

COLUSA UNIFIED SCHOOL DISTRICT

**COUNTY OF COLUSA
COLUSA, CALIFORNIA**

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT**

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

COLUSA UNIFIED SCHOOL DISTRICT

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements	
Balance Sheet – Governmental Funds	11
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	12
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	13
Reconciliation of the Governmental Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	14
Statement of Fiduciary Net Position	15
Notes to the Basic Financial Statements	16
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP) and Actual – General Fund	42
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP) and Actual – Cafeteria Fund	43
Schedules of the Changes in the District's Net OPEB Liability and Related Ratios	44
Schedule of Proportionate Share of Net Pension Liability	45
Schedule of Pension Contributions	46
Notes to Required Supplementary Information	47

COLUSA UNIFIED SCHOOL DISTRICT

TABLE OF CONTENTS

SUPPLEMENTARY INFORMATION

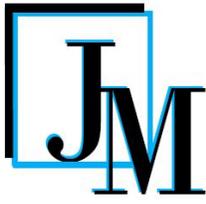
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	49
Organization	50
Schedule of Average Daily Attendance	51
Schedule of Instructional Time	52
Schedule of Charter Schools	53
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements	54
Schedule of Expenditures of Federal Awards	55
Schedule of Financial Trends and Analysis	56
Notes to Supplementary Information	57

OTHER INDEPENDENT AUDITOR'S REPORTS

Independent Auditor's Report on Compliance with State Laws and Regulations	59
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	62
Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	64

FINDINGS AND RECOMMENDATIONS

Schedule of Findings and Questioned Costs	66
Status of Prior Year Audit Findings	70



James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting and Tax

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Colusa Unified School District
Colusa, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Colusa Unified School District (the "District"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Colusa Unified School District (the "District"), as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Change in Accounting Principle

As described in Note 1 to the financial statements, the District adopted GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions which required a restatement of net position as of July 1, 2017. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget (Non-GAAP) and Actual - General Fund and Cafeteria Fund, Schedules of the Changes in the District's Net OPEB Liability and Related Ratios, Schedule of Proportionate Share of Net Pension Liability and Schedule of Pension Contributions be presented to supplement the basic financial statements. Such information, although not a 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 an 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.

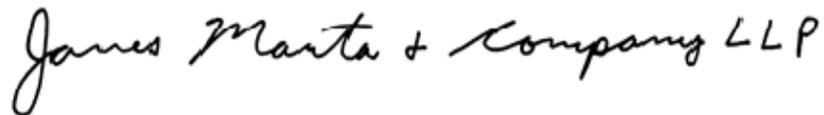
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information as listed in the table of contents, including the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance), Audits of States, Local Governments, and Non-Profit Organizations, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information as 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 as listed in the table of contents 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 10, 2018 on our consideration of the 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 District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "James Marta & Company LLP". The signature is written in a cursive, flowing style.

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
December 10, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

COLUSA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

This section of the Colusa Unified School District's annual financial report presents District management's discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2018. Please read this section in conjunction with the District's financial statements which immediately follow this section.

INTRODUCTION

The City of Colusa is a historic town founded in 1868 and is situated on a bend in the Sacramento River and has nearly 6,000 residents. It is centrally located approximately 70 miles north of Sacramento. The Colusa Unified School District (District) serves approximately 1,480 students in grades Transitional Kindergarten through 12. Class sizes are well below the state average and typical student/teacher ratios hover around 22:1. Attendance throughout the district is very good with students present nearly 96% of the school days. The districtwide graduation rate was 92% in 2016. Colusa County is home to nearly 21,000 residents who reside in a farm based economy. It also has one of the highest unemployment rates in the nation. Nearly 70% of District students qualify for federally subsidized free or reduced-priced meals. Despite these economic hardships, the community voters overwhelmingly supported a nearly \$6 million school modernization bond in 2014. Those funds were used to improve safety, upgrade access for individuals with disabilities, repair roofs, upgrade heating and air conditioning, and build a new Ag-Science Barn at Colusa High School. The schools benefit from financial donations from a strong Alumni Association and a dynamic Athletic Foundation. Community groups regularly use district facilities for athletic contests, meetings, and community events.

OVERVIEW OF THE ANNUAL REPORT

This annual report consists of four parts; (1) management's discussion and analysis (this section), (2) the basic financial statements, (3) required supplementary information, and (4) supplementary information. The basic financial statements include two kinds of statements that present different views of the District.

The first two statements are *Government-Wide Financial Statements* that provide both short-term and long-term information about the District's overall financial status.

The remaining statements are *Fund Financial Statements*, *Governmental Funds Statements*, and *Fiduciary Funds Statements* that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements. They tell how basic services like regular and special education are financed in the short term as well as what remains for future spending. In addition, they offer short- and long-term financial information about the activities the District operates like a business, and provides information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the District and its component units using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the District (including capital assets), as well as all liabilities (including long-term obligations). Additionally, certain eliminations have occurred as prescribed by the Statement in regards to interfund activity, payables, and receivables.

COLUSA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

The *Fund Financial Statements* include statements for each of the two categories of activities: governmental and fiduciary. The *Governmental Activities* are prepared using the current financial resources measurement focus and modified accrual basis of accounting. The *Fiduciary Activities* only report a balance sheet and do not have a measurement focus.

Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

GOVERNMENT-WIDE STATEMENTS

The Statement of Net Position and the Statement of Activities

The *Statement of Net Position* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include all assets and liabilities of the District using the accrual basis of accounting which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. Net position is the difference between assets and liabilities, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its *financial health* is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is the District's *operating results*. Since the governing board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

In the *Statement of Net Position* and the *Statement of Activities*, the District activities are reported as follows:

Governmental Activities

The District reports all of its services in this category. This includes the education of kindergarten through grade twelve students, and the on-going effort to improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State, and local grants, finance these activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide detailed information about the most significant funds – not the District as a whole. Funds are required to be established by State and Federal law.

Governmental Funds

Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measure cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic service it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between governmental activities (reported in the *Statement of Net Position* and the *Statement of Activities*) and governmental funds in a reconciliation following each governmental fund financial statement.

COLUSA UNIFIED SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS

JUNE 30, 2018

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District’s combined net position, as of June 30, 2018, was (\$7,242,962) reflecting an increase in debt/unearned income and long-term liabilities. The increase is due to capital outlay expenditures due to improvements made with funds from General Obligation Bond funds and post-employment benefits.

Change in Net Position

The District’s total revenues increased 2.2% to \$17,270,016. The District’s expenses are predominantly related to educating and caring for students (71.08%). The purely administrative activities of the District accounted for 8.8% of total costs.

Condensed Statement of Net Position

	June 30, 2017	June 30, 2018	Change	Percentage Change
Assets				
Current assets	\$ 4,534,224	\$ 3,392,457	\$ (1,141,767)	-25.2%
Capital assets	9,218,797	9,780,700	561,903	6.1%
Total assets	<u>13,753,021</u>	<u>13,173,157</u>	<u>(579,864)</u>	<u>-4.2%</u>
Deferred Outflows of Resources	<u>3,241,866</u>	<u>4,984,438</u>	<u>1,742,572</u>	<u>53.8%</u>
Liabilities				
Current liabilities	1,578,854	1,094,651	(484,203)	-30.7%
Long-term liabilities	20,656,950	21,765,947	1,108,997	5.4%
Total liabilities	<u>22,235,804</u>	<u>22,860,598</u>	<u>624,794</u>	<u>2.8%</u>
Deferred Inflows of Resources	<u>743,119</u>	<u>2,539,959</u>	<u>1,796,840</u>	<u>241.8%</u>
Net Position				
Invested in capital assets, net of related debt	3,429,810	4,143,783	713,973	20.8%
Restricted	877,883	521,898	(355,985)	-40.6%
Unrestricted	(10,291,729)	(11,908,643)	(1,616,914)	-15.7%
Total net position	<u>\$ (5,984,036)</u>	<u>\$ (7,242,962)</u>	<u>\$ (1,258,926)</u>	<u>-21.0%</u>

Governmental Activities

As reported in the Statement of Activities on page 10 and shown in the chart below, the cost of all of our governmental activities was \$17,316,844 and \$18,528,942 for June 30, 2017 and 2018, respectively.

The Statement of Activities reflects the net cost of each of the District’s largest functions – instruction, pupil support services, maintenance and operations, administration, and other costs. Included in this table are each program’s net cost (total cost less revenues generated by the activities). As discussed above, net cost shows the financial burden 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.

COLUSA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

Condensed Statement of Activities for the Fiscal Years Ended June 30

	2017	2018	Change	Percentage Change
Revenues				
Charges for services	\$ 135,614	\$ 120,948	\$ (14,666)	-10.8%
Operating grants and contributions	2,050,166	2,318,292	268,126	13.1%
Taxes levied for general purposes	3,429,496	3,575,430	145,934	4.3%
Taxes levied for debt service	369,640	369,799	159	100.0%
Federal and state aid not restricted for specific purposes	10,255,907	10,575,495	319,588	3.1%
Interest and investment earnings	(2,126)	46,216	48,342	-2273.8%
Interagency revenues	184,718	12,208	(172,510)	-93.4%
Miscellaneous	479,141	251,628	(227,513)	-47.5%
Special and extraordinary items	-	-	-	100%
Total revenues	16,902,556	17,270,016	367,460	2.2%
Expenses				
Instruction	9,668,154	10,466,772	798,618	8.3%
Instruction-related services	1,179,114	1,281,873	102,759	8.7%
Pupil services	1,633,619	1,423,453	(210,166)	-12.9%
General administration	1,284,856	1,631,362	346,506	27.0%
Plant services	1,772,951	1,868,817	95,866	5.4%
Ancillary services	195,195	211,371	16,176	8.3%
Community services	2,416	2,360	(56)	-2.3%
Interest on long-term debt	9,253	21,858	12,605	136.2%
Other outgo	990,875	1,007,064	16,189	1.6%
Depreciation (unallocated)	580,411	614,012	33,601	5.8%
Total expenses	17,316,844	18,528,942	1,212,098	7.0%
Change in net position	\$ (414,288)	\$ (1,258,926)	\$ (844,638)	203.9%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As the District completed the school year, the governmental funds reported a combined fund balance of \$2,652,528 which is a decrease of \$678,636 from the prior year due mainly to spending the remainder of the General Obligation Bond Funds and a slight decrease in the General Fund.

