

INFORMATION SHEET 01/20/15 TRUSTEES' MEETING

ATTACHMENT: 7.2

TO: Jim Bridges

FOR: Board of Trustees

FROM: Mindy Maxedon

ISSUE: 2013-14 Annual 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, 2014. The audit report details our district's financial position and confirms compliance with all Governmental Accounting Standards Board (GASB) required at this time.

One of the key responsibilities of our auditors is to identify areas where the district has opportunities to strengthen internal controls and operations. During the 2013-14 audit, the auditors identified an area they wanted to bring to the board's attention and a letter to the board regarding their recommendation is attached. They suggest our district review the CalCard program.

During the course of their expenditure testing, numerous purchases made with District CalCards were audited. The auditors determined that some of the expenditures did not follow the guidelines proposed (yet not implemented) back in 2005 and could potentially be seen as circumventing the purchasing process. Cichella & Tokunaga, LLP recommended that we review which administrators need CalCards and put in place up to date procedures for credit card use. There were no inappropriate transactions identified and no misuse of the card has occurred.

We will present information at a future board meeting outlining the current program; provide information to the board about how the sites utilize the CalCard program and ask for the board's input on making recommendations to changing our program (if necessary).

All purchases on CalCard statements are reviewed and approved monthly by the card holder's direct supervisor as well as the CBO and the Superintendent. All backup documentation and receipts are required to accompany the statement and all detail is scrutinized by the approving individuals.

We appreciate Cichella & Tokunaga making a recommendation. Their careful review of our processes and procedures help ensure we maintain adequate controls and assist us in establishing and maintaining careful guidance over our funds.



Cichella & Tokunaga, LLP

CPA's and Advisors

December 3, 2014

The Governing Board

Jefferson Elementary School District

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Jefferson Elementary School District for the year ended June 30, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Jefferson Elementary School District. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Jefferson Elementary School District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 3, 2014.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of Governing Board, the California Department of Education, the State Controller's Office, and management of Jefferson Elementary School District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Cichella & Tokunaga, LLP

El Dorado Hills, California

December 3, 2014



Cichella & Tokunaga, LLP

CPA's and Advisors

December 3, 2014

Governing Board
Jefferson Elementary School District
Tracy, California

In planning and performing our audit of the financial statements of Jefferson Elementary School District for the year ended June 30, 2014, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent condition noted by our audit that we consider important enough to bring to your attention. This letter does not affect our reported dated December 3, 2014, on the financial statements of Jefferson Elementary School District.

DISTRICT WIDE

CAL-cards

Observation

During the audit of common core cash disbursement testing, it was noted that numerous purchases were made by various District employees using District issued CAL-cards. Although there is no limit on the number of CAL-cards that can be issued, it was noted that existing procedures are not consistently followed for the CAL-card disbursements selected for audit testing. Audited CAL-card purchases appear to be allowable expenditures, but appropriate approvals are not obtained prior to these purchases.

Recommendation

It is recommended that District policies and procedures pertaining to CAL-cards be evaluated in order to determine whether they are still effective or new policies and procedures should be developed and implemented. The District should evaluate whether the number of CAL-cards issued is appropriate. Training on CAL-card procedures should be provided to employees who have been issued CAL-cards to ensure that they are instructed on proper use.

We will review the status of the current year comments during our next audit engagement.

Cichella & Tokunaga, LLP

Cichella & Tokunaga, LLP

December 4, 2014



San Joaquin County Office of Education
Nick Founts, Superintendent of Schools

AUDIT CERTIFICATION FORM for 2013-2014 Annual Financial Report

Jefferson Elementary School District

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 Annual Financial Report at a public meeting, on or before January 31st, and

THEREBY, as written verification of said review, the Governing Board reviewed and accepted on January 20, 2015 the Annual Financial Report as of June 30, 2014.

District Superintendent's Signature

Date

FOR ADDITIONAL INFORMATION

District Contact Person: Mindy Maxedon Phone: 209-836-2766

Submit the **original** of the Audit Certification Form by: **February 15, 2015**

**TO: San Joaquin County Office of Education
KT Yorba, Division Director, District Business Services
2901 Arch-Airport Road
Stockton, CA 95206**

JEFFERSON ELEMENTARY SCHOOL DISTRICT
OF SAN JOAQUIN COUNTY
TRACY, CALIFORNIA
JUNE 30, 2014

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Brian Jackman	President	2014
Jacqueline Thomas	Vice President	2014
Pete Carlson	Clerk	2016
Debbi Wingo	Member	2016
Dan Wells	Member	2014

ADMINISTRATION

Jim Bridges	Superintendent
Mindy Maxedon	Chief Business Officer

JEFFERSON ELEMENTARY SCHOOL DISTRICT

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I - Financial Section

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Cichella & Tokunaga, LLP

Certified Public Accountants

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

www.ctcpa.net

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, 2014, 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 *Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-2014*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether 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.

Opinion

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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Accounting Principles

As discussed in Note 14 to the financial statements, the District has adopted the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which has resulted in a restatement of beginning net position in the government-wide financial statement. The impact of the restatement is a reduction in beginning net position of \$710,470. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the require supplementary information, such as management's discussion and analysis on pages 5 through 16, budgetary comparison information and the Schedule of Other Postemployment Benefits (OPEB) Funding Progress on pages 55 and 56, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Jefferson Elementary School District's basic financial statements. The accompanying supplementary information as listed in the table of contents including the schedule of expenditures of federal awards, as required by *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying 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 3, 2014, 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.

Carlisle + Tolinger, LLP

El Dorado Hills, California
December 3, 2014

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This section of Jefferson Elementary School District's (the "District") 2013-2014 annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2014. 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.

JEFFERSON ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

Total revenue and income received for 2013-14 was \$19.2 million, up \$0.9 million from 2012-13. Jefferson School District receives 70% of its revenue from the State based on the Revenue Limit. The remaining 30% comes from Lottery, State and Federal grants and interest income. The change in revenue is primarily due to changes in operating grants and contributions.

Jefferson School District reported P2 ADA of 2,370, 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.

JEFFERSON ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

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.

JEFFERSON ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

FINANCIAL HIGHLIGHTS

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$39.0 million and \$41.8 million for the fiscal years ended June 30, 2014 and 2013, respectively. Of this amount, \$3.7 million and \$5.4 million were unrestricted for 2014 and 2013. 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 those 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	
	2014	2013
Assets		
Current and other assets	\$ 34.6	\$ 36.2
Capital assets	36.5	36.7
Total Assets	71.1	72.9
Liabilities		
Current liabilities	1.3	1.3
Long-term liabilities	30.8	29.8
Total Liabilities	32.1	31.1
Net Position		
Invested in capital assets, net of related debt	5.6	6.9
Restricted	29.7	29.5
Unrestricted	3.7	5.4
Total Net Position	\$ 39.0	\$ 41.8

The \$3.7 million in unrestricted net position of governmental activities represent the accumulated results of all past years' operations.

