	-	-	-	-	280,963
Debt service						
Principal	-	-	-	-	257,402	257,402
Interest and other	-	-	-	-	237,267	237,267
Total Expenditures	3,997,852	-	5,525	495	494,669	4,498,541
Excess (Deficiency) of Revenues						
Over Expenditures	(31,400)	2,556	90,962	1,588	(180,468)	(116,762)
Other Financing Sources (Uses)						
Other sources	-	-	-	-	3,699,279	3,699,279
Transfers out	(34,028)	-	-	-	-	(34,028)
Other uses	-	-	-	-	(3,581,803)	(3,581,803)
Net Financing Sources (Uses)	(34,028)	-	-	-	117,476	83,448
NET CHANGE IN FUND BALANCE	(65,428)	2,556	90,962	1,588	(62,992)	(33,314)
Fund Balance - Beginning	503,092	341,324	210,362	420,291	391,597	1,866,666
Fund Balance - Ending	\$ 437,664	\$ 343,880	\$ 301,324	\$ 421,879	\$ 328,605	\$ 1,833,352

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, 2017**

Net Change in Fund Balances - Governmental Funds \$ (33,314)

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

Capital outlay:

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

Expenditures for capital outlay:	\$ -	
Depreciation expense:	(200,514)	(200,514)

Debt service:

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

3,577,402

Debt proceeds:

In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount, were:

(3,699,279)

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:

261,803

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:

17,476

(continued on next page)

**COLD SPRING SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF
ACTIVITIES, continued
FOR THE YEAR ENDED JUNE 30, 2017**

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. (70,344)

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: (44)

Postemployment benefits other than pensions (OPEB):

In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was: (11,894)

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: (104,922)

Change in Net Position of Governmental Activities

\$ (263,630)

**COLD SPRING SCHOOL DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2017**

	Business-Type Activities
	<u>Dolphin Center Fund</u>
ASSETS	
Current assets	
Cash and investments	\$ 8,560
Accounts receivable	24,313
Due from other funds	10,028
Total Assets	<u>42,901</u>
 LIABILITIES	
Current liabilities	
Due to other funds	42,900
Total Liabilities	<u>42,900</u>
 NET POSITION	
Unrestricted	1
Total Net Position	<u>\$ 1</u>

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, 2017**

	Business-Type Activities
	Dolphin Center Fund
OPERATING REVENUE	
Other local revenues	\$ 57,627
Total operating revenues	57,627
OPERATING EXPENSE	
Salaries and benefits	84,584
Supplies and materials	2,707
Professional services	6,113
Total operating expenses	93,404
Operating income/(loss)	(35,777)
NON-OPERATING REVENUES/(EXPENSES)	
Interest income	63
Grant income	1,687
Transfers in	34,028
Total non-operating revenues/(expenses)	35,778
CHANGE IN NET POSITION	1
Net Position - Beginning	-
Net Position - Ending	\$ 1

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, 2017**

	Business-Type Activities
	<u>Dolphin Center Fund</u>
Cash flows from operating activities	
Cash received from user charges	\$ 78,986
Cash payments for payroll, insurance, and operating costs	(106,983)
Net cash provided by (used for) operating activities	<u>(27,997)</u>
Cash flows from non-capital financing activities	
Non-operating grants received	1,687
Interfund transfers in (out)	34,028
Net cash provided by (used for) non-capital financing activities	<u>35,715</u>
Cash flows from investing activities	
Interest received	63
Net cash provided by (used for) investing activities	<u>63</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>7,781</u>
 CASH AND CASH EQUIVALENTS	
Beginning of year	779
End of year	<u>\$ 8,560</u>
 Reconciliation of operating income (loss) to cash provided by (used for) operating activities	
Operating income (loss)	\$ (35,777)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	4,546
(Increase) decrease in due from other funds	16,813
Increase (decrease) in accounts payable	(649)
Increase (decrease) in due to other funds	(12,930)
Net cash provided by (used for) operating activities	<u>\$ (27,997)</u>

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

COLD SPRING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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.

COLD SPRING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

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.

COLD SPRING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

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:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
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.

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.

COLD SPRING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

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.

COLD SPRING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

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.

COLD SPRING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

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 not yet determined the impact on the financial statements.

