

COLUSA UNIFIED SCHOOL DISTRICT

**COUNTY OF COLUSA
COLUSA, CALIFORNIA**

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

COLUSA UNIFIED SCHOOL DISTRICT

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COLUSA UNIFIED SCHOOL DISTRICT

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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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

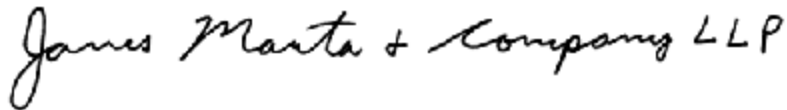
Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and budgetary comparison information on pages 4-8 and page 32, respectively be presented to supplement the basic financial statements. Such information, although not a part of 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 as a whole. The accompanying supplemental information as listed in the table of contents, including the schedule of expenditures of Federal Awards, which is required by U.S. Office of Management and Budget Circular A-133 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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 November 12, 2013 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. To the right of the signature, there is a vertical yellow line.

James Marta & Company LLP
Certified Public Accountants
November 12, 1013

MANAGEMENT'S DISCUSSION AND ANALYSIS

COLUSA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

OVERVIEW OF THE FINANCIAL STATEMENTS

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.

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.

The Primary unit of the government is the Colusa Unified School District.

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 in to 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.

COLUSA UNIFIED SCHOOL DISTRICT

MANAGEMENT’S DISCUSSION AND ANALYSIS

JUNE 30, 2013

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.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District’s combined net position, as of June 30, 2013, was \$4,641,391 reflecting a decrease of 6.68% since June 30, 2012.

Change in Net Position

The District’s total revenues decreased .46% to \$11,404,688. The District’s expenses are predominantly related to educating and caring for students (75%). The purely administrative activities of the District accounted for 6.1% of total costs.

Governmental Activities

As reported in the *Statement of Activities* on page 10, the cost of all of our governmental activities was \$11,737,148 and \$12,335,877 for June 30, 2013 and 2012, 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, 2013

Condensed Statement of Net Position

	<u>2012</u>	<u>2013</u>	<u>Change</u>	<u>Percentage Change</u>
Assets				
Current assets	\$ 3,619,934	\$ 3,410,848	\$ (209,086)	-6%
Capital assets	<u>2,816,402</u>	<u>2,699,719</u>	<u>(116,683)</u>	<u>-4%</u>
Total assets	<u>6,436,336</u>	<u>6,110,567</u>	<u>(325,769)</u>	<u>-5%</u>
Liabilities				
Current liabilities	733,503	585,362	(148,141)	-20%
Long-term liabilities	<u>728,982</u>	<u>883,814</u>	<u>154,832</u>	<u>21%</u>
Total liabilities	<u>1,462,485</u>	<u>1,469,176</u>	<u>6,691</u>	<u>0%</u>
Net Position				
Invested in capital assets, net of related debt	2,509,154	2,434,153	(75,001)	-3%
Restricted	2,547,063	40,292	(2,506,771)	-98%
Unrestricted	<u>(82,366)</u>	<u>2,166,946</u>	<u>2,249,312</u>	<u>-2731%</u>
Total net position	<u>\$ 4,973,851</u>	<u>\$ 4,641,391</u>	<u>\$ (332,460)</u>	<u>-7%</u>

COLUSA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

Condensed Statement of Activities	<u>2012</u>	<u>2013</u>	<u>Change</u>	<u>Percentage Change</u>
Revenues				
Charges for services	\$ 137,010	\$ 143,537	\$ 6,527	5%
Operating grants and contributions	1,653,372	1,739,894	86,522	5%
Taxes	2,694,436	2,797,891	103,455	4%
Federal and state aid not restricted for specific purposes	6,375,362	6,220,989	(154,373)	-2%
Interest	125,247	65,192	(60,055)	-48%
Interagency revenues	225,355	239,881	14,526	6%
Miscellaneous	246,272	197,304	(48,968)	-20%
Total revenues	<u>11,457,054</u>	<u>11,404,688</u>	<u>(52,366)</u>	<u>0%</u>
Expenses				
Instruction	6,983,591	6,537,935	(445,656)	-6%
Instruction related services	891,457	911,316	19,859	2%
Pupil services	1,345,968	1,295,176	(50,792)	-4%
General administration	721,542	713,784	(7,758)	-1%
Plant services	1,185,881	1,172,273	(13,608)	-1%
Ancillary services	209,412	189,089	(20,323)	-10%
Community services	1,712	2,163	451	26%
Interest on long-term debt	17,562	13,363	(4,199)	-24%
Other outgo	706,229	704,813	(1,416)	0%
Depreciation (unallocated)	260,157	197,236	(62,921)	-24%
Total expenses	<u>12,323,511</u>	<u>11,737,148</u>	<u>(586,363)</u>	<u>-5%</u>
Change in net position	<u>\$ (866,457)</u>	<u>\$ (332,460)</u>	<u>\$ 533,997</u>	<u>-62%</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As the District completed the school year, the governmental funds reported a combined fund balance of \$2,825,486 which is a decrease of \$60,943 from last year.

