

COLD SPRING SCHOOL DISTRICT

AUDIT REPORT
JUNE 30, 2015

San Diego

Los Angeles

San Francisco
Bay Area

christy  white
A PROFESSIONAL
ACCOUNTANCY CORPORATION *associates*

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

JUNE 30, 2015

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

GOVERNING BOARD

Member	Office	Term Expires
Bryan J. Goligoski	President	2016
Michael Wasserman	Vice-President	2016
Jennifer Miller	Clerk	2018
Kimberly Ferrarin <i>(appointed March 9, 2015)</i>	Trustee	2016
John Murphy <i>(resigned September 15, 2015)</i>	Trustee	2016

DISTRICT ADMINISTRATORS

Dr. Tricia T. Price
District Superintendent/Principal

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FOR THE YEAR ENDED JUNE 30, 2015**

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Governing Board
Cold Spring School District
Santa Barbara, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Cold Spring School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Cold Spring School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Christy White, CPA

Michael Ash, CPA

Heather Rubio

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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, each major fund, and the aggregate remaining fund information of Cold Spring School District, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As described in Note 1 to the financial statements, in 2015 Cold Spring School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis, budgetary comparison information, schedule of 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 14, 2015 on our consideration of Cold Spring School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cold Spring School District's internal control over financial reporting and compliance.

Christy White Associates

San Diego, California
December 14, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

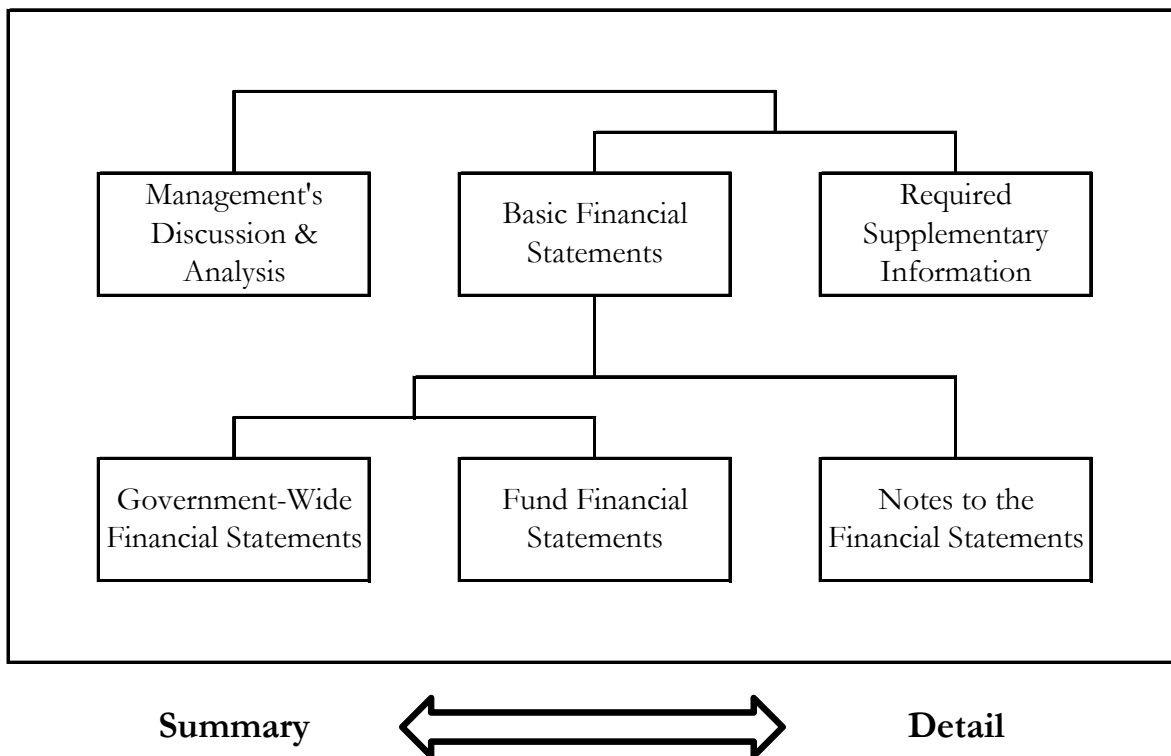
Our discussion and analysis of Cold Spring School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2015. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- ▶ The District's total net position was (\$1,457,967) at June 30, 2015. This was a decrease of \$3,051,249 before restatement from the prior year.
- ▶ Overall revenues were \$3,799,373 which was less than expenses of \$4,131,875.

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, 2015**

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.
 - ▶ **Fiduciary Funds** report balances for which the District is a custodian or *trustee* of the funds, such as Associated Student Bodies and pension funds.

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. LCFF 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, 2015**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's combined net position was (\$1,457,967) at June 30, 2015, as reflected in the table below. Of this amount, (\$2,421,146) 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		
	2015	2014	Net Change	2015	2014	Net Change
ASSETS						
Current and other assets	\$ 2,202,808	\$ 2,308,329	\$ (105,521)	\$ 48	\$ -	\$ 48
Capital assets	3,851,632	4,039,694	(188,062)	-	-	-
Total Assets	6,054,440	6,348,023	(293,583)	48	-	48
DEFERRED OUTFLOWS OF RESOURCES	190,707	-	190,707	-	-	-
LIABILITIES						
Current liabilities	369,871	216,219	153,652	48	-	48
Long-term liabilities	6,719,903	4,538,522	2,181,381	-	-	-
Total Liabilities	7,089,774	4,754,741	2,335,033	48	-	48
DEFERRED INFLOWS OF RESOURCES	605,550	-	605,550	-	-	-
NET POSITION						
Net investment in capital assets	(103,495)	(51,241)	(52,254)	-	-	-
Restricted	1,066,674	601,516	465,158	-	-	-
Unrestricted	(2,413,356)	1,043,007	(3,456,363)	-	-	-
Total Net Position	\$ (1,450,177)	\$ 1,593,282	\$ (3,043,459)	\$ -	\$ -	\$ -

**COLD SPRING SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2015**

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, rounds off the numbers, and rearranges them slightly, so you can see our total revenues, expenses, and special items for the year.

