INFORMATION SHEET 01/23/18 TRUSTEES' MEETING

ATTACHMENT: 7.3

TO: Jim Bridges

FOR: Board of Trustees

FROM: Mindy Maxedon

ISSUE: Acceptance of the 2016-2017 Audit

In accordance with Assembly Bill 3627, Chapter 1002, as it pertains to Education Code Section 41020.3, the Governing Board must review and accept the prior year's Financial Audit at a public meeting, on or before January 31st. The audit received from Cichella & Tokunaga, LLP is included for the Board's review.

There were no findings or questioned costs for the year ending June 30, 2017. The audit report details our district's financial position and confirms compliance with all Governmental Accounting Standards Board (GASB) required at this time.

JEFFERSON ELEMENTARY SCHOOL DISTRICT

OF SAN JOAQUIN COUNTY

TRACY, CALIFORNIA

JUNE 30, 2017

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Dan Wells	President	2018
Brian Jackman	Vice President	2018
Pete Carlson	Clerk	2020
Phil Raya	Member	2018
Debbie Wingo	Member	2020

ADMINISTRATION

Jim Bridges	Superintendent
Mindy Maxedon	Chief Business Officer

JEFFERSON ELEMENTARY SCHOOL DISTRICT

TABLE OF CONTENTS
JUNE 30, 2017

JEFFERSON ELEMENTARY SCHOOL DISTRICT

TABLE OF CONTENTS
JUNE 30, 2017

I - Financial Section

[PAGE INTENTIONALLY LEFT BLANK]

Cichella & Tokunaga, LLP

Certified Public Accountants

4671 Golden Foothill Parkway ♦ El Dorado Hills, CA 95672 www.ctcpa.net
Voice: (877) 359-9588 ♦ Fax: (916) 941-7234

INDEPENDENT AUDITORS' REPORT

Governing Board
Jefferson Elementary School District
Tracy, 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 Jefferson Elementary School District (the District) as of and for the year ended June 30, 2017, 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; and the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel. 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 District'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 District'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 Jefferson Elementary School District, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis, budgetary comparison schedule, the Schedule of Change in Net OPEB Liability, Schedule of Annual Money-Weighted rate of Return on OPEB Plan Investments, the Schedule of Other Postemployment Benefits (OPEB) Funding Progress, Schedule of District's Proportionate Share of Net Pension Liability, and Schedule of District's Contributions for Pensions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Jefferson Elementary School District's basic financial statements. The Supplementary Information section, as listed in the Table of Contents, is presented for purposes of additional analysis and as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* published by the Education Audit Appeals Panel, and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2017, on our consideration of the Jefferson Elementary School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Jefferson Elementary School District's internal control over financial reporting and compliance.

Crowe Horwath... Cashell + Toleyn, LLP

El Dorado Hills, California
December 8, 2017

This section of Jefferson Elementary School District's (the "District") 2016-2017 annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2017. Please read it in conjunction with the District's financial statements, which immediately follow this section. A comparative analysis has been included in this financial statement in accordance with the Governmental Accounting Standards Board Statement (GASB) No. 34.

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 as well as all liabilities (including long-term debt).

The *Governmental Activities* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

The *Fund Financial Statements* include statements for each of the three categories of activities: governmental, proprietary and fiduciary.

The *Proprietary Activities* are prepared using the economic resources measurement focus and the accrual basis of accounting.

The *Fiduciary Activities* include the retiree benefits trust fund and agency funds. The agency funds report a balance sheet and do not have a measurement focus. The retiree benefit trust uses the current financial resources 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 government is the Jefferson Elementary School District. The District does have a Mello Roos Capital Facilities District Component Unit.

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

Total revenue and income received for 2016-17 was $23.2 million, down $0.4 million from 2015-16. Jefferson School District receives 78% of its revenue from the State based on the Local Control Funding Formula (LCFF). The remaining 22% comes from Lottery, State and Federal grants and interest income. The change in revenue is primarily due to slight decreases in State and Federal revenue.

Jefferson School District reported P2 ADA of 2,269, including students attending COE programs.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

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

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

In the *Statement of Net Position* and the *Statement of Activities*, we present the District activities as follows:

Governmental Activities – All of the District's services are reported in this category. This includes the education of kindergarten through grade eight students, the operation of child development activities, 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, as well as certificates of participation, finance these activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

Governmental Funds – 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 measures 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 services it provides. Government 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. The difference of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

Proprietary Funds – When the District charges users for the service it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the *Statement of Net Position* and the *Statement of Revenue, Expenses and Changes in Fund Net Position*. We use internal service funds (a type of proprietary fund) to report activities that provide supplies and services for the District's other programs and activities – such as the District's Self-Insurance Fund. The internal service funds are reported with governmental activities in the government-wide financial statements.

THE DISTRICT AS A TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for funds held on behalf of others, like our funds for associated student body activities. The District's fiduciary activities are reported in the Statement of Fiduciary Net Position. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

FINANCIAL HIGHLIGHTS

THE DISTRICT AS A WHOLE

Net Position

The District's net position was $17.8 million for the fiscal year ended June 30, 2017. Of this amount, $(8.2) million were unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School Board's ability to use the net position for day-to-day operations. Our analysis below focuses on the net position (Table 1); and the change in net position (Table 2); of the District's governmental activities.

Table 1

(Amounts in millions)	Governmental Activities	
	2017	2016
Assets		
Current and other assets	$ 15.0	$ 16.1
Capital assets	60.3	60.2
Total Assets	**75.3**	**76.3**
Deferred outflows of resources		
Deferred outflows related to pensions	3.7	1.4
Total Deferred Outflow of Resources	**3.7**	**1.4**
Liabilities		
Current liabilities	1.9	1.2
Long-term liabilities	57.6	53.6
Total Liabilities	**59.5**	**54.8**
Deferred inflows of resources		
Deferred inflows related to pensions	1.7	2.1
Total Deferred Inflow of Resources	**1.7**	**2.1**
Net Position		
Invested in capital assets, net of related debt	21.7	23.0
Restricted	4.3	5.4
Unrestricted	(8.2)	(7.6)
Total Net Position	**$ 17.8**	**$ 20.8**

The $(8.2) million in unrestricted net position of governmental activities represent the accumulated results of all past years' operations. The June 30, 2017 unrestricted net position decreased by 0.6 million as compared to June 30, 2016.

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the Statement of Activities on page 17. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues and expenses for the year.

Table 2

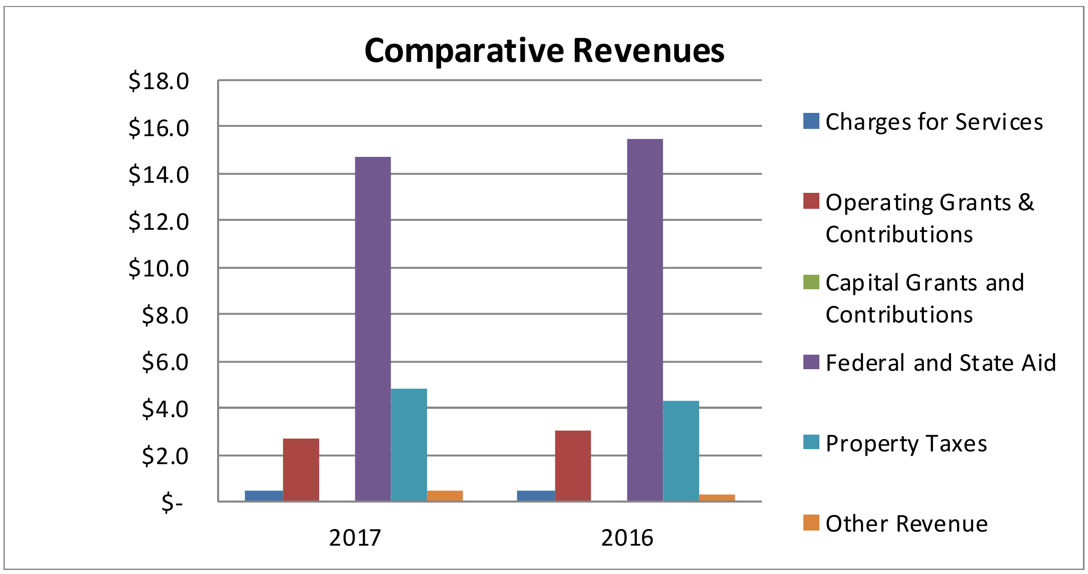
(Amounts in millions)	Governmental Activities 2017	Governmental Activities 2016
Revenues		
Program revenues:		
Charges for services	$ 0.5	$ 0.5
Operating grants and contributions	2.7	3.0
General revenues:		
Federal and State aid not restricted	14.7	15.5
Property taxes	4.8	4.3
Other general revenues	0.5	0.3
Total Revenues	**23.2**	**23.6**
Expenses		
Instruction-related	18.8	15.8
Pupil services	1.6	1.3
Administration	1.6	1.5
Plant services	2.0	1.8
Other	2.3	2.2
Total Expenses	**26.3**	**22.6**
Change in Net Position	**(3.1)**	**1.0**

Governmental Activities

As reported in the *Statement of Activities* on page 17, the cost of all of our governmental activities for the years ended June 30, 2017 and 2016 were $26.3 million and $22.6 million, respectively. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $4.8 million and $4.3 million, respectively, because the cost was paid by those who benefited from the programs ($0.5 million and $0.5 million, respectively) or by other governments and organizations who subsidized certain programs with grants and contributions ($2.7 million and $3.0 million respectively). We paid for the remaining "public benefit" portions of our governmental activities with $14.7 and $15.5 million, respectively, in other Federal and State sources, and $0.5 million and $0.3 million, respectively, in other revenues, such as interest and general entitlements.