JEFFERSON ELEMENTARY SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

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)

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
Revenues		
Program revenues:		
Charges for services	\$ 0.4	\$ 0.4
Operating grants and contributions	2.6	2.5
General revenues:		
Federal and State aid not restricted	12.3	11.8
Property taxes	3.5	3.1
Other general revenues	0.4	0.5
Total Revenues	<u>19.2</u>	<u>18.3</u>
Expenses		
Instruction-related	15.0	14.6
Pupil services	1.6	1.5
Administration	1.3	1.3
Plant services	1.7	1.7
Other	1.8	0.8
Total Expenses	<u>21.4</u>	<u>19.9</u>
Change in Net Position	<u>\$ (2.2)</u>	<u>\$ (1.6)</u>

Governmental Activities

As reported in the *Statement of Activities* on page 18, the cost of all of our governmental activities for the years ended June 30, 2014 and 2013 were \$21.4 million and \$19.9 million, respectively. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$3.5 million and \$3.1 million, respectively, because the cost was paid by those who benefited from the programs (\$0.4 million and \$0.4 million, respectively) or by other governments and organizations who subsidized certain programs with grants and contributions (\$2.6 million and \$2.5 million respectively). We paid for the remaining "public benefit" portions of our governmental activities with \$12.3 and \$11.8 million, respectively, in other Federal and State sources, and \$0.4 million and \$0.5 million, respectively, in other revenues, like interest and general entitlements.

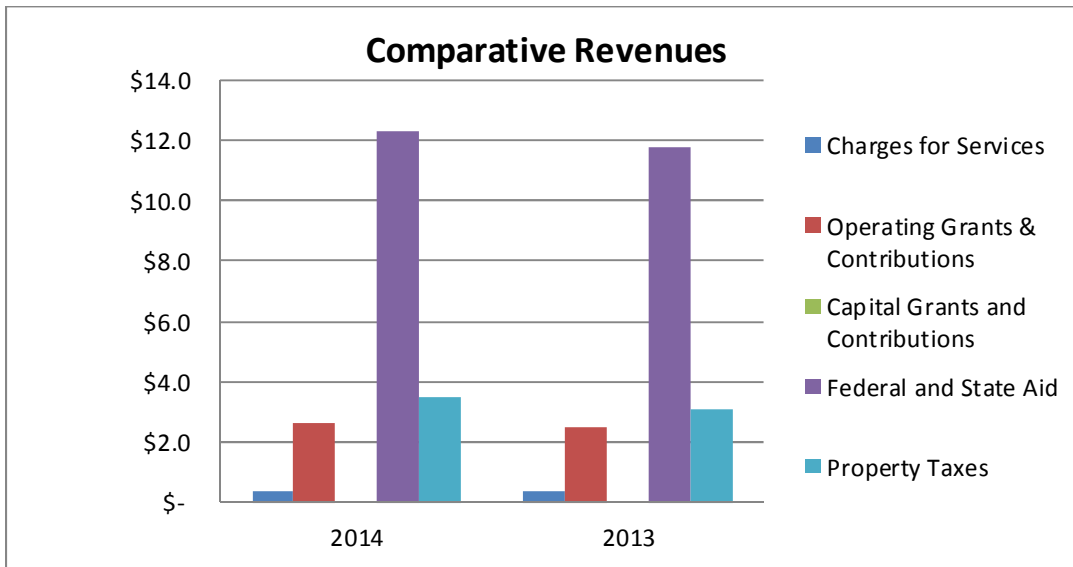
JEFFERSON ELEMENTARY SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

Schedule of Revenues for Governmental Functions

(Amounts in millions)

	<u>2014</u>	<u>Percent of Total</u>	<u>2013</u>	<u>Percent of Total</u>
Revenues				
Program revenues:				
Charges for services and sales	\$ 0.4	2.08%	\$ 0.4	2.19%
Operating grants and contributions	2.6	13.54%	2.5	13.66%
Capital grants and contributions	-	0.00%	-	0.00%
General revenues:				
Federal and State aid not restricted	12.3	64.07%	11.8	64.48%
Property taxes	3.5	18.23%	3.1	16.94%
Other Revenues	0.4	2.08%	0.5	2.73%
Total Revenues	<u>\$ 19.2</u>	<u>100.00%</u>	<u>\$ 18.3</u>	<u>100.00%</u>



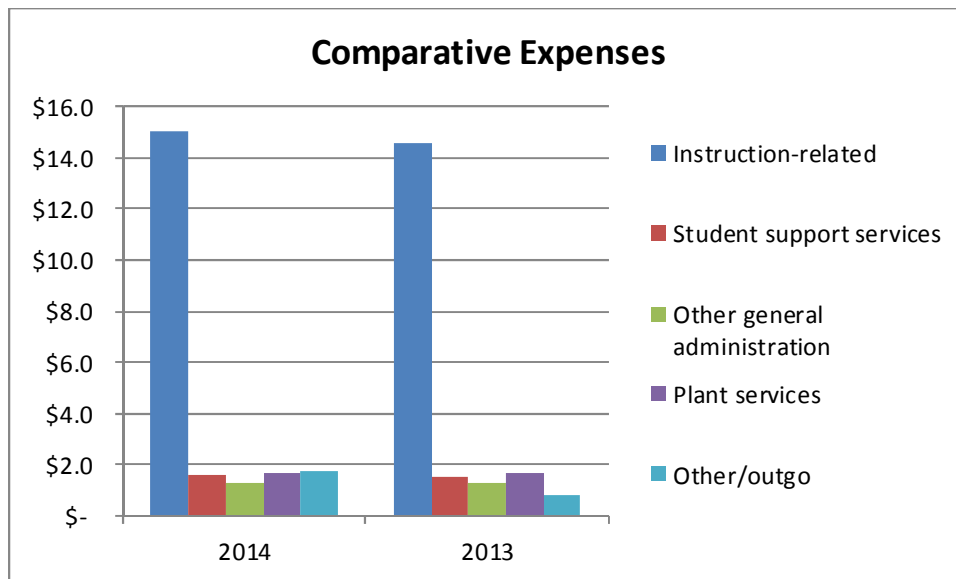
JEFFERSON ELEMENTARY SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

Schedule of Expenses for Governmental Functions

(Amounts in millions)

Expenses	2014		Percent of Total		2013		Percent of Total	
Instruction-related	\$	15.0	70.10%		\$	14.6	73.37%	
Student support services		1.6	7.48%			1.5	7.54%	
Other general administration		1.3	6.07%			1.3	6.53%	
Plant services		1.7	7.94%			1.7	8.54%	
Other/outgo		1.8	8.41%			0.8	4.02%	
Total Expenses	\$	21.4	100.00%		\$	19.9	100.00%	