GASB Statement No. 80 – In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14*. This standard's primary objective is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The Statement is effective for periods beginning after June 15, 2016. The District has implemented GASB Statement No. 80 for the year ended June 30, 2017.

GASB Statement No. 82 – In March 2016, GASB issued Statement No. 82, *Pension Issues – an Amendment of GASB Statements No. 67, No. 68, and No. 73*. This standard's primary objective is to address issues regarding the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The majority of this Statement is effective for periods beginning after June 15, 2016. The District has implemented GASB Statement No. 82 for the year ended June 30, 2017.

COLD SPRING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Governmental Funds	Business-Type Activities
Investment in county treasury	\$ 1,884,273	\$ 7,950
Cash on hand and in banks	1,525	610
Total cash and investments	\$ 1,885,798	\$ 8,560

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.

COLD SPRING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

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.

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

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately \$1,891,209 and an amortized book value of \$1,892,223. The average weighted maturity for this pool is 405 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, 2017, the pooled investments in the County Treasury were not rated.

COLD SPRING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

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, 2017, 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, 2017 were as follows:

	<u>Uncategorized</u>
Investment in county treasury	\$ 1,891,209
Total fair market value of investments	<u>\$ 1,891,209</u>

COLD SPRING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2017 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	\$ 41	\$ -	\$ -	\$ -	\$ -	\$ 41	\$ -
State Government							
Apportionment	8,437	-	-	-	-	8,437	-
Lottery	7,608	-	-	-	-	7,608	-
Local Government							
Other local sources	23,713	744	649	741	522	26,369	24,313
Total	\$ 39,799	\$ 744	\$ 649	\$ 741	\$ 522	\$ 42,455	\$ 24,313

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 was as follows:

	Balance July 01, 2016	Additions	Deletions	Balance June 30, 2017
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	-	-	5,541,013
Furniture & equipment	143,205	-	-	143,205
Total Capital Assets Being Depreciated	5,684,218	-	-	5,684,218
Less Accumulated Depreciation				
Buildings & improvements	2,032,535	199,953	-	2,232,488
Furniture & equipment	135,920	561	-	136,481
Total Accumulated Depreciation	2,168,455	200,514	-	2,368,969
Governmental Activities				
Capital Assets, net	\$ 3,755,846	\$ (200,514)	\$ -	\$ 3,555,332

COLD SPRING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 4 – CAPITAL ASSETS (continued)

Depreciation expense was charged to governmental activities, as follows:

Governmental Activities	
Instruction	\$ 129,929
Instructional supervision and administration	5,396
Instructional library, media, and technology	5,467
School site administration	20,032
All other general administration	17,493
Plant services	22,197
	<u>\$ 200,514</u>

NOTE 5 – INTERFUND TRANSACTIONS

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

Individual interfund receivable and payable balances at June 30, 2017 were as follows:

	Due From Other Funds			
		Special Reserve Fund for Capital Outlay Projects	Dolphin Center Fund	Total
Due To Other Funds	General Fund			
General Fund	\$ -	\$ -	\$ 10,028	\$ 10,028
Dolphin Center Fund	32,900	10,000	-	42,900
Total Due From Other Funds	\$ 32,900	\$ 10,000	\$ 10,028	\$ 52,928

The Dolphin Center Fund owed the General Fund for operational cash flow.	\$ 32,900
The Dolphin Center Fund owed the Special Reserve Fund for Capital Outlay Projects for operational cash flow.	10,000
The General Fund owed the Dolphin Center Fund for operational expenditures.	10,028
Total	<u>\$ 52,928</u>

B. Operating Transfers

Interfund transfers for the year ended June 30, 2017 consisted the General Fund transferring to the Dolphin Center Fund \$34,028 for operating expenditures.