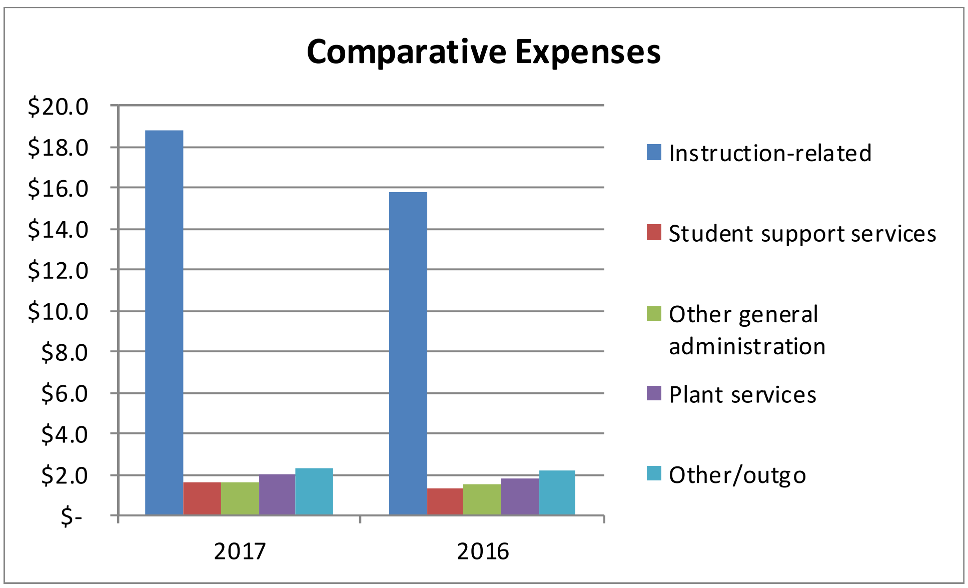
Schedule of Revenues for Governmental Functions

(Amounts in millions)	2017	Percent of Total	2016	Percent of Total
Revenues				
Program revenues:				
Charges for services and sales	$ 0.5	2.16%	$ 0.5	2.12%
Operating grants and contributions	2.7	11.64%	3.0	12.71%
Capital grants and contributions	-	0.00%	-	0.00%
General revenues:				
Federal and State aid not restricted	14.7	63.36%	15.5	65.68%
Property taxes	4.8	20.68%	4.3	18.22%
Other Revenues	0.5	2.16%	0.3	1.27%
Total Revenues	**$ 23.2**	**100.00%**	**$ 23.6**	**100.00%**



Schedule of Expenses for Governmental Functions

(Amounts in millions)	2017	Percent of Total	2016	Percent of Total
Expenses				
Instruction-related	$ 18.8	71.49%	$ 15.8	69.92%
Student support services	1.6	6.08%	1.3	5.75%
Other general administration	1.6	6.08%	1.5	6.64%
Plant services	2.0	7.60%	1.8	7.96%
Other/outgo	2.3	8.75%	2.2	9.73%
Total Expenses	**$ 26.3**	**100.00%**	**$ 22.6**	**100.00%**

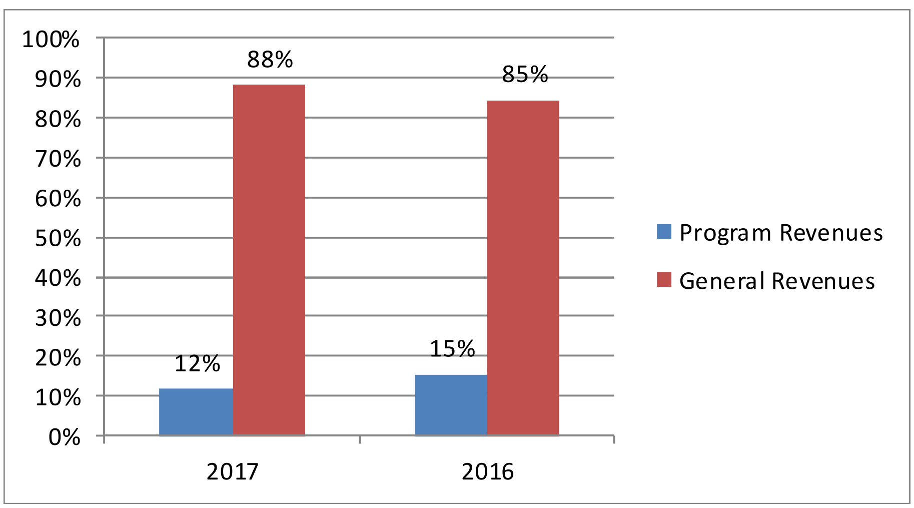


In Table 3, we have presented the net cost of each of the District's five largest functions – instruction, administration, pupil services, plant services, and other services. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

(Amounts in millions)	Total Cost of Services		Net Cost of Services	
	2017	2016	2017	2016
Instruction	$ 18.8	$ 15.8	$ 16.9	$ 13.7
Pupil Services	1.6	1.3	0.8	0.5
Administration	1.6	1.5	1.5	1.4
Plant services	2.0	1.8	2.0	1.6
Other	2.3	2.2	2.0	1.9
Total	**$ 26.3**	**$ 22.6**	**$ 23.2**	**$ 19.1**

Program revenues financed 12 percent of the total cost of providing the service listed above, while the remaining 88 percent was financed by the general revenue of the District.



THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $13.58 million, which is a decrease of $1.74 million from last year.

Table 4

	Balances and Activity			
	July 1, 2016	Revenues	Expenditures	June 30, 2017
General	$ 10,850,725	$ 21,452,968	$ 21,744,337	$ 10,559,356
Building Fund	2,194,890	7,678	1,590,441	612,127
Cafeteria	264,294	789,564	816,871	236,987
Deferred Maintenance	206,690	170,406	130,394	246,702
Pupil Transportation	276,636	22,138	32,533	266,241
Capital Projects Blended Component Unit	58,617	487	-	59,104
County School Facilities	5,637	44	-	5,681
Bond Interest and Redemption Fund	411,064	576,386	545,719	441,731
Capital Facilities	1,047,362	301,305	198,537	1,150,130
Total	**$ 15,315,915**	**$ 23,320,976**	**$ 25,058,832**	**$ 13,578,059**

The primary reasons for these changes are:

General Fund revenue decreased slightly, primarily related to the slowing of LCFF revenue growth and planning for a possible decline of 30 students. The Building Fund decreased for final expenditures related to the Jefferson School modernization and Traina gymnasium projects.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on June 19, 2017. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 63.

The District originally projected revenues of approximately $20.6 million. The revised budget projected revenues of $21.1 million, an increase of approximately $0.5 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, the District had $60.3 million (net of accumulated depreciation) in a broad range of capital assets, including land, buildings, and furniture and equipment. This amount is consistent with prior years.

Table 5

	Capital Assets	
	2017	2016
Land	$ 5,825,263	$ 5,825,263
Construction in progress	544,070	26,936,745
Building and improvements	53,491,840	27,008,169
Equipment	453,232	458,778
Totals	**$ 60,314,405**	**$ 60,228,955**

Long-Term Obligations

At June 30, 2017, the District had $57.7 million in long-term liabilities. The District's overall long-term obligations are summarized in Table 6.

Table 6

	Long-Term Obligations	
	2017	2016
General Obligation Bonds	$ 38,506,698	$ 37,076,206
Premiums, net of Amortization	153,549	158,707
Other	45,091	44,907
Net pension liability	19,014,011	16,439,856
Totals	**$ 57,719,349**	**$ 53,719,676**

We present more detailed information regarding our long-term obligations in Note 8 of the financial statements.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2016-2017 ARE NOTED BELOW:

- The District continues to move forward in creating a Professional Learning Community to ensure all students achieve at high levels.
- Chrome Books are now in all classrooms (K-8) at a one-to-one device to student ratio.
- District adopted new English Language Arts/English Language Development curriculum.
- An upgrade of our wireless network in K-2 rooms was completed this year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET ASSUMPTIONS

The District used the following assumptions in constructing the 2017/18 fiscal year budget. The information provided below is current as of July 1, 2017.

Local Control Fund Formula (LCFF)

> The Local Control Funding Formula (LCFF) is the new finance system for K-12 education. The LCFF provides base, supplemental, and concentration grants in place of most previously existing funding sources, including revenue limits and most state categorical programs. As part of the LCFF, the district will be required to develop, adopt, and annually update three-year Local Control and Accountability Plan (LCAP) using a template adopted by the California State Board of Education.

The key assumptions in our revenue forecast at budget were:

- Increased revenue related to the implementation of Local Control Funding Formula.
- Planning for declining enrollment of 30 students per year due to enrollment declines at all school sites (Enrollment and average daily attendance are updated at each reporting period).
- Maintaining class size reduction funding by ensuring class sizes in grades K-3 do not exceed 1:24 ratio.

Expenditures are based on the following forecasts:

	Staffing Ratio	Enrollment
Grades kindergarten through third	1:23	949
Grades four through eight	1:30	1,412

The key assumptions in our expenditure forecast are:

- Including expenses related to our Local Control and Accountability Plan in our expenditures.
- Including Step & Column salary increases of 1.65% for certificated and 1.14% for classified.
- Health and welfare budgeted at $10,000 cap at budget.
- Adjusting for increased employer contribution for STRS & PERS.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Mindy Maxedon, Chief Business Officer, Business Services, at Jefferson Elementary School District, 1219 Whispering Wind Road, Tracy, California, 95377, mmaxedon@sjcoe.net.