General Fund Budgetary Highlights

The District's budget is prepared in accordance with California law and is based on the modified accrual basis of accounting. Over the course of the year, the District revises its budget based on updated financial information. The original budget, approved at the end of June for July 1, is based on May revised figures and updated 45 days after the State approves its final budget. In addition, the District revises its budget at First and Second Interim and any other time there are significant changes.

COLUSA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

- Student enrollment and attendance are primary factors in the computation of most funding formulas for public schools in the State of California. Enrollment is expected to increase during fiscal year 2018-2019.
- The State's economic and budget situation made a positive impact on the District's budget beginning in 2013-14. As the funding formula has been fully implement in 2018.19, future revenues are expected to grow at the pace of the cost-of-living only.
- The current financial position allows the Board of Education the opportunity to continue to improve programs and services through the Local Control Accountability Plan while balancing with other expenses such as the unfunded retirement liability of the CalSTRS and CalPERS retirement systems, and employee salary and benefit enhancements.
- Overall, the District's fiscal position remains stable. The most recent Legislative Analyst's Office forecast shows the potential for positive years for the State over the next several years; although a slower rate of growth than in years past. The Administration remains cautiously optimistic that the economic indicators will hold true; however fiduciary responsibility dictates that the District continue to stay ahead of any potential funding or expense cliff(s) with the expiration of short term sales taxes and the increased cost of funding the CalSTRS and CalPERS retirement systems.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the funding it receives. If you have questions regarding this report or need additional financial information, please contact the District Office at: Colusa Unified School District, Business Services, 745 Tenth Street, Colusa, California 95932-2220 or e-mail to cusdbusiness@colusa.k12.ca.us.

BASIC FINANCIAL STATEMENTS

COLUSA UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2018

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 3,157,939
Receivables	217,806
Stores inventories	16,712
Capital assets, net of accumulated depreciation	<u>9,780,700</u>
Total Assets	<u>13,173,157</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows on OPEB (note 7)	16,092
Deferred outflows on pensions (note 6)	<u>4,968,346</u>
Total deferred outflows	<u>4,984,438</u>
LIABILITIES	
Accounts payable and other current liabilities	486,317
Unearned revenue	288,855
Long-term liabilities:	
Due within one year	319,479
Due in more than one year	<u>21,765,947</u>
Total Liabilities	<u>22,860,598</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred bond premium revenue	292,249
Deferred inflows on pensions (note 6)	<u>2,247,710</u>
Total deferred inflows	<u>2,539,959</u>
NET POSITION	
Invested in capital assets, net of related debt	4,143,783
Restricted	521,898
Unrestricted	<u>(11,908,643)</u>
Total Net Position	<u>\$ (7,242,962)</u>

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

COLUSA UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

		Program Revenues		Net (Expense) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction	\$ 10,466,772	\$ 8,184	\$ 1,414,541	\$ (9,044,047)
Instruction-related services:				
Instructional supervision	33,145	-	1,763	(31,382)
Instructional library, media and technology	50,198	-	-	(50,198)
School site administration	1,198,530	-	121,777	(1,076,753)
Pupil Services:				
Home-to-school transportation	230,394	-	-	(230,394)
Food services	738,997	94,960	515,820	(128,217)
All other pupil services	454,062	-	11,488	(442,574)
General administration:				
Centralized data processing	651,492	-	-	(651,492)
All other general administration	979,870	4,759	62,331	(912,780)
Plant services	1,868,817	13,045	70,861	(1,784,911)
Ancillary services	211,371	-	3,875	(207,496)
Community services	2,360	-	-	(2,360)
Interest on long-term debt	21,858	-	-	(21,858)
Other outgo	1,007,064	-	115,836	(891,228)
Depreciation (unallocated)	614,012	-	-	(614,012)
Total governmental activities	<u>\$ 18,528,942</u>	<u>\$ 120,948</u>	<u>\$ 2,318,292</u>	<u>(16,089,702)</u>
General Revenues				
Taxes and subventions:				
				3,575,430
				369,799
				10,575,495
				46,216
				12,208
				251,628
				<u>14,830,776</u>
				(1,258,926)
				(4,657,598)
				(1,326,438)
				(5,984,036)
				<u>\$ (7,242,962)</u>

COLUSA UNIFIED SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2018

	<u>General Fund</u>	<u>Cafeteria Fund</u>	<u>Capital Facilities Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>Building Fund</u>	<u>Total</u>
ASSETS						
Cash and cash equivalents	\$ 2,105,007	\$ 93,665	\$ 445,069	\$ 449,491	\$ 64,707	\$ 3,157,939
Accounts receivable	198,879	18,927	-	-	-	217,806
Due from other funds	87,451	-	-	-	8,786	96,237
Inventory	-	16,712	-	-	-	16,712
Total Assets	\$ 2,391,337	\$ 129,304	\$ 445,069	\$ 449,491	\$ 73,493	\$ 3,488,694
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 375,973	\$ 1,608	\$ -	\$ -	\$ 73,493	\$ 451,074
Unearned revenue	288,855	-	-	-	-	288,855
Due to other funds	8,786	87,451	-	-	-	96,237
Total Liabilities	673,614	89,059	-	-	73,493	836,166
Fund balances						
Nonspendable	30,350	16,712	-	-	-	47,062
Restricted	48,874	23,533	-	449,491	-	521,898
Assigned	381,692	-	445,069	-	-	826,761
Unassigned	1,256,807	-	-	-	-	1,256,807
Total Fund Balances	1,717,723	40,245	445,069	449,491	-	2,652,528
Total Liabilities and Fund Balances	\$ 2,391,337	\$ 129,304	\$ 445,069	\$ 449,491	\$ 73,493	\$ 3,488,694

COLUSA UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION**

JUNE 30, 2018

Total fund balances - governmental funds \$ 2,652,528

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 at historical cost	\$ 19,565,876	
Accumulated depreciation	<u>(9,785,176)</u>	
Net		9,780,700

Unamortized costs: In governmental funds, debt issuance premiums, gain or loss on refunding, and defeasance costs are recognized as expenditures in the period they are incurred. In the government-wide statements, these amounts are amortized over the life of the debt. Unamortized premiums consist of: (292,249)

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 unamatured interest owing at the end of the period was: (35,243)

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:

General obligation bonds payable	\$ 5,610,000	
Net OPEB Liability	1,324,934	
Net Pension Liability	14,660,407	
Supplemental Employee Retirement Program	272,193	
Compensated absences payable	60,067	
Capital leases payable	26,917	
Golden Handshake STRS	<u>130,908</u>	
		<u>(22,085,426)</u>

Deferred outflows and inflows of resources relating to other postemployment benefits (OPEB): In governmental funds, deferred outflows and inflows of resources relating to OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to OPEB are reported.

Deferred outflows of resources relating to OPEB	16,092
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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 pension are reported.

Deferred outflows of resources relating to pensions	4,968,346
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Deferred inflows of resources relating to pensions	<u>(2,247,710)</u>
--	--------------------

Total net position - governmental activities	<u>\$ (7,242,962)</u>
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COLUSA UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General Fund	Cafeteria Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Building Fund	Total
REVENUES						
LCFF sources	\$ 13,651,549	\$ -	\$ -	\$ -	\$ -	\$ 13,651,549
Federal revenue	386,725	568,509	-	-	-	955,234
Other state revenues	1,831,404	43,282	-	28,796	-	1,903,482
Other local revenues	185,934	113,508	108,699	345,943	5,669	759,753
Total revenues	<u>16,055,612</u>	<u>725,299</u>	<u>108,699</u>	<u>374,739</u>	<u>5,669</u>	<u>17,270,018</u>
EXPENDITURES						
Certificated salaries	6,558,801	-	-	-	-	6,558,801
Classified salaries	2,345,810	290,652	-	-	-	2,636,462
Employee benefits	3,415,060	108,287	-	-	-	3,523,347
Books and supplies	998,222	275,971	1,883	-	1,787	1,277,863
Services and other operating expenditures	1,351,332	53,928	-	-	-	1,405,260
Capital outlay	445,621	141,572	-	-	589,132	1,176,325
Other outgo	968,229	38,835	-	-	-	1,007,064
Debt service expenditures						
Principal	52,070	-	-	100,000	-	152,070
Interest	2,975	-	-	208,487	-	211,462
Total expenditures	<u>16,138,120</u>	<u>909,245</u>	<u>1,883</u>	<u>308,487</u>	<u>590,919</u>	<u>17,948,654</u>
Excess (deficiency) of revenues over expenditures	<u>(82,508)</u>	<u>(183,946)</u>	<u>106,816</u>	<u>66,252</u>	<u>(585,250)</u>	<u>(678,636)</u>
OTHER FINANCING SOURCES (USES)						
Operating transfers in	-	18,927	-	-	8,786	27,713
Operating transfers out	<u>(27,713)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(27,713)</u>
Total other financing sources (uses)	<u>(27,713)</u>	<u>18,927</u>	<u>-</u>	<u>-</u>	<u>8,786</u>	<u>-</u>
Net change in fund balances	(110,221)	(165,019)	106,816	66,252	(576,464)	(678,636)
Fund balances, July 1, 2017	<u>1,827,944</u>	<u>205,264</u>	<u>338,253</u>	<u>383,239</u>	<u>576,464</u>	<u>3,331,164</u>
Fund balances, June 30, 2018	<u>\$ 1,717,723</u>	<u>\$ 40,245</u>	<u>\$ 445,069</u>	<u>\$ 449,491</u>	<u>\$ -</u>	<u>\$ 2,652,528</u>