COLD SPRING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2017 consisted of the following:

	Total Governmental		
	General Fund	District-Wide	Activities
Vendors payable	\$ 139,837	\$ -	139,837
Unmatured interest	-	39,303	39,303
Total	\$ 139,837	\$ 39,303	\$ 179,140

NOTE 7 – LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2017 consisted of the following:

	Balance July 01, 2016			Balance June 30, 2017		Balance Due In One Year
	Additions	Deductions				
Governmental Activities						
General obligation bonds	\$ 4,351,694	\$ 3,769,623	\$ 3,577,402	\$ 4,543,915	\$ 198,124	
Compensated absences	2,455	44	-	2,499	-	
Net OPEB obligation	170,906	11,894	-	182,800	-	
Net pension liability	2,487,125	893,257	-	3,380,382	-	
Total	\$ 7,012,180	\$ 4,674,818	\$ 3,577,402	\$ 8,109,596	\$ 198,124	

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, 2017 is:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding			Bonds Outstanding	
					July 01, 2016	Additions	Deductions	June 30, 2017	
2007 Refunding	April 10, 2007	August 1, 2027	3.900% - 4.100%	\$2,700,000	\$ 1,805,000	\$ -	\$ 1,805,000	\$ -	
Election 2008, Series 2009A	November 10, 2009	August 1, 2039	2.000% - 6.310%	1,578,434	1,656,101	17,538	1,485,000	188,639	
Election 2008, Series 2009B	November 10, 2009	August 1, 2034	3.410% - 6.400%	861,109	890,593	52,806	205,000	738,399	
2016 Refunding	September 30, 2016	August 1, 2039	3.260%	3,699,279	-	3,699,279	82,402	3,616,877	
					\$ 4,351,694	\$ 3,769,623	\$ 3,577,402	\$ 4,543,915	

2007 General Obligation Refunding Bonds

On April 10, 2007, the District issued \$2,700,000 of General Obligation Refunding Bonds, with interest rates ranging from 3.900 to 4.100 percent, to refund certain outstanding general obligation bonds. The 2007 General Obligation Refunding Bonds were issued as current interest bonds. During the 2016-17 fiscal year the 2016 General Obligation Refunding Bonds were issued to early refund the outstanding principal balance.

COLD SPRING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 7 – LONG-TERM DEBT (continued)

A. General Obligation Bonds (continued)

Election 2008, Series 2009A

On November 10, 2009, the District issued \$1,578,434 of Series 2009A General Obligation Bonds, with interest rates ranging from 2.000 to 6.310 percent, to finance new construction and additions to and modernization of school facilities for the District. The 2009A General Obligation Bonds were issued as both current interest and capital appreciation bonds, with the value of capital appreciation bonds accreting \$93,434, and an aggregate principal debt service balance of \$740,000. 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, 2017, the Series 2009A General Obligation Bonds principal balance outstanding was \$188,639.

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, 2017, the Series 2009B General Obligation Bonds principal balance outstanding was \$738,399.

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 \$261,803 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, 2017, the 2016 General Obligation Refunding Bonds principal balance outstanding was \$3,616,877.

COLD SPRING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 7 – LONG-TERM DEBT (continued)

A. General Obligation Bonds (continued)

The annual requirements to amortize general obligation bonds payable outstanding as of June 30, 2017, are as follows:

Year Ended June 30,	Principal	Interest	Total
2018	\$ 198,124	\$ 142,963	\$ 341,087
2019	193,367	132,233	325,600
2020	198,268	130,579	328,847
2021	205,513	130,799	336,312
2022	234,461	131,450	365,911
2023 - 2027	1,228,027	586,889	1,814,916
2028 - 2032	357,986	1,019,113	1,377,099
2033 - 2037	853,989	755,322	1,609,311
2038 - 2040	832,600	41,825	874,425
Accretion	241,580	(241,580)	-
Total	\$ 4,543,915	\$ 2,829,593	\$ 7,373,508

B. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2017 amounted to \$2,499. This amount is included as part of long-term liabilities in the government-wide financial statements.

C. Other Postemployment Benefits (OPEB Obligation)

The District implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* during the year ended June 30, 2010. The District's annual required contribution for the year ended June 30, 2017, was \$14,942. Interest and other adjustments on the net OPEB obligation were (\$3,048), which resulted in a net increase to the OPEB obligation of \$11,894. As of June 30, 2017, the net OPEB obligation was \$182,800. See Note 9 for additional information regarding the OPEB obligation and the postemployment benefits plan.

D. Net Pension Liability

The District's beginning net pension liability was \$2,487,125 and increased by \$893,257 during the year ended June 30, 2017. The ending net pension liability at June 30, 2017 was \$3,380,382. See Note 10 for additional information regarding the net pension liability.