JEFFERSON ELEMENTARY SCHOOL DISTRICT

STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

	Governmental Activities
ASSETS	
Deposits and investments	$ 14,525,641
Receivables	435,790
Stores inventories	5,339
Capital assets	74,387,960
Less: Accumulated depreciation	(14,073,555)
Total Assets	75,281,175
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	3,667,725
Total Deferred Outflow of Resources	3,667,725
LIABILITIES	
Accounts payable	1,261,287
Interest payable	395,627
Unearned revenue	76,798
Current portion of long-term obligations	135,158
Noncurrent portion of long-term obligations	57,584,191
Total Liabilities	59,453,061
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	1,743,972
Total Deferred Inflow of Resources	1,743,972
NET POSITION	
Invested in capital assets, net of related debt	21,654,158
Restricted for:	
Debt service	441,731
Educational programs	1,328,234
Capital projects	1,827,042
Other activities	749,930
Unrestricted	(8,249,228)
Total Net Position	$ 17,751,867

JEFFERSON ELEMENTARY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities
Governmental Activities:					
Instruction	$ 16,665,061	$ 37,350	$ 1,567,013	$ 44	$ (15,060,654)
Instruction-related activities:					
Supervision of instruction	199,717	-	125,841	-	(73,876)
Instructional library, media, and technology	255,316	3,778	7,535	-	(244,003)
School site administration	1,636,332	688	120,869	-	(1,514,775)
Pupil services:					
Home-to-school transportation	287,622	6,301	6,301	-	(275,020)
Food services	788,276	302,814	419,851	-	(65,611)
All other pupil services	539,855	-	114,117	-	(425,738)
Administration:					
All other administration	1,468,651	15,522	61,270	-	(1,391,859)
Data processing services	164,227	-	-	-	(164,227)
Plant services	2,020,147	14,150	22,193	-	(1,983,804)
Ancillary services	41,647	-	933	-	(40,714)
Interest on long-term obligations	1,900,319	-	-	-	(1,900,319)
Other outgo	346,658	105,700	212,725	-	(28,233)
Total Governmental Activities	$ 26,313,828	$ 486,303	$ 2,658,648	$ 44	(23,168,833)
	General revenues and subventions:				
	Property taxes, levied for general purposes				4,200,424
	Taxes levied for debt services				575,807
	Taxes levied for other specific purposes				2,648
	Federal and State aid not restricted to specific purposes				14,732,647
	Interest and investment earnings				93,852
	Interagency revenues				5,551
	Miscellaneous				436,329
	Subtotal, General Revenues				20,047,258
	Change in Net Position				(3,121,575)
	Net position - Beginning				20,873,442
	Net position - Ending				$ 17,751,867

JEFFERSON ELEMENTARY SCHOOL DISTRICT

GOVERNMENTAL FUNDS – BALANCE SHEET
JUNE 30, 2017

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS			
Deposits and investments	$ 11,340,124	$ 3,135,020	$ 14,475,144
Receivables	388,020	47,641	435,661
Due from other funds	39,020	-	39,020
Stores inventories	-	5,339	5,339
Total Assets	11,767,164	3,188,000	14,955,164
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	1,131,010	130,277	1,261,287
Due to other funds	-	39,020	39,020
Unearned revenue	76,798	-	76,798
Total Liabilities	1,207,808	169,297	1,377,105
Fund Balances:			
Nonspendable	5,000	5,339	10,339
Restricted	1,328,234	2,766,662	4,094,896
Committed	-	-	-
Assigned	3,627,704	246,702	3,874,406
Unassigned	5,598,418	-	5,598,418
Total Fund Balance	10,559,356	3,018,703	13,578,059
Total Liabilities and Fund Balances	$ 11,767,164	$ 3,188,000	$ 14,955,164

JEFFERSON ELEMENTARY SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2017

Total Fund Balance - Governmental Funds		**$ 13,578,059**
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	$ 74,387,960	
Accumulated depreciation is	(14,073,555)	
Net Capital Assets		60,314,405
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide statements unmatured interest on long-term obligations is recognized when it is incurred.		(395,627)
Deferrals resulting from pension adjustments and changes in the net pension liabilities do not require the use of current resources and therefore are not recorded on the governmental funds.		3,667,725
The difference between projected and actual pension plan investment earnings are not recognized on the modified accrual basis, but are recognized on the accrual basis as an adjustment to pension expense.		(1,743,972)
An internal service fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.		50,626
Long-term obligations are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term obligations at year-end consist of:		
Bonds payable	38,506,698	
Bond premium, net of amortization	153,549	
Compensated absences (vacations)	45,091	
Net pension liability	19,014,011	
Total Long-Term Obligations		(57,719,349)
Total Net Position - Governmental Activities		$ 17,751,867

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

JEFFERSON ELEMENTARY SCHOOL DISTRICT

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Non Major Governmental Funds	Total Governmental Funds
REVENUES			
LCFF sources	$ 17,929,296	$ 84,407	$ 18,013,703
Federal sources	553,881	408,529	962,410
Other State sources	2,028,571	30,982	2,059,553
Other local sources	941,220	1,214,952	2,156,172
Total Revenues	21,452,968	1,738,870	23,191,838
EXPENDITURES			
Current			
Instruction	14,976,360	-	14,976,360
Instruction-related activities:			
Supervision of instruction	197,998	-	197,998
Instructional library, media and technology	250,580	-	250,580
School site administration	1,626,061	-	1,626,061
Pupil services:			
Home-to-school transportation	259,203	32,533	291,736
Food services	-	779,699	779,699
All other pupil services	539,855	-	539,855
Administration:			
All other administration	1,439,885	37,172	1,477,057
Data processing services	140,493	-	140,493
Plant services	1,766,071	203,450	1,969,521
Facility acquisition and construction	30,143	1,715,922	1,746,065
Ancillary services	41,892	-	41,892
Other outgo	346,658	-	346,658
Debt service			
Principal	-	115,000	115,000
Interest and other	-	430,719	430,719
Total Expenditures	21,615,199	3,314,495	24,929,694
Excess (Deficiency) of Revenues Over Expenditures	(162,231)	(1,575,625)	(1,737,856)
Other Financing Sources (Uses)			
Transfers in	-	129,138	129,138
Other Sources	-	-	-
Transfers out	(129,138)	-	(129,138)
Net Financing Sources (Uses)	(129,138)	129,138	-
NET CHANGE IN FUND BALANCES	(291,369)	(1,446,487)	(1,737,856)
Fund Balance - Beginning	10,850,725	4,465,190	15,315,915
Fund Balance - Ending	$ 10,559,356	$ 3,018,703	$ 13,578,059

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

JEFFERSON ELEMENTARY SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES JUNE 30, 2017

Total Changes in the Fund Balance - Governmental Funds		**$ (1,737,856)**
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.		
This is the amount by which capital outlays exceeds depreciation in the period.		
Depreciation expense	$ (1,625,004)	
Capital outlays	1,710,454	
Net Expense Adjustment		85,450
In the statement of activities, certain operating expenses, such as compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).		(184)
Accreted interest on capital appreciation bonds is accrued as long-term debt in the government-wide financials, increasing expense.		(1,475,491)
Bond premiums are revenue in the governmental funds in the year bonds are issued, but are recorded as a long-term liability and amortized over the term of the bonds, in the statement of net position.		5,157
Payment of principal on long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net position and does not affect the statement of activities.		45,000
Interest on long-term obligations is recorded as an expenditure in the funds when it is due; however, in the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. This is the net change in interest expense.		734
An internal service fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds.		415
In the governmental funds, pension costs are based on employer contributions made to pension plans during the year, However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.		(44,800)
Change in Net Position of Governmental Activities		$ (3,121,575)

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

PROPRIETARY FUND
STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets	
Deposits and investments	$ 50,497
Receivables	129
Total Current Assets	50,626
NET POSITION	
Unrestricted	50,626
Total Net Position	$ 50,626

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

JEFFERSON ELEMENTARY SCHOOL DISTRICT

PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Local and intermediate sources	$ -
Total Operating Revenues	-
OPERATING EXPENSES	
Services and other operating cost	-
Total Operating Expenses	-
Operating Income (Loss)	-
NONOPERATING REVENUES (EXPENSES)	
Interest income	415
Total Nonoperating Revenues (Expenses)	415
Income (Loss) Before Capital Contributions	415
Change in Net Position	415
Total Net Position - Beginning	50,211
Total Net Position - Ending	$ 50,626

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

JEFFERSON ELEMENTARY SCHOOL DISTRICT

PROPRIETARY FUND
STATEMENT OF CASH FLOWS
JUNE 30, 2017

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash from Local Revenue	$ -
Cash payments to suppliers for goods and services	(83)
Net Cash Used by Operating Activities	(83)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	441
Net Cash Provided (Used) from Investing Activities	441
Net Decrease in Cash and Cash Equivalents	358
Cash and Cash Equivalents - Beginning	50,139
Cash and Cash Equivalents - Ending	$ 50,497
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income	$ -
Changes in assets and liabilities:	
Accounts receivable	(83)
NET CASH USED BY OPERATING ACTIVITIES	$ (83)

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

JEFFERSON ELEMENTARY SCHOOL DISTRICT

FIDUCIARY FUND
STATEMENT OF NET POSITION
JUNE 30, 2017

	Retiree Benefits Trust	Scholarship Trust	Agency Funds (ASB)	Total
ASSETS				
Deposits and investments	$ 267,541	$ 2,399	$ 52,016	$ 321,956
Receivables	3,070	-	-	3,070
Due From Other Funds	-		-	-
Total Assets	270,611	2,399	52,016	325,026
LIABILITIES				
Due to student groups	-	-	52,016	52,016
Total Liabilities	-	-	52,016	52,016
NET POSITION				
Restricted	-	2,399	-	2,399
Unreserved	270,611	-	-	270,611
Total Net Position	$ 270,611	$ -	$ -	$ 270,611

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

JEFFERSON ELEMENTARY SCHOOL DISTRICT

FIDUCIARY FUND
STATEMENT OF CHANGES IN NET POSITION
JUNE 30, 2017

	Retiree Benefits Trust	Scholarship Trust	Total
ADDITIONS			
Private donations	$ -	$ -	$ -
District contributions	81,678	-	81,678
Interest and investment earnings	1,939	-	1,939
Total Additions	83,617	-	83,617
DEDUCTIONS			
Other expenditures	66,282	439	66,721
Total Deductions	66,282	439	66,721
Change in Net Position	17,335	(439)	16,896
Net Position - Beginning	253,276	2,838	256,114
Net Position - Ending	$ 270,611	$ 2,399	$ 273,010

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Jefferson Elementary School District was organized in June 1870 under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades K-8 as mandated by the State and/or Federal agencies. The District operates three elementary and one middle school.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Jefferson Elementary School District, this includes general operations, food service, and student related activities of the District.

Component Units

Component units are legally separate organizations for which the District is financially responsible. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. For financial reporting purposes, the component unit discussed below is reported in the District's financial statements because of the significance of its relationship with the District. The component unit, although a legally separate entity, is reported in the financial statements using the blended presentation method as if it were part of the District's operations because the governing board of the component unit is essentially the same as the governing board of the District and because its purpose is to finance the construction of facilities to be used for the benefit of the District.

The Community Facilities District No. 1 (CFD) was formed under the provisions of the Mello-Roos Community Facilities Act of 1982, was amended by Chapter 2.5, Part I, Division 2, Title 5 of the Government Code of the State of California established March 30, 1989. For financial presentation, the CFD's financial activity has been blended or combined with the financial data for the District. The financial statements present the CFD's financial activity within the Capital Projects for Blended Component Units. Individually-prepared financial statements are not prepared for the CFD.