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

COLUSA UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF
ACTIVITIES**

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Total net change in fund balances - governmental funds \$ (678,636)

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:	\$ 1,175,915	
Depreciation expense:	<u>(614,012)</u>	561,903

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: 152,070

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 that 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: 891

Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measure by the amounts earned. The difference between compensated absences paid and compensated absences earned was: 27,823

Supplementary Employee Retirement Program (SERP): In governmental funds, SERP costs are recognized when employer payments are made. In the statement of activities, SERP costs are recognized on the accrual basis. The difference between SERP costs and actual employer payments was: 23,781

Other postemployment benefits (OPEB): In government funds, OPEB expenses are recognized when employer OPEB contributions are made. In the statement of activities, OPEB expenses are recognized on the accrual basis. This year, the difference between OPEB expenses and actual employer OPEB contributions was: 17,596

Pensions: In government funds, pension costs are recognized when employer contributions are made in the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was: (1,377,739)

Amortization of debt issue premium or discount or deferred gain or loss from debt refunding: In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount, plus any deferred gain or loss from debt refunding, is amortized as interest over the life of the debt. Amortization of premium or discount, or deferred gain or loss from debt refunding, for the period is: 13,385

Total change in net position - governmental activities \$ (1,258,926)

COLUSA UNIFIED SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
STUDENT BODY FUNDS
JUNE 30, 2018

Assets:	
Cash in county treasury	\$ 67,737
Total Assets	<u>\$ 67,737</u>
Liabilities:	
Due to student groups	67,737
Total Liabilities	<u>\$ 67,737</u>

COLUSA UNIFIED SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. HISTORY OF THE ORGANIZATION

The Colusa Unified School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of California. It is governed by a five member Governing Board elected by registered voters of the District, which comprises an area in Colusa County. The District serves students in grades kindergarten through twelfth.

B. REPORTING ENTITY

The District has reviewed criteria to determine whether other entities with activities that benefit the District should be included within its financial reporting entity. The criteria include, but are not limited to, whether the entity exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters), the scope of public service, and a special financing relationship.

The District has determined that no outside entity meets the above criteria, and therefore, no agency has been included as a component unit in the District's financial statements. In addition, the District is not aware of any entity that would exercise such oversight responsibility that would result in the District being considered a component unit of that entity.

C. ACCOUNTING POLICIES

The District prepares its financial statements in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA) and complies with the policies and procedures of the Department of Education's *California School Accounting Manual*.

D. BASIS OF PRESENTATION

Government-Wide Financial Statements

The statement of net position and the statement of activities report information on all of the non-fiduciary activities of the District and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities.

COLUSA UNIFIED SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

D. BASIS OF PRESENTATION (CONTINUED)

Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all non-major funds are aggregated into one column. Fiduciary funds are reported by fund type.

E. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements are met. Expenses are recorded when liabilities are incurred.

Governmental Fund Financial Statements

Governmental fund financial statements (i.e., balance sheet and statement of revenues, expenditures, and changes in fund balances) are reported using the current financial resources measurement focus and the modified accrual basis of accounting. 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. For the District, "available" means collectible within the current period or within 60 days after year-end.

COLUSA UNIFIED SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

E. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

F. FUND ACCOUNTING

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

Governmental Funds

The **General Fund** is the general operating fund of the District and accounts for all revenues and expenditures of the District, not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

The **Special Revenue Funds** are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The **Cafeteria Fund** is used to account separately for federal, state, and local resources to operate the food service program.

The **Capital Projects Funds** are used to account for resources used for the acquisition or construction of major capital facilities and equipment.

The **Building Fund** is used 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.

COLUSA UNIFIED SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

F. FUND ACCOUNTING (CONTINUED)

The **Capital Facilities 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 **Debt Service Funds** are used to account for the accumulation of restricted, committed, or assigned resources for the payment of principal and interest on general long-term obligations.

The **Bond Interest and Redemption Fund** is used for the repayment of bonds issued for a district (Education Code Sections 15125-15262).

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of other parties in a trustee or agent capacity. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. Fiduciary funds are presented on an economic resources measurement focus and the accrual basis of accounting, similar to the government-wide financial statements. 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.

The **Agency Funds** are used to account for assets of others for which the District acts as an agent. The District maintains accounts for student body activities at each school site.

G. BUDGETS AND BUDGETARY ACCOUNTING

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. By State law, the District's Governing Board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's Governing Board satisfied these requirements.

These budgets are revised by the District's Governing Board and Superintendent during the year to give consideration to unanticipated income and expenditures.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

H. ENCUMBRANCES

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated at June 30.

COLUSA UNIFIED SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

I. DEPOSITS AND INVESTMENTS

The District is authorized to maintain cash in banks and revolving funds that are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC).

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq.

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; and collateralized mortgage obligations.

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.

J. PREPAID EXPENSES/EXPENDITURES

The District has the option of reporting expenditures in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to recognize expenditures when incurred. Prepaid expenses include the costs of issuance associated with bond issues, which are amortized over the life of the bond obligation. Reported expenses are equally offset by a net position reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

K. INVENTORY

Inventory in the Cafeteria Fund consists mainly of consumable supplies held for future use and are valued at average cost. Inventories are recorded as expenditures at the time individual inventory items are transferred from the warehouse to schools. Maintenance and other supplies held for physical plant repair, transportation supplies, and operating supplies are not included in inventories; rather, these amounts are recorded as expenditures when purchased.

The Cafeteria Fund records supplies expense which includes a handling charge for the delivery of government surplus food commodities. The state does not require the Cafeteria Fund to record the fair market value of these commodities. The supplies expenditures would have been greater had the District paid fair market value for the government surplus commodities.

COLUSA UNIFIED SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

L. CAPITAL ASSETS

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset's lives are not capitalized, but are expensed as incurred. Depreciation on all capital assets is computed using a straight-line basis over the following estimated useful lives as follows: buildings and improvements, 5 to 50 years; furniture and equipment, 2 to 15 years; and vehicles, 8 years.

M. UNEARNED REVENUE

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Unearned revenue is recorded to the extent that cash received on specific projects and programs exceeds qualified expenditures.

N. COMPENSATED ABSENCES

All vacation pay is accrued when incurred in the government-wide financial statements. 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, since such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

O. DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

In addition to assets, the statement of net position includes 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(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then.

In addition to liabilities, the statement of net position 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(s) and as such, will not be recognized as an inflow of resources (revenue) until that time.

P. RESTRICTED NET POSITION

Restrictions of the ending net position indicate the portions of net position not appropriable for expenditure or amounts legally segregated for specific future use. These amounts are not available for appropriation and expenditure at the balance sheet date.

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.

COLUSA UNIFIED SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

Q. FUND BALANCE

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*", the District is required to report fund balances in the following categories: Nonspendable, Restricted, Committed, Assigned and/or Unassigned.

Nonspendable Fund Balance reflects assets not in spendable form, either because they will never convert to cash (e.g. prepaid expense) or must remain intact pursuant to legal or contractual requirements.

Restricted Fund Balance reflects amounts that can be spent only for the *specific purposes* stipulated by constitution, external resource providers, or through enabling legislation.

Committed Fund Balance reflects amounts that can be used only for the *specific purposes* determined by a formal action of the government's highest level of decision-making authority: the Board of Trustees. Commitments may be established, modified, or rescinded only through resolutions approved by the Board of Trustees.

Assigned Fund Balance reflects amounts intended to be used by the government for *specific purposes* but do not meet the criteria to be classified as restricted or committed. Under the District's adopted policy, only the Board of Trustees is authorized to assign amounts for specific purposes.

Unassigned Fund Balance represents the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

When expenditures are incurred for purposes of which restricted, committed, assigned and unassigned fund balances are available, the District considers restricted funds to have been spent first, followed by committed, assigned and unassigned, respectively.

R. LOCAL CONTROL FUNDING FORMULA/PROPERTY TAX

The District's local control funding formula is received from a combination of local property taxes, state apportionments, and other local sources.

The County of Colusa is responsible for assessing, collecting and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the county. Taxes are levied for each fiscal year on taxable real and personal property in the county. Secured property taxes attach as an enforceable lien on property as of March 1. Property taxes become delinquent after December 10 and April 10, respectively.

Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The county apportions secured property tax revenue in accordance with the alternative method of distribution prescribed by Section 4705 of the California Revenue and Taxation Code. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll, approximately October 1 of each year.

COLUSA UNIFIED SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

R. LOCAL CONTROL FUNDING FORMULA/PROPERTY TAX (CONTINUED)

The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local control funding formula (LCFF) sources by the District.

The California Department of Education reduces the District's entitlement by the District's local property tax revenue. The balance is paid from the State General Fund, and is known as the state apportionment.

S. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

T. PENSIONS

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Colusa Unified School District's California Public Employees' Retirement System (CalPERS) and California State Teachers Retirement System (CalSTRS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS and CalSTRS, respectively. 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.

U. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

For purposes of measuring the District's OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's OPEB Plan (OPEB Plan) and additions to/deductions from the District's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

COLUSA UNIFIED SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

V. CHANGE IN ACCOUNTING PRINCIPLE

Effective July 1, 2017, the District adopted GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB), which supersedes GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. This statement addresses accounting and financial reporting for other postemployment benefits offered by the District and requires various note disclosures (Note 7) and required supplementary information. As a result, beginning of year net position has been restated as follows:

Net position previously reported, June 30, 2017	\$ (4,657,598)
OPEB previously reported	-
Net OPEB liability	<u>(1,326,438)</u>
Net position as restated	<u>\$ (5,984,036)</u>

Information on beginning of year deferred outflows and deferred inflows of OPEB resources, and all information for the prior years is not available and therefore such amounts have not been restated.

2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2018 consist of the following:

	<u>Governmental Activities</u>	<u>Fiduciary Activities</u>
Cash in County Treasury	\$ 3,127,589	\$ 67,737
Cash in revolving fund	<u>30,350</u>	<u>-</u>
	<u>\$ 3,157,939</u>	<u>\$ 67,737</u>

A. CASH IN REVOLVING FUNDS

Cash in revolving fund consists of all cash maintained in commercial bank accounts that are used as revolving funds. Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation.

COLUSA UNIFIED SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

2. CASH AND CASH EQUIVALENTS (CONTINUED)

B. CASH IN COUNTY TREASURY

County pool investments consist of District cash held by the Colusa County Treasury that is invested in the county investment pool. The fair value of the District's investment in the pool is reported in the financial statements at amounts that are 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 weighted average maturity of the pool is 685 days. The pool is rated AAA by Standard and Poor's.

Interest Rate Risk. California Government Code Section 53601 limits the District's investments to maturities of five years. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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.

3. INTERFUND TRANSACTIONS

Interfund transactions are reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

Interfund Receivables/Payables

As of June 30, 2018, the interfund receivable and payable balances were as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Major Funds		
General Fund	\$ 87,451	\$ 8,786
Cafeteria Fund	-	87,451
Building Fund	8,786	-
Total	<u>\$ 96,237</u>	<u>\$ 96,237</u>

COLUSA UNIFIED SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

3. INTERFUND TRANSACTIONS (CONTINUED)

Interfund Transfers

For the year ended June 30, 2018, the interfund transfers were as follows:

As of June 30, 2018, the interfund transfers were as follows:

Transfer from General Fund to the Cafeteria Fund for Direct Program Support.	\$ 18,927
Transfer from General Fund to the Building Fund for Capital Outlay Support	<u>8,786</u>
Total Transfers	<u><u>\$ 27,713</u></u>

4. CAPITAL ASSETS

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

	Balance July 1, 2017	Additions and Transfers	Deductions and Transfers	Balance June 30, 2018
Non-depreciable assets:				
Land	\$ 801,813	\$ -	\$ -	\$ 801,813
Work in progress	-	-	-	-
	<u>801,813</u>	<u>-</u>	<u>-</u>	<u>801,813</u>
Depreciable assets:				
Sites and improvements	852,052	48,077	-	900,129
Building and improvements	15,250,325	941,806	-	16,192,131
Furniture and equipment	1,485,771	186,032	-	1,671,803
	<u>17,588,148</u>	<u>1,175,915</u>	<u>-</u>	<u>18,764,063</u>
Totals, at cost	<u>18,389,961</u>	<u>1,175,915</u>	<u>-</u>	<u>19,565,876</u>
Accumulated depreciation:				
Sites and improvements	(676,375)	(20,448)	-	(696,823)
Building and improvements	(7,780,793)	(516,362)	-	(8,297,155)
Furniture and equipment	(713,996)	(77,202)	-	(791,198)
	<u>(9,171,164)</u>	<u>(614,012)</u>	<u>-</u>	<u>(9,785,176)</u>
Depreciable assets, net	<u>8,416,984</u>	<u>561,903</u>	<u>-</u>	<u>8,978,887</u>
Capital assets, net	<u><u>\$ 9,218,797</u></u>	<u><u>\$ 561,903</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 9,780,700</u></u>

The entire amount of depreciation expense was unallocated in the Statement of Activities.

COLUSA UNIFIED SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

5. LONG-TERM LIABILITIES

Schedule of Changes in Long-Term Liabilities

A schedule of changes in long-term liabilities for the fiscal year ended June 30, 2018, is shown below:

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018	Within One Year
Capital Leases	\$ 78,987	\$ -	\$ 52,070	\$ 26,917	\$ 26,917
Golden Handshake STRS	130,908	-	-	130,908	32,495
Compensated Absences	87,890	-	27,823	60,067	60,067
G.O. Bonds	5,710,000	-	100,000	5,610,000	120,000
Net Pension Liability	13,366,413	1,293,994	-	14,660,407	-
Net OPEB Liability	1,326,438	-	1,504	1,324,934	-
Supplemental Employer Retirement Program	295,974	-	23,781	272,193	80,000
	<u>\$ 20,996,610</u>	<u>\$ 1,293,994</u>	<u>\$ 205,178</u>	<u>\$ 22,085,426</u>	<u>\$ 319,479</u>

The General Fund makes payments for the capital leases. The accrued vacation (compensated absences) and the Supplemental Early Retirement Plan (SERP) will be paid by the fund for which the employee works. Payments on the General Obligation Bonds are made from the Bond Interest and Redemption Fund.

General Obligation Bonds

In April 2015, the District issued General Obligation Bonds, Election of 2014 Series 2015 totaling \$5,900,000. Repayment of the Bonds is made from ad valorem property taxes levied and collected by Colusa County. The Serial and Term Bonds bear interest rates from 3% to 4% and are scheduled to mature through 2040.

The annual requirements to amortize the bonds as of June 30, 2018 are as follows:

Year Ended June 30,	Principal	Interest	Total
2019	\$ 120,000	\$ 210,250	\$ 330,250
2020	120,000	206,650	326,650
2021	130,000	203,050	333,050
2022	140,000	199,150	339,150
2023	155,000	194,950	349,950
2024-2028	945,000	896,550	1,841,550
2029-2033	1,320,000	690,400	2,010,400
2034-2038	1,810,000	388,800	2,198,800
2039-2043	870,000	48,000	918,000
Totals	<u>\$ 5,610,000</u>	<u>\$ 3,037,800</u>	<u>\$ 8,647,800</u>

COLUSA UNIFIED SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

5. LONG-TERM LIABILITIES (CONTINUED)

Capital Leases

In October 2003, the district entered into a 15 year capital lease agreement to provide financing for a project for the acquisition and installation of a mechanical retrofit and energy management project in the amount of \$595,730 at 4.5% annual percentage rate. During 2019, the District has a minimum payment of \$26,917 in principle and \$604 in interest due.

Supplemental Employee Retirement Program

The District adopted an additional early retirement incentive program subject to a lifetime cap of \$50,000. The District will pay up to \$10,000 annually toward a District provided health and welfare benefit plan on behalf of retirees who meet certain criteria. The retiree must be at least 55 years of age and have 10 years of consecutive service within the District immediately preceding his/her retirement. Payment towards the District provided health and welfare benefit package selected by the retiree shall continue until the retiree's death or until the District has paid the total capped amount of \$50,000, whichever comes first. In 2016-17, one new retiree elected to participate in the retirement incentive program. In 2017-18, no new retiree elected to participate in the retirement incentive program. Future estimated payments at June 30, 2018 are as follows:

Year Ended June 30,	Principal
2019	\$ 80,000
2020	80,000
2021	80,000
2022	20,000
2023	<u>12,193</u>
Totals	<u>\$ 272,193</u>

COLUSA UNIFIED SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

6. EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (STRS), and classified employees are members of the Public Employees' Retirement System (PERS).

Plan Description

California Public Employees' Retirement System (CalPERS)

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 Law. 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 Q Street, Sacramento, California 95814.

State Teachers' Retirement System (STRS)

The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing, multiple-employer, public employee retirement system defined benefit pension plan administered by STRS. 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. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from the STRS, 100 Waterfront Place, West Sacramento, California 95605.

The Plans' provisions and benefits in effect at June 30, 2018, are summarized as follows:

	<u>CalPERS</u>		<u>CalSTRS</u>	
	<u>Prior to January 1, 2013</u>	<u>On or after January 1, 2013</u>	<u>Prior to January 1, 2013</u>	<u>On or after January 1, 2013</u>
Hire date				
Benefit formula	2% @ 55	2% @ 62	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	55	62	60	62
Monthly benefits, as a % of eligible compensation	2.0%	2.0%	2.0%	2.0%
Required employee contribution rates	7%	6%	10.25%	9.205%
Required employer contribution rates	15.531%	15.531%	14.43%	14.43%

COLUSA UNIFIED SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

6. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Contributions

CalPERS

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Colusa Unified School District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

STRS

Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial cost method.