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 Revise 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, 2013

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Capital assets, net of depreciation, decreased \$116,683 due to acquisitions and improvements growing at a lower rate than accumulated depreciation, asset disposals, and adjustments.

Long-Term Liabilities

Total long-term liabilities increased \$154,834, primarily due to the District offering the CalSTRS Golden Handshake Early Retirement Program.

The notes to the financial statements are an integral part of the financial presentation and contain more detailed information as to interest, principal, retirement amounts, and future debt retirement dates.

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ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

Ø 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 in fiscal year 2013-14.

Ø The State's economic and budget situation has made a positive turn for 2013-14 but negatively impacted the District in years prior going back to 2008-2009.

Ø The future predictions require management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

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 money it receives. If you have questions regarding this report or need additional financial information, contact the: District Office, Colusa Unified School District, 745 Tenth Street, Colusa, California 95932-2220.

BASIC FINANCIAL STATEMENTS

COLUSA UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2013

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 2,207,019
Receivables	1,191,256
Stores inventories	12,573
Capital assets, net of accumulated depreciation	<u>2,699,719</u>
Total Assets	<u>6,110,567</u>
LIABILITIES	
Accounts payable and other current liabilities	574,873
Deferred revenue	10,489
Long-term liabilities:	
Due within one year	232,941
Due in more than one year	<u>650,873</u>
Total Liabilities	<u>1,469,176</u>
NET POSITION	
Invested in capital assets, net of related debt	2,434,153
Restricted	40,292
Unrestricted	<u>2,166,946</u>
Total Net Position	<u>\$ 4,641,391</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, 2013

		<u>Program Revenues</u>		Net (Expense) Revenues and Changes in Net Position
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities				
Instruction	\$ 6,537,935	\$ 17,359	\$ 848,269	\$ (5,672,307)
Instruction - related services:				
Instructional supervision	22,436	-	745	(21,691)
Instructional library, media and technology	124,966	-	-	(124,966)
School site administration	763,914	-	62,206	(701,708)
Pupil Services:				
Home-to-school transportation	144,687	-	45,195	(99,492)
Food services	653,031	116,227	533,383	(3,421)
All other pupil services	497,458	-	167,578	(329,880)
General administration:				
Centralized data processing	84,940	-	-	(84,940)
All other general administration	628,844	2,451	49,067	(577,326)
Plant services	1,172,273	7,500	33,451	(1,131,322)
Ancillary services	189,089	-	-	(189,089)
Community services	2,163	-	-	(2,163)
Interest on long-term debt	13,363	-	-	(13,363)
Other outgo	704,813	-	-	(704,813)
Depreciation (unallocated)	197,236	-	-	(197,236)
Total governmental activities	<u>\$ 11,737,148</u>	<u>\$ 143,537</u>	<u>\$ 1,739,894</u>	<u>(9,853,717)</u>
General Revenues				
Taxes and subventions:				
Taxes levied for general purposes				2,797,891
Federal and state aid not restricted to specific purposes				6,220,989
Interest and investment earnings				65,192
Interagency revenues				239,881
Miscellaneous				197,304
Total general revenues				<u>9,521,257</u>
Change in net position				(332,460)
Net Position, July 1, 2012				<u>4,973,851</u>
Net Position, June 30, 2013				<u>\$ 4,641,391</u>

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

COLUSA UNIFIED SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2013

	<u>General Fund</u>	<u>Capital Facilities Fund</u>	<u>All Non-Major Funds</u>	<u>Totals</u>
ASSETS				
Cash and cash equivalents	\$ 667,125	\$ 1,438,910	\$ 100,984	\$ 2,207,019
Accounts receivable	1,191,256	-	-	1,191,256
Due from other funds	60,579	-	-	60,579
Inventory	-	-	12,573	12,573
Total assets	<u><u>\$ 1,918,960</u></u>	<u><u>\$ 1,438,910</u></u>	<u><u>\$ 113,557</u></u>	<u><u>\$ 3,471,427</u></u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 573,132	\$ 1,628	\$ 113	\$ 574,873
Deferred revenue	10,489	-	-	10,489
Due to other funds	-	-	60,579	60,579
Total Liabilities	<u>583,621</u>	<u>1,628</u>	<u>60,692</u>	<u>645,941</u>
Fund balances				
Nonspendable	20,350	-	12,573	32,923
Restricted	-	-	40,292	40,292
Committed	993,695	1,437,282	-	2,430,977
Unassigned	321,294	-	-	321,294
Total Fund Balance	<u>1,335,339</u>	<u>1,437,282</u>	<u>52,865</u>	<u>2,825,486</u>
Total liabilities and fund balances	<u><u>\$ 1,918,960</u></u>	<u><u>\$ 1,438,910</u></u>	<u><u>\$ 113,557</u></u>	<u><u>\$ 3,471,427</u></u>