	Governmental Activities			Business-Type Activities		
	2015	2014	Net Change	2015	2014	Net Change
REVENUES						
Program revenues						
Operating grants and contributions	\$ 12,017	\$ 107,401	\$ (95,384)	\$ -	\$ -	\$ -
General revenues						
Property taxes	3,371,336	3,246,495	124,841	-	-	-
Unrestricted federal and state aid	226,015	224,253	1,762	-	-	-
Other	190,005	180,802	9,203	34,867	40,832	(5,965)
Total Revenues	3,799,373	3,758,951	40,422	34,867	40,832	(5,965)
EXPENSES						
Instruction	2,266,529	2,160,679	105,850	-	-	-
Instruction-related services	524,506	514,406	10,100	-	-	-
General administration	351,017	289,349	61,668	-	-	-
Plant services	379,524	343,512	36,012	-	-	-
Ancillary and community services	2,812	2,608	204	-	-	-
Debt service	203,616	42,597	161,019	-	-	-
Other Outgo	405,819	2,763	403,056	-	-	-
Enterprise	-	-	-	53,288	60,851	(7,563)
Total Expenses	4,133,823	3,355,914	777,909	53,288	60,851	(7,563)
Transfers & special items	(18,421)	(20,019)	1,598	18,421	20,019	(1,598)
Change in net position	(352,871)	383,018	(735,889)	-	-	-
Net Position - Beginning, as Restated	(1,097,306)	1,210,264	(2,307,570)	-	-	-
Net Position - Ending	\$ (1,450,177)	\$ 1,593,282	\$ (3,043,459)	\$ -	\$ -	\$ -

* Restatement to Beginning Net Position relates to both the 2015 year and the 2014 year

The cost of all our governmental activities this year was \$4,131,875 (refer to the table above). The amount that our taxpayers ultimately financed for these activities through taxes was only \$3,371,336 because the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions (\$238,032).

**COLD SPRING SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2015**

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	
	2015	2014
Instruction	\$ 2,261,519	\$ 2,064,169
Instruction-related services	517,499	503,515
General administration	351,017	289,349
Plant services	379,524	343,512
Ancillary and community services	2,812	2,608
Debt service	203,616	42,597
Transfers to other agencies	405,819	2,763
Total Expenses	\$ 4,121,806	\$ 3,248,513

**COLD SPRING SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2015**

FINANCIAL ANALYSIS OF THE DISTRICT'S MAJOR FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$2,032,065, which is less than last year's ending fund balance of \$2,292,255. The District's General Fund had \$247,502 less in operating revenues than expenditures for the year ended June 30, 2015. The District's Building Fund had \$4,479 less in revenue than expenditures, the District's Special Fund for Reserve Capital Projects had \$11,475 less in operating revenue than expenditures, while the District's Bond Interest and Redemption Fund had \$4,027 less in operating revenues than expenditures for the year ended June 30, 2015.

CURRENT YEAR BUDGET -15

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of -15 the District had invested \$3,851,632 in capital assets, net of accumulated depreciation.

	Governmental Activities		
	2015	2014	Net Change
CAPITAL ASSETS			
Land	\$ 122,906	\$ 122,906	\$ -
Construction in progress	12,450	-	12,450
Buildings & improvements	5,541,013	5,541,013	-
Furniture & equipment	143,205	143,205	-
Accumulated depreciation	(1,967,942)	(1,767,430)	(200,512)
Total Capital Assets	\$ 3,851,632	\$ 4,039,694	\$ (188,062)

**COLD SPRING SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2015**

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Long-Term Liabilities

At year-end, the District had \$6,719,902 in long-term liabilities, an increase of 48% 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		
	2015	2014	Net Change
LONG-TERM LIABILITIES			
Total general obligation bonds	\$ 4,413,899	\$ 4,526,965	\$ (113,066)
Compensated absences	4,730	6,919	(2,189)
Net OPEB obligation	158,796	144,924	13,872
Net pension liability	2,283,279	-	2,283,279
Less: current portion of long-term debt	(140,802)	(140,286)	(516)
Total Long-term Liabilities	\$ 6,719,902	\$ 4,538,522	\$ 2,181,380

**COLD SPRING SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2015**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

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

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

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

The State's economy is expected to grow at a modest rate of about 2%-3% annually over the next two years with little chance of recession, according to the UCLA Anderson Economic Forecast for September 2015. The ability of the State to fund the LCFF and other programs is largely dependent on the strength of the State's economy and remains uncertain.

GASB 68, Accounting and Financial Reporting for Pensions, is effective in the 2014-15 fiscal. The new standard requires the reporting of annual pension cost using an actuarially determined method and a net pension liability is expected to result. 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 Financial Position as of June 30, 2015. The amount of the liability is material to the financial position of the District. To address the underfunding issues, the pension plans intend to raise employer rates in future years and the increased costs could be 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 2015-16 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Business Office, Mary Stark, Chief Business Officer (805) 969-2678.

**COLD SPRING SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015**

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,053,088	\$ -	\$ 2,053,088
Accounts receivable	133,729	9,345	143,074
Internal balances	9,297	(9,297)	-
Prepaid expenses	6,694	-	6,694
Capital assets, not depreciated	135,356	-	135,356
Capital assets, net of accumulated depreciation	3,716,276	-	3,716,276
Total Assets	6,054,440	48	6,054,488
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	190,707	-	190,707
Total Deferred Outflows of Resources	190,707	-	190,707
LIABILITIES			
Accrued liabilities	229,069	48	229,117
Long-term liabilities, current portion	140,802	-	140,802
Long-term liabilities, non-current portion	6,719,903	-	6,719,903
Total Liabilities	7,089,774	48	7,089,822
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	605,550	-	605,550
Total Deferred Inflows of Resources	605,550	-	605,550
NET POSITION			
Net investment in capital assets	(103,495)	-	(103,495)
Restricted:			
Capital projects	695,689	-	695,689
Debt service	317,394	-	317,394
Educational programs	53,591	-	53,591
Unrestricted	(2,413,356)	-	(2,413,356)
Total Net Position	\$ (1,450,177)	\$ -	\$ (1,450,177)