For the year ended June 30, 2018, the contributions recognized as part of pension expense for the Plan were:

	<u>CalPERS</u>	<u>STRS</u>	<u>Total</u>
Contributions - employer	\$ 335,771	\$ 931,757	\$ 1,267,528
On behalf contributions - state	-	524,388	524,388
Total	<u>\$ 335,771</u>	<u>\$ 1,456,145</u>	<u>\$ 1,791,916</u>

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

As of June 30, 2018, Colusa Unified School District reported net pension liabilities for its proportionate share of the net pension liability of the Plans' of:

	<u>Proportionate Share of Net Pension Liability</u>
CalPERS	\$ 3,760,661
STRS	10,899,746
Total Net Pension Liability	<u>\$ 14,660,407</u>

COLUSA UNIFIED SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

6. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Colusa Unified School District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2017, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. Colusa Unified School 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 employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of June 30, 2016 and 2017 was as follows:

	<u>CalPERS</u>	<u>STRS</u>
Proportion - June 30, 2016	0.01606%	0.01261%
Proportion - June 30, 2017	0.01575%	0.01179%
Change - Increase (Decrease)	<u>-0.00030%</u>	<u>-0.00082%</u>

For the year ended June 30, 2018, the District recognized pension expense of (\$376,215) and (\$1,001,524) for CalPERS and STRS, respectively. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>CalPERS</u>		<u>STRS</u>		<u>Total</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 335,771	\$ -	\$ 1,456,145	\$ -	\$ 1,791,916	\$ -
Difference between proportionate share of aggregate employer contributions and actual contributions for 2016-17.	-	71,491	-	344,536	-	416,027
Changes of Assumptions	408,457	112,740	1,730,833	-	2,139,290	112,740
Differences between Expected and Actual Experience	197,696	-	34,550	419,784	232,246	419,784
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	-	38,084	555,438	898,666	555,438	936,750
Net differences between projected and actual investment earnings on pension plan investments	249,456	-	-	362,408	249,456	362,408
Total	<u>\$ 1,191,380</u>	<u>\$ 222,315</u>	<u>\$ 3,776,966</u>	<u>\$ 2,025,395</u>	<u>\$ 4,968,346</u>	<u>\$ 2,247,710</u>

COLUSA UNIFIED SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

6. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

The amounts reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	CalPERS	STRS	Total Deferred Outflows/ (Inflows) of Resources
2019	\$ 95,501	\$ (426,068)	\$ (330,567)
2020	252,819	(79,973)	172,846
2021	258,957	55,228	314,184
2022	26,019	152,075	178,094
2023	-	255,368	255,368
Thereafter	-	338,796	338,796
Total	<u>\$ 633,294</u>	<u>\$ 295,426</u>	<u>\$ 928,721</u>

Actuarial Assumptions

The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

	CalPERS	STRS
Valuation Date	June 30, 2016	June 30, 2016
Measurement Date	June 30, 2017	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost	Entry-Age Normal Cost
Actuarial Assumptions		
Discount Rate	7.15%	7.10%
Inflation	2.75%	2.75%
Payroll Growth Rate	3.00%	3.50%
Projected Salary Increase	Varies by Entry Age and Service	Varies by Entry Age and Service
Investment Rate of Return (1)	7.15%	7.10%
Mortality	Derived using CalPERS' Membership Data for all Funds	Derived using STRS' Membership Data for all Funds

(1) Net of pension plan investment expenses, including inflation

COLUSA UNIFIED SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

6. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Discount Rate

CalPERS

The discount rate used to measure the total pension liability was 7.15% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS website under the GASB 68 section.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.00 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 7.15 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

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, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound 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.

COLUSA UNIFIED SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

6. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Discount Rate (Continued)

The table below reflects the 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 rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>CalPERS</u>		
	<u>New Strategic Allocation</u>	<u>Real Return Years 1-10 (a)</u>	<u>Real Return Years 11+ (b)</u>
Global Equity	47.0%	4.90%	5.38%
Fixed Income	19.0%	0.80%	2.27%
Inflation Assets	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	-0.90%
	<u>100.0%</u>		

(a) An expected inflation of 2.5% used for this period

(b) An expected inflation of 3.0% used for this period

STRS

The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increase per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments and administrative expense occur midyear. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

The table on the following page reflects the 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 rates of return are net of administrative expenses.

COLUSA UNIFIED SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

6. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

<u>Asset Class</u>	<u>STRS</u>	
	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	47.0%	6.30%
Private Equity	13.0%	9.30%
Real Estate	13.0%	5.20%
Fixed Income	12.0%	0.30%
Absolute Return/Risk Mitigating Strategies	9.0%	2.90%
Inflation Sensitive	4.0%	3.80%
Cash/Liquidity	2.0%	-1.00%
Total	<u>100%</u>	

Sensitivity of the 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 for each Plan, calculated using the discount rate for each Plan, 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 or 1-percentage point higher than the current rate:

	<u>CalPERS</u>		
	<u>Discount Rate - 1% (6.15%)</u>	<u>Current Discount Rate (7.15%)</u>	<u>Discount Rate + 1% (8.15%)</u>
Plan's Net Pension Liability	\$ 5,533,138	\$ 3,760,661	\$ 2,290,244

	<u>STRS</u>		
	<u>Discount Rate - 1% (6.10%)</u>	<u>Current Discount Rate (7.10%)</u>	<u>Discount Rate + 1% (8.10%)</u>
Plan's Net Pension Liability	\$ 16,004,288	\$ 10,899,746	\$ 6,757,065

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS and STRS financial reports.

Payable to the Pension Plan

At June 30, 2018, the District had no outstanding amount of contributions to the pension plans required for the year ended June 30, 2018.

COLUSA UNIFIED SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

7. OTHER POSTEMPLOYEMENT BENEFITS

General Information About the OPEB Plan

Plan description: The plan is a single-employer defined benefit plan. The plan provides other postemployment benefits for eligible certificated, classified and management employees of the District. The authority to establish and amend the benefit terms and financing requirements are governed by collective bargaining agreements with plan members. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. The Plan does not issue financial statements.

Benefits provided: The postretirement health plans and the District’s obligation vary by employee group as described below:

	Certificated
Benefit types provided	Medical, dental, and vision
Duration of Benefits	To age 65
Required Service	20 years
Minimum Age	55
Maximum Age	Not more than 63 at the end of the school year of retirement
Dependent Coverage	Yes
County Office Contribution %	100% of cap
County Office Cap	\$50,000 prorated over period from retirement to age 65

Contributions: The contribution requirements of Plan member and the District are established and may be amended by the District and the Colusa Teacher’s Association (CTA). The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2017-18, the District did not make any contributions to the Plan.

Employees covered by benefit terms: At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	8
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	79
	87

Net OPEB Liability

The District’s net OPEB liability was measured as of June 30, 2018, and the total OPEB liability was used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

COLUSA UNIFIED SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

7. OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Actuarial Assumptions: The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	June 30, 2018
Measurement date	June 30, 2018
Funding method	Entry Age Normal Cost, level percent of pay
Asset valuation method	Market value of assets (\$0, plan is not yet funded)
Discount rates	3.13% as of June 30, 2017 2.92% as of June 30, 2018
Participants valued	Only current active employees and retired participants and covered dependents are valued. No future entrants are considered in this valuation.
Salary increase	3.5% per year, since benefits do not depend on pay, this is used only to allocate the cost of benefits between service years
Assumed wage inflation	3.5% per year; a component of assumed salary increases
General inflation rate	2.75% per year
Mortality Improvement	MacLeod Watts Scale 2017 applied generationally from 2016

The discount rate of 2.92% is based on the applicable municipal bond index. We assumed that contributions would be sufficient to fully fund the obligation over a period not to exceed 30 years. The mortality assumptions are based on the Scale MP-2016.

COLUSA UNIFIED SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

7. OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balances at June 30, 2017	\$ 1,326,438	\$ -	\$ 1,326,438
Changes for the year:			
Service cost	68,918	-	68,918
Interest	41,650	-	41,650
Differences between expected and actual experience	-	-	-
Contributions - employer	-	129,394	(129,394)
Changes of assumptions	17,322	-	17,322
Net investment income	-	-	-
Benefit payments	(129,394)	(129,394)	-
Administrative expense	-	-	-
Net changes	<u>(1,504)</u>	<u>-</u>	<u>(1,504)</u>
Balances at June 30, 2018	<u>\$ 1,324,934</u>	<u>\$ -</u>	<u>\$ 1,324,934</u>

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.92 percent) or 1-percentage point higher (3.92 percent) that the current healthcare cost trend rates:

	1% Decrease (1.92%)	Discount Rate (2.92%)	1% Increase (3.92%)
Net OPEB liability (asset)	\$ 1,411,925	\$ 1,324,934	\$ 1,245,081

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (6.5 percent) or 1-percentage point higher (8.5 percent) that the current healthcare cost trend rates:

	-1% Decrease	Healthcare Cost Trend Rates	+1% Increase
Net OPEB liability (asset)	\$ 1,218,618	\$ 1,324,934	\$ 1,510,518

OPEB plan fiduciary net position: The plan has no assets.

COLUSA UNIFIED SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

7. OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

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

For the year ended June 30, 2018, the District recognized OPEB expense of \$17,596. Certain types of TOL changes are subject to deferral, as are investment gains/losses. To qualify for deferral, gains and losses must be based on GASB 74/75 compliance valuations. Since this is the District's first valuation, it is not possible to calculation compliance gains and losses. As June 30, 2018, the District had the following deferred outflows and deferred inflows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	16,092	-
Net difference between projected and actual earnings on OPEB plan investments	-	-
Deferred contributions	-	-
Total	<u>\$ 16,092</u>	<u>\$ -</u>

Payable to the OPEB Plan

The District had no outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2018

COLUSA UNIFIED SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

8. FUND BALANCES

The District reports fund balances in accordance with Governmental Accounting Standards Board Statement No. 54. All fund balance categories are reported in the aggregate on the face of the balance sheet. All components of those fund balances and specific purposes are identified as follows:

	<u>General Fund</u>	<u>Cafeteria Fund</u>	<u>Capital Facilities Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>Building Fund</u>	<u>Total</u>
Nonspendable:						
Inventory	\$ -	\$ 16,712	\$ -	\$ -	\$ -	\$ 16,712
Revolving Cash	30,350	-	-	-	-	30,350
Total Nonspendable	<u>30,350</u>	<u>16,712</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,062</u>
Restricted:						
Child Nutrition: School Programs	-	23,533	-	-	-	23,533
Lottery: Instructional Materials	11,971	-	-	-	-	11,971
College Readiness Block Grant	36,903	-	-	-	-	36,903
Bond Projects	-	-	-	449,491	-	449,491
Total Restricted	<u>48,874</u>	<u>23,533</u>	<u>-</u>	<u>449,491</u>	<u>-</u>	<u>521,898</u>
Assigned:						
Other Assigned	381,692	-	445,069	-	-	826,761
Total Assigned	<u>381,692</u>	<u>-</u>	<u>445,069</u>	<u>-</u>	<u>-</u>	<u>826,761</u>
Unassigned:						
Reserve for Economic Uncertainties	808,292	-	-	-	-	808,292
Undesignated	448,515	-	-	-	-	448,515
Total Unassigned	<u>1,256,807</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,256,807</u>
Total Fund Balances	<u>\$ 1,717,723</u>	<u>\$ 40,245</u>	<u>\$ 445,069</u>	<u>\$ 449,491</u>	<u>\$ -</u>	<u>\$ 2,652,528</u>

COLUSA UNIFIED SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

9. JOINT VENTURES

The District is a member of three joint powers authorities (JPAs). The District pays an annual premium to the entities for their coverage. The relationship between the District, the pools, and the JPAs is such that the JPAs are not component units of the District for financial reporting purposes.