COLD SPRING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 8 – FUND BALANCES

Fund balances were composed of the following elements at June 30, 2017:

	General Fund	Building Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest & Redemption Fund	Total Governmental Funds
Non-spendable						
Prepaid expenditures	\$ 12,064	\$ -	\$ -	\$ -	\$ -	\$ 12,064
Total non-spendable	12,064	-	-	-	-	12,064
Restricted						
Educational programs	130,966	-	-	-	-	130,966
Capital projects	-	343,880	301,324	421,879	-	1,067,083
Debt service	-	-	-	-	328,605	328,605
Total restricted	130,966	343,880	301,324	421,879	328,605	1,526,654
Assigned						
2nd grade project	718	-	-	-	-	718
5th grade project	569	-	-	-	-	569
Postemployment benefits	742	-	-	-	-	742
Total assigned	2,029	-	-	-	-	2,029
Unassigned						
Reserve for economic uncertainties	292,605	-	-	-	-	292,605
Total unassigned	292,605	-	-	-	-	292,605
Total	\$ 437,664	\$ 343,880	\$ 301,324	\$ 421,879	\$ 328,605	\$ 1,833,352

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.

COLD SPRING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

A. Plan Description and Contribution Information

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

Membership of the plan consisted of the following:

Retirees and beneficiaries receiving benefits	4
Active plan members	16
Total*	<u>20</u>
Number of participating employers	1

*As of July 1, 2015 actuarial study

B. Funding Policy

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

As of June 30, 2017, the District has not established a plan or equivalent that contains an irrevocable transfer of assets dedicated to providing benefits to retirees in accordance with the terms of the plan and that are legally protected from creditors.

COLD SPRING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

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

C. Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$	14,942
Interest on net OPEB obligation		6,836
Adjustment to annual required contribution		(9,884)
Annual OPEB cost (expense)		<u>11,894</u>
Contributions made		<u>-</u>
Increase (decrease) in net OPEB obligation		11,894
Net OPEB obligation, beginning of the year		<u>170,906</u>
Net OPEB obligation, end of the year	\$	<u>182,800</u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the year ended June 30, 2017 and the preceding two years were as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2017	\$ 11,894	0%	\$ 182,800
2016	\$ 12,110	0%	\$ 170,906
2015	\$ 13,872	0%	\$ 158,796

COLD SPRING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

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

D. Funded Status and Funding Progress

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

Actuarial Valuation Date	Actuarial Valuation of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2015	\$ -	\$ 112,963	\$ 112,963	0%	\$ 2,087,498	5%

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

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

E. Actuarial Methods and Assumptions

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

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

COLD SPRING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

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	\$ 2,497,035	\$ 1,471,147	\$ 926,249	\$ 249,105
PERS Pension	883,347	700,039	723,278	112,773
Total	\$ 3,380,382	\$ 2,171,186	\$ 1,649,527	\$ 361,878

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the California State Teachers' Retirement System (CalSTRS); a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, CA 95826.

Benefits provided

The CalSTRS defined benefit plan has two benefit formulas:

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

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

CalSTRS 2% at 60

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

COLD SPRING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 10 – PENSION PLANS (continued)

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

Benefits provided (continued)

CalSTRS 2% at 62

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

Contributions

Active plan CalSTRS 2% at 60 and 2% at 62 members are required to contribute 10.25% and 9.205% of their salary for fiscal year 2017, 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 2017 was 12.58% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were \$187,805 for the year ended June 30, 2017.

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 \$165,094 to CalSTRS.

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

At June 30, 2017, 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	\$	2,497,035
State's proportionate share of the net		
pension liability associated with the District		1,421,727
Total	\$	<u>3,918,762</u>

The net pension liability was measured as of June 30, 2016, 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, 2015, and rolling forward the total pension liability to June 30, 2016. 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, 2016, the District's proportion was 0.003 percent, which was a decrease of 0.000026 percent from its proportion measured as of June 30, 2015.