COLUSA UNIFIED SCHOOL DISTRICT

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

JUNE 30, 2013

Total fund balances - governmental funds	\$	2,825,486
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Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

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

Capital assets at historical cost	\$	10,782,460	
Accumulated depreciation		<u>(8,082,741)</u>	
Net			2,699,719

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:

Supplemental Employee Retirement Program	280,407	
Compensated absences payable	47,454	
Capital leases payable	265,566	
Other general long-term debt	<u>290,387</u>	
		<u>(883,814)</u>

Total net position, governmental activities	\$	<u><u>4,641,391</u></u>
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COLUSA UNIFIED SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE**

GOVERNMENTAL FUNDS

JUNE 30, 2013

	<u>General Fund</u>	<u>Capital Facilities Fund</u>	<u>All Non-Major Funds</u>	<u>Totals</u>
REVENUES				
Revenue limit sources:				
State apportionment	\$ 4,799,266	\$ -	\$ -	\$ 4,799,266
Local sources	2,803,713	-	-	2,803,713
Total revenue limit	7,602,979	-	-	7,602,979
Federal revenue	473,687	-	519,107	992,794
Other state revenues	2,110,166	-	58,418	2,168,584
Other local revenues	421,551	92,367	126,418	640,336
Total revenues	10,608,383	92,367	703,943	11,404,693
EXPENDITURES				
Certificated salaries	5,031,154	-	-	5,031,154
Classified salaries	1,459,114	-	236,193	1,695,307
Employee benefits	2,015,210	-	87,495	2,102,705
Books and supplies	429,888	-	304,272	734,160
Services and other operating expenditures	992,818	1,628	67,453	1,061,899
Capital outlay	35,600	26,200	18,753	80,553
Other outgo	746,008	-	13,850	759,858
Total expenditures	10,709,792	27,828	728,016	11,465,636
Net change in fund balances	(101,409)	64,539	(24,073)	(60,943)
Fund balances, July 1, 2012	1,436,748	1,372,743	76,938	2,886,429
Fund balances, June 30, 2013	\$ 1,335,339	\$ 1,437,282	\$ 52,865	\$ 2,825,486

COLUSA UNIFIED SCHOOL DISTRICT

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

JUNE 30, 2013

Total net change in fund balances - governmental funds \$ (60,943)

Amounts reported for governmental activities in the statement of activities are different 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:	\$ 80,553	
Depreciation expense:	<u>(197,236)</u>	(116,683)

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:

41,682

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

6,333

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:

87,538

Other liabilities not normally liquidated with current financial resources: In the government-wide statements, expenses must be accrued in connection with any liabilities incurred during the period that are not expected to be liquidated with current financial resources. Examples include special termination benefits financed over time. This year, expenses incurred for such obligations were:

State Teachers' Retirement System (STRS) Golden Handshake	<u>(290,387)</u>
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Total change in net position - governmental activities \$ (332,460)

COLUSA UNIFIED SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
STUDENT BODY FUNDS

JUNE 30, 2013

Assets:

Cash in county treasury	
Colusa High School	\$ 60,768
Egling Middle School	6,689

Total Assets	<u>\$ 67,457</u>
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Liabilities:

Due to student groups	67,457
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Total Liabilities	<u>\$ 67,457</u>
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COLUSA UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2013

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. The effect of interfund activity, within the governmental activities, has been removed from these statements. 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 FINANCIAL STATEMENTS

JUNE 30, 2013

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 FINANCIAL STATEMENTS

JUNE 30, 2013

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. This classification includes the Capital Facilities Fund.

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).

COLUSA UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2013

F. FUND ACCOUNTING (CONTINUED)

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.

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.

COLUSA UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2013

I. DEPOSITS AND INVESTMENTS (CONTINUED)

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.

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.

COLUSA UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2013

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. RESTRICTED NET POSITION

Restrictions of the ending net position indicate the portions of net position not appropriate 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.