These entities 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 entities and the District are included in these statements. Audited financial statements are available from the respective entities.

The District is a member of the following joint powers authorities (JPAs):

	Tri-Counties SIG June 30, 2017*	NVSIG June 30, 2018	SELF June 30, 2018
Total Assets	\$ 18,722,833	\$ 3,308,256	\$ 118,692,006
Deferred Outflows of Resources	183,953	-	497,939
Total Liabilities	9,365,157	1,738,535	101,064,545
Deferred Inflows of Resources	19,160	-	28,087
Net Position	<u>\$ 9,522,469</u>	<u>\$ 1,569,721</u>	<u>\$ 18,097,313</u>
Revenues	\$ 43,039,245	\$ 13,843,468	\$ 15,368,115
Expenditures	39,467,946	13,840,086	19,699,829
Change in Net Position	<u>\$ 3,571,299</u>	<u>\$ 3,382</u>	<u>\$ (4,331,714)</u>

* Latest available audited financial reports.

10. COMMITMENTS AND CONTINGENCIES

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. If the review or audit discloses exceptions, the District may incur a liability to grantor agencies.

11. SUBSEQUENT EVENTS

The District's management evaluated its June 30, 2018 financial statements for subsequent events through December 10, 2018, the date the financial statements were available to be issued. Management is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

COLUSA UNIFIED SCHOOL DISTRICT

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET (NON-GAAP) AND ACTUAL**

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
LCFF sources	\$ 13,422,519	\$ 13,684,233	\$ 13,651,549	\$ (32,684)
Federal revenue	359,281	359,281	386,725	27,444
Other state revenues	1,834,768	1,863,809	1,831,404	(32,405)
Other local revenues	<u>207,592</u>	<u>245,942</u>	<u>185,934</u>	<u>(60,008)</u>
Total revenues	<u>15,824,160</u>	<u>16,153,265</u>	<u>16,055,612</u>	<u>(97,653)</u>
EXPENDITURES				
Certificated salaries	6,332,055	6,561,584	6,558,801	2,783
Classified salaries	2,279,775	2,490,082	2,345,810	144,272
Employee benefits	3,495,535	3,576,334	3,415,060	161,274
Books and supplies	798,422	1,002,009	998,222	3,787
Services and other operating expenditures	1,475,421	1,461,560	1,351,332	110,228
Capital outlay	714,461	570,297	445,621	124,676
Other outgo	1,074,246	1,005,644	968,229	37,415
Debt service expenditures				
Principal	-	55,045	52,070	2,975
Interest	<u>-</u>	<u>-</u>	<u>2,975</u>	<u>(2,975)</u>
Total expenditures	<u>16,169,915</u>	<u>16,722,555</u>	<u>16,138,120</u>	<u>584,435</u>
Excess (deficiency) of revenues over expenditures	(345,755)	(569,290)	(82,508)	486,782
OTHER FINANCING SOURCES (USES)				
Operating transfers out	<u>(20,000)</u>	<u>(20,000)</u>	<u>(27,713)</u>	<u>(7,713)</u>
Total other financing sources (uses)	<u>(20,000)</u>	<u>(20,000)</u>	<u>(27,713)</u>	<u>(7,713)</u>
Net change in fund balances	(365,755)	(589,290)	(110,221)	479,069
Fund balances, July 1, 2017	<u>1,827,944</u>	<u>1,827,944</u>	<u>1,827,944</u>	<u>-</u>
Fund balances, June 30, 2018	<u>\$ 1,482,189</u>	<u>\$ 1,238,654</u>	<u>\$ 1,717,723</u>	<u>\$ 479,069</u>

COLUSA UNIFIED SCHOOL DISTRICT

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET (NON-GAAP) AND ACTUAL**

CAFETERIA FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Budget		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Federal revenue	\$ 630,000	\$ 630,000	\$ 568,509	\$ (61,491)
Other state revenues	73,000	73,000	43,282	(29,718)
Other local revenues	190,100	190,100	113,508	(76,592)
Total revenues	893,100	893,100	725,299	(167,801)
EXPENDITURES				
Classified salaries	300,665	300,665	290,652	10,013
Employee benefits	114,501	114,501	108,287	6,214
Books and supplies	321,500	321,500	275,971	45,529
Services and other operating expenditures	54,000	54,000	53,928	72
Capital outlay	150,000	150,000	141,572	8,428
Other outgo	-	-	38,835	(38,835)
Total expenditures	940,666	940,666	909,245	31,421
Excess (deficiency) of revenues over expenditures	(47,566)	(47,566)	(183,946)	(136,380)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	20,000	20,000	18,927	(1,073)
Total other financing sources (uses)	20,000	20,000	18,927	(1,073)
Net change in fund balances	(27,566)	(27,566)	(165,019)	(137,453)
Fund balances, July 1, 2017	205,264	205,264	205,264	-
Fund balances, June 30, 2018	\$ 177,698	\$ 177,698	\$ 40,245	\$ (137,453)

COLUSA UNIFIED SCHOOL DISTRICT

**SCHEDULE OF THE CHANGES IN THE DISTRICT'S
NET OPEB LIABILITY AND RELATED RATIOS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>2018</u>
Total OPEB liability	
Service cost	\$ 68,918
Interest	41,650
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	17,322
Benefit payments, including refunds of member contributions	<u>(129,394)</u>
Net change in total OPEB liability	<u>(1,504)</u>
Total OPEB liability - beginning	<u>1,326,438</u>
Total OPEB liability - ending (a)	\$ <u>1,324,934</u>
 Plan fiduciary net position	
Contributions - employer	\$ 129,394
Net investment income	-
Benefit payments, including refunds of member contributions	(129,394)
Administrative expense	<u>-</u>
Net change in plan fiduciary net position	<u>-</u>
Plan fiduciary net position - beginning	<u>-</u>
Plan fiduciary net position - ending (b)	<u>\$ -</u>
 District's net OPEB liability - ending (a) - (b)	<u><u>\$ 1,324,934</u></u>
 Plan fiduciary net position as a percentage of the total OPEB liability	0.0%
Covered-employee payroll	\$ 6,364,096
District's net OPEB liability as a percentage of covered-employee payroll	20.8%

COLUSA UNIFIED SCHOOL DISTRICT

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017
	<small>(1)</small>	<small>(1)</small>	<small>(1)</small>	<small>(1)</small>
CalPERS				
Proportion of the net pension liability	0.01507%	0.01598%	0.01606%	0.01575%
Proportionate share of the net pension liability	\$ 1,710,826	\$ 2,355,804	\$ 3,170,971	\$ 3,760,661
Covered-employee payroll ⁽²⁾	\$ 1,537,771	\$ 1,758,040	\$ 1,643,109	\$ 1,796,311
Proportionate Share of the net pension liability as percentage of covered-employee payroll	111.25%	134.00%	192.99%	209.35%
Plans fiduciary net position as a percentage of the total pension liability	83.38%	79.43%	73.90%	71.87%
Proportionate share of aggregate employer contributions ⁽³⁾	\$ 181,011	\$ 208,275	\$ 228,195	\$ 278,985
STRS				
Proportion of the net pension liability	0.01203%	0.01232%	0.01261%	0.01179%
Proportionate share of the net pension liability	\$ 7,027,361	\$ 8,292,846	\$ 10,195,442	\$ 10,899,746
Covered-employee payroll ⁽²⁾	\$ 4,976,205	\$ 4,731,538	\$ 5,358,362	\$ 5,445,696
Proportionate Share of the net pension liability as percentage of covered-employee payroll	141.22%	175.27%	190.27%	200.15%
Plans fiduciary net position as a percentage of the total pension liability	76.52%	74.02%	70.04%	69.46%
Proportionate share of aggregate employer contributions ⁽³⁾	\$ 441,887	\$ 507,694	\$ 674,082	\$ 785,814

⁽¹⁾ Historical information is required only for measurement periods for which GASB 68 is applicable.

⁽²⁾ Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer.

⁽³⁾ The Plan's proportionate share of aggregate contributions may not match the actual contributions made by the employer during the measurement period. The Plan's proportionate share of aggregate contributions is based on the Plan's proportion of fiduciary net position shown on line 5 of the table above as well as any additional side fund (or unfunded liability) contributions made by the employer during the measurement period.