Other Related Entities

Public Entity Risk Pools and Joint Powers Authorities The District is associated with one consortium and three joint powers authorities. These organizations do not meet the criteria for inclusion as component units of the District. Additional information is presented in Note 14 to the financial statements. These organizations are:

San Joaquin County Schools Workers' Compensation Insurance Group
San Joaquin County Schools Property and Liability Insurance Group
San Joaquin County Schools Data Processing Group
Health Insurance Consortium

Basis of Presentation

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into three broad range fund categories: governmental, proprietary, and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major and non-major governmental funds.

Major Governmental Funds

General Fund The General Fund is the chief operating fund for all Districts. It is used to account for the ordinary operations of a District. All transactions except those required or permitted by law to be in another fund are accounted for in this fund.

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue Funds are established to account for the proceeds from specific revenue sources (other than trusts or for major capital projects) that are restricted to the financing of particular activities. The District maintains the following special revenue funds:

> **Cafeteria Fund** The Cafeteria Fund is used to account separately for Federal, State and local resources to operate the food service program (Education Code Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (Education Code Sections 38091 and 38100).

> **Deferred Maintenance Fund** The Deferred Maintenance Fund is used to account separately for state apportionments and the District's contributions for deferred maintenance purposes (Education Code Sections 17582-17587) and for items of maintenance approved by the State Allocation Board.

> **Pupil Transportation Equipment Fund** The Pupil Transportation Fund is used to account separately for State and local revenues specifically for the acquisition, rehabilitation, or replacement of equipment used to transport students (Educational Code Section 41852[b]).

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

> **Building Fund** The Building Fund exists primarily to account separately for proceeds from the sale of bonds (Education Code Section 15146) and may not be used for any purpose other than those for which the bonds were issued.

County School Facilities Fund The County School Facilities Fund is established pursuant to Education Code Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), or the 2004 State School Facilities Fund (Proposition 55) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (Education Code Section 17070 et seq.).

Capital Projects Fund for Blended Component Units The Capital Projects Fund for Blended Component Units is used to account for capital projects financed by Mello-Roos Community Facility Districts and similar entities that are considered blended component units of the District under generally accepted accounting principles (GAAP).

Capital Facilities Fund The Capital Facilities Fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act (CEQA).

Debt Service Funds The Debt Service Funds are established to account for the accumulation of resources for and the payment of principal and interest on general long-term debt.

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

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. The District applies all GASB pronouncements, as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Proprietary funds are classified as enterprise or internal service.

Fiduciary Funds Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. 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.

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore, not available to support the District's own programs. The District's trust funds are the Scholarship Trust and the Retiree Benefits Trust funds. Agency funds are custodial in nature (assets equal liabilities). The District's agency fund accounts for student body activities (ASB).

Basis of Accounting – Measurement Focus

Government-Wide Financial Statements The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the District and its component units.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the fiduciary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

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. 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 identified the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Net position should be reported as restricted when constraints placed on net assets use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities result from special revenue funds and the restrictions on their net assets use.

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements.

Governmental Funds All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other finances sources) and uses (expenditures and other financing uses) or current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

Proprietary Funds Proprietary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the statement of net assets. The statement of changes in fund net assets presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.

Fiduciary Funds The Fiduciary activities are reflected in the retiree benefits trust fund, scholarship trust fund, and agency funds. The agency funds report a balance sheet and do not have a measurement focus. The retiree benefit trust and the scholarship trust used the current financial resources measurement focus.

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on 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 that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 90 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain gains, and other local sources.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose restrictions. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned Revenue Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

Certain grants received before the eligibility requirements are met, are recorded as unearned revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as unearned revenue.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

Investments

Investments held at June 30, 2017, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county investment pool are determined by the program sponsor.

Prepaid Expenditures

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefit period. The District has chosen to report the expenditures when incurred.

Stores Inventories

Inventories are recorded using the consumption method, in that inventory acquisitions are initially recorded in inventory (asset) accounts, and are charged as expenditures when used. Reported inventories are equally offset by nonspendable fund balance which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets. The District's cafeteria inventory valuation is First-in-First-out (FIFO).

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of $5,000. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide statement of net assets. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets is the same as those used for the capital assets of governmental funds.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements, 5 to 50 years; equipment, 2 to 15 years.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for the unamortized loss on the refunding of general obligation bonds and current year pension contributions.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for the difference between actual and expected rate of return on investments specific to the net pension liability.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for Schools (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value.

Interfund Balances

In the financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental column of the statement of net assets, which are presented as internal balances.

Compensated Absences

Accumulated unpaid vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net assets. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide and proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the governmental funds.

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from government funds are reported as a liability in the governmental fund financial statements only to the extent that they are due for repayment during the current year. Bonds, capital leases, and other long-term obligations are recognized as liabilities in the governmental fund financial statements when due.

Fund Balance Reporting

The District reports fund balance within one of the following categories:

Nonspendable such as fund balance associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned),

Restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resources providers, or through enabling legislation,

Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School District Board of Directors (the district's highest level of decision-making authority),

Assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed, and

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

Committed Fund Balance Policy For funds that are determined to fall within the "Committed Fund Balance" classification, the Governing Board, as the District's highest level of decision-making authority, may commit fund balance for specific purposes pursuant to constraints imposed by formal actions taken, such as a majority vote or resolution. These committed amounts cannot be used for any other purpose unless the Governing Board removes or changes the specific use through the same type of formal action taken to establish the commitment. Governing Board action to commit fund balance needs to occur within the fiscal reporting period, no later than June 30th; however, the amount can be determined with the release of the financial statements.

Assigned Fund Balance Policy Amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed, should be reported as assigned fund balance. The District delegates the authority to assign amounts to be used for specific purposes to the Chief Business Official for the purpose of reporting these amounts in the financial statements.

Minimum Fund Balance Policy The purpose of the District's fund balance policy is to maintain a prudent level of financial resources to protect against reducing service levels because of temporary revenue shortfalls or unpredicted one-time expenditures.

The District has adopted a policy to achieve and maintain unrestricted fund balance in the General Fund of 3 percent of total General Fund expenditures, other uses and transfers out at the close of each fiscal year, consistent with the recommended level promulgated by the State of California.

Order of Fund Balance Spending Policy For which amounts in any of the unrestricted fund balance classifications could be used, the District's policy is to apply expenditures in the following order: committed, assigned, and then unassigned.

First, non-spendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including non-spendable amounts). Then any remaining fund balances amounts for the non-general funds are classified as restricted fund balance.

It is possible for the non-general funds to have negative unassigned fund balance when non-spendable amounts plus the restricted fund balances for specific purposes amounts exceed the positive fund balances for the non-general fund.

Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, is reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are for in-district charges for the self-insurance. Operating expenses are necessary costs incurred to provide the goods or service that are the primary activity of the fund. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements of activities.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Budgetary Data

The budgetary process is prescribed by provisions of the California Education Code and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1st of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all amendments have been accounted for. For purposes of the budget, on behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

Property Tax

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

Change in Accounting Principles

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.* The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial report of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pension and OPEB) with regard to providing decision-useful information, supporting assessments or accountability and inter-period equity, and creating additional transparency.

This Statement replaces Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57*, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirement for defined contribution OPEB plans that replaces the requirement for those OPEB plans in Statement No. 25*, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contributions Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension disclosures*.

The District has implemented the provisions of this Statement as of June 30, 2017.

In December 2015, the GASB issued Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

Prior to the issuance of this Statement, the requirements of Statement No. 68 applied to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement. This Statement amends the scope and applicability of Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

The District has implemented the provisions of this Statement as of June 30, 2017.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units - amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.

The District has implemented the provisions of this Statement as of June 30, 2017.

In March 2016, the GASB issued Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The District has implemented the provisions of this Statement as of June 30, 2017, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

New Accounting Pronouncements

GASB Statement No. 75 – In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74*, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This Statement is effective for financial statements for periods beginning after June 15, 2017.

GASB Statement No. 81 – In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements.* The object of this Statement is to improve accounting and financial reporting for an irrevocable split-interest agreement by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement is effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively.

GASB Statement No. 84 – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities.* The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The Statement is effective for reporting periods beginning after December 15, 2018.

GASB Statement No. 85 – In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. The objective is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application and postemployment benefits. The Statement is effective for periods beginning after June 15, 2017.

GASB Statement No. 86 – In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues.* The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. The Statement is effective for periods beginning after June 15, 2017.

NOTE 2 – DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2017, are classified in the accompanying financial statements as follows:

Governmental activities	$	14,475,144
Proprietary fund		50,497
Fiduciary funds		54,415
Total Deposits and Investments	$	14,580,056

Deposits and investments as of June 30, 2017, consist of the following:

Cash on hand and in banks	$	54,415
Cash in revolving accounts		5,000
Investments		14,520,641
Total Deposits and Investments	$	14,580,056

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Investment in County Treasury – 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 fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

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

Authorized Under Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code. These provisions allow for the acquisition of investment agreements with maturities of up to 30 years.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The District 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. The District manages its exposure to interest rate risk by primarily investing in the San Joaquin County Investment Pool.

Weighted Average Maturity

The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Information about the weighted average maturity of the District's portfolio is present in the following schedule:

Investment Type	Fair Value	Days to Maturity
San Joaquin County Investment Pool	$ 14,450,942	490 days

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 below is the minimum rating required by the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type.

Investment Type	Minimum Legal Rating	Rating June 30, 2017	Fair Value
San Joaquin County Investment Pool	Not Required	Unrated	$ 14,450,942

Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local government units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2017, the District's bank balance of $60,173 with a carrying amount of $54,415 was under $250,000 and therefore covered under Federal Deposit Insurance Corporation (FDIC).

Custodial Credit Risks – Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The California Government Code does not contain legal or policy requirements that would limit the custodial credit risk for investments.