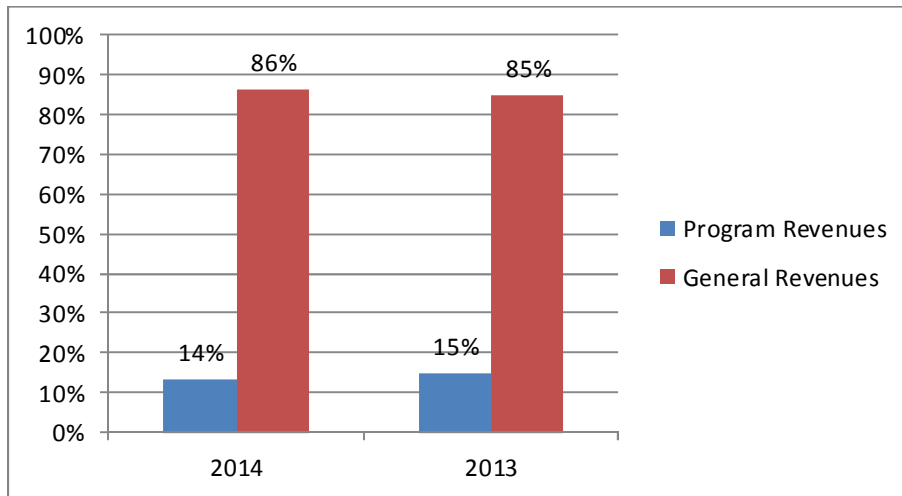
JEFFERSON ELEMENTARY SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

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	
	2014	2013	2014	2013
Instruction	\$ 15.0	\$ 14.6	\$ 13.3	\$ 13.1
Pupil Services	1.6	1.5	0.6	0.3
Administration	1.3	1.3	1.3	1.2
Plant services	1.7	1.7	1.7	1.7
Other	1.8	0.8	1.6	0.6
Total	\$ 21.4	\$ 19.9	\$ 18.5	\$ 16.9



JEFFERSON ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$33.7 million, which is a decrease of \$0.9 million from last year.

Table 4

	Balances and Activity			
	July 1, 2013	Revenues	Expenditures	June 30, 2014
General	\$ 7,777,722	\$ 17,763,815	\$ 17,901,491	\$ 7,640,046
Building Fund	24,035,489	76,470	717,288	23,394,671
Cafeteria	161,854	798,311	766,844	193,321
Deferred Maintenance	592,183	85,706	172,053	505,836
Pupil Transportation	233,989	592	-	234,581
Capital Projects Blended Component Unit	57,998	145	-	58,143
County School Facilities	5,582	12	-	5,594
Bond Interest and Redemption Fund	218,527	487,395	409,532	296,390
Capital Facilities	1,443,977	53,542	163,879	1,333,640
Total	\$ 34,527,321	\$ 19,265,988	\$ 20,131,087	\$ 33,662,222

The primary reasons for these changes are:

The Building Fund decreased due to expenditures related to the Jefferson School modernization.

The Deferred Maintenance fund decreased due to expenditures related to pavement repair and carpet at Hawkins School.

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 17, 2014. 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 56.

The District originally projected revenues of approximately \$16.8 million. The revised budget projected revenues of \$18.2 million, an increase of approximately \$1.4 million.

JEFFERSON ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had \$36.5 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	
	2014	2013
Land	\$ 5,825,263	\$ 5,825,263
Construction in progress	2,171,284	3,462,361
Building and improvements	28,409,509	27,253,393
Equipment	82,592	137,452
Totals	\$ 36,488,648	\$ 36,678,469

Long-Term Obligations

At June 30, 2014, the District had \$31.0 in long-term liabilities. The District's overall long-term obligations are summarized in Table 6.

Table 6

	Long-Term Obligations	
	2014	2013
General Obligation Bonds	\$ 30,702,621	\$ 29,580,377
Premiums, net of Amortization	169,023	174,181
Capitalized lease obligations	27,914	54,209
Other	52,474	63,459
Totals	\$ 30,952,032	\$ 29,872,226

We present more detailed information regarding our long-term obligations in Note 7 of the financial statements.

JEFFERSON ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2013-2014 ARE NOTED BELOW:

- The modernization of Jefferson School continued to be the major capital project in the district. The temporary campus was successfully created at Hawkins School, taking advantage of available space created when a local business who rented space from the district for many years relocated to offsite commercial space. Students attending Jefferson School will be housed at the temporary campus until January, 2016, when the modernization project is anticipated to be complete.
- Updates about planned, in process and completed Measure J projects can be found on our website: www.jeffersonschooldistrict.com.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

In considering the District Budget for the 2013-2014 year, the governing board and management used the following criteria:

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 80 students per year due to unexpected enrollment change in the 2013-14 year. Enrollment decline at start of year stabilized by year end but district conservatively budgeted based on possible decline. 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:

	<u>Staffing Ratio</u>	<u>Enrollment</u>
Grades kindergarten through third	1:20	967
Grades four through eight	1:30	1,391

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 2% for certificated and 1% for classified.
- Health and welfare budgeted at \$10,000 cap at budget.
- Adjusting for increased employer contribution for STRS & PERS.
- Reinstate contributions to Fund 15 (Student Transportation Equipment) and Fund 14 (Deferred Maintenance) which had been discontinued as a budget reduction step.

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, 2014**

	Governmental Activities
ASSETS	
Deposits and investments	\$ 32,494,424
Receivables	2,107,385
Stores inventories	6,523
Capital assets	47,664,146
Less: Accumulated depreciation	(11,175,498)
Total Assets	71,096,980
LIABILITIES	
Accounts payable	884,127
Interest payable	290,349
Unearned revenue	7,467
Current portion of long-term obligations	103,072
Noncurrent portion of long-term obligations	30,848,960
Total Liabilities	32,133,975
NET POSITION	
Invested in capital assets, net of related debt	5,589,090
Restricted for:	
Debt service	296,390
Educational programs	954,661
Capital projects	24,792,048
Other activities	3,607,361
Unrestricted	3,723,455
Total Net Position	\$ 38,963,005

JEFFERSON ELEMENTARY SCHOOL DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