P. 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.

COLUSA UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2013

P. FUND BALANCE (CONTINUED)

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.

Q. REVENUE LIMIT/PROPERTY TAX

The District's revenue limit 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.

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 revenue limit 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.

The District's Base Revenue Limit is the amount of general purpose tax revenue, per average daily attendance (ADA), that the District is entitled to by law. This amount is multiplied by the applicable attendance period ADA to derive the District's total entitlement.

R. 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.

COLUSA UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

2. CASH AND INVESTMENTS

Cash and investments as of June 30, 2013 consist of the following:

	Governmental Activities	Fiduciary Activities
Cash in County Treasury	\$ 2,186,669	\$ 67,457
Cash on hand and in banks	-	-
Cash in revolving fund	20,350	-
	\$ 2,207,019	\$ 67,457

A. Cash on Hand and in Banks

Cash on hand and in banks consists of all cash held by the District and all cash maintained in commercial bank accounts owned by the District. Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation.

B. Cash in Revolving Funds

Cash in revolving fund consists of all cash maintained in commercial bank accounts that are used as revolving funds.

C. County Pool Investments

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 122 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. Presented in the next page is the actual rating as of the year-end for each investment type.

COLUSA UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2013

3. INTERFUND TRANSACTIONS

Interfund transactions are reported as either 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 are imbursement. All other interfund transactions are treated as transfers.

As of June 30, 2013, the interfund balances were as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Major Fund		
General Fund	\$ 60,579	-
Nonmajor Funds		
Cafeteria Fund	-	\$ 60,579
Total	<u>\$ 60,579</u>	<u>\$ 60,579</u>

COLUSA UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013, was as follows:

	Balance July 1, 2012	Additions and Transfers	Deductions and Transfers	Balance June 30, 2013
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	818,669	-	-	818,669
Building and improvements	8,266,175	26,200	-	8,292,375
Furniture and equipment	1,010,711	54,353	(195,461)	869,603
	<u>10,095,555</u>	<u>80,553</u>	<u>(195,461)</u>	<u>9,980,647</u>
Totals, at cost	<u>10,897,368</u>	<u>80,553</u>	<u>(195,461)</u>	<u>10,782,460</u>
Accumulated depreciation:				
Sites and improvements	(572,101)	(32,857)	-	(604,958)
Building and improvements	(6,733,639)	(135,156)	-	(6,868,795)
Furniture and equipment	(775,226)	(29,223)	195,461	(608,988)
	<u>(8,080,966)</u>	<u>(197,236)</u>	<u>195,461</u>	<u>(8,082,741)</u>
Depreciable assets, net	<u>2,014,589</u>	<u>(116,683)</u>	<u>-</u>	<u>1,897,906</u>
Capital assets, net	<u>\$ 2,816,402</u>	<u>\$ (116,683)</u>	<u>\$ -</u>	<u>\$ 2,699,719</u>

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

COLUSA UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2013

5. LONG-TERM LIABILITIES

Schedule of Changes in Long-Term Liabilities

A schedule of changes in long-term liabilities for the year ended June 30, 2013, is shown below:

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>De ductions</u>	<u>Balance</u> <u>June 30, 2013</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Capital Leases	\$ 307,248	\$ -	\$ 41,682	\$ 265,566	\$ 43,579
Golden Handshake STRS	-	290,387	-	290,387	44,953
Compensated Absences	53,787	-	6,333	47,454	47,454
Supplemental Employer Retirement Program	367,945	5,167	92,705	280,407	96,955
	<u>\$ 728,980</u>	<u>\$ 295,554</u>	<u>\$ 140,720</u>	<u>\$ 883,814</u>	<u>\$ 232,941</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.

Capital Leases

The leases have minimum payments as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Lease</u> <u>Payment</u>
2014	\$ 55,045
2015	55,045
2016	55,044
2017	55,044
2018	55,045
2019	27,522
Totals	302,745
Less: Amount Representing Interest	(37,179)
Present value of minimum lease payments	<u>\$ 265,566</u>

COLUSA UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2013

Early Retirement Incentive Program – STRS Golden Handshake

Education Code Section 14502 requires certain disclosures in the financial statements of districts which adopt Early Retirement Incentive Programs pursuant to Education Code Sections 22714 and 44929. For the fiscal year ended June 30, 2013, the District has adopted an early retirement incentive program and has the following required disclosures:

<u>Position</u>	<u>Age</u>	<u>Service Credit</u>	<u>Current Salary & Benefits</u>	<u>Replacement Employee Cost</u>	<u>Retirement Cost</u>	<u>Net Savings</u>
Teacher	65	20	\$ 174,180	\$ -	\$ 50,693	\$ 123,487
Teacher	55	31	171,170	-	46,349	124,821
Teacher	61	20	161,205	-	55,475	105,730
Speech	55	16	123,205	-	37,349	85,856
Teacher	60	17	428,720	-	48,920	379,800
Teacher	59	22	171,170	-	51,601	119,569
			\$ 1,229,650	\$ -	\$ 290,387	\$ 939,263

<u>Fiscal Year</u>	<u>Total</u>
2013-2014	\$ 44,953
2014-2015	41,131
2015-2016	39,107
2016-2017	37,085
2017-2018	35,062
2018-2019	33,039
2019-2020	31,017
2020-2021	28,993
\$ 290,387	

Supplemental Employee Retirement Program

During fiscal year 2008-09 the District adopted an additional early retirement incentive program. Beginning September 1, 2009 and 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. Six retirees elected to participate in the retirement incentive program. The future payments total approximately \$80,407 for years 2013-2017.

COLUSA UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2013

Supplemental Employee Retirement Program (Continued)

During fiscal year 2012-13 the District adopted an additional early retirement incentive program. Beginning September 1, 2011 and 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. Five retirees elected to participate in the retirement incentive program. The future payments total \$200,000 for years 2013-2017.

6. 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>Capital Facilities Fund</u>	<u>Non-Major Funds</u>	<u>Total</u>
Nonspendable:				
Inventory	\$ -	\$ -	\$ 12,573	\$ 12,573
Revolving Cash	20,350	-	-	20,350
Total Nonspendable	<u>20,350</u>	<u>-</u>	<u>12,573</u>	<u>32,923</u>
Restricted:				
Unspent Categorical Revenues	<u>-</u>	<u>-</u>	<u>40,292</u>	<u>40,292</u>
Committed:				
Board Designated	<u>993,695</u>	<u>1,437,282</u>	<u>-</u>	<u>2,430,977</u>
Unassigned:				
Reserve for Economic Uncertainties	<u>321,294</u>	<u>-</u>	<u>-</u>	<u>321,294</u>
Total Fund Balances	<u>\$ 1,335,339</u>	<u>\$ 1,437,282</u>	<u>\$ 52,865</u>	<u>\$ 2,825,486</u>

7. EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer contributory retirement 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).

COLUSA UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2013

A. State Teachers' Retirement System (STRS)

Plan Description

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, 7667 Folsom Boulevard, Sacramento, California 95826.

Funding Policy

Active plan members are required to contribute 8% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2012-13 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal years ended June 30, 2013, 2012, and 2011 were \$414,198, \$428,147, and \$417,887, respectively, and equal 100% of the required contributions for each year.

B. California Public Employees' Retirement System (CalPERS)

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement 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 P Street, Sacramento, California 95814.

COLUSA UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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

Funding Policy

Active plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2012-13 was 11.417%.

The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ended June 30, 2013, 2012, and 2011 were \$165,938, \$175,447, and \$155,486, respectively, and equal 100% of the required contributions for each year.

Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement systems (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. The District has elected to use Social Security as its alternative plan.

8. 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 <u>June 30, 2012</u>	NVSIG <u>June 30, 2012</u>	SELF <u>June 30, 2012</u>
Total Assets	<u>\$ 25,406,778</u>	<u>\$ 3,160,975</u>	<u>\$ 171,510,000</u>
Total Liabilities	\$ 10,897,154	\$ 2,157,879	\$ 132,654,000
Net Position	<u>14,509,624</u>	<u>1,003,096</u>	<u>38,856,000</u>
Total Liabilities and Net Position	<u>\$ 25,406,778</u>	<u>\$ 3,160,975</u>	<u>\$ 171,510,000</u>
Revenues	\$ 58,812,282	\$ 9,502,609	\$ 17,347,000
Expenditures	<u>58,198,241</u>	<u>9,703,356</u>	<u>11,741,000</u>
Change in Net Position	<u>\$ 614,041</u>	<u>\$ (200,747)</u>	<u>\$ 5,606,000</u>

COLUSA UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

9. 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.