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

**COLD SPRING SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

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	\$ 2,266,529	\$ 5,010	\$ (2,261,519)	\$ -	\$ (2,261,519)
Instruction-related services					
Instructional supervision and administration	93,729	7,007	(86,722)	-	(86,722)
Instructional library, media, and technology	93,064	-	(93,064)	-	(93,064)
School site administration	337,713	-	(337,713)	-	(337,713)
General administration					
Centralized data processing	4,975	-	(4,975)	-	(4,975)
All other general administration	346,042	-	(346,042)	-	(346,042)
Plant services	379,524	-	(379,524)	-	(379,524)
Ancillary services	2,812	-	(2,812)	-	(2,812)
Interest on long-term debt	203,616	-	(203,616)	-	(203,616)
Other Outgo	405,819	-	(405,819)	-	(405,819)
Total Governmental Activities	\$ 4,133,823	\$ 12,017	(4,121,806)		
BUSINESS-TYPE ACTIVITIES					
Enterprise activities	53,288	-		(53,288)	
Total Business-Type Activities	53,288	-		(53,288)	
Total School District	\$ 4,187,111	\$ 12,017			\$ (4,175,094)
General revenues					
Taxes and subventions					
Property taxes, levied for general purposes			3,058,107	-	3,058,107
Property taxes, levied for debt service			313,229	-	313,229
Federal and state aid not restricted for specific purposes			226,015	-	226,015
Interest and investment earnings			8,483	7	8,490
Miscellaneous			181,522	34,860	216,382
Subtotal, General Revenue			3,787,356	34,867	3,822,223
Change in net position before transfers & special items					
			(334,450)	(18,421)	(352,871)
Internal transfers			(18,421)	18,421	-
Total Transfers & Special Items			(18,421)	18,421	-
CHANGE IN NET POSITION					
			(352,871)	-	(352,871)
Net Position - Beginning, as Restated					
			(1,097,306)	-	(1,097,306)
Net Position - Ending					
			\$ (1,450,177)	\$ -	\$ (1,450,177)

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

**COLD SPRING SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2015**

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 642,601	\$ 339,387	\$ 522,426	\$ 375,416	\$ 173,258	\$ 2,053,088
Accounts receivable	132,352	350	544	304	179	133,729
Due from other funds	17,088	-	-	-	-	17,088
Prepaid expenditures	6,694	-	-	-	-	6,694
Total Assets	\$ 798,735	\$ 339,737	\$ 522,970	\$ 375,720	\$ 173,437	\$ 2,210,599
LIABILITIES						
Accrued liabilities	\$ 170,025	\$ -	\$ -	\$ -	\$ 718	\$ 170,743
Due to other funds	7,791	-	-	-	-	7,791
Total Liabilities	177,816	-	-	-	718	178,534
FUND BALANCES						
Nonspendable	6,694	-	-	-	-	6,694
Restricted	53,591	339,737	522,970	375,720	172,719	1,464,737
Assigned	79	-	-	-	-	79
Unassigned	560,555	-	-	-	-	560,555
Total Fund Balances	620,919	339,737	522,970	375,720	172,719	2,032,065
Total Liabilities and Fund Balances	\$ 798,735	\$ 339,737	\$ 522,970	\$ 375,720	\$ 173,437	\$ 2,210,599

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, 2015**

Total Fund Balance - Governmental Funds \$ 2,032,065

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	\$ 5,819,574	
Accumulated depreciation	(1,967,942)	3,851,632
	<u> </u>	

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:

(58,326)

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	\$ 4,413,899	
Compensated absences	4,730	
Net OPEB obligation	158,796	
Net pension liability	2,283,279	(6,860,704)
	<u> </u>	

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	190,707	
Deferred inflows of resources related to pensions	(605,550)	(414,843)
	<u> </u>	

Total Net Position - Governmental Activities \$ (1,450,176)

**COLD SPRING SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015**

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES						
LCFF sources	\$ 3,181,158	\$ -	\$ -	\$ -	\$ -	\$ 3,181,158
Federal sources	11,388	-	-	-	-	11,388
Other state sources	103,593	-	-	553	-	104,146
Other local sources	128,001	1,287	975	313,635	39,311	483,209
Total Revenues	3,424,140	1,287	975	314,188	39,311	3,779,901
EXPENDITURES						
Current						
Instruction	2,089,357	-	-	-	-	2,089,357
Instruction-related services						
Instructional supervision and administration	86,318	-	-	-	-	86,318
Instructional library, media, and technology	85,632	-	-	-	-	85,632
School site administration	318,639	-	-	-	-	318,639
General administration						
Centralized data processing	4,975	-	-	-	-	4,975
All other general administration	334,981	-	-	-	-	334,981
Plant services	343,266	-	-	-	-	343,266
Facilities acquisition and maintenance	-	5,766	12,450	-	13,597	31,813
Ancillary services	2,655	-	-	-	-	2,655
Transfers to other agencies	405,819	-	-	-	-	405,819
Debt service						
Principal	-	-	-	140,286	-	140,286
Interest and other	-	-	-	177,929	-	177,929
Total Expenditures	3,671,642	5,766	12,450	318,215	13,597	4,021,670
Excess (Deficiency) of Revenues						
Over Expenditures	(247,502)	(4,479)	(11,475)	(4,027)	25,714	(241,769)
Other Financing Sources (Uses)						
Transfers in	-	-	482,381	-	-	482,381
Transfers out	(500,802)	-	-	-	-	(500,802)
Net Financing Sources (Uses)	(500,802)	-	482,381	-	-	(18,421)
NET CHANGE IN FUND BALANCE						
Fund Balance - Beginning	1,369,223	344,216	52,064	379,747	147,005	2,292,255
Fund Balance - Ending	\$ 620,919	\$ 339,737	\$ 522,970	\$ 375,720	\$ 172,719	\$ 2,032,065

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, 2015**

Net Change in Fund Balances - Governmental Funds \$ (260,190)

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:	\$ 12,450	
Depreciation expense:	<u>(200,512)</u>	(188,062)

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:

155,000

Unmatured interest on long-term debt:

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

1,533

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.

(41,934)

Compensated absences:

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

2,189

**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, 2015**

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: (13,872)

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: (5,587)

Change in Net Position of Governmental Activities \$ (350,923)

**COLD SPRING SCHOOL DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2015**

	Business-Type Activities
	Dolphin Center Fund
ASSETS	
Current assets	
Accounts receivable	\$ 9,345
Due from other funds	7,791
Total current assets	<u>17,136</u>
Total Assets	<u>17,136</u>
LIABILITIES	
Current liabilities	
Accrued liabilities	48
Due to other funds	17,088
Total current liabilities	<u>17,136</u>
Total Liabilities	<u>17,136</u>
NET POSITION	
Unrestricted	-
Total Net Position	<u>\$ -</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, 2015**