COLUSA UNIFIED SCHOOL DISTRICT

SCHEDULE OF PENSION CONTRIBUTIONS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

CalPERS	Fiscal Year 2013- 14⁽¹⁾	Fiscal Year 2014- 15⁽¹⁾	Fiscal Year 2015- 16⁽¹⁾	Fiscal Year 2016- 17⁽¹⁾
Actuarially Determined Contribution ⁽²⁾	\$ 181,011	\$ 208,275	\$ 228,195	\$ 278,985
Contributions in relation to the actuarially determined contributions ⁽²⁾	<u>(208,122)</u>	<u>(228,381)</u>	<u>(278,742)</u>	<u>(335,771)</u>
Contribution deficiency (excess)	<u>\$ (27,111)</u>	<u>\$ (20,106)</u>	<u>\$ (50,547)</u>	<u>\$ (56,786)</u>
Covered-employee payroll ⁽³⁾	\$ 1,537,771	\$ 1,758,040	\$ 1,643,109	\$ 1,796,311
Contributions as a percentage of covered-employee payroll ⁽³⁾	11.771%	11.847%	13.888%	15.531%
STRS	Fiscal Year 2013- 14⁽¹⁾	Fiscal Year 2014- 15⁽¹⁾	Fiscal Year 2015- 16⁽¹⁾	Fiscal Year 2016- 17⁽¹⁾
Actuarially Determined Contribution ⁽²⁾	\$ 441,887	\$ 507,694	\$ 674,082	\$ 785,814
Contributions in relation to the actuarially determined contributions ⁽²⁾	<u>(524,093)</u>	<u>(685,760)</u>	<u>(789,525)</u>	<u>(931,757)</u>
Contribution deficiency (excess)	<u>\$ (82,206)</u>	<u>\$ (178,066)</u>	<u>\$ (115,443)</u>	<u>\$ (145,943)</u>
Covered-employee payroll ⁽³⁾	\$ 4,976,205	\$ 4,731,538	\$ 5,358,362	\$ 5,445,696
Contributions as a percentage of covered-employee payroll ⁽³⁾	8.880%	10.730%	12.580%	14.430%

⁽¹⁾ Historical information is required only for measurement periods for which GASB 68 is applicable.

⁽²⁾ Employers are assumed to make contributions equal to the actuarially determined contributions (which is the actuarially determined contribution). However, some employers may choose to make additional contributions towards their side fund or their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions. CalPERS has determined that employer obligations referred to as "side funds" do not conform to the circumstances described in paragraph 120 of GASB 68, therefore are not considered separately financed specific liabilities.

⁽³⁾ Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer.

COLUSA UNIFIED SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

1. PURPOSE OF SCHEDULES

- A - Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget (Non-GAAP) and Actual - General Fund and Cafeteria Fund

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The budgets are revised during the year by the Board of Trustees to provide for revised priorities. Expenditures cannot legally exceed appropriations by major object code. The originally adopted and final revised budgets for the General Fund and Cafeteria Fund are presented as Required Supplementary Information. The basis of budgeting is the same as GAAP.

- B - Schedule of the Changes in the District's Net OPEB liability and Related Ratios

Benefit changes: There were no changes to benefits

Changes of Assumptions: The discount rate decreased from 3.13% as of June 30, 2017 to 2.92% as of June 30, 2018

- C - Schedule of Proportionate Share of the Net Pension Liability

Changes in assumptions

CalPERS

In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent.

Fiscal year 2015 was the first year of implementation, therefore only four years are shown.

CalSTRS

During fiscal year 2016-17, CalSTRS completed an experience study for the period starting July 1, 2010 and ending June 30, 2015. The experience study was adopted by the board in February 2017. The changes to the assumptions as a result of the experience study follow:

Assumption	As of June 30, 2017	As of June 30, 2016
Consumer Price Inflation	2.75%	3.00%
Investment Rate of Return	7.10%	7.60%
Wage Growth	3.50%	3.75%

Fiscal year 2015 was the first year of implementation, therefore only four years are shown.

COLUSA UNIFIED SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

D - Schedule of Pension Contributions

If an employer's contributions to the plan are actuarially determined or based on statutory or contractual requirements, the employer's actuarially determined contribution to the pension plan (or, if applicable, its statutorily or contractually required contribution), the employer's actual contributions, the difference between the actual and actuarially determined contributions (or statutorily or contractually required), and a ratio of the actual contributions divided by covered-employee payroll.

	<u>CalPERS</u>	<u>STRS</u>
Valuation Date	June 30, 2016	June 30, 2016
Measurement Date	June 30, 2017	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost	Entry-Age Normal Cost
Actuarial Assumptions		
Discount Rate	7.15%	7.10%
Inflation	2.75%	2.75%
Payroll Growth Rate	3.00%	3.50%
Projected Salary Increase	Varies by Entry Age and Service	Varies by Entry Age and Service
Investment Rate of Return (1)	7.15%	7.10%
Mortality	Derived using CalPERS' Membership Data for all Funds	Derived using STRS' Membership Data for all Funds

(1) Net of pension plan investment expenses, including inflation

SUPPLEMENTARY INFORMATION

COLUSA UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Student Body Funds	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>
Assets:				
Cash in County Treasury				
Colusa High School	\$ 54,048	\$ 184,932	\$ (179,670)	\$ 59,310
Egling Middle School	5,125	30,634	(27,332)	8,427
Total Assets	<u>\$ 59,173</u>	<u>\$ 215,566</u>	<u>\$ (207,002)</u>	<u>\$ 67,737</u>
Liabilities:				
Due to student groups	\$ 59,173	\$ 8,564	\$ -	\$ 67,737
Total Liabilities	<u>\$ 59,173</u>	<u>\$ 8,564</u>	<u>\$ -</u>	<u>\$ 67,737</u>

COLUSA UNIFIED SCHOOL DISTRICT

ORGANIZATION

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

The Colusa Unified School District (the District) is located in Colusa, California. The District was organized as a unified school district of the State of California and provides public education for grades transitional kindergarten through twelve within Colusa County. There were no changes to the District boundaries in the current year. The District maintains one elementary school, one middle school, one high school, one continuation high school, and one alternative home school.

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term Expires December</u>
Mrs. Kelli Griffith-Garcia	Trustee	2020
Mrs. Kathie Whitesell	Trustee	2018
Mr. Michael Phenicie	Trustee	2020
Mrs. Melissa Yerxa Ortiz	Clerk	2020
Mr. Charles Yerxa	President	2018

ADMINISTRATION

Dwayne Newman
Superintendent

Scott Lantsberger
Interim Chief Business Official

COLUSA UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Second Period Report	Revised Second Period Report*	Annual Report
Elementary			
TK-3	415	415	416
Fourth through Sixth	344	344	345
Seventh to Eighth	203	203	203
Special Education	1	-	-
	<u>963</u>	<u>962</u>	<u>964</u>
Secondary			
Ninth through Twelfth	444	439	435
Special Education	-	-	-
Continuation Education	12	17	18
	<u>456</u>	<u>456</u>	<u>453</u>
	<u>1,419</u>	<u>1,418</u>	<u>1,417</u>

* The revision to the Second Period Report of Attendance was not the result of the audit.

COLUSA UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

<u>Grade Level</u>	<u>Standard Minutes Requirement</u>	<u>2017-18 Actual Minutes</u>	<u>Instructional Days</u>	<u>Status</u>
Kindergarten	36,000	54,500	180	In compliance
Grade 1	50,400	50,622	180	In compliance
Grade 2	50,400	50,622	180	In compliance
Grade 3	50,400	50,622	180	In compliance
Grade 4	54,000	54,622	180	In compliance
Grade 5	54,000	54,622	180	In compliance
Grade 6	54,000	54,622	180	In compliance
Grade 7	54,000	59,750	180	In compliance
Grade 8	54,000	59,750	180	In compliance
Grade 9	64,800	64,916	180	In compliance
Grade 10	64,800	64,916	180	In compliance
Grade 11	64,800	64,916	180	In compliance
Grade 12	64,800	64,916	180	In compliance

COLUSA UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
FOR FISCAL YEAR ENDED JUNE 30, 2018

<u>Charter School ID Number</u>	<u>Charter Schools Chartered by the District</u>	<u>Included in the District Financial Statements, or Separate Report</u>
There are currently no charter schools in the District.		

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

There were no adjustments made to any funds of the District.

COLUSA UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Education</u>			
<i>Passed through California Department of Education</i>			
84.010	ESEA (ESSA): Title I, Part A, Basic Grants Low-Income and Neglected	14329	* \$ 263,482
84.365	ESEA (ESSA): Title III, English Learner Student Program	14346	53,251
84.365	ESEA (ESSA): Title III, Immigrant Student Program	15146	119
	Total Title III Cluster		<u>53,370</u>
84.048	Carl D. Perkins Career and Technical Education: Secondary, Section 131 (Vocational Education)	14894	8,839
84.367	ESEA (ESSA): Title II, Part A, Supporting Effective Instruction Local Grants	14334	<u>41,103</u>
	Total U.S. Department of Education		<u>366,794</u>
<u>U.S. Department of Agriculture</u>			
<i>Passed through California Department of Education</i>			
10.555	Child Nutrition: Meal Supplements in National School Lunch Program - Monetary Assistance	13524	568,509
10.555	Child Nutrition: Meal Supplements in National School Lunch Program - Nonmonetary Assistance	13524	55,022
	Total Child Nutrition Cluster		<u>623,531</u>
	Total U.S. Department of Agriculture		<u>623,531</u>
<u>U.S. Department of Health and Human Services</u>			
<i>Passed through Colusa County Office of Education</i>			
93.778	Unrestricted: Medi-Cal Administrative Activities (MAA)	10060	<u>19,931</u>
	Total U.S. Department of Health and Human Services		<u>19,931</u>
	Total Federal Programs		<u>\$ 1,010,256</u>

* Tested as a major program

COLUSA UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Adopted Budget 2018/2019	Actuals 2017/2018	Actuals 2016/2017	Actuals 2015/2016
<u>General Fund</u>				
Revenues and Other Financial Sources	\$ 15,824,160	\$ 16,055,612	\$ 15,702,289	\$ 15,450,014
Expenditures	16,149,915	16,138,120	15,545,261	14,945,070
Other Uses and Transfers Out	20,000	27,713	17,413	17,787
Total Outgo	16,169,915	16,165,833	15,562,674	14,962,857
Change in Fund Balance	(345,755)	(110,221)	139,615	487,157
Ending Fund Balance	\$ 1,371,968	\$ 1,717,723	\$ 1,827,944	\$ 1,688,329
Available Reserves	\$ 1,765,355	\$ 1,256,807	\$ 466,881	\$ 448,886
Reserve for Economic Uncertainties	\$ 834,477	\$ 808,292	\$ 466,881	\$ 448,886
Unappropriated Fund Balance	\$ 930,878	\$ 448,515	\$ -	\$ -
Available Reserves as a Percentage of Total Outgo	10.9%	7.8%	3.0%	3.0%
Total Long-Term Debt	\$ 21,765,947	\$ 22,085,426	\$ 20,996,610	\$ 17,076,988
Average Daily Attendance at P-2	1,455	1,418	1,404	1,401

The general fund balance has increased by \$516,551 over the past three years. The fiscal year 2018-19 budget projects a decrease of \$345,755. For a District this size, the State of California recommends available reserves of at least 3 percent of total general fund expenditures, transfers out, and other uses (total outgo). The District met this requirement.