NOTE 3 – RECEIVABLES

Receivables at June 30, 2017, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Non-Major Governmental Funds	Total	Proprietary Fund
Federal Government				
Categorical aid	$ 106,820	$ 38,285	$ 145,105	$ -
State Government				
Apportionment	1,497	-	1,497	-
State Categorical	-	-	-	-
Other State	244,082	2,559	246,641	-
Interest	-	6,797	6,797	129
Other Local Sources	35,621	-	35,621	-
Total	$ 388,020	$ 47,641	$ 435,661	$ 129

NOTE 4 – CAPITAL ASSETS

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

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	$ 5,825,263	$ -	$ -	$ 5,825,263
Construction in Progress	26,936,745	1,515,060	27,907,735	544,070
Total Capital Assets Not Being Depreciated	32,762,008	1,515,060	27,907,735	6,369,333
Capital Assets Being Depreciated:				
Land Improvements	2,188,166	73,894	-	2,262,060
Buildings and Improvements	36,094,827	27,907,735	191,375	63,811,187
Furniture and Equipment	1,823,880	121,500	-	1,945,380
Total Capital Assets Being Depreciated	40,106,873	28,103,129	191,375	68,018,627
Total Capital Assets	72,868,881	29,618,189	28,099,110	74,387,960
Less Accumulated Depreciation:				
Land Improvements	241,110	90,275	-	331,385
Buildings and Improvements	11,033,714	1,407,683	191,375	12,250,022
Furniture and Equipment	1,365,102	127,046	-	1,492,148
Total Accumulated Depreciation	12,639,926	1,625,004	191,375	14,073,555
Governmental Activities Capital Assets, Net	$ 60,228,955	$ 27,993,185	$ 27,907,735	$ 60,314,405

Depreciation expense was charged as a direct expense to governmental functions as follows:

Governmental Activities	
Instruction	$ 1,625,004

NOTE 5 – INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivables and payable balances consist of amounts due to and from other funds. Interfund receivable and payable balances at June 30, 207 consist of the following:

	Due To		
Due From	General Fund	Non-Major Governmental Funds	Total
General Fund	$ -	$ -	$ -
Non-Major Governmental Fund	39,020	-	39,020
	$ 39,020	$ -	$ 39,020

Operating Transfers

Interfund transfers for the year ended June 30, 2017, consist of the following:

	Transfer In		
Transfer Out	General Fund	Non-Major Governmental Funds	Total
General Fund	$ -	$ 129,138	$ 129,138
Non-Major Governmental Fund	-	-	-
	$ -	$ 129,138	$ 129,138

Reasons for the interfund transfers are as follows:

The General fund transferred to the Deferred Maintenance fund for district match and repairs.	$ 84,407
The General fund transferred to the Cafeteria fund to cover expenses	$ 24,731
The General fund transferred to the Pupil Transportation fund for contributions to the Bus allowance.	20,000
	$ 129,138

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 6 – ACCOUNTS PAYABLE

Accounts payable at June 30, 2017, consisted of the following:

	Governmental Funds		
	General Fund	Non-Major General Fund	Total
Salaries and Benefits	$ 181,644	$ 249	$ 181,893
Apportionment	63,320	-	63,320
All other payables	886,046	130,028	1,016,074
Total	$ 1,131,010	$ 130,277	$ 1,261,287

NOTE 7 – UNEARNED REVENUE

Unearned revenue at June 30, 2017, consists of the following:

	General Fund
Federal financial assistance	$ 76,798
	$ 76,798

NOTE 8 – LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the year consisted of the following:

	Balance July 1, 2016	Additions/ adjustments	Deductions	Balance June 30, 2017	Due in One Year
General Obligation Bonds	$ 37,076,206	$ 1,545,492	$ 115,000	$ 38,506,698	$ 130,000
Accumulated vacation - net	44,907	184	-	45,091	-
Net pension liability	16,439,856	2,574,155	-	19,014,011	-
	$ 53,560,969	$ 4,119,831	$ 115,000	$ 57,565,800	$ 130,000
Premiums, net of amortization	158,707	-	5,158	153,549	5,158
	53,719,676	4,119,831	120,158	57,719,349	135,158

Bonded Debt

In April 2011, Jefferson School District issued Series A of the Election of 2010 in the amounts of $5,830,000 in current interest bonds and $567,194 in capital appreciation bonds. Interest on the current interest bonds is payable on August 1 and February 1 of each year, commencing August 1, 2011. The capital appreciation bonds accrete interest compounded semi-annually on August 1 and February 1, commencing August 1, 2022. The proceeds from the sale of the bonds will be used for the acquisition, construction and furnishing of equipment for district facilities.

In April 2013, Jefferson Elementary School District issued Series B of the Election 2010 in the amounts of $1,700,000 in current interest bonds, $14,603,679 in capital appreciation bonds and $6,695,791 in convertible capital appreciation bonds. Interest on the current interest bonds is payable on August 1 and February 1 of each year, commencing August 1, 2015. The capital appreciation bonds and convertible capital appreciation bonds accrete interest compounded semi-annually on August 1 and February 1, commencing August 1, 2023. The proceeds from the sale of the bonds will be used for the acquisition, construction and furnishing of equipment for district facilities.

On August 19, 2014, Jefferson Elementary School District issued Series C of the Election 2010 in the amounts of $1,780,000 in current interest bonds and $2,034,069 in capital appreciation bonds. Interest on the current interest bonds accrues from the date of delivery and is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2015. The capital appreciation bonds accrete interest compounded semiannually on February 1 and August 1 of each year, commencing on February 1, 2015. The proceeds from the sale of the bonds will be used for the acquisition and construction of school facilities projects.

The outstanding general obligation bonded debt of the District at June 30, 2017 is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2016	Additions and Interest Accrestion	Redeemed	Bonds Outstanding June 30, 2017
4/27/2011	2041	2.0% - 5.5%	$ 6,397,194	$ 6,448,866	$ 116,850	$ 20,000	$ 6,545,716
4/21/2013	2043	0.84% - 5.5%	$22,999,470	26,641,419	1,329,602	85,000	27,886,021
8/19/2014	2044	0.72% - 5.12%	$ 3,814,069	3,985,921	99,040	10,000	4,074,961
				$ 37,076,206	$ 1,545,492	$ 115,000	$ 38,506,698

Debt Service Requirements to Maturity

The bonds mature through 2054 as follows:

Fiscal Year	Principal	Interest to Maturity	Accreted Interest	Total
2018	129,546	431,593	454	561,593
2019	153,918	427,844	1,082	582,844
2020	192,886	423,394	2,114	618,394
2021	255,133	418,894	4,867	678,894
2022	326,637	411,593	8,364	746,594
2023-2027	2,010,242	2,873,480	249,759	5,133,481
2028-2032	1,769,659	4,175,617	2,625,341	8,570,617
2033-2037	5,378,721	3,709,822	4,001,279	13,089,822
2038-2042	8,054,063	2,260,438	7,335,186	17,649,687
2043-2047	7,546,414	725,063	16,153,491	24,424,968
2048-2052	5,008,295	-	28,542,685	33,550,980
2053-2054	2,060,351	-	14,725,396	16,785,747
Subtotal	$ 32,885,865	$ 15,857,738	$ 73,650,018	$ 122,393,621
Accretions to date	5,620,833			
Total	$ 38,506,698			

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2017, amounted to $45,091.

NOTE 9 – FUND BALANCES

Fund balances with reservations and designations are composed of the following elements:

	General Fund	Non-Major Governmental Funds	Total
Fund Balances			
Nonspendable:			
Revolving cash	$ 5,000	$ -	$ 5,000
Stores	-	5,339	5,339
Restricted for:			
Other fund activities	1,328,234	2,766,662	4,094,896
Committed to:			
Deferred Maintenance	-	-	-
Assigned to:			
Mandated Costs	964,006	-	964,006
Instructional Materials	638,259	-	638,259
Board Designated Reserves	500,000	-	500,000
Unrestricted Lottery	1,403,178	-	1,403,178
Supplemental Funding	122,261	-	122,261
Other fund activities	-	246,702	246,702
Unassigned:			
Reserve for Economic Uncertainty	652,330	-	652,330
Unassigned/Unappropriated	4,946,088	-	4,946,088
Total Fund Balance	$ 10,559,356	$ 3,018,703	$ 13,578,059

NOTE 10 – POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

Plan Description

The Postemployment Benefit Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the Jefferson Elementary School District. The Plan provides medical, dental and vision insurance benefits to eligible retirees and their spouses. The unfunded portion of annual required contributions (net OPEB obligation) is presented in the statement of net position as a portion of long-term obligations

Plan membership - At July 1, 2016, membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	9
Active plan members	2

	Certificated	**Management**
Benefit Types Provided	Medical, dental and vision	Medical, dental and vision
Duration of Benefits	To age 70; plus one month for each 3 days of accumulated sick leave beyond 50	To age 70; plus one month for each 3 days of accumulated sick leave beyond 50
Required Service	25 Years	25 Years
Minimum Age	58	58
Dependent Coverage	Yes	Yes
District Contribution %	100%	100%
District Cap	$10,000 per year	$10,000 per year

Contribution Information

The contribution requirements of the District are established and may be amended by the District and the eligible plan members. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits. For fiscal year 2016-2017, the District contributed $42,858 to the plan, a portion of which was used for current premiums.

Investments

Investment policy – The District participates in an irrevocable trust, administered by the San Joaquin County Treasurer-Tax Collector. The trust is set up for receiving employer contributions that will prefund health and other postemployment benefits costs for retirees and their beneficiaries.

Asset Class	Percentage of Portfolio
Short term Fixed Income	100%

Rate of return - For the year ended June 30, 2017 the annual money-weighted rate of return on investments, net of investment expense, was 0.77 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested.

Receivables

The OPEB plan did not report any receivables.

Allocated Insurance Contracts

None allocated

Reserves

No reserves

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed thirty years. The District's ARC for the current year was $47,686 which was fully funded through contributions made during the year.

Annual required contribution	$ 47,686
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	47,686
Contributions made	(42,858)
Decrease in net OPEB	4,828
Net OPEB obligation (asset) beginning of year	(168,602)
Net OPEB obligation (asset), end of year	$ (163,774)

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2017 was as follows:

Year Ended June 30	Annual Required Contribution	Percentage Contributed	Net OPEB Obligation (Asset)
2015	$ 60,667	122%	$ (186,411)
2016	$ 60,667	71%	$ (168,602)
2017	$ 47,686	90%	$ (163,774)

Funded Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

In the June 1, 2017, actuarial valuation, the entry age normal actuarial method was used. The actuarial assumptions included a 3.5 percent investment rate of return (net of administrative expenses), based on the plan being funded in an irrevocable employee benefit trust invested in a long-term fixed income portfolio. Additionally, actuarial assumptions include a 4 percent per year trend increase in healthcare costs. The UAAL is being amortized at a level dollar method for a static 30 years. The remaining amortization period at June 1, 2017, was 30 years. The actuarial value of assets was determined at $217,221.