	Business-Type Activities
	Dolphin Center Fund
OPERATING REVENUE	
Other local revenues	\$ 34,862
Total operating revenues	<u>34,862</u>
OPERATING EXPENSE	
Salaries and benefits	46,733
Supplies and materials	948
Professional services	5,607
Total operating expenses	<u>53,288</u>
Operating income/(loss)	<u>(18,426)</u>
NON-OPERATING REVENUES/(EXPENSES)	
Interest income	5
Transfers in	18,421
Total non-operating revenues/(expenses)	<u>18,426</u>
CHANGE IN NET POSITION	-
Net Position - Beginning	-
Net Position - Ending	<u>\$ -</u>

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, 2015**

	Business-Type Activities
	Dolphin Center Fund
Cash flows from operating activities	
Cash received from user charges	\$ 48,205
Cash payments for payroll, insurance, and operating costs	(66,631)
Net cash provided by (used for) operating activities	<u>(18,426)</u>
Cash flows from non-capital financing activities	
Interfund transfers in (out)	18,421
Net cash provided by (used for) non-capital financing activities	<u>18,421</u>
Cash flows from investing activities	
Interest received	5
Net cash provided by (used for) investing activities	<u>5</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>-</u>
 CASH AND CASH EQUIVALENTS	
Beginning of year	-
End of year	<u>\$ -</u>
 Reconciliation of operating income (loss) to cash provided by (used for) operating activities	
Operating income (loss)	\$ (18,426)
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	(5,552)
(Increase) decrease in due from other funds	(7,791)
Increase (decrease) in accounts payable	48
Increase (decrease) in due to other funds	13,295
Net cash provided by (used for) operating activities	<u>\$ (18,426)</u>

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

COLD SPRING SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2015

	<u>Agency Funds</u>
	<u>Student Body</u>
	<u>Fund</u>
ASSETS	
Cash and cash equivalents	\$ 2,676
Total Assets	<u>\$ 2,676</u>
LIABILITIES	
Accrued liabilities	\$ 2,676
Total Liabilities	<u>\$ 2,676</u>

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

COLD SPRING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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, except for fiduciary activities. 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, 2015

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 and fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – 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.

Fiduciary funds are used to account for assets held by the District in a trustee or agency capacity for others that cannot be used to support the District's own programs.

Major Governmental Funds

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

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

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

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

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

C. Basis of Presentation (*continued*)

Non-Major Governmental Funds

Capital Project Funds: Capital project funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

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

Proprietary Funds

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

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

Fiduciary Funds

Trust and Agency Funds: Trust and agency funds are used to account for assets held in a trustee or agency capacity for others that cannot be used to support the District’s own programs. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Student Body Fund: The Student Body Fund is an agency fund and, therefore, consists only of accounts such as cash and balancing liability accounts, such as due to student groups. The student body itself maintains its own general fund, which accounts for the transactions of that entity in raising and expending money to promote the general welfare, morale, and educational experiences of the student body (*Education Code Sections 48930-48938*).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus

Government-Wide, Proprietary, and Fiduciary Financial Statements

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide, proprietary, and fiduciary 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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus

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.

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 held in the county treasury is recorded at cost, which approximates fair value.

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.

COLD SPRING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 fair market values 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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

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.

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 (*continued*)

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, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. 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.

F. 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.

G. 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.

H. Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County Auditor-Controller bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

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

J. New Accounting Pronouncements

GASB Statement No. 68 – In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The Statement is effective for periods beginning after June 15, 2014. The District has implemented GASB Statement No. 68 for the year ended June 30, 2015.

GASB Statement No. 71 – In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. This standard seeks to clarify certain implementation issues related to amounts that are deferred and amortized at the time GASB 68 is first adopted. It applies to situations in which the measurement date of an actuarial valuation differs from the government's fiscal year. The Statement is effective for periods beginning after June 15, 2014. The District has implemented GASB Statement No. 71 for the year ended June 30, 2015.

GASB Statement No. 72 – In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This standard addresses accounting and financial reporting issues related to fair value measurements. The Statement is effective for periods beginning after June 15, 2015. The District has not yet determined the impact on the financial statements.

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

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.

COLD SPRING SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2015

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Governmental Funds	Fiduciary Funds
Cash in county	\$ 2,053,088	\$ -
Cash on hand and in banks	-	2,676
Total cash and cash equivalents	\$ 2,053,088	\$ 2,676

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, 2015

NOTE 2 – CASH AND INVESTMENTS (continued)

C. General Authorizations

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

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

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately \$2,054,290 and an amortized book value of \$2,053,088. The average weighted maturity for this pool is 448 days.

E. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments in the County Treasury are not required to be rated. As of June 30, 2015, the pooled investments in the County Treasury were not rated.

COLD SPRING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2015

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, 2015, the District's bank balance was not exposed to custodial credit risk.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2015 consisted of the following:

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Activities	Total Business- Type Activities
Federal Government							
Categorical aid	\$ 15,939	\$ -	\$ -	\$ -	\$ -	\$ 15,939	\$ -
State Government							
Categorical aid	1,304	-	-	-	-	1,304	-
Local Government							
Other local sources	115,109	350	544	304	179	116,486	9,345
Total	\$ 132,352	\$ 350	\$ 544	\$ 304	\$ 179	\$ 133,729	\$ 9,345

COLD SPRING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2015

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 was as follows:

	Balance July 01, 2014	Additions	Deletions	Balance June 30, 2015
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 122,906	\$ -	\$ -	\$ 122,906
Construction in progress	-	12,450	-	12,450
Total Capital Assets not Being Depreciated	122,906	12,450	-	135,356
Capital assets being depreciated				
Buildings & improvements	5,541,013	-	-	5,541,013
Furniture & equipment	143,205	-	-	143,205
Total Capital Assets Being Depreciated	5,684,218	-	-	5,684,218
Less Accumulated Depreciation				
Buildings & improvements	1,632,630	199,952	-	1,832,582
Furniture & equipment	134,800	560	-	135,360
Total Accumulated Depreciation	1,767,430	200,512	-	1,967,942
Governmental Activities				
Capital Assets, net	\$ 4,039,694	\$ (188,062)	\$ -	\$ 3,851,632

Depreciation expense was charged to governmental activities, as follows:

Governmental Activities	
Instruction	\$ 129,770
Instructional supervision and administration	5,396
Instructional library, media, and technology	5,467
School site administration	20,032
All other general administration	17,493
Plant services	22,197
Ancillary services	157
Total depreciation expense	<u>\$ 200,512</u>

**COLD SPRING SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2015**

NOTE 5 – INTERFUND TRANSACTIONS

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

Individual interfund receivable and payable balances at June 30, 2015 were as follows:

<u>Due To Other Funds</u>	<u>Due From Other Funds</u>		
	<u>General Fund</u>	<u>Dolphin Center Fund</u>	<u>Total</u>
General Fund	\$ -	\$ 7,791	\$ 7,791
Dolphin Center Fund	17,088	-	17,088
Total Due From Other Funds	\$ 17,088	\$ 7,791	\$ 24,879

The Dolphin Center owed the General Fund for operational cash flow.	\$ 17,088
The General Fund owed the Dolphin Center for operational expenditures.	7,791
Total	\$ 24,879

B. Operating Transfers

Interfund transfers for the year ended June 30, 2015 consisted of the following:

<u>Interfund Transfers Out</u>	<u>Interfund Transfers In</u>		
	<u>Special Reserve Fund for Capital Outlay Projects</u>	<u>Dolphin Center Fund</u>	<u>Total</u>
General Fund	\$ 482,381	\$ 18,421	\$ 500,802
Total Interfund Transfers	\$ 482,381	\$ 18,421	\$ 500,802

The General Fund transferred to the Special Reserve Fund for Capital Outlay Projects to redesignate and commit toward facilities construction.	\$ 482,381
The General Fund transferred to the Dolphin Center Fund for operating expenditures.	18,421
Total	\$ 500,802

**COLD SPRING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2015**

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2015 consisted of the following:

	Non-Major Governmental			Total Governmental		Total Business- Type Activities	Total Fiduciary
	General Fund	Funds	District-Wide	Activities	Activities		
Vendors payable	\$ 170,025	\$ 718	\$ -	\$ 170,743	\$ 48	\$ 2,676	
Unmatured interest	-	-	58,326	58,326	-	-	
Total	\$ 170,025	\$ 718	\$ 58,326	\$ 229,069	\$ 48	\$ 2,676	

NOTE 7 – LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2015 consisted of the following:

	Restated Balance			Balance		Balance Due In One Year
	July 01, 2014	Additions	Deductions	June 30, 2015		
Governmental Activities						
General obligation bonds	\$ 4,526,965	\$ 41,934	\$ 155,000	\$ 4,413,899	\$ 140,802	
Compensated absences	6,919	-	2,189	4,730	-	
Net OPEB obligation	144,924	13,872	-	158,796	-	
Net pension liability	2,863,291	-	580,012	2,283,279	-	
Total	\$ 7,542,099	\$ 55,806	\$ 737,201	\$ 6,860,704	\$ 140,802	

Payments for bonds associated with general obligation bonds are made in the Bond Interest and Redemption Fund.

Payments for compensated absences are typically liquidated in the General Fund.

A. General Obligation Bonds

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

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding			Bonds Outstanding June 30, 2015
					July 01, 2014	Additions	Deductions	
2007 Refunding	April 10, 2007	August 1, 2027	3.900 - 4.100%	\$2,700,000	\$ 2,035,000	\$ -	\$ 115,000	\$ 1,920,000
Election 2008, Series 2009A	November 10, 2009	August 1, 2039	2.000 - 6.310%	1,578,434	1,625,765	14,428	-	1,640,193
Election 2008, Series 2009B	November 10, 2009	August 1, 2034	3.410 - 6.400%	861,109	866,200	27,506	40,000	853,706
					\$ 4,526,965	\$ 41,934	\$ 155,000	\$ 4,413,899

2007 General Obligation Refunding Bonds

On April 10, 2007, the District issued \$2,700,000 of General Obligation Refunding Bonds, with interest rates ranging from 3.900 to 4.100 percent, to refund certain outstanding general obligation bonds. The 2007 General Obligation Refunding Bonds were issued as current interest bonds. At June 30, 2015, the principal balance outstanding was \$1,920,000.

COLD SPRING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2015

NOTE 7 – LONG-TERM DEBT (continued)

A. General Obligation Bonds (continued)

Election 2008, Series 2009A

On November 10, 2009, the District issued \$1,578,434 of Series 2009A General Obligation Bonds, with interest rates ranging from 2.000 to 6.310 percent, to finance new construction and additions to and modernization of school facilities for the District. The 2009A General Obligation Bonds were issued as both current interest and capital appreciation bonds, with the value of capital appreciation bonds accreting \$93,434, and an aggregate principal debt service balance of \$740,000. At June 30, 2015, the Series 2009 A General Obligation Bonds principal balance outstanding was \$1,640,193.

Election 2008, Series 2009B

On November 10, 2009, the District issued \$861,109 of Series 2009B General Obligation Bonds, with interest rates ranging from 3.410 to 6.400 percent, to finance new construction and additions to and modernization of school facilities for the District. The 2009B General Obligation Bonds were issued as both current interest and capital appreciation bonds, with the value of capital appreciation bonds accreting \$696,109, and an aggregate principal debt service balance of \$1,880,000. At June 30, 2015, the Series 2009 A General Obligation Bonds principal balance outstanding was \$853,706.

The annual requirements to amortize general obligation bonds payable outstanding as of June 30, 2015, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 140,802	\$ 175,613	\$ 316,415
2017	148,604	178,171	326,775
2018	165,512	167,685	333,197
2019	170,512	166,081	336,593
2020	178,044	166,125	344,169
2021 - 2025	1,071,038	752,936	1,823,974
2026 - 2030	769,737	913,681	1,683,418
2031 - 2035	165,615	1,221,591	1,387,206
2036 - 2040	1,485,000	200,625	1,685,625
Accretion	119,035	(119,035)	-
Total	\$ 4,413,899	\$ 3,823,473	\$ 8,237,372

B. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2015 amounted to \$4,730. This amount is included as part of long-term liabilities in the government-wide financial statements.

**COLD SPRING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2015**

NOTE 7 – LONG-TERM DEBT (continued)

C. Other Postemployment Benefits (OPEB Obligation)

The District implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* during the year ended June 30, 2010. The District’s annual required contribution for the year ended June 30, 2015, was \$16,456. Interest and other adjustments on the net OPEB obligation were (\$2,584), which resulted in a net increase to the OPEB obligation of \$13,872. As of June 30, 2015, the net OPEB obligation was \$158,796. See Note 9 for additional information regarding the OPEB obligation and the postemployment benefits plan.

D. Net Pension Liability

The District follows GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The District’s restated beginning net pension liability was \$2,863,291 and was decreased by \$580,012 during the fiscal year ended June 30, 2015. The ending net pension liability at June 30, 2015 was \$2,283,279. See Note 10 for additional information regarding the net pension liability.