COLD SPRING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 10 – PENSION PLANS (continued)

California State Teachers’ Retirement System (CalSTRS) (continued)

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

For the year ended June 30, 2017, the District recognized pension expense of \$249,105. In addition, the District recognized pension expense and revenue of \$253,669 for support provided by the State. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ 198,513	\$ -
Differences between expected and actual experience	-	60,913
Changes in proportion and differences between District contributions and proportionate share of contributions	1,084,829	865,336
District contributions subsequent to the measurement date	187,805	-
	<u>\$ 1,471,147</u>	<u>\$ 926,249</u>

The \$187,805 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2018	\$ 185,136	\$ 184,184
2019	185,136	184,184
2020	296,201	184,184
2021	255,260	184,184
2022	180,805	184,185
2023	180,804	5,328
	<u>\$ 1,283,342</u>	<u>\$ 926,249</u>

COLD SPRING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 10 – PENSION PLANS (continued)

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, 2015, and rolling forward the total pension liability to June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

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

* Net of investment expenses, but gross of administrative expenses.

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

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2006–June 30, 2010.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance - PCA) as an input to the process. Based on the model from CalSTRS consulting actuary's (Milliman) investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 20-year geometric real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2016 are summarized in the following table:

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

* 20-year geometric average

COLD SPRING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 10 – PENSION PLANS (continued)

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

Discount rate

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

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

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

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
District's proportionate share of the net pension liability	\$ 3,593,796	\$ 2,497,035	\$ 1,586,129

Pension plan fiduciary net position

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

COLD SPRING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 10 – PENSION PLANS (continued)

California Public Employees' Retirement System (CalPERS)

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

Benefits provided

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

Contributions

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

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2017 was 13.888% of annual payroll. Contributions to the plan from the District were \$69,151 for the year ended June 30, 2017.

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

At June 30, 2017, the District reported a liability of \$883,347 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2015, and rolling forward the total pension liability to June 30, 2016. 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, 2016, the District's proportion was 0.004 percent, which was an increase of 0.00011 percent from its proportion measured as of June 30, 2015.

COLD SPRING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 10 – PENSION PLANS (continued)

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

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

For the year ended June 30, 2017, the District recognized pension expense of \$112,773. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ 137,067	\$ -
Differences between expected and actual experience	37,992	-
Changes in assumptions	-	26,539
Changes in proportion and differences between District contributions and proportionate share of contributions	455,829	696,739
District contributions subsequent to the measurement date	69,151	-
	<u>\$ 700,039</u>	<u>\$ 723,278</u>

The \$69,151 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2018	\$ 276,716	\$ 254,828
2019	251,426	253,430
2020	66,972	215,020
2021	35,774	-
	<u>\$ 630,888</u>	<u>\$ 723,278</u>

COLD SPRING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 10 – PENSION PLANS (continued)

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

Actuarial assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	2.75%
Investment Yield*	7.65%
Wage Inflation	Varies by Entry Age and Service

* Net of investment expenses, but gross of administrative expenses.

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, 2015, valuation were based on the results of an actuarial experience study for the period from 1997 to 2011.

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

COLD SPRING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 10 – PENSION PLANS (continued)

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

Actuarial assumptions (continued)

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

Asset Class	Assumed Asset Allocation	Real Return Years 1-10*	Real Return Years 11+**
Global Equity	51%	5.25%	5.71%
Global Debt Securities	20%	0.99%	2.43%
Inflation Assets	6%	0.45%	3.36%
Private Equity	10%	6.83%	6.95%
Real Estate	10%	4.50%	5.13%
Infrastructure and Forestland	2%	4.50%	5.09%
Liquidity	1%	-0.55%	-1.05%
	100%		

* An expected inflation of 2.5% used for this period

** An expected inflation of 3.0% used for this period

Discount rate

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

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

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

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
District's proportionate share of the net pension liability	\$ 1,317,959	\$ 883,347	\$ 521,448

COLD SPRING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 10 – PENSION PLANS (continued)

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, 2017.

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, 2017.

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.

COLD SPRING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 13 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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 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, 2017, the deferred amount on refunding was \$261,803.