NOTE 11 – RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year ending June 30, 2017, the District contracted with San Joaquin County Schools for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2016-2017, the District participated in the San Joaquin County Schools Workers' Compensation (SJCSWC), an insurance purchasing pool. The intent of the SJCSWC is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the SJCSWC. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the SJCSWC. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of each participated school districts. A participant will then either receive money from or be required to contribute to the "equity-pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the SJCSWC.

Employee Medical Benefits

The District has contracted with the Self Insured Schools of California (SISC) to provide classified employee medical and surgical benefits. Self Insured Schools of California is a shared risk pool comprised of Districts within California. Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating Districts. Claims are paid for all participants regardless of claims flow. The Board of Directors has a right to return monies to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool. The District's teachers union independently contracted with the Consolidated Benefit Trust (CBT) to provide certified employee medical and surgical benefits.

Coverage provided by San Joaquin County School Workers' Compensation Group and San Joaquin County Schools Property and Liability Group for property and liability and workers' compensation is as follows:

Insurance Program/Company Name	Type of Coverage	Limits
San Joaquin County W/C JPA (PIPS)	Workers' Compensation	$1,000,000
Norcal ReLief	General Liability	$1,000,000 with $50,000 retention
	Automobile	$1,000,000 with $50,000 retention
	Property	$250,000,000 with $25,000 retention
	Student Professional Liability	Included with $50,000 retention

NOTE 12 – EMPLOYEE RETIREMENT SYSTEMS

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

The District implemented GASB Statement No. 68 and No. 71 for the fiscal year ended June 30, 2017. As a result, the District reported its proportionate share of the net pension liabilities, pension expense and deferred inflow of resources for each of the above plans and a deferred outflow of resources for each of the above plans as follows:

Pension Plan	Proportionate Share of Net Pension Liability	Deferred Outflow of Resources	Proportionate Share of Deferred Inflow of Resources	Proportionate Share Pension Expense
CalSTRS	$ 15,005,729	$ 2,499,049	$ 1,407,679	$ 1,266,708
CalPERS	4,008,282	1,168,676	336,293	458,518
Total	$ 19,014,011	$ 3,667,725	$ 1,743,972	$ 1,725,226

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2015, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2017, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.205%
Required employer contribution rate	12.58%	10.58%
Required state contribution rate	8.578248%	8.578248%

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2017, are presented above and the District's total contributions were $1,306,101.

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

At June 30, 2017, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:		
District's proportionate share of net pension liability	$	15,005,729
State's proportionate share of the net pension liability associated with the District		8,542,494
	$	23,548,223

The net pension liability was measured as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District’s proportionate share for measurement period June 30, 2016 and June 30, 2015, respectively, was 0.0186 percent and 0.0197 percent, resulting in a net decrease in the proportionate share of 0.0011 percent.

For the year ended June 30, 2017, the District recognized pension expense of $1,266,708. In addition, the District recognized pension expense and revenue of $807,184 for support provided by the State. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual earnings on plan investments	$ 1,192,948	$ -
Differences between expected and actual experiences	-	366,048
Changes in proportion and differences between District contributions and proportionate share contributions		1,041,631
Pension contributions subsequent to measurement date	1,306,101	-
Total	$ 2,499,049	$ 1,407,679

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred inflow of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year ended June 30,	Deferred Outflows (Inflows) of Resources
2018	$ 25,974
2019	25,974
2020	693,134
2021	447,866
Total	$ 1,192,948

The deferred outflows/(inflows) of resources relate to the net change in proportionate share of net pension liability and the differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the 2015-2016 measurement period is 7 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows (Inflows) of Resources
2018	$ (250,553)
2019	(250,553)
2020	(250,553)
2021	(250,553)
2022	(250,553)
Thereafter	(154,914)
Total	$ (1,407,679)

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary' investment practice, a best estimate range was determined be assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independently from year to year to develop expected percentile for the long-term distribution of annualized returns. The assumed asset allocation is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	47%	4.50%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute Return	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

Discount Rate

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

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.60%)	$ 21,596,628
Current discount rate (7.60%)	$ 15,005,729
1% increase (8.60%)	$ 9,531,711

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) [and the Safety Risk 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. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2015 annual actuarial valuation report, Schools Pool Actuarial Valuation, and the Risk Pool Actuarial Valuation Report, Safety. These report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2017, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	2.0% - 2.4%
Required employee contribution rate	7.000%	6.000%
Required employer contribution rate	13.888%	13.888%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2017, are presented above and the total District contributions were $374,325.

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

As of June 30, 2017, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $4,008,282. The net pension liability was measured as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District’s proportionate share for measurement period June 30, 2016 and June 30, 2015, respectively, was 0.0203 percent and 0.0215 percent, resulting in a net decrease in the proportionate share of 0.0012 percent.

For the year ended June 30, 2017, the District recognized pension expense of $458,518. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual earnings on plan investments	$ 621,956	$ -
Differences between expected and actual experience	172,395	-
Change in assumption	-	126,763
Changes in proportion and differences between District contributions and proportionate share contributions		209,530
Pension contributions subsequent to measurement date	374,325	
	$ 1,168,676	$ 336,293

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred inflow of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows (Inflows) of Resources
2018	$ 87,238
2019	87,238
2020	285,156
2021	162,324
Total	$ 621,956

The deferred outflows/(inflows) of resources relate to the net change in proportionate share of net pension liability and the differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the 2015-2016 measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows (Inflows) of Resources
2018	$ (67,393)
2019	(69,943)
2020	(26,562)
Total	$ (163,898)

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.65%
Investment rate of return	7.50%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	51%	5.71%
Global fixed income	20%	2.43%
Private equity	10%	6.95%
Real estate	10%	5.13%
Inflation sensitive	6%	3.36%
Infrastructure and Forestland	2%	4.50%
Liquidity	1%	-1.05%

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.65%)	$ 5,980,379
Current discount rate (7.65%)	$ 4,008,282
1% increase (8.65%)	$ 2,366,123

Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use social security. Contributions made by the District and an employee vest immediately. The District contributes 6.2% of an employee's gross earnings and employees are required to contribute an additional 6.2% of gross earnings.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of $807,184 (8.578248% of annual payroll). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenue and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculations of available reserves.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2017.

Litigation

The District is involved in various legal litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2017.

NOTE 14 – PARTICIPATION IN PUBLIC ENTITY RISK POOLS, JOINT POWER AUTHORITIES AND OTHER RELATED PARTY TRANSACTIONS

The District is a member of the San Joaquin County School Workers' Compensation Insurance Group (SJCSWCIG), San Joaquin County Schools Property and Liability Insurance Group (SJCSP&LIG) public entity risk pools, Tracy Area Public Facilities Financing Agency (TAPFFA) joint powers agency, the San Joaquin County Schools Data Processing Group (SJCSDPC) and a Health Insurance Consortium. The District pays an annual premium to the applicable entity for its health, workers' compensation, legal services, data processing, and property liability coverage. The relationships between the District and the JPA's are such that they 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 generally available from the respective entities.

During the year ended June 30, 2017, the District made payments of $264,868, $138,378, $78,755 and $5,915 to the San Joaquin County School Workers' Compensation Insurance Group, San Joaquin County Schools Property and Liability Insurance Group, the San Joaquin County Schools Data Processing, and the Health Insurance Consortium respectively, for the workers' compensation insurance, property and liability insurance, data processing, and health administrative services.

II - Required Supplementary Information

[PAGE INTENTIONALLY LEFT BLANK]

JEFFERSON ELEMENTARY SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts (GAAP Basis)			Variances - Positive (Negative)
	Original	Final	Actual (GAAP Basis)	Final to Actual
REVENUES				
LCFF sources	$ 17,863,463	$ 17,829,784	$ 17,929,296	$ 99,512
Federal sources	671,511	604,191	553,881	(50,310)
Other State sources	1,629,777	1,873,022	2,028,571	155,549
Other local sources	460,260	765,027	941,220	176,193
Total Revenues	20,625,011	21,072,024	21,452,968	380,944
EXPENDITURES				
Current				
Certificated salaries	10,336,657	10,381,664	10,591,558	(209,894)
Classified salaries	2,543,755	2,673,232	2,663,184	10,048
Employee benefits	4,418,244	4,723,620	4,778,303	(54,683)
Books and supplies	2,536,801	2,473,986	1,034,582	1,439,404
Services and operating expenditures	2,181,220	2,684,451	2,238,086	446,365
Other outgo	363,479	267,008	309,486	(42,478)
Capital Outlay	-	75,000	-	75,000
Total Expenditures	22,380,156	23,278,961	21,615,199	1,663,762
Excess (Deficiency) of Revenues Over Expenditures	(1,755,145)	(2,206,937)	(162,231)	2,044,706
Other Financing Sources (Uses)				
Transfers in	-	22,684	-	22,684
Transfers out	(104,407)	(129,138)	(129,138)	-
Net Financing Sources (Uses)	(104,407)	(106,454)	(129,138)	22,684
NET CHANGE IN FUND BALANCES	(1,859,552)	(2,313,391)	(291,369)	2,022,022
Fund Balance - Beginning	10,850,725	10,850,725	10,850,725	-
Fund Balance - Ending	$ 8,991,173	$ 8,537,334	$ 10,559,356	$ 2,022,022

See accompanying note to required supplementary information

JEFFERSON ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN NET OPEB LIABILITY
AS OF JUNE 30, 2017

Per GASB 74

	2017
Total OPEB Liability	
Service Cost	$ 2,458
Interest	31,008
Change of benefit terms	-
Difference between expected and actual experience	-
Change of assumptions	-
Benefit payments	(156,512)
Net change in total OPEB liability	(123,046)
Total OPEB liability - beginning	962,996
Total OPEB liability - ending	$ 839,950
Plan fiduciary net position	
Contributions - employer	$ 81,678
Net investment income	1,939
Benefit payments	(66,281)
Adminstrative expense	-
Net change in plan fiduciary net position	17,336
Plan fiduciary net position - beginning	253,275
Plan fiduciary net position - ending	$ 270,611
Net OPEB liability - ending	$ 569,339
Total OPEB Liability	$ 839,950
Plan fiduciary net position	270,611
Net OPEB liability (asset)	$ 569,339
Plan fiduciary net position as a percntage of the total OPEB liability	32.22%
Covered payroll	$ 13,254,742
Net OPEB liability (asset) as a percentage of covered payroll	4.30%