NOTE 8 – FUND BALANCES

Fund balances were composed of the following elements at June 30, 2015:

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable						
Prepaid expenditures	\$ 6,694	\$ -	\$ -	\$ -	\$ -	\$ 6,694
Total non-spendable	6,694	-	-	-	-	6,694
Restricted						
Educational programs	53,591	-	-	-	-	53,591
Capital projects	-	339,737	522,970	-	172,719	1,035,426
Debt service	-	-	-	375,720	-	375,720
Total restricted	53,591	339,737	522,970	375,720	172,719	1,464,737
Assigned						
Postemployment benefits	79	-	-	-	-	79
Total assigned	79	-	-	-	-	79
Unassigned						
Reserve for economic uncertainties	560,555	-	-	-	-	560,555
Total unassigned	560,555	-	-	-	-	560,555
Total	\$ 620,919	\$ 339,737	\$ 522,970	\$ 375,720	\$ 172,719	\$ 2,032,065

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

**COLD SPRING SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2015**

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	1
Active plan members	18
Total*	<u>19</u>
Number of participating employers	1

*As of July 1, 2012 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, 2015, 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, 2015

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	\$	16,456
Interest on net OPEB obligation		5,797
Adjustment to annual required contribution		(8,381)
Annual OPEB cost (expense)		<u>13,872</u>
Contributions made		<u>-</u>
Increase (decrease) in net OPEB obligation		13,872
Net OPEB obligation, beginning of the year		144,924
Net OPEB obligation, end of the year	\$	<u>158,796</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, 2015 and the preceding two years were as follows:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
2015	\$ 13,872	0%	\$ 158,796
2014	\$ 14,124	0%	\$ 144,924
2013	\$ 21,046	24%	\$ 130,800

**COLD SPRING SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2015**

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, 2012	\$ -	\$ 148,008	\$ 148,008	0%	\$ 1,712,607	9%

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, 2012 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 5 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, 2015

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 recognized \$196,294 for their proportionate share of pension expense for the year ended June 30, 2015.

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 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.

COLD SPRING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2015

NOTE 10 – PENSION PLANS (continued)

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

Contributions

Active plan members are required to contribute 8.15% of their salary for fiscal year 2015 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 2015 was 8.88% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were \$131,638 for the year ended June 30, 2015.

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 \$76,370 to CalSTRS (5.679% of 2012-13 creditable compensation subject to CalSTRS).

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

At June 30, 2015, 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	\$ 1,838,586
States's proportionate share of the net pension liability associated with the District	1,110,218
Total	<u>\$ 2,948,804</u>

COLD SPRING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2015

NOTE 10 – PENSION PLANS (continued)

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

The net pension liability was measured as of June 30, 2014, 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, 2013, and rolling forward the total pension liability to June 30, 2014. 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, 2014, the District’s proportion was 0.003 percent, which did not change from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$158,718. In addition, the District recognized pension expense and revenue of \$95,842 for support provided by the State. At June 30, 2015, 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	\$ -	\$ 452,748
District contributions subsequent to the measurement date	131,638	-
	<u>\$ 131,638</u>	<u>\$ 452,748</u>

\$131,638 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, 2016. 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 Inflows of Resources</u>
2016	\$ 113,187
2017	113,187
2018	113,187
2019	113,187
	<u>\$ 452,748</u>

COLD SPRING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2015

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, 2013, and rolling forward the total pension liability to June 30, 2014 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	3.00%
Investment Yield (Net of Expenses)	7.50%
Wage Inflation	3.75%
Interest on Member Accounts	4.50%

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, 2013 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 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

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

* 10-year geometric average

COLD SPRING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2015

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	\$ 2,865,875	\$ 1,838,586	\$ 982,014

Pension plan fiduciary net position

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

NOTE 10 – PENSION PLANS (continued)

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 2015 was 11.771% of annual payroll. Contributions to the plan from the District were \$59,069 for the year ended June 30, 2015.

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

At June 30, 2015, the District reported a liability of \$444,693 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, 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, 2013, and rolling forward the total pension liability to June 30, 2014. 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, 2014, the District’s proportion was 0.004 percent, which did not change from its proportion measured as of June 30, 2013.

COLD SPRING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2015

NOTE 10 – PENSION PLANS (continued)

California Public Employees’ Retirement System (CalPERS)

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

For the year ended June 30, 2015, the District recognized pension expense of 37,576. At June 30, 2015, 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	\$ -	\$ 152,803
Changes in proportion and differences between District contributions and proportionate share of contributions	-	7,790
District contributions subsequent to the measurement date	59,069	-
	<u>\$ 59,069</u>	<u>\$ 160,593</u>

\$59,069 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, 2016. 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 Inflows of Resources</u>
2016	\$ 40,148
2017	40,148
2018	40,148
2019	40,149
	<u>\$ 160,593</u>

COLD SPRING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2015

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, 2013, and rolling forward the total pension liability to June 30, 2014 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	2.75%
Investment Yield (Net of Expenses)	7.50%
Wage Inflation	Varies by Entry Age and Service

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

The actuarial assumptions used in the June 30, 2013 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, 2015

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	47%	5.25%	5.71%
Global Fixed Income	19%	0.99%	2.43%
Inflation Sensitive	6%	0.45%	3.36%
Private Equity	12%	6.83%	6.95%
Real Estate	11%	4.50%	5.13%
Infrastructure and Forestland	3%	4.50%	5.09%
Liquidity	2%	-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 7.50 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.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability.

**COLD SPRING SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2015**

NOTE 10 – PENSION PLANS (continued)

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

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 7.50 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 (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
	<u> </u>	<u> </u>	<u> </u>
District's proportionate share of the net pension liability	\$ 780,093	\$ 444,693	\$ 164,433

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, 2015.

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, 2015.

COLD SPRING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2015

NOTE 12 – PARTICIPATION IN JOINT POWERS AUTHORITIES

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

The JPAs have budgeting and financial reporting requirements independent of member units, and their financial statements are not presented in these financial statements. However, fund transactions between the JPAs and the District are included in these statements. The audited financial statements are generally available from the respective entities.