Functions/Programs	Expenses	Program Revenues			Net (Expenses)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes in Net Position
Governmental Activities:					Governmental Activities
Instruction	\$ 13,194,004	\$ 7,084	\$ 1,522,299	\$ 12	\$ (11,664,609)
Instruction-related activities:					
Supervision of instruction	156,236	-	96,219	-	(60,017)
Instructional library, media, and technology	241,040	1,272	5,687	-	(234,081)
School site administration	1,383,752	655	77,425	-	(1,305,672)
Pupil services:					
Home-to-school transportation	226,099	-	-	-	(226,099)
Food services	747,197	324,125	453,626	-	30,554
All other pupil services	612,410	-	225,281	-	(387,129)
Administration:					
All other administration	1,180,463	9,686	35,184	-	(1,135,593)
Data processing services	127,032	-	-	-	(127,032)
Plant services	1,744,785	4,714	21,089	-	(1,718,982)
Ancillary services	38,233	-	-	-	(38,233)
Enterprise Activities	23,650	-	-	-	(23,650)
Interest on long-term obligations	1,530,126	-	-	-	(1,530,126)
Other outgo	217,687	29,066	177,076	-	(11,545)
Total Governmental Activities	\$ 21,422,714	\$ 376,602	\$ 2,613,886	\$ 12	(18,432,214)
General revenues and subventions:					
					3,008,879
Property taxes, levied for general purposes					487,144
Taxes levied for debt services					3,016
Taxes levied for other specific purposes					12,344,668
Federal and State aid not restricted to specific purposes					21,319
Interest and investment earnings					13,418
Interagency revenues					399,469
Miscellaneous					
Subtotal, General Revenues					16,277,913
Change in Net Position					(2,154,301)
Net Position - Beginning					41,827,776
Restatement of beginning net position					(710,470)
Net Position - Ending					\$ 38,963,005

JEFFERSON ELEMENTARY SCHOOL DISTRICT

**GOVERNMENTAL FUNDS – BALANCE SHEET
JUNE 30, 2014**

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Deposits and investments	\$ 6,355,657	\$ 23,363,409	\$ 2,720,876	\$ 32,439,942
Receivables	2,090,850	14,973	1,528	2,107,351
Due from other funds	19,647	55,933	-	75,580
Stores inventories	-	-	6,523	6,523
Total Assets	<u>8,466,154</u>	<u>23,434,315</u>	<u>2,728,927</u>	<u>34,629,396</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	818,641	39,644	25,842	884,127
Due to other funds	-	-	75,580	75,580
Unearned revenue	7,467	-	-	7,467
Total Liabilities	<u>826,108</u>	<u>39,644</u>	<u>101,422</u>	<u>967,174</u>
Fund Balances:				
Nonspendable	5,000	-	6,523	11,523
Restricted	949,661	23,394,671	2,115,146	26,459,478
Committed	-	-	-	-
Assigned	2,673,623	-	505,836	3,179,459
Unassigned	4,011,762	-	-	4,011,762
Total Fund Balance	<u>7,640,046</u>	<u>23,394,671</u>	<u>2,627,505</u>	<u>33,662,222</u>
Total Liabilities and Fund Balances	<u>\$ 8,466,154</u>	<u>\$ 23,434,315</u>	<u>\$ 2,728,927</u>	<u>\$ 34,629,396</u>

JEFFERSON ELEMENTARY SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014**

Total Fund Balance - Governmental Funds		\$ 33,662,222
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	\$ 47,664,146	
Accumulated depreciation is	<u>(11,175,498)</u>	
Net Capital Assets		36,488,648
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.		(290,349)
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.		54,516
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	30,702,621	
Bond premium, net of amortization	169,023	
Compensated absences (vacations)	52,474	
Capital lease payments	<u>27,914</u>	
Total Long-Term Obligations		<u>(30,952,032)</u>
Total Net Position - Governmental Activities		<u><u>\$ 38,963,005</u></u>

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, 2014**

	General Fund	Building Fund	Non Major Governmental Funds	Total Governmental Funds
REVENUES				
Revenue limit sources	\$ 14,876,079	\$ -	\$ 84,407	\$ 14,960,486
Federal sources	713,154	-	438,414	1,151,568
Other State sources	1,221,272	-	29,895	1,251,167
Other local sources	953,310	76,470	872,987	1,902,767
Total Revenues	17,763,815	76,470	1,425,703	19,265,988
EXPENDITURES				
Current				
Instruction	12,232,062	-	-	12,232,062
Instruction-related activities:				
Supervision of instruction	156,236	-	-	156,236
Instructional library, media and technology	241,040	-	-	241,040
School site administration	1,383,752	-	-	1,383,752
Pupil services:				
Home-to-school transportation	226,099	-	-	226,099
Food services	-	-	747,197	747,197
All other pupil services	612,410	-	-	612,410
Administration:				
All other administration	1,157,129	-	19,647	1,176,776
Data processing services	127,032	-	-	127,032
Plant services	1,509,811	-	238,509	1,748,320
Facility acquisition and construction	-	717,288	97,423	814,711
Ancillary services	38,233	-	-	38,233
Other outgo	217,687	-	-	217,687
Debt service				
Principal	-	-	60,000	60,000
Interest and other	-	-	349,532	349,532
Total Expenditures	17,901,491	717,288	1,512,308	20,131,087
Excess (Deficiency) of Revenues				
Over Expenditures	(137,676)	(640,818)	(86,605)	(865,099)
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Net Financing Sources (Uses)	-	-	-	-
NET CHANGE IN FUND BALANCES	(137,676)	(640,818)	(86,605)	(865,099)
Fund Balance - Beginning	7,777,722	24,035,489	2,714,110	34,527,321
Fund Balance - Ending	\$ 7,640,046	\$ 23,394,671	\$ 2,627,505	\$ 33,662,222

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, 2014**

Total Changes in the Fund Balance - Governmental Funds	\$ (865,099)
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	
This is the amount by which capital outlays exceeds depreciation in the period.	
Depreciation expense	\$ (979,947)
Capital outlays	<u>790,126</u>
Net Expense Adjustment	(189,821)
In the statement of activities, certain operating expenses - 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). At year-end, compensated absences earned was greater than amounts used.	10,985
Accreted interest on capital appreciation bonds is accrued as long-term debt in the government-wide financials, increasing expense.	(1,182,244)
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.	5,158
Capital lease payments are expenditures in the governmental funds. However, the capital lease payments are not expenses in the statement of activities, but instead reduce the long-term liabilities in government wide financial statements.	26,295
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.	60,000
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.	1,650
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.	<u>(21,225)</u>
Change in Net Position of Governmental Activities	<u>\$ (2,154,301)</u>

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

JEFFERSON ELEMENTARY SCHOOL DISTRICT

**PROPRIETARY FUND
STATEMENT OF NET POSITION
JUNE 30, 2014**

	Governmental Activities - Internal Service Fund
	<u> </u>
ASSETS	
Current Assets	
Deposits and investments	\$ 54,482
Receivables	34
Total Current Assets	<u> 54,516</u>
NET POSITION	
Unrestricted	54,516
Total Net Position	<u><u> \$ 54,516</u></u>