REQUIRED SUPPLEMENTARY INFORMATION

**COLD SPRING SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual*	Variances -
	Original	Final	(Budgetary Basis)	Final to Actual
REVENUES				
LCFF sources	\$ 3,412,363	\$ 3,458,984	\$ 3,470,290	\$ 11,306
Federal sources	14,186	13,033	13,226	193
Other state sources	70,501	177,630	314,468	136,838
Other local sources	144,180	146,080	166,944	20,864
Total Revenues	3,641,230	3,795,727	3,964,928	169,201
EXPENDITURES				
Certificated salaries	1,492,777	1,523,376	1,579,210	(55,834)
Classified salaries	675,442	712,673	684,849	27,824
Employee benefits	751,092	886,404	961,291	(74,887)
Books and supplies	144,690	151,076	173,535	(22,459)
Services and other operating expenditures	257,126	312,292	318,004	(5,712)
Other outgo				
Excluding transfers of indirect costs	285,177	310,147	280,963	29,184
Total Expenditures	3,606,304	3,895,968	3,997,852	(101,884)
Excess (Deficiency) of Revenues				
Over Expenditures	34,926	(100,241)	(32,924)	67,317
Other Financing Sources (Uses)				
Transfers in	-	79,877	100,506	20,629
Transfers out	(24,567)	(27,586)	(34,028)	(6,442)
Net Financing Sources (Uses)	(24,567)	52,291	66,478	14,187
NET CHANGE IN FUND BALANCE	10,359	(47,950)	33,554	81,504
Fund Balance - Beginning	261,627	261,627	261,627	-
Fund Balance - Ending	\$ 271,986	\$ 213,677	\$ 295,181	\$ 81,504

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

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

**COLD SPRING SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2017**

Actuarial Valuation Date	Actuarial Valuation of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2015	\$ -	\$ 112,963	\$ 112,963	0%	\$ 2,087,498	5%
July 1, 2012	\$ -	\$ 148,008	\$ 148,008	0%	\$ 1,712,607	9%
July 1, 2009	\$ -	\$ 281,234	\$ 281,234	0%	\$ 1,703,928	17%

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, 2017

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.003%	0.001%	0.001%
District's proportionate share of the net pension liability	\$ 2,497,035	\$ 928,918	\$ 1,838,586
State's proportionate share of the net pension liability associated with the District	1,421,727	491,293	1,110,218
Total	<u>\$ 3,918,762</u>	<u>\$ 1,420,211</u>	<u>\$ 2,948,804</u>
District's covered payroll	\$ 1,530,816	\$ 1,555,335	\$ 1,482,738
District's proportionate share of the net pension liability as a percentage of its covered payroll	163.1%	59.7%	124.0%
Plan fiduciary net position as a percentage of the total pension liability	70.0%	74.0%	76.5%

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, 2017

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.004%	0.011%	0.010%
District's proportionate share of the net pension liability	\$ 883,347	\$ 1,558,207	\$ 44,693
District's covered payroll	\$ 533,081	\$ 554,649	\$ 476,859
District's proportionate share of the net pension liability as a percentage of its covered payroll	165.7%	280.9%	9.4%
Plan fiduciary net position as a percentage of the total pension liability	73.9%	79.4%	83.4%

See accompanying note to required supplementary information.

COLD SPRING SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2017

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

*Amounts do not include on behalf contributions

COLD SPRING SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALPERS
FOR THE YEAR ENDED JUNE 30, 2017

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

See accompanying note to required supplementary information.

**COLD SPRING SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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

Schedule of Funding Progress

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

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

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

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.

COLD SPRING SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION, continued
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2017, the District incurred the following excesses of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code:

	Expenditures and Other Uses		
	Budget	Actual	Excess
General Fund			
Certificated salaries	\$ 1,523,376	\$ 1,579,210	\$ 55,834
Employee benefits	\$ 886,404	\$ 961,291	\$ 74,887
Books and supplies	\$ 151,076	\$ 173,535	\$ 22,459
Services and other operating expenditures	\$ 312,292	\$ 318,004	\$ 5,712

SUPPLEMENTARY INFORMATION

COLD SPRING SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
FOR THE YEAR ENDED JUNE 30, 2017

	Second Period Report	Annual Report
SCHOOL DISTRICT		
TK/K through Third		
Regular ADA	97.17	97.17
Fourth through Sixth		
Regular ADA	69.23	69.23
TOTAL SCHOOL DISTRICT	166.40	166.40