NOTE 13 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Pension Plans

Pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27.*, the District recognized deferred outflows and inflows of resources related to pensions in the District-wide financial statements. The District’s deferred outflows and inflows of resources related to pensions were as follows at June 30, 2015:

	Deferred outflows related to pensions	Deferred inflows related to pensions
STRS Pension	\$ 131,638	\$ 452,748
PERS Pension	59,069	160,593
Total	\$ 190,707	\$ 613,341

NOTE 14 – RESTATEMENT OF NET POSITION

The beginning net position of Governmental Activities has been restated in order to record the District’s proportionate share of net pension liability and deferred outflows of resources related to pensions in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27.* The effect on beginning net position is presented as follows:

	Governmental Activities
Net Position - Beginning, as Previously Reported	\$ 1,593,282
Restatement	(2,700,326)
Net Position - Beginning, as Restated	\$ (1,107,044)

**REQUIRED SUPPLEMENTARY
INFORMATION**

**COLD SPRING SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual* (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
REVENUES				
LCFF sources	\$ 3,116,617	\$ 3,116,617	\$ 3,181,158	\$ 64,541
Federal sources	17,764	17,764	11,388	(6,376)
Other state sources	84,484	84,484	27,222	(57,262)
Other local sources	168,805	168,805	126,163	(42,642)
Total Revenues	3,387,670	3,387,670	3,345,931	(41,739)
EXPENDITURES				
Certificated salaries	1,473,305	1,473,305	1,469,734	3,571
Classified salaries	649,318	651,090	651,090	-
Employee benefits	670,136	668,850	653,119	15,731
Books and supplies	127,904	159,418	159,418	-
Services and other operating expenditures	276,626	289,626	256,092	33,534
Other outgo				
Excluding transfers of indirect costs	236,000	405,819	405,819	-
Total Expenditures	3,433,289	3,648,108	3,595,272	52,836
Excess (Deficiency) of Revenues				
Over Expenditures	(45,619)	(260,438)	(249,341)	11,097
Other Financing Sources (Uses)				
Transfers in	-	-	146,863	146,863
Transfers out	(91,214)	(25,850)	(25,850)	-
Net Financing Sources (Uses)	(91,214)	(25,850)	121,013	146,863
NET CHANGE IN FUND BALANCE				
Fund Balance - Beginning	427,408	427,408	427,408	-
Fund Balance - Ending	\$ 290,575	\$ 141,120	\$ 299,080	\$ 157,960

* 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:

- On behalf payments of \$76,370 are not included in the actual revenues and expenditures reported in this schedule.
- 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, 2015**

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, 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, 2015**

	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.003%
District's proportionate share of the net pension liability	\$ 1,838,586
States's proportionate share of the net pension liability associated with the District	<u>1,110,218</u>
Total	<u>\$ 2,948,804</u>
District's covered-employee payroll	\$ 1,482,738
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	124.0%
Plan fiduciary net position as a percentage of the total pension liability.	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, 2015**

	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.004%
District's proportionate share of the net pension liability	\$ 444,693
District's covered-employee payroll	\$ 476,859
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	93.3%
Plan fiduciary net position as a percentage of the total pension liability.	83.4%

See accompanying note to required supplementary information.

**COLD SPRING SCHOOL DISTRICT
 SCHEDULE OF DISTRICT CONTRIBUTIONS - CALSTRS
 FOR THE YEAR ENDED JUNE 30, 2015**

	<u>June 30, 2015</u>
Contractually required contribution	\$ 131,638
Contributions in relation to the contractually required contribution*	(131,638)
Contribution deficiency (excess)	<u>\$ -</u>
District's covered-employee payroll	\$ 1,482,738
Contributions as a percentage of covered-employee payroll	8.88%

*Amounts do not include on behalf contributions

**COLD SPRING SCHOOL DISTRICT
 SCHEDULE OF DISTRICT CONTRIBUTIONS - CALPERS
 FOR THE YEAR ENDED JUNE 30, 2015**

	<u>June 30, 2015</u>
Contractually required contribution	\$ 59,069
Contributions in relation to the contractually required contribution	(59,069)
Contribution deficiency (excess)	<u>\$ -</u>
District's covered-employee payroll	\$ 476,859
Contributions as a percentage of covered-employee payroll	12.39%

**COLD SPRING SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015**

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-employee payroll, the District's proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered-employee payroll, and the pension plan's fiduciary net position as a percentage of the total pension liability.

Schedule of District Contributions

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

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2015, the District incurred no excesses of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code.

**SUPPLEMENTARY
INFORMATION**

**COLD SPRING SCHOOL DISTRICT
 SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
 FOR THE YEAR ENDED JUNE 30, 2015**

	Second Period Report	Annual Report
SCHOOL DISTRICT		
TK/K through Third		
Regular ADA	78.29	78.21
Total TK/K through Third	78.29	78.21
Fourth through Sixth		
Regular ADA	76.43	76.33
Total Fourth through Sixth	76.43	76.33
TOTAL SCHOOL DISTRICT	154.72	154.54

**COLD SPRING SCHOOL DISTRICT
 SCHEDULE OF INSTRUCTIONAL TIME
 FOR THE YEAR ENDED JUNE 30, 2015**

Grade Level	Minutes Requirement	Minutes Requirement Reduced	2014-15 Actual Minutes	Number of Days	Status
Kindergarten	36,000	35,000	49,560	180	Complied
Grade 1	50,400	49,000	51,875	180	Complied
Grade 2	50,400	49,000	51,875	180	Complied
Grade 3	50,400	49,000	55,780	180	Complied
Grade 4	54,000	52,500	55,780	180	Complied
Grade 5	54,000	52,500	55,780	180	Complied
Grade 6	54,000	52,500	55,780	180	Complied

See accompanying note to supplementary information.

**COLD SPRING SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

	2016 (Budget)	2015	2014	2013
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 3,559,836	\$ 3,492,794	\$ 3,385,634	\$ 3,249,388
Expenditures And Other Financing Uses	3,552,792	3,621,122	3,193,443	3,117,709
Net change in Fund Balance	\$ 7,044	\$ (128,328)	\$ 192,191	\$ 131,679
Ending Fund Balance	\$ 306,124	\$ 299,080	\$ 427,408	\$ 235,217
Available Reserves*	\$ 514,039	\$ 560,555	\$ 1,279,970	\$ 1,067,019
Available Reserves As A Percentage Of Outgo	14.47%	15.48%	40.08%	34.22%
Long-term Debt	\$ 6,719,902	\$ 6,860,704	\$ 4,678,808	\$ 4,695,343
Average Daily Attendance At P-2	148	155	160	173

The General Fund balance has increased by \$63,864 over the past two years. The fiscal year 2015-16 budget projects a further increase of \$7,043. For a District this size, the State recommends available reserves of at least \$50,000 or 5% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years and anticipates incurring an operating surplus during the 2015-16 fiscal year. Total long term obligations have increased by \$2,165,362 over the past two years.