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, 2014**

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Local and intermediate sources	\$ 2,250
Total Operating Revenues	<u>2,250</u>
OPERATING EXPENSES	
Services and other operating cost	<u>23,650</u>
Total Operating Expenses	<u>23,650</u>
Operating Income (Loss)	<u>(21,400)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	175
Total Nonoperating Revenues (Expenses)	<u>175</u>
Income (Loss) Before Capital Contributions	<u>(21,225)</u>
Change in Net Position	<u>(21,225)</u>
Total Net Position - Beginning	75,741
Total Net Position - Ending	<u>\$ 54,516</u>

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

JEFFERSON ELEMENTARY SCHOOL DISTRICT

**PROPRIETARY FUND
STATEMENT OF CASH FLOWS
JUNE 30, 2014**

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash from Local Revenue	\$ 2,261
Cash payments to suppliers for goods and services	(23,650)
Net Cash Used by Operating Activities	<u>(21,389)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>175</u>
Net Cash Provided (Used) from Investing Activities	<u>175</u>
Net Decrease in Cash and Cash Equivalents	(21,214)
Cash and Cash Equivalents - Beginning	75,696
Cash and Cash Equivalents - Ending	<u>\$ 54,482</u>
 RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Changes in assets and liabilities:	
Accounts receivable	<u>11</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 11</u>

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

JEFFERSON ELEMENTARY SCHOOL DISTRICT

FIDUCIARY FUND STATEMENT OF NET POSITION JUNE 30, 2014

	Retiree Benefits Trust	Scholarship Trust	Agency Funds (ASB)	Total
ASSETS				
Deposits and investments	\$ 234,624	\$ 656	\$ 54,236	\$ 289,516
Receivables	2,921	-	-	2,921
Total Assets	237,545	656	54,236	292,437
LIABILITIES				
Accounts payable	-	-	-	-
Due to student groups	-	-	54,236	54,236
Total Liabilities	-	-	\$ 54,236	\$ 54,236
NET POSITION				
Unreserved	237,545	656	-	238,201
Total Net Position	\$ 237,545	\$ 656	-	\$238,201

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, 2014**

	Retiree Benefits Trust	Scholarship Trust	Total
ADDITIONS			
Private donations	\$ -	\$ -	\$ -
District contributions	28,248	-	28,248
Interest and investment earnings	677	331	1,008
Total Additions	28,925	331	29,256
DEDUCTIONS			
Other expenditures	83,473	500	83,973
Total Deductions	83,473	500	83,973
Change in Net Position	(54,548)	(169)	(54,717)
Net Position - Beginning	292,092	825	292,917
Net Position - Ending	\$ 237,544	\$ 656	\$ 238,200

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

JEFFERSON ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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 and the Debt Service for Blended Units Funds. 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 public entity risk pools and two joint powers authorities. These organizations do not meet the criteria for inclusion as component units of the District. Additional information is presented in Note 13 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
Tracy Area Public Facilities Financing Agency

JEFFERSON ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Basis of Presentation – Fund Accounting

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.

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.

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]).

JEFFERSON ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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:

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.

JEFFERSON ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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 and agency funds. The agency funds report a balance sheet and do not have a measurement focus. The retiree benefit trust used the current financial resources measurement focus.

JEFFERSON ELEMENTARY SCHOOL DISTRICT

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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, 2014, 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.

JEFFERSON ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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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.

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

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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.

JEFFERSON ELEMENTARY SCHOOL DISTRICT

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JUNE 30, 2014

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, 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.

JEFFERSON ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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.

JEFFERSON ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Change in Accounting Principles

As the result of implementing GASB Statement No. 65, the District has restated the beginning net position in the government-wide Statement of Net Position, effectively decreasing net position as of July 1, 2013. The decrease results from no longer deferring and amortizing bond issuance costs.

New Accounting Pronouncements

In June 2012, the GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of Statement No. 27. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by State and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement.

Statement No. 67, Financial Reporting for Pension Plans, revises existing standards of financial reporting for most pension plans. This Statement and Statement No. 67 establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement - determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of State and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.

Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.

Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers

JEFFERSON ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement.

Single employer are those whose employees are provided with defined benefit pensions through single employer pension plans – pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement).

Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans – pension plans in which plan assets are pooled for investment purposes but separated accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.

Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans – pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the pension plan.

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a non-employer entity has legal requirement to make contributions directly to a pension plan.

This Statement is effective for fiscal years beginning after June 15, 2014. Early implementation is encouraged.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contribution Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. The Objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement 68 requires a state or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, Statement 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net

JEFFERSON ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68.

NOTE 2 – DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2014, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 32,439,942
Proprietary fund	54,482
Fiduciary funds	54,336
Total Deposits and Investments	<u><u>\$ 32,548,760</u></u>

Deposits and investments as of June 30, 2014, consist of the following:

Cash on hand and in banks	\$ 51,175
Cash in revolving accounts	5,000
Investments	32,492,585
Total Deposits and Investments	<u><u>\$ 32,548,760</u></u>

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.

JEFFERSON ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

General Authorizations

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

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

JEFFERSON ELEMENTARY SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

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:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Days to Maturity</u>
San Joaquin County Investment Pool	\$ 32,561,780	308 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.

<u>Investment Type</u>	<u>Minimum Legal Rating</u>	<u>Rating June 30, 2014</u>	<u>Fair Value</u>
San Joaquin County Investment Pool	Not Required	Unrated	\$ 32,561,780

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, 2014, the District’s bank balance of \$78,596 with a carrying amount of \$56,075, 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.

JEFFERSON ELEMENTARY SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 3 – RECEIVABLES

Receivables at June 30, 2014, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Non-Major Governmental Funds	Total	Proprietary Fund
Federal Government					
Categorical aid	\$ 111,069	\$ -	\$ -	\$ 111,069	\$ -
State Government					
Apportionment	1,703,156	-	-	1,703,156	-
State Categorical	-	-	-	-	-
Other State	107,513	-	-	107,513	-
Interest	5,051	14,973	1,528	21,552	34
Other Local Sources	164,061	-	-	164,061	-
Total	<u>\$ 2,090,850</u>	<u>\$ 14,973</u>	<u>\$ 1,528</u>	<u>\$ 2,107,351</u>	<u>\$ 34</u>