10. SUBSEQUENT EVENTS

The District's management evaluated its June 30, 2013 financial statements for subsequent events through November 12, 2013, 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

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

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Budget		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Revenue limit sources:				
State apportionment	\$ 5,094,769	\$ 5,600,491	\$ 4,799,266	\$ (801,225)
Local sources	2,000,000	2,000,000	2,803,713	803,713
Total revenue limit	<u>7,094,769</u>	<u>7,600,491</u>	<u>7,602,979</u>	<u>2,488</u>
Federal revenue	524,859	473,495	473,687	192
Other state revenues	1,982,914	2,068,789	2,110,166	41,377
Other local revenues	<u>398,728</u>	<u>409,251</u>	<u>421,551</u>	<u>12,300</u>
Total revenues	<u>10,001,270</u>	<u>10,552,026</u>	<u>10,608,383</u>	<u>56,357</u>
EXPENDITURES				
Certificated salaries	5,032,540	5,032,358	5,031,154	1,204
Classified salaries	1,447,187	1,472,791	1,459,114	13,677
Employee benefits	2,203,823	2,185,403	2,015,210	170,193
Books and supplies	512,599	498,479	429,888	68,591
Services and other operating expenditures	1,006,523	1,001,614	992,818	8,796
Capital outlay	-	35,800	35,600	200
Other outgo	<u>789,559</u>	<u>765,172</u>	<u>746,008</u>	<u>19,164</u>
Total expenditures	<u>10,992,231</u>	<u>10,991,617</u>	<u>10,709,792</u>	<u>281,825</u>
Excess (deficiency) of revenues over expenditures	(990,961)	(439,591)	(101,409)	338,182
Fund balances, July 1, 2012	<u>1,436,748</u>	<u>1,436,748</u>	<u>1,436,748</u>	-
Fund balances, June 30, 2013	<u>\$ 445,787</u>	<u>\$ 997,157</u>	<u>\$ 1,335,339</u>	<u>\$ 338,182</u>

SUPPLEMENTARY INFORMATION

COLUSA UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Student Body Funds	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>
Assets:				
Cash in county treasury				
Colusa High School	\$ 77,492	\$ 196,860	\$ (213,584)	\$ 60,768
Egling Middle School	4,708	39,712	(37,731)	6,689
Total Assets	<u>\$ 82,200</u>	<u>\$ 236,572</u>	<u>\$ (251,314)</u>	<u>\$ 67,457</u>
Liabilities:				
Due to student groups	82,200	-	(14,743)	67,457
Total Liabilities	<u>\$ 82,200</u>	<u>\$ -</u>	<u>\$ (14,743)</u>	<u>\$ 67,457</u>

COLUSA UNIFIED SCHOOL DISTRICT

ORGANIZATION

JUNE 30, 2013

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 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>
Mr. Terry Bressler	President	2016
Mr. Charles Yerxa	Clerk	2014
Mrs. Kelli Griffith-Garcia	Trustee	2016
Mr. Lincoln Forry	Trustee	2016
Donald Bransford, Ed.D.	Trustee	2014

ADMINISTRATION

Dwayne Newman
Superintendent

Sheryl Bailey
Business Manager

COLUSA UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Second Period Report	Annual Report
Elementary		
Kindergarten	130	130
First through Third	312	312
Fourth through Sixth	298	298
Seventh to Eight	193	194
Special Education	6	6
	938	939
Secondary		
Regular Classes	379	379
Special Education	11	10
Continuation Education	20	20
	411	409
	1,349	1,348
	Hours of Attendance	Hours of Attendance
Supplemental Instructional Hours:		
Secondary	8	7
	1,357	1,356

COLUSA UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Grade Level	1982-83 Actual Minutes	Reduced 1982-83 Actual Minutes	1986-87 Minutes Requirement	Reduced 1986-87 Minutes Requirement	2011-12 Actual Minutes	Instructional Days	Status
Kindergarten	33,250	31,033	36,000	33,600	37,952	180	In compliance
Grade 1	46,375	43,283	50,400	47,040	51,098	180	In compliance
Grade 2	46,375	43,283	50,400	47,040	51,098	180	In compliance
Grade 3	46,375	43,283	50,400	47,040	51,098	180	In compliance
Grade 4	54,000	50,400	54,000	50,400	54,622	180	In compliance
Grade 5	54,000	50,400	54,000	50,400	54,622	180	In compliance
Grade 6	54,000	50,400	54,000	50,400	54,622	180	In compliance
Grade 7	54,000	50,400	54,000	50,400	59,954	180	In compliance
Grade 8	54,000	50,400	54,000	50,400	59,954	180	In compliance
Grade 9	58,275	54,390	64,800	60,480	64,887	180	In compliance
Grade 10	58,275	54,390	64,800	60,480	64,887	180	In compliance
Grade 11	58,275	54,390	64,800	60,480	64,887	180	In compliance
Grade 12	58,275	54,390	64,800	60,480	64,887	180	In compliance

COLUSA UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
FOR FISCAL YEAR ENDED JUNE 30, 2013

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

COLUSA UNIFIED SCHOOL DISTRICT
RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT TO
AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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, 2013