Note: Fiscal year 2017 was the first year of implementation, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information

ORINDA UNION SCHOOL DISTRICT

SCHEDULE OF ANNUAL MONEY-WEIGHTED RATE OF RETURN ON OPEB PLAN INVESTMENTS
AS OF JUNE 30, 2017

Per GASB 74

	2017
Annual money-weighted rate of return net of investment expense	0.77%

Note: Fiscal year 2017 was the first year of implementation, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information

JEFFERSON ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS AND EMPLOYER CONTRIBUTION
FOR THE YEAR ENDED JUNE 30, 2017

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Level Percent of Payroll (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a / b)	Estimated Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
December 8, 2011	$ 332,922	$ 1,423,305	$ 1,090,383	23%	$ 11,500,000	9%
June 1, 2014	$ 242,001	$ 1,031,426	$ 789,426	23%	$ 11,600,000	7%
June 1, 2017	$ 217,221	$ 943,221	$ 726,000	23%	$ 11,700,000	6%

See accompanying note to required supplementary information

JEFFERSON ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS OF JUNE 30, 2017

	Measurement Date		
CalSTRS Plan	**2016**	**2015**	**2014**
Proportion of the net pension liability	0.0186%	0.0197%	0.0203%
District's proportionate share of the net pension liability	$ 15,005,729	$ 13,273,922	$ 11,837,897
State's proportionate share of the net pension liability associated with the District	8,542,494	7,020,441	7,150,090
Total	$ 23,548,223	$ 20,294,363	$ 18,987,987
District's covered employee payroll	$ 9,252,124	$ 10,973,002	$ 9,097,770
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	162%	121%	130%
Plan fiduciary net position as a percentage of the total pension liability	77%	77%	77%

CalPERS Plan			
Proportion of the net pension liability	0.0203%	0.0215%	0.0223%
District's proportionate share of the net pension liability	$ 4,008,282	$ 3,165,934	$ 2,532,294
District's covered employee payroll	$ 2,487,913	$ 2,350,997	$ 2,344,826
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	161%	135%	108%
Plan fiduciary net position as a percentage of the total pension liability	83%	83%	83%

Note to Schedule:

Change of benefit terms – For the measurement date ended June 30, 2016, 2015 and 2014, there were no changes to the benefit terms.

Changes in assumptions – (CalPERS) For the measurement date ended June 30, 2015, the discount rate changed from 7.50% (net of administrative expenses in 2014) to 7.65% to correct an adjustment which previously reduced the discount rate for administrative expenses. For the measurement date ended June 30, 2016 and 2014, there were no changes in assumptions.

Note: Fiscal year 2015 was the first year of implementation, therefore only three years are shown. As data becomes available, ten years of information will be presented

See accompanying note to required supplementary information

JEFFERSON ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS FOR PENSIONS
AS OF JUNE 30, 2017

CalSTRS Plan	**2017**	**2016**	**2015**
Contractually required contribution (actuarially determined)	$ 1,306,101	$ 989,684	$ 810,993
Contributions in relation to the actuarially determined contribution	1,306,101	989,684	810,993
Contribution deficiency (excess)	$ -	$ -	$ -
Covered-employee payroll	$10,429,835	$9,252,124	$10,973,002
Contribution as a percentage of covered-employee payroll	12.52%	10.70%	7.39%

CalPERS Plan			
Contractually required contribution (actuarially determined)	$ 374,325	$ 293,227	$ 274,762
Contributions in relation to the actuarially determined contribution	374,325	293,227	274,762
Contribution deficiency (excess)	$ -	$ -	$ -
Covered-employee payroll	$2,707,950	$2,487,913	$2,350,997
Contribution as a percentage of covered-employee payroll	13.82%	11.79%	11.69%

Note: Fiscal year 2015 was the first year of implementation, therefore only three years are shown. As data becomes available, ten years of information will be presented

NOTE 1 – PURPOSE OF SCHEDULES

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

Schedule of changes in the net OPEB liability
This 10-year schedule is required by GASB Statement No. 74 for single-employer and cost-sharing OPEB Plans. Schedules of required supplementary information that include the information indicated in subparagraphs (a)–(d) below should be presented. The information in subparagraphs (a) and (b) may be presented in a single schedule. Information for each year should be measured as of the OPEB plan's most recent fiscal year-end. Information about cost-sharing OPEB plans should be presented for the OPEB plan as a whole.

Schedule of OPEB Contributions
A 10-year schedule presenting for each year the information indicated in subparagraphs (1)–(6), if an actuarially determined contribution is calculated for employers or nonemployer contributing entities. The schedule should identify whether the information relates to the employers, nonemployer contributing entities, or both.

An Actuarially determined contribution was not calculated.

Schedule of annual money-weighted rate of return on OPEB plan investment
This 10-year schedule is required by GASB Statement No. 74. A 10-year schedule presenting for each fiscal year the annual money-weighted rate of return on OPEB plan investments calculated as required by paragraph 34b(3) should be presented in required supplementary information.

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

Schedule of the District's Proportionate Share of the Net Pension Liability
This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's proportion (percentage) of the collective net pension liability, the District's proportionate share (amount) of the collective net pension liability, the District's covered-employee payroll, and the pension plan's fiduciary net position as a percentage of the total pension liability.

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

III - Supplementary Information

[PAGE INTENTIONALLY LEFT BLANK]

JEFFERSON ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education:			
Title I, Part A - Basic Grants Low Income and Neglected	84.010	14981	$ 147,848
Title II, Part A - Teacher Quality	84.367	14341	21,432
Title III - Limited English Proficiency	84.365	14346	45,439
Individuals with Disabilities Education Act (IDEA) Cluster			
IDEA, Basic Local Assistance, Entitlement Part B, Sec 611	84.027	13379	262,702
IDEA, Preschool Grants, Part B, Sec 619	84.173	13430	7,477
IDEA, Preschool Local Entitlement	84.027A	13682	34,855
Subtotal Individiuals with Disabilities Education Act (IDEA) Cluster			305,034
Total U.S. Department of Education			519,753
US DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health Services:			
Medi-Cal Administrative Activities	93.778	10060	12,374
Medi-Cal Billing Option	93.778	10013	13,643
Total U.S. Department of Health and Human Services			26,017
U.S. DEPARTMENT OF AGRICULTURE			
Passed through California Department of Education:			
Child Nutrition Cluster			
National School Breakfast	10.553	13526	87,612
National School Lunch	10.555	13524	266,409
Commodities	10.565	13524	54,508
Total U.S. Department of Agriculture			408,529
Total Expenditures of Federal Awards			$ 954,299

See accompanying note to supplementary information.

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
FOR THE YEAR ENDED JUNE 30, 2017

ORGANIZATION

The Jefferson Elementary School District was established in June 1870 and consists of an area comprising approximately 130 square miles. The District operates three elementary schools, and one middle school. There were no boundary changes during the year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Dan Wells	President	2018
Brian Jackman	Vice President	2018
Pete Carlson	Clerk	2020
Phil Raya	Member	2018
Debbie Wingo	Member	2020

ADMINISTRATION

Jim Bridges	Superintendent
Mindy Maxedon	Chief Business Officer

See accompanying note to supplementary information.

SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2017

	Second Period Report	Annual Report
ELEMENTARY		
Transitional Kindergarten/Kindergarten through third	888	893
Fourth through sixth	791	793
Seventh and eighth	570	570
Special education	1	1
Total Elementary	2,250	2,257

See accompanying note to supplementary information.

JEFFERSON ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2017

Grade Level	Minutes Requirement	2016-2017 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	36,000	50,310	180	N/A	In Compliance
Grade 1	50,400	50,490	180	N/A	In Compliance
Grade 2	50,400	50,490	180	N/A	In Compliance
Grade 3	50,400	50,490	180	N/A	In Compliance
Grade 4	54,000	59,130	180	N/A	In Compliance
Grade 5	54,000	59,130	180	N/A	In Compliance
Grade 6	54,000	58,803	180	N/A	In Compliance
Grade 7	54,000	58,803	180	N/A	In Compliance
Grade 8	54,000	58,803	180	N/A	In Compliance

See accompanying note to supplementary information.

JEFFERSON ELEMENTARY SCHOOL DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Summarized below are the fund balance reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

FORM ASSET		
Balance, June 30, 2017, Unaudited Actuals	$	36,789,921
Increase in:		
Land improvements		2,262,060
Buildings and improvements		44,885,726
Furniture and equipment		435,471
Accumulated Depreciation		(10,323,290)
Decrease in:		
Construction in progress		(13,735,483)
Balance, June 30, 2017, Audited Financial Statements	$	60,314,405
FORM DEBT		
Total Long-Term Obligations, June 30, 2017, Unaudited Actuals	$	32,795,822
Increase in:		
General Obligation Bonds		5,845,380
Net Pension Liability		19,014,011
Premiums, net of amortization		153,549
Decrease in:		
Capital Leases		(89,413)
Total Long-Term Obligations, June 30, 2017, Audited Financial Statements	$	57,719,349

See accompanying note to supplementary information.

JEFFERSON ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

	(Budget) 2018 [1]	2017	2016	2015
GENERAL FUND				
Revenues	$ 20,638,553	$ 21,452,968	$ 22,089,050	$ 18,704,635
Other sources	-	-	-	-
Total Revenues and Other Sources	20,638,553	21,452,968	22,089,050	18,704,635
Expenditures	22,535,721	21,615,199	18,930,657	18,443,535
Other uses and transfers out	104,407	129,138	104,407	104,407
Total Expenditures and Other Uses	22,640,128	21,744,337	19,035,064	18,547,942
INCREASE (DECREASE) IN FUND BALANCE	$ (2,001,575)	$ (291,369)	$ 3,053,986	$ 156,693
ENDING FUND BALANCE	$ 8,557,781	$ 10,559,356	$ 10,850,725	$ 7,796,739
AVAILABLE RESERVES [2]	$ 4,167,875	$ 5,598,418	$ 4,344,959	$ 3,655,462
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	18.41%	25.75%	22.83%	19.71%
LONG-TERM OBLIGATIONS	$ 57,584,191	$ 57,719,349	$ 53,719,676	$ 50,353,653
K-12 AVERAGE DAILY ATTENDANCE AT P-2	2,215	2,250	2,285	2,345

The General Fund balance has increased by $2,762,617 over the past two years. The fiscal year 2017-2018 budget projects a budget decrease of $2,001,575. For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating surplus for two of the past three years and anticipates incurring an operating deficit during the 2017-2018 fiscal year. Total long-term obligations have increased by $7,365,696 over the past two years.