JEFFERSON ELEMENTARY SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 5,825,263	\$ -	\$ -	\$ 5,825,263
Construction in Progress	3,462,361	727,002	2,018,079	2,171,284
Total Capital Assets Not Being Depreciated	9,287,624	727,002	2,018,079	7,996,547
Capital Assets Being Depreciated:				
Land Improvements	557,413	1,526,874	-	2,084,287
Buildings and Improvements	35,640,516	582,449	-	36,222,965
Furniture and Equipment	1,388,467	-	28,120	1,360,347
Total Capital Assets Being Depreciated	37,586,396	2,109,323	28,120	39,667,599
Total Capital Assets	46,874,020	2,836,325	2,046,199	47,664,146
Less Accumulated Depreciation:				
Land Improvements	1,953	71,239		73,192
Buildings and Improvements	8,942,583	881,968	-	9,824,551
Furniture and Equipment	1,251,015	51,173	24,433	1,277,755
Total Accumulated Depreciation	10,195,551	1,004,380	24,433	11,175,498
Governmental Activities Capital Assets, Net	<u>\$ 36,678,469</u>	<u>\$ 1,831,945</u>	<u>\$ 2,021,766</u>	<u>\$ 36,488,648</u>

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

Governmental Activities	
Instruction	<u>\$ 1,004,380</u>

JEFFERSON ELEMENTARY SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 5 – ACCOUNTS PAYABLE

Accounts payable at June 30, 2014, consisted of the following:

	Governmental Funds			Total
	General	Building	Non-Major	
	Fund	Fund	General Fund	
Salaries and Benefits	\$ 214,248	\$ -	\$ 189	\$ 214,437
Apportionment	-	-	-	-
Construction	-	-	16,100	16,100
All other payables	604,393	39,644	9,553	653,590
Total	<u>\$ 818,641</u>	<u>\$ 39,644</u>	<u>\$ 25,842</u>	<u>\$ 884,127</u>

NOTE 6 – UNEARNED REVENUE

Unearned revenue at June 30, 2014, consists of the following:

	General Fund
Federal financial assistance	\$ 7,014
State categorical aid	453
	<u>\$ 7,467</u>

NOTE 7 – LONG-TERM OBLIGATIONS

Summary

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

	Balance	Additions	Deductions	Balance	Due in
	July 1, 2013			June 30, 2014	One Year
General Obligation Bonds	\$ 29,580,377	\$ 1,182,244	\$ 60,000	\$ 30,702,621	\$ 70,000
Accumulated vacation - net	63,459	-	10,985	52,474	-
Capital Lease	54,209	-	26,295	27,914	27,914
	<u>\$ 29,698,045</u>	<u>\$ 1,182,244</u>	<u>\$ 97,280</u>	<u>\$ 30,783,009</u>	<u>\$ 97,914</u>
Premiums, net of amortization	174,181	-	5,158	169,023	5,158
	<u>29,872,226</u>	<u>1,182,244</u>	<u>102,438</u>	<u>30,952,032</u>	<u>103,072</u>

JEFFERSON ELEMENTARY SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

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.

The outstanding general obligation bonded debt of the District at June 30, 2014 is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds
				Outstanding July 1, 2013	Issued	Redeemed	Outstanding June 30, 2014
4/27/2011	2041	2.0% - 5.5%	\$ 6,397,194	\$ 6,411,101	\$ 35,788	\$ -	\$ 6,446,889
4/21/2013	2043	0.84%-5.5%	\$22,999,470	23,169,276	1,146,456	60,000	24,255,732
				<u>\$ 29,580,377</u>	<u>\$ 1,182,244</u>	<u>\$ 60,000</u>	<u>\$ 30,702,621</u>

JEFFERSON ELEMENTARY SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Debt Service Requirements to Maturity

The bonds mature through 2041 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2015	70,000	316,744	386,744
2016	25,000	370,957	395,957
2017	105,000	362,894	467,894
2018	115,000	360,393	475,393
2019	135,000	356,644	491,644
2020-2024	1,399,096	1,760,574	3,159,670
2025-2029	1,329,649	4,011,290	5,340,939
2030-2034	2,524,898	6,105,571	8,630,469
2035-2039	6,039,794	6,921,119	12,960,913
2040-2044	5,865,861	11,868,443	17,734,304
2045-2049	6,572,525	20,378,737	26,951,262
2050-2054	5,099,841	33,204,384	38,304,225
Subtotal	<u>\$ 29,281,664</u>	<u>\$ 86,017,750</u>	<u>\$ 115,299,414</u>
Accretions to date	1,420,957		
Total	<u><u>\$ 30,702,621</u></u>		

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2014, amounted to \$52,474.

Capital Leases

The District's liability on lease agreements at June 30, 2014 with options to purchase is summarized below:

Balance, July 1, 2013	<u>Copier Leases</u> \$ 54,209
Payments	(26,295)
Balance, June 30, 2014	<u><u>\$ 27,914</u></u>

JEFFERSON ELEMENTARY SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

The capital leases have minimum payments as follows:

Year Ending June 30,	Lease Payments
2015	28,831
Total	28,831
Less: Amount Representing Interest	(917)
Present Value of Minimum Lease Payments	<u>\$ 27,914</u>

NOTE 8 – FUND BALANCES

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

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Fund Balances				
Nonspendable:				
Revolving cash	\$ 5,000	\$ -	\$ -	\$ 5,000
Stores	-	-	6,523	6,523
Restricted for:				
Other fund activities	949,661	23,394,671	2,115,146	26,459,478
Committed to:				
Deferred Maintenance	-	-	-	-
Assigned to:				
Mandated Costs	417,158	-	-	417,158
Instructional Materials	683,761	-	-	683,761
Board Designated Reserves	500,000	-	-	500,000
Lottery	1,072,704	-	-	1,072,704
Other fund activities	-	-	505,836	505,836
Unassigned:				
Reserve for Economic Uncertainty	537,046	-	-	537,046
Unassigned/Unappropriated	3,474,716	-	-	3,474,716
Total Fund Balance	<u>\$ 7,640,046</u>	<u>\$ 23,394,671</u>	<u>\$ 2,627,505</u>	<u>\$ 33,662,222</u>

JEFFERSON ELEMENTARY SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 9 – NET OPEB OBLIGATION

Plan Description

The Postemployment Benefit Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the Jefferson School District. The Plan provides medical, dental and vision insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 5 retirees and beneficiaries currently receiving benefits and 7 active plan members.

<u>Benefit Types Provided</u>	<u>Certificated</u>	<u>Management</u>
	<u>Medical, dental and vision</u>	<u>Medical, dental and vision</u>
	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
Duration of Benefits	25 Years	25 Years
Required Service	58	58
Minimum Age	Yes	Yes
Dependent Coverage	100%	100%
District Contribution %	\$10,000 per year	\$10,000 per year
District Cap		

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 2013-2014, the District contributed \$28,248 to the plan, a portion of which was used for current premiums.

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 \$60,667 which was fully funded through contributions made during the year.