The District had an operating surplus in two of the past three fiscal years.

Total long-term liabilities have increased by \$5,008,438 over the past two years due to the additions to the net pension liability and the recognition of the Net OPEB Liability due to the implementation of GASB 75.

Average Daily Attendance (ADA) has increased by 17 over the past two years and ADA is budgeted to increase for the fiscal year 2018-19.

COLUSA UNIFIED SCHOOL DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

1. Schedule of Average Daily Attendance

Average daily attendance is a measurement of the number of pupils attending classes in 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.

2. Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. 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 46201 through 46206. Districts must maintain their instructional minutes in accordance with the State's standard requirements as required by Education Code Section 46201(b).

The District participated in the Longer Day incentives and met or exceeded its target funding.

3. Schedule of Charter Schools

This schedule provides information for the California Department of Education to monitor financial reporting by Charter Schools.

4. Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides information necessary to reconcile the Annual Financial and Budget Report to the audited financial statements.

5. Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of federal awards includes federal grant activity of the District and is presented under the modified accrual basis of accounting. Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance) requires a disclosure of the financial activities of all federally funded programs. This schedule was prepared to comply with the Uniform Guidance and state requirements. Therefore, some amounts presented in this schedule may differ from amounts used in the preparation of the general purpose financial statements. The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

COLUSA UNIFIED SCHOOL DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

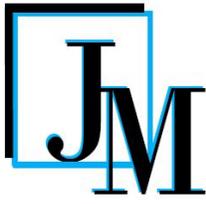
The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amount consists of the fair value of federal food commodities received from the California Department of Education as a pass-through grant from the U.S. Department of Agriculture that are not reflected in the financial statements.

	<u>Federal Catalog Number</u>	<u>Amount</u>
Total Federal Revenues From the Statement of Revenues, Expenditures and Changes in Fund Balance		\$ 955,234
Reconciling items		
Food Distribution - Commodities	10.555	<u>55,022</u>
Total Federal Revenues from Schedule of Expenditures of Federal Awards		<u>\$ 1,010,256</u>

6. 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.

OTHER INDEPENDENT AUDITOR'S REPORTS



James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting and Tax

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH STATE LAWS AND REGULATIONS**

Board of Trustees
Colusa Unified School District
Colusa, California

Report on Compliance for Each State Program

We have audited the compliance of Colusa Unified School District (the “District”) with the types of compliance requirements described in the State of California’s 2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting (the “Audit Guide”) to the state laws and regulations listed below for the year ended June 30, 2018.

Management’s Responsibility

Compliance with the requirements of state laws and regulations is the responsibility of District’s management.

Auditor’s Responsibility

Our responsibility is to express an opinion on the District’s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the 2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state laws and regulations listed below occurred. An audit includes examining, on a test basis, evidence about the 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. Our audit does not provide a legal determination of the District’s compliance with those requirements.

Local Education Agencies Other Than Charter Schools

Description	Procedures Performed
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	No, see below
Instructional Time for School Districts	Yes
Instructional Materials	
General Requirements	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive Program	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	No, see below

School Districts, County Offices of Education and Charter Schools

Description	Procedures Performed
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After/Before Schools Education and Safety Program	
General requirements	Yes
After School	Yes
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	No, see below

Charter Schools

Description	Procedures Performed
Attendance	No, see below
Mode of Instruction	No, see below
Nonclassroom-Based Instruction/Independent Study	No, see below
Determination of Funding for Nonclassroom-Based Instruction	No, see below
Annual Instructional Minutes - Classroom Based	No, see below
Charter School Facility Grant Program	No, see below

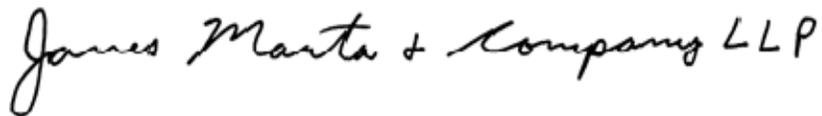
We did not perform any procedures related to Continuation Education because the Average Daily Attendance reported for the program is not material for compliance purposes.

We did not perform any procedures related to Early Retirement Incentive Program, Juvenile Court Schools, Middle or Early College High School, Independent Study-Course Based, Apprenticeship: Related and Supplemental Instruction or the Before School portion of After/Before School Education and Safety because the District did not offer these programs.

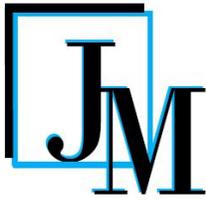
We did not perform any procedures related to Contemporaneous Records of Attendance for Charter Schools, Mode of Instruction for Charter Schools, Nonclassroom-Based Instruction/Independent Study for Charter Schools, Determination of Funding for Nonclassroom-Based Instruction for Charter Schools, Annual Instructional Minutes-Classroom-Based for Charter Schools, and Charter School Facility Grant Program because the District did not have any charter schools.

Opinion on Compliance with State Laws and Regulations

In our opinion, Colusa Unified School District complied, in all material respects, with the state laws and regulations referred to above for the year ended June 30, 2018.

A handwritten signature in cursive script that reads "James Marta & Company LLP". The signature is written in black ink and is positioned above the typed name of the firm.

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
December 10, 2018



James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting and Tax

**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 AUDITOR'S REPORT

Board of Trustees
Colusa Unified School District
Colusa, California

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Colusa Unified School District (the "District"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 10, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we considered to be a material weakness. See finding **2018-01**.

Compliance and Other Matters

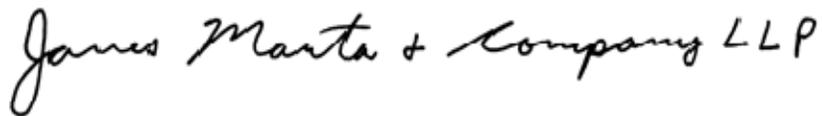
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

Colusa Unified School District's Response to Findings

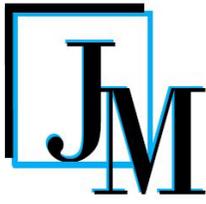
The District's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

A handwritten signature in black ink that reads "James Marta & Company LLP". The signature is written in a cursive, flowing style.

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
December 10, 2018



James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting and Tax

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON
INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Colusa Unified School District
Colusa, California

Report on Compliance for Each Major Federal Program

We have audited Colusa Unified School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2018. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal 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 audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance), *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and the Uniform Guidance 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 a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

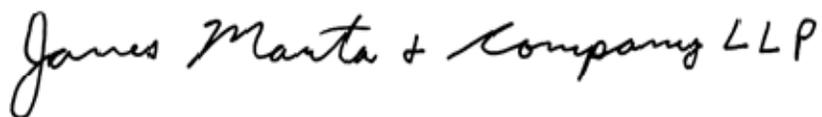
Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



James Marta & Company LLP
Certified Public Accountants
Sacramento, California
December 10, 2018

FINDINGS AND RECOMMENDATIONS

COLUSA UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Section I – Summary of Audit Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:
Material weakness(es) identified? X Yes No
Significant deficiency(ies) identified? Yes X None reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:
Material weakness(es) identified? Yes X No
Significant deficiency(ies) identified? Yes X None reported

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance, Section 200.516(a)? Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	ESEA (ESSA): Title I, Part A, Basic Grants Low-Income and Neglected

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? X Yes No

State Awards

Internal control over state programs:
Material weakness(es) identified? Yes X No
Significant deficiency(ies) identified? Yes X None reported

Type of auditor’s report issued on compliance for state programs: Unmodified

COLUSA UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Section II – Financial Statement Findings

Finding 2018-01 – Unrecognized Other Postemployment Benefits (OPEB)

Criteria:

All long term debt including Other Postemployment Benefits (OPEB) needs to be accounted for and disclosed in the financial statements of the district.

Condition:

The OPEB liability had not been reported by the District in their financial statements in previous periods.

Questioned Costs:

The District underreported their long term liabilities by \$1,326,438 as of June 30, 2017.

Cause:

Management was unaware of the existence of the OPEB liability.

Effect:

Long term liabilities were underreported by the entire balance of the OPEB liability.

Recommendation

Management needs to have an actuary prepare an actuarial report for the Net OPEB liability in accordance with GASB Statement No 75. The amount determined by the actuary should then be accrued and disclosed in the financial statements of the district.

Managements Response

We immediately engaged an actuary to provide an actuarial report that disclosed the effect on the prior period net position as well as disclosing the balance of the net OPEB liability in the current year financial statements.

COLUSA UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

COLUSA UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Section IV – State Award Findings and Questioned Costs

No matters were reported.

COLUSA UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

No matters were reported.