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass- Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education</u>			
84.010	NCLB: Title I, Basic Grants Low	14329	\$305,862
84.048	Carl Perkins Career and Technical Education	14894	11,099
84.367	NCLB: Title II, Part A, Improving Teacher Quality	14334	85,146
84.365	NCLB: Title III Limited English Proficiency (LEP)	10084	42,593
84.186	NCLB: Title IV, Drug-Free Schools	14347	<u>28,987</u>
	Total U.S. Department of Education		<u>473,687</u>
<u>U.S. Department of Agriculture</u>			
10.555	Child Nutrition: Meal Supplements in National School Lunch Program	13524	<u>519,107</u>
	Total U.S. Department of Agriculture		<u>519,107</u>
	Total Federal Programs		<u>\$ 992,794</u>

COLUSA UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

General Fund	Adopted Budget 2013/2014	Actuals 2012/2013	Actuals 2011/2012	Actuals 2010/2011
Revenues and Other Financial Sources	\$ 11,175,864	\$ 10,608,383	\$ 10,691,260	\$ 10,970,119
Expenditures	11,278,040	10,709,792	11,312,210	10,807,001
Total Outgo	11,278,040	10,709,792	11,312,210	10,807,001
Change in Fund Balance	(102,176)	(101,409)	(620,950)	163,118
Ending Fund Balance	\$ 1,233,163	\$ 1,335,339	\$ 1,436,748	\$ 2,057,698
Available Reserves	\$ 338,341	\$ 321,294	\$ 339,366	\$ 2,023,253
Reserve for Economic Uncertainties	\$ 338,341	\$ 321,294	\$ 339,366	\$ 2,023,253
Unappropriated Fund Balance	\$ -	\$ -	\$ -	\$ -
Available Reserves as a Percentage of Total Outgo	3.0%	3.0%	3.0%	18.7%
Total Long-Term Debt	\$ 650,873	\$ 883,814	\$ 741,348	\$ 659,294
Average Daily Attendance at P-2	1,364	1,349	1,342	1,318

The general fund balance has decreased by \$559,241 over the past three years. The fiscal year 2013-14 budget projects a decrease of \$102,176. 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 has incurred an operating deficit during two of the past three fiscal years.

Total long-term liabilities have increased by \$224,520 over the past two years.

Average Daily Attendance (ADA) has increased by 31 over the past two years and attendance is budgeted to increase for the fiscal year 2013-2014.

COLUSA UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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 at either the 1982-83 actual minutes or the 1986-87 requirements, whichever is greater, as required by Education Code Section 46201.

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 Unaudited Actual Financial Report with Audited Financial Statements

This schedule provides information necessary to reconcile the Unaudited Actual Fund Financial Reports 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. OMB Circular A-133 requires a disclosure of the financial activities of all federally funded programs. This schedule was prepared to comply with Circular A-133 and state requirements. Therefore, some amounts presented in this schedule may differ from amounts used in the preparation of the general purpose financial statements.

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



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

Board of Trustees
Colusa Unified School District
Colusa, California

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 *Standards and Procedures for Audits of California K-12 Local Educational Agencies* (the "Audit Guide") to the state laws and regulations listed below for the year ended June 30, 2013. Compliance with the requirements of state laws and regulations is the responsibility of District's management. 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 State Controller's *Standards and Procedures for Audits of California K-12 Local Educational Agencies*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether 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.

Description	Audit Guide Procedures	Procedures Performed
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	Yes
Continuation Education	10	Yes
Instructional Time		
School Districts	6	Yes
County Offices of Education	3	Not applicable
Instructional Materials		
General Requirements	8	Yes
Ratio of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive Program	4	Yes
Gann Limit Calculation	1	Yes

Description	Audit Guide Procedures	Procedures Performed
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	Not Applicable
Class Size Reduction Program		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	No, see below
Districts with only one school serving K-3	4	No, see below
After Schools Education and Safety Program		
General requirements	4	Yes
After School	5	Yes
Before School	6	No, see below
Contemporaneous Records of Attendance, for Charter Schools	1	No, see below
Mode of Instruction, for Charter Schools	1	No, see below
Nonclassroom-Based Instruction/Independent Study, for Charter Schools	15	No, see below
Determination of Funding for Nonclassroom-Based Instruction, for Charter Schools	3	No, see below
Annual Instructional Minutes - Classroom Based, for Charter Schools	4	No, see below

We did not perform any procedures related to Instructional Time for County Office of Education because the District is not a County Office of Education.

We did not perform any procedures related to Juvenile Court Schools, Class Size Reduction, Option two classes and Districts with only one school serving K-3 because the District did not participate in these programs.