Annual required contribution	\$ 60,667
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	<u>60,667</u>
Contributions made	<u>(28,248)</u>
Decrease in net OPEB asset	32,419
Net OPEB asset, beginning of year	<u>205,406</u>
Net OPEB asset, end of year	<u><u>\$ 172,987</u></u>

JEFFERSON ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2014 was as follows:

Year Ended June 30	Annual Required Contribution	Percentage Contributed	Net OPEB Asset
2012	\$ 92,468	61%	\$ 249,056
2013	\$ 92,468	53%	\$ 205,406
2014	\$ 60,667	47%	\$ 172,987

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. Since this is the first year of implementation, only the current year information is presented.

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, 2014, actuarial valuation, the entry age normal actuarial method was used. The actuarial assumptions included a 4.5 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, 2014, was 30 years. The actuarial value of assets was determined at \$242,001.

JEFFERSON ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 10 – 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, 2014, 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 2013-2014, 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

JEFFERSON ELEMENTARY SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

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:

<u>Insurance Program/Company Name</u>	<u>Type of Coverage</u>	<u>Limits</u>	
<u>Workers' Compensation Program</u>			
San Joaquin County Schools Workers' Compensation Group	Workers' Compensation	State Statutory Limits	
<u>Other Insurance</u>			
The Fidelity and Deposit Company of Maryland	Crime	\$	5,000,000
Hartford Steam Boiler	Equipment Breakdown	\$	100,000
Chubb	EDP	\$	8,036,719
<u>Property and Liability</u>		<u>Property Limits</u>	<u>Liability Limits</u>
Northern California Regional Excess of Liability Fund (ReLIEF)	Property and Liability	\$25,000-\$250,000	\$50,000-\$1,000,000
Schools Association for Excess Risk (SAFER)	Property and Liability	\$250,000-\$250,000,000	\$1,000,000-\$24,000,000

NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS).

CalSTRS

Plan Description

The District contributes to the California State Teachers' Retirement System (CalSTRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 100 Waterfront Place, West Sacramento, CA 95605.

JEFFERSON ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Funding Policy

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2013-2014 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalSTRS for the fiscal years ending June 30, 2014, 2013, and 2012, were \$750,566, \$736,873, and \$757,646, respectively, and equal 100 percent of the required contributions for each year.

CalPERS

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, and legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

Funding Policy

Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rates are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2012-2013 was 11.442 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2014, 2013, and 2012, were \$268,295, \$253,232, and \$243,793, respectively, and equal 100 percent of the required contributions for each year.

On Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$504,107 (5.541 percent of salaries subject to CalSTRS). No contributions were made for CalPERS for the year ended June 30, 2014. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures; however, guidance received from the California Department of Education advises local educational agencies not to record these amounts in the Annual Financial and Budget Report. These amounts have not been included in the budget amounts reported in the General Fund Budgetary Schedule. These amounts have not been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves.

JEFFERSON ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 12 – 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, 2014.

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, 2014.

NOTE 13 – 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, and the San Joaquin County Schools Data Processing Group (SJCSDPC). The District pays an annual premium to the applicable entity for its health, worker's 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, the District made payments of \$238,623, \$102,592 and \$108,193 to the San Joaquin County School Workers' Compensation Insurance Group, San Joaquin County Schools Property and Liability Insurance Group, and San Joaquin County Schools Data Processing, respectively, for the workers' compensation insurance, property and liability insurance, and data processing.

JEFFERSON ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 14 – RESTATEMENT OF PRIOR YEAR NET POSITION

The District adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, in the current year. Under the provisions of GASB 65, deferred issuance costs are now considered to be period expenses and are no longer deferred and amortized expense. As a result, the deferred issuance costs as of July 1, 2013 in the amount of \$710,470 have been offset against beginning net position in the government-wide financial statement as follows:

Statement of Net Position

Net Position - Beginning	\$ 41,827,776
Restatement/cost of issuance	<u>(710,470)</u>
Net Position - Beginning as Restated	<u>\$ 41,117,306</u>

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II - Required Supplementary Information

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JEFFERSON ELEMENTARY SCHOOL DISTRICT

**GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual (GAAP Basis)	Variances -
	(GAAP Basis)			Positive
	Original	Final		(Negative) Final to Actual
REVENUES				
Revenue limit sources	\$ 12,469,523	\$ 14,870,579	\$ 14,876,079	\$ 5,500
Federal sources	683,507	726,112	713,154	(12,958)
Other State sources	2,609,557	1,408,450	1,221,272	(187,178)
Other local sources	998,070	1,145,987	953,310	(192,677)
Total Revenues	16,760,657	18,151,128	17,763,815	(387,313)
EXPENDITURES				
Current				
Certificated salaries	9,182,677	9,505,714	9,346,361	159,353
Classified salaries	2,137,007	2,260,685	2,271,810	(11,125)
Employee benefits	3,222,318	3,282,147	3,253,085	29,062
Books and supplies	949,244	1,554,646	1,001,580	553,066
Services and operating expenditures	1,757,920	2,165,266	1,830,615	334,651
Other outgo	159,358	214,541	198,040	16,501
Capital Outlay	-	-	-	-
Total Expenditures	17,408,524	18,982,999	17,901,491	1,081,508
Excess (Deficiency) of Revenues				
Over Expenditures	(647,867)	(831,871)	(137,676)	694,195
Other Financing Sources (Uses)				
Other Sources	-	-	-	-
Net Financing Sources (Uses)	-	-	-	-
NET CHANGE IN FUND BALANCES	(647,867)	(831,871)	(137,676)	694,195
Fund Balance - Beginning	7,777,722	7,777,722	7,777,722	-
Fund Balance - Ending	\$ 7,129,855	\$ 6,945,851	\$ 7,640,046	\$ 694,195

JEFFERSON ELEMENTARY SCHOOL DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING
 PROGRESS AND EMPLOYER CONTRIBUTION
 FOR THE YEAR ENDED JUNE 30, 2014**

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)
June 1, 2008	\$ 285,076	\$ 847,395	\$ 562,319	34%	\$ 10,890,000	5%
December 8, 2011	\$ 332,922	\$ 1,423,305	\$ 1,090,383	23%	\$ 11,500,000	9%
June 1, 2014	\$ 242,001	\$ 1,031,426	\$ 1,095,976	23%	\$ 11,600,000	7%

III - Supplementary Information

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JEFFERSON ELEMENTARY SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

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 (CDE):			
No Child Left Behind Act (NCLB)			
Title I, Part A - Basic Grants Low Income and Neglected	84.010	14981	\$ 241,113
Subtotal Title I Grants to Local Educational Agencies Cluster			<u>241,113</u>
Title II, Part A - Teacher Quality	84.367	14341	25,401
Title III - Limited English Proficiency	84.365	14346	57,594
Title IV, Part A, Safe and Drug Free Schools	84.186	14347	109
Individuals with Disabilities Education Act (IDEA) Cluster			
IDEA, Basic Local Assistance, Entitlement Part B, Sec 611	84.027	13379	326,912
IDEA, Preschool Grants, Part B, Sec 619	84.173	13430	6,579
IDEA, Preschool Local Entitlement	84.027A	13682	18,161
Subtotal Individuals with Disabilities Education Act (IDEA) Cluster			<u>351,652</u>
Total U.S. Department of Education			<u>675,869</u>
US DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Medi-Cal Billing Option	93.778	10013	<u>17,754</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster			
National School Breakfast	10.553	13526	49,143
National School Lunch	10.555	13524	288,052
Meal Supplement	10.555	13568	11,459
Commodities	10.565	13396	89,760
Total U.S. Department of Agriculture			<u>438,414</u>
Total Expenditures of Federal Awards			<u>\$ 1,132,037</u>

See accompanying note to supplementary information.