Average daily attendance has decreased by 18 ADA over the past two years. Further decline of 7 ADA is anticipated during the 2015-16 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.

On behalf payments of \$76,370 are not included in the actual revenues and expenditures reported in this schedule.

**COLD SPRING SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

	General Fund	Special Reserve Fund for Other Than Capital Outlay Projects	Special Reserve Fund for Postemployment Benefits
June 30, 2015, annual financial and budget report fund balance	\$ 299,080	\$ 321,760	\$ 79
Adjustments and reclassifications:			
Increase (decrease) in total fund balances:			
Fund balance transfer (GASB 54)	321,839	(321,760)	(79)
Net adjustments and reclassifications	321,839	(321,760)	(79)
June 30, 2015, audited financial statement fund balance	<u>\$ 620,919</u>	<u>\$ -</u>	<u>\$ -</u>

**COLD SPRING SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 JUNE 30, 2015**

	Capital Facilities Fund	Non-Major Governmental Funds
ASSETS		
Cash and cash equivalents	\$ 173,258	\$ 173,258
Accounts receivable	179	179
Total Assets	\$ 173,437	\$ 173,437
LIABILITIES		
Accrued liabilities	\$ 718	\$ 718
Total Liabilities	718	718
FUND BALANCES		
Restricted	172,719	172,719
Total Fund Balances	172,719	172,719
Total Liabilities and Fund Balance	\$ 173,437	\$ 173,437

See accompanying note to supplementary information.

**COLD SPRING SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
 BALANCES
 FOR THE YEAR ENDED JUNE 30, 2015**

	Capital Facilities Fund	Non-Major Governmental Funds
REVENUES		
Other local sources	\$ 39,311	\$ 39,311
Total Revenues	39,311	39,311
EXPENDITURES		
Current		
Facilities acquisition and maintenance	13,597	13,597
Total Expenditures	13,597	13,597
NET CHANGE IN FUND BALANCE	25,714	25,714
Fund Balance - Beginning	147,005	147,005
Fund Balance - Ending	\$ 172,719	\$ 172,719

**COLD SPRING SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2015**

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, 2015, the District participated in the Longer Day incentive funding program. As of June 30, 2015, the District had not yet met its target funding. Through 2014-15, the instructional day and minute requirements have been reduced pursuant to *Education Code Section* 46201.2.

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.

Combining Statements – Non-Major Funds

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

Local Education Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration. (Located in the front of the audit report)

**OTHER INDEPENDENT
AUDITORS' REPORTS**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS**

Independent Auditors' Report

Governing Board
Cold Spring School District
Santa Barbara, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Cold Spring School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Cold Spring School District's basic financial statements, and have issued our report thereon dated December 14, 2015.

Internal Control over Financial Reporting

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

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

Christy White, CPA

Michael Ash, CPA

Heather Rubio

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State Board of Accountancy*

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

Compliance and Other Matters

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

Purpose of this Report

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

Christy White Associates

San Diego, California
December 14, 2015

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 *-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel that could have a direct and material effect on each of Cold Spring School District's state programs for the fiscal year ended June 30, 2015, 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 *-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about Cold Spring School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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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, 2015.

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:

<u>PROGRAM NAME</u>	<u>PROCEDURES PERFORMED</u>
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Not Applicable
Continuation Education	Not Applicable
Instructional Time for school districts	Yes
Instructional Materials, general requirements	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
Regional Occupation Centers or Programs Maintenance of Effort	Not Applicable
Adult Education Maintenance of Effort	Not Applicable
California Clean Energy Jobs Act	No, see below

Procedures Performed (continued)

<u>PROGRAM NAME</u>	<u>PROCEDURES PERFORMED</u>
After School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	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

We did not perform testing for California Clean Energy Jobs Act because the District did not have any expenditures as of June 30, 2015.

Christy White Associates

San Diego, California
December 14, 2015

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

**COLD SPRING SCHOOL DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2015**

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 the Single Audit Act for the year ended June 30, 2015, as federal expenditures were less than \$500,000.

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, 2015**

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, 2015.

**COLD SPRING SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

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, 2015.

**COLD SPRING SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015**

FINDING #2014-1: INTERNAL CONTROL OVER DOLPHIN SEPARATION OF DUTIES (30000)

Criteria:

Internal control is a process designed to provide reasonable assurance regarding the achievement of objectives in effectiveness and efficiency of operations, reliability of reporting, and compliance with applicable laws and regulations. Having a sound segregation of duties is an integral part of have a sound internal control.

Condition:

When testing the Dolphin Center receipts, it was noted that there was not in a place an adequate segregation of duties. The functions of billing, recording of transactions, reconciliation of accounts, and authorizing write-off of accounts were performed by the same person.

Cause:

District oversight.

Effect:

Potential for misappropriation of funds due to lack of proper segregation of duties in the revenue cycle of the Dolphin Center.

Recommendation:

The District should re-design and implement segregation of duties at the Dolphin Center to ensure that no single person is responsible for the recording of transactions, authorization of transactions, and reconciliation of accounting records.

Current Year Status:

Implemented.

**COLD SPRING SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, *continued*
FOR THE YEAR ENDED JUNE 30, 2015**

FINDING #2014-2: INTERNAL CONTROL OVER DOLPHIN CENTER POLICIES AND PROCEDURES (30000)

Criteria:

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

Condition:

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

Cause:

District oversight.

Effect:

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

Recommendation:

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

Current Year Status:

Implemented.

**COLD SPRING SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2015**

FINDING #2014-3: DOLPHIN CENTER CASH HANDLING (30000)

Criteria:

Cash should be secured and recorded properly.

Condition:

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

Cause:

District oversight.

Effect:

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

Recommendation:

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

Current Year Status:

Implemented.

**COLD SPRING SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2015**

FINDING #2014-4: EMPLOYEE REIMBURSEMENTS (30000)

Criteria:

All payments to District staff should be made through the payroll department according to District policy.

Condition:

While testing the District's employee reimbursements, it was noted that in one instance an employee was reimbursed for paying temporary staffing at the Dolphin Center.

Cause:

District oversight.

Effect:

Potential employment labor disputes and misappropriation of assets due to override of District internal controls.

Recommendation:

All payroll related payments should be made through the payroll system to ensure that the District complies with federal and State employment laws and regulations, as well as agreements with the different District's union groups.

Current Year Status:

Implemented.