We did not perform any procedures related to Before School requirements for the After School Education and Safety because the District did not offer this program.

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

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, 2013.

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

James Marta & Company LLP

James Marta & Company LLP
 Certified Public Accountants
 November 12, 2013



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 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, 2013, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 12, 2013. 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.

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 Example Entity's internal control.

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

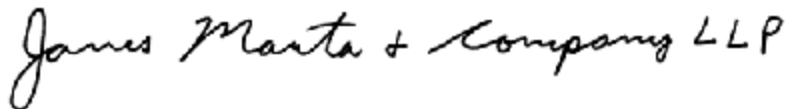
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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

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
November 12, 2013



James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting and Tax

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Colusa Unified School District
Colusa, California

Report on Compliance

We have audited Colusa Unified School District's (the "District") compliance with the types of compliance requirements described in the *OMB Circular A-133 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, 2013. 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 the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2013.

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 OMB Circular A-133, 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.

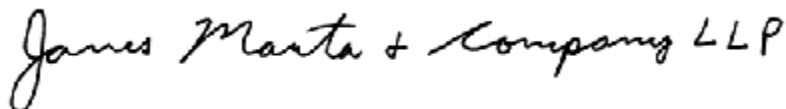
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the District as of and for the year ended June 30, 2013, and have issued our report thereon dated November 12, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



James Marta & Company LLP
Certified Public Accountants
November 12, 2013

FINDINGS AND RECOMMENDATION

COLUSA UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Section I – Summary of Audit Results

Financial Statements

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?	_____	Yes	_____	<u>X</u>	No
Significant deficiency(ies) identified?	_____	Yes	_____	<u>X</u>	None reported

Noncompliance material to financial statements noted?

	_____	Yes	_____	<u>X</u>	No
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Federal Awards

Internal control over major programs:

Material weakness(es) identified?	_____	Yes	_____	<u>X</u>	No
Significant deficiency(ies) identified?	_____	Yes	_____	<u>X</u>	None reported

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

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section .510(a)?

	_____	Yes	_____	<u>X</u>	No
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Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010	NCLB: Title I, Basic Grants Low
10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? X Yes No

State Awards

Internal control over state programs:

Material weakness(es) identified?	_____	Yes	_____	<u>X</u>	No
Significant deficiency(ies) identified?	_____	Yes	_____	<u>X</u>	None reported

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

COLUSA UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Section II – Financial Statement Findings

2013-1 SEGREGATION OF DUTIES – 30000

Criteria:

An effective system of internal control requires that employees who have access to District assets do not also have access to accounting records that are used to maintain control over the assets. In addition, all significant financial transactions need to be reviewed by another informed employee.

Condition:

1. Journal Entries are not reviewed and approved by personnel separate from the person who records the journal entry.
2. Personnel independent of cash receipts and the accounts receivable function does not compare entries to the cash receipts journal with authenticated bank deposit slips, deposit per bank statements, or listing of cash receipts prepared when the mail is opened.
3. Bank accounts are not reconciled monthly by a person independent of cash receipts, general ledger, accounts receivable and accounts payable functions.

Effect:

Risk of processing errors, misappropriation or fraud is greatly increased because of the lack of segregation of duties and independent reviews.

Cause:

The District does not have adequate staff of specialized personnel to ensure that appropriate segregation of duties is maintained.

Questioned Costs:

None

Context:

Based on our testing and observation of the District's internal control structure, it is apparent that the District does not have sufficient accounting personnel required to adequately segregate the essential accounting function duties. This situation is a result of the limitation of accounting personnel funding for a district of this size. Although segregation of duties is lacking, the situation did not result in any further findings.

Recommendation:

The District should have the person opening the mail prepare a cash receipts listing or make copies of the checks received. This cash receipts listing should then be given directly to the Business Manager. Another would then prepare the deposit and give the deposit receipt from the bank to the Business Manager. The Business Manager would perform a final review reconciling the cash receipts listing against the deposit to ensure all amounts were deposited. The District may also consider contracting with an independent accounting professional to perform an independent monthly or quarterly review of bank reconciliations, disbursements and journal entries.

Corrective Action Plan:

The District does not have sufficient staff to segregate duties to the desired level. All financial transactions are reviewed by at least two administrators before execution.

COLUSA UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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, 2013

Section IV – State Award Findings and Questioned Costs

No matters were reported.

COLUSA UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

2012-1 Segregation of Duties

Finding

Due to the limited size of the business office staff, an appropriate segregation of duties cannot always be maintained.

Recommendation

Management should develop alternative procedures which may help to mitigate the financial reporting risk of the District.

Current Status

Not implemented. See current year finding.