**COLD SPRING SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2017**

Grade Level	Minutes Requirement	2016-17 Actual	Number of Days	Status
		Minutes		
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	55,290	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

**COLD SPRING SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

	2018 (Budget)	2017	2016	2015
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 4,083,031	\$ 4,065,434	\$ 3,779,200	\$ 3,492,794
Expenditures And Other Financing Uses	4,099,467	4,031,880	3,816,653	3,621,122
Net change in Fund Balance	\$ (16,436)	\$ 33,554	\$ (37,453)	\$ (128,328)
Ending Fund Balance	\$ 278,745	\$ 295,181	\$ 261,627	\$ 299,080
Available Reserves*	\$ 328,083	\$ 292,605	\$ 431,900	\$ 560,555
Available Reserves As A Percentage Of Outgo	8.00%	7.26%	11.32%	15.48%
Long-term Debt	\$ 7,911,472	\$ 8,109,596	\$ 7,012,180	\$ 6,860,704
Average Daily Attendance At P-2	166	166	149	155

The General Fund balance has decreased by \$3,899 over the past two years. The fiscal year 2017-18 budget projects a further decrease of \$16,436. 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 deficits in two of the past three years and anticipates incurring an operating deficit during the 2017-18 fiscal year. Total long-term obligations have increased by \$1,248,892 over the past two years.

Average daily attendance has increased by 11 ADA over the past two years. No change in ADA is anticipated during the 2017-18 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.

**COLD SPRING SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

	General Fund	Special Reserve Fund for Other Than Capital Outlay Projects	Special Reserve Fund for Postemployment Benefits
June 30, 2017, annual financial and budget report fund balance	\$ 295,181	\$ 141,741	\$ 742
Adjustments and reclassifications:			
Increase (decrease) in total fund balances:			
Fund balance transfer (GASB 54)	142,483	(141,741)	(742)
Net adjustments and reclassifications	142,483	(141,741)	(742)
June 30, 2017, audited financial statement fund balance	\$ 437,664	\$ -	\$ -

**COLD SPRING SCHOOL DISTRICT
LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2017**

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. Tricia T. Price
District Superintendent/Principal
Retired June 30, 2017

Dr. Amy Alzina
District Superintendent/Principal
Subsequent to June 30, 2017

COLD SPRING SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2017

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, 2017, the District participated in the Longer Day incentive funding program. As of June 30, 2017, 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**

**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**

Christy White, CPA

Michael Ash, CPA

Heather Rubio

Independent Auditors' Report

Governing Board
Cold Spring School District
Santa Barbara, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Cold Spring School District, as of and for the year ended June 30, 2017, 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 15, 2017.

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.

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*Licensed by the California
State Board of Accountancy*

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Christy White Associates".

San Diego, California
December 15, 2017

REPORT ON STATE COMPLIANCE

Independent Auditors' Report

Christy White, CPA

Michael Ash, CPA

Heather Rubio

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 *2016-17 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, 2017, 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 *2016-17 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.

SAN DIEGO
LOS ANGELES
SAN FRANCISCO/BAY AREA

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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, 2017.

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
Mental Health Expenditures	Not Applicable
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes

Procedures Performed (continued)

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

Christy White Associates

San Diego, California

December 15____, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**COLD SPRING SCHOOL DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2017**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Non-compliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

The District was not subject to Uniform Guidance Single Audit for the year ended June 30, 2017 because federal award expenditures did not exceed \$750,000.

STATE AWARDS

Internal control over state programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>

**COLD SPRING SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

FIVE DIGIT CODE

20000
30000

AB 3627 FINDING TYPE

Inventory of Equipment
Internal Control

The District had no financial statement findings for the year ended June 30, 2017.

**COLD SPRING SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

FIVE DIGIT CODE

10000
40000
42000
60000
61000
62000
70000
71000
72000

AB 3627 FINDING TYPE

Attendance
State Compliance
Charter Schools Facilities Program
Miscellaneous
Classroom Teacher Salaries
Local Control Accountability Plan
Instructional Materials
Teacher Misassignments
School Accountability Report Card

The District had no State award findings or questioned costs for the year ended June 30, 2017.

**COLD SPRING SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

The District did not have any prior audit findings for the fiscal year ended June 30, 2016.