Average daily attendance has decreased by 95 over the past two years. A Decrease of 35 ADA is anticipated during fiscal year 2017-2018.

---

[1] Budget 2018 is included for analytical purposes only and has not been subjected to audit.

[2] Available reserves consist of all undesignated fund balances and all funds designated for economic uncertainty contained within the General Fund.

See accompanying note to supplementary information.

JEFFERSON ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2017

Name of Charter School	Included in Audit Report
The District does not sponsor any charter schools.	

See accompanying note to supplementary information.

JEFFERSON ELEMENTARY SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2017

	Cafeteria Fund	Deferred Maintenance Fund	Pupil Transportation Fund	Building Fund
ASSETS				
Deposits and investments	$ 279,631	$ 315,260	$ 265,575	$ 616,613
Receivables	41,546	640	666	1,616
Stores inventories	5,339	-	-	-
Total Assets	326,516	315,900	266,241	618,229
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	52,168	69,198	-	4,443
Due to other funds	37,361	-	-	1,659
Total Liabilities	89,529	69,198	-	6,102
Fund Balances:				
Nonspendable	5,339	-	-	-
Restricted	231,648	-	266,241	612,127
Committed	-	-	-	-
Assigned	-	246,702	-	-
Unassigned	-	-	-	-
Total Fund Balance	236,987	246,702	266,241	612,127
Total Liabilities and Fund Balances	$ 326,516	$ 315,900	$ 266,241	$ 618,229

See accompanying note to supplementary information.

Capital Facilities Fund	County Schools Facilities Fund	Capital Projects Blended Component Fund	Bond Interest And Redemption Fund	Total Non-Major Governmental Funds
$ 1,151,590	$ 5,667	$ 58,953	$ 441,731	$ 3,135,020
3,008	14	151	-	47,641
-	-	-	-	5,339
1,154,598	5,681	59,104	441,731	3,188,000
4,468	-	-	-	130,277
-	-	-	-	39,020
4,468	-	-	-	169,297
-	-	-	-	5,339
1,150,130	5,681	59,104	441,731	2,766,662
-	-	-	-	-
-	-	-	-	246,702
-	-	-	-	-
1,150,130	5,681	59,104	441,731	3,018,703
$ 1,154,598	$ 5,681	$ 59,104	$ 441,731	$ 3,188,000

JEFFERSON ELEMENTARY SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2017

	Cafeteria Fund	Deferred Maintenance Fund	Pupil Transportation Fund	Building Fund
REVENUES				
LCFF sources	$ -	$ 84,407	$ -	$ -
Federal sources	408,529	-	-	-
Other State sources	27,071	-	-	-
Other local sources	329,233	1,592	2,138	7,678
Total Revenues	764,833	85,999	2,138	7,678
EXPENDITURES				
Current				
Pupil services:				
Pupil Transportation	-	-	32,533	-
Food services	779,699	-	-	-
Administration:				
All other administration	37,172	-	-	-
Plant services	-	130,394	-	-
Facility acquisition and construction	-	-	-	1,590,441
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	816,871	130,394	32,533	1,590,441
Excess (Deficiency) of Revenues Over Expenditures	(52,038)	(44,395)	(30,395)	(1,582,763)
Other Financing Sources (Uses)				
Transfers in	24,731	84,407	20,000	-
Other Financing Sources (Uses)	-	-	-	-
Net Financing Sources (Uses)	24,731	84,407	20,000	-
NET CHANGE IN FUND BALANCES	(27,307)	40,012	(10,395)	(1,582,763)
Fund Balance - Beginning	264,294	206,690	276,636	2,194,890
Fund Balance - Ending	$ 236,987	$ 246,702	$ 266,241	$ 612,127

See accompanying note to supplementary information.

Capital Facilities Fund	County School Facilities Fund	Capital Projects Blended Component Fund	Bond Interest And Redemption Fund	Total Non-Major Governmental Funds
$ -	$ -	$ -	$ -	$ 84,407
-	-	-	-	408,529
-	-	-	3,911	30,982
301,305	44	487	572,475	1,214,952
301,305	44	487	576,386	1,738,870
-	-	-	-	32,533
-	-	-	-	779,699
-	-	-	-	37,172
73,056	-	-	-	203,450
125,481	-	-	-	1,715,922
-	-	-	115,000	115,000
-	-	-	430,719	430,719
198,537	-	-	545,719	3,314,495
102,768	44	487	30,667	(1,575,625)
-	-	-	-	129,138
-	-	-	-	-
-	-	-	-	129,138
102,768	44	487	30,667	(1,446,487)
1,047,362	5,637	58,617	411,064	4,465,190
$ 1,150,130	$ 5,681	$ 59,104	$ 441,731	$ 3,018,703

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amount consists primarily of Medi-Cal Billing Option and Administrative Activities funds that have been recorded as revenue in prior periods and expensed in the current period as of June 30, 2017. Unspent balances are reported as legally restricted ending balances with the General Fund.

Description	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures and Changes in Fund Balances:		$ 962,410
Medi-Cal Billing Option	93.778	(8,111)
Total Schedule of Expenditures of Federal Awards		$ 954,299

Indirect cost rate- The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Sub-recipient – The District did not provide federal awards to sub-recipients during the year ended June 30, 2017.

Local Education Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

Schedule of Instructional Time

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 46200 through 46206. The District has not met its local control funding formula target.

Districts must maintain their instructional minutes at the 1986-87 requirement as required by *Education Code* Section 46201.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual Financial Report to the audited financial statements.

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.

Schedule of Charter Schools

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

Non-Major Governmental Funds – Balance Sheet and Statement of Revenues, Expenditures and Change in Fund Balance

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures and Changes in Fund Balance is included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance.

[PAGE INTENTIONALLY LEFT BLANK]

IV - Independent Auditors' Reports

[PAGE INTENTIONALLY LEFT BLANK]

Cichella & Tokunaga, LLP
Certified Public Accountants

4671 Golden Foothill Parkway ♦ El Dorado Hills, CA 95672 www.ctcpa.net
Voice: (877) 359-9588 ♦ Fax: (916) 941-7234

INDEPENDENT AUDITORS' 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*

Governing Board
Jefferson Elementary School District
Tracy, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jefferson Elementary School District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Jefferson Elementary School District's basic financial statements, and have issued our report thereon dated December 8, 2017.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District'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 Jefferson Elementary School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

El Dorado Hills, California
December 8, 2017

Cichella & Tokunaga, LLP
Certified Public Accountants

4671 Golden Foothill Parkway ♦ El Dorado Hills, CA 95672 www.ctcpa.net
Voice: (877) 359-9588 ♦ Fax: (916) 941-7234

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Governing Board
Jefferson Elementary School District
Tracy, California

Report on Compliance for Each Major Federal Program

We have audited Jefferson Elementary School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Jefferson Elementary School District's (the District) major Federal programs for the year ended June 30, 2017. Jefferson Elementary School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Jefferson Elementary School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Jefferson Elementary School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of Jefferson Elementary School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Jefferson Elementary School 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, 2017.

Report on Internal Control Over Compliance

Management of the Jefferson Elementary School 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 Jefferson Elementary School 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Jefferson Elementary School 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Crowe Horwath? — Cuthbert + Tokunaga, LLP

El Dorado Hills, California
December 8, 2017

Cichella & Tokunaga, LLP

Certified Public Accountants

4671 Golden Foothill Parkway ♦ El Dorado Hills, CA 95672 www.ctcpa.net
Voice: (877) 359-9588 ♦ Fax: (916) 941-7234

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH APPLICABLE REQUIREMENTS IN ACCORDANCE WITH 2016-17 GUIDE FOR ANNUAL AUDITS OF K-12 LOCAL EDUCATION AGENCIES AND STATE COMPLIANCE REPORTING

Governing Board
Jefferson Elementary School District
Tracy, California

Report on State Compliance

We have audited Jefferson Elementary School District's compliance with the types of compliance requirements as described in the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* applicable to the Jefferson Elementary School District's programs as identified in the below schedule for the year ended June 30, 2017.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Jefferson Elementary School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Those standards and the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the programs identified in the below schedule occurred. An audit includes examining, on a test basis, evidence about Jefferson Elementary School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance. However, our audit does not provide a legal determination on the District’s compliance with those requirements.

In connection with the requirements referred to above, we selected and tested transactions and records to determine the Jefferson Elementary School District's compliance with the Applicable programs identified below:

Compliance Requirements	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No, See Below
Continuation Education	Not Applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Mental Health Expenditures	Yes
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION AND CHARTER SCHOOLS	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
Immunizations	Not Applicable
CHARTER SCHOOLS	
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Non-classroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Non-classroom-Based Instruction	Not Applicable
Annual Instructional Minutes – Classroom Based	Not Applicable
Charter School Facilities Grant Program	Not Applicable

We did not perform testing for Independent Study because the ADA generated from the program is below the testing threshold.

Opinion on the State Compliance

In our opinion, Jefferson Elementary School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the programs identified in the above schedule for the year ended June 30, 2017.

El Dorado Hills, California
December 8, 2017

[PAGE INTENTIONALLY LEFT BLANK]

V - Schedule of Findings and Questioned Costs

[PAGE INTENTIONALLY LEFT BLANK]

JEFFERSON ELEMENTARY SCHOOL DISTRICT

SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2017

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None Reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major federal programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None Reported
Type of auditors' report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major federal programs	

CFDA Number(s)	Name of Federal Program or Cluster
10.555 10.553 10.565	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

Internal control over state programs:	
Material weaknesses identified?	No
Significant deficiency identified?	None Reported
Any audit findings disclosed that are required to be reported in accordance with Audits of California K-12 Local Education Agencies?	No
Type of auditors' report issued on compliance for state programs:	Unmodified

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

None Noted.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

There were no audit findings and questioned costs related to the federal awards for the year ended June 30, 2017.

JEFFERSON ELEMENTARY SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

There were no audit findings and questioned costs related to the state awards for the year ended June 30, 2017.

JEFFERSON ELEMENTARY SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

There were no prior year findings reported for June 30, 2016.