JEFFERSON ELEMENTARY SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE FOR THE YEAR ENDED JUNE 30, 2014

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, and one middle school. There were no boundary changes during the year.

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Brian Jackman	President	2014
Jacqueline Thomas	Vice President	2014
Pete Carlson	Clerk	2016
Debbi Wingo	Member	2016
Dan Wells	Member	2014

ADMINISTRATION

Jim Bridges	Superintendent
Mindy Maxedon	Chief Business Officer

JEFFERSON ELEMENTARY SCHOOL DISTRICT

**SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Second Period Report</u>	<u>Annual Report</u>
ELEMENTARY		
Kindergarten	221	223
First through third	735	735
Fourth through sixth	791	791
Seventh and eighth	563	562
Home and hospital	1	1
Special education	43	43
Total Elementary	<u>2,354</u>	<u>2,355</u>

See accompanying note to supplementary information.

JEFFERSON ELEMENTARY SCHOOL DISTRICT

**SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2014**

Grade Level	1986-87	1986-87	2013-2014	Number of Days		Status
	Minutes Requirement	Adjusted and Reduced	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	35,000	42,615	180	N/A	Complied
Grade 1	50,400	49,000	50,520	180	N/A	Complied
Grade 2	50,400	49,000	50,520	180	N/A	Complied
Grade 3	50,400	49,000	50,520	180	N/A	Complied
Grade 4	54,000	52,500	60,373	180	N/A	Complied
Grade 5	54,000	52,500	60,373	180	N/A	Complied
Grade 6	54,000	52,500	60,540	180	N/A	Complied
Grade 7	54,000	52,500	60,540	180	N/A	Complied
Grade 8	54,000	52,500	60,540	180	N/A	Complied

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, 2014

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

FORM ASSET

Balance, June 30, 2014, Unaudited Actuals	\$ 36,789,921
Increase in:	
Land improvements	2,084,287
Buildings and improvements	17,297,504
Accumulated Depreciation	(7,425,232)
Decrease in:	
Construction in progress	12,108,270
Furniture and equipment	149,562
Balance, June 30, 2014, Audited Financial Statements	<u>\$ 36,488,648</u>

FORM DEBT

Total Long-Term Obligations, June 30, 2014, Unaudited Actuals	\$ 28,166,119
Increase in:	
General Obligation Bonds	2,617,807
Premiums, net of amortization	169,023
Decrease in:	
Capital Leases	917
Total Long-Term Obligations, June 30, 2014, Audited Financial Statements	<u>\$ 30,952,032</u>

See accompanying note to supplementary information.

JEFFERSON ELEMENTARY SCHOOL DISTRICT

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

	(Budget) 2015 ¹	2014	2013	2012
GENERAL FUND				
Revenues	\$ 17,802,630	\$ 17,763,815	\$ 17,005,749	\$ 16,633,460
Other sources	-	-	-	14,065
Total Revenues and Other Sources	<u>17,802,630</u>	<u>17,763,815</u>	<u>17,005,749</u>	<u>16,647,525</u>
Expenditures	18,377,263	17,901,491	17,242,762	17,661,447
Other uses and transfers out	104,407	-	-	20,000
Total Expenditures and Other Uses	<u>18,481,670</u>	<u>17,901,491</u>	<u>17,242,762</u>	<u>17,681,447</u>
INCREASE (DECREASE) IN FUND BALANCE	<u>\$ (679,040)</u>	<u>\$ (137,676)</u>	<u>\$ (237,013)</u>	<u>\$ (1,033,922)</u>
ENDING FUND BALANCE	<u>\$ 6,961,006</u>	<u>\$ 7,640,046</u>	<u>\$ 7,777,722</u>	<u>\$ 8,014,735</u>
AVAILABLE RESERVES ²	<u>\$ 3,500,443</u>	<u>\$ 4,011,762</u>	<u>\$ 4,735,131</u>	<u>\$ 4,317,979</u>
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	<u>18.94%</u>	<u>22.41%</u>	<u>27.46%</u>	<u>24.42%</u>
LONG-TERM OBLIGATIONS	<u>\$ 30,941,660</u>	<u>\$ 30,952,032</u>	<u>\$ 29,872,226</u>	<u>\$ 6,632,075</u>
K-12 AVERAGE DAILY ATTENDANCE AT P-2	<u>2,300</u>	<u>2,354</u>	<u>2,425</u>	<u>2,452</u>

The General Fund balance has decreased by \$374,689 over the past two years. The fiscal year 2014-2015 budget projects a budget decrease of \$679,040. 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 operating deficits for each of the past three years and anticipates incurring an operating deficit during the 2014-2015 fiscal year. Total long-term obligations have increased by \$24,319,957 over the past two years.

Average daily attendance has decreased by 98 over the past two years. Decrease of 54 ADA is anticipated during fiscal year 2014-2015.

¹ Budget 2014 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.

JEFFERSON ELEMENTARY SCHOOL DISTRICT

**SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2014**

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

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JEFFERSON ELEMENTARY SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2014**

	Cafeteria Fund	Deferred Maintenance Fund	Pupil Transportation Fund
ASSETS			
Deposits and investments	\$ 207,137	\$ 505,513	\$ 234,433
Receivables	120	323	148
Stores inventories	6,523	-	-
Total Assets	213,780	505,836	234,581
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	812	-	-
Due to other funds	19,647	-	-
Total Liabilities	20,459	-	-
Fund Balances:			
Nonspendable	6,523	-	-
Restricted	186,798	-	234,581
Committed	-	-	-
Assigned	-	505,836	-
Unassigned	-	-	-
Total Fund Balance	193,321	505,836	234,581
Total Liabilities and Fund Balances	\$ 213,780	\$ 505,836	\$ 234,581

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
\$ 1,413,705	\$ 5,591	\$ 58,107	\$ 296,390	\$ 2,720,876
898	3	36	-	1,528
-	-	-	-	6,523
<u>1,414,603</u>	<u>5,594</u>	<u>58,143</u>	<u>296,390</u>	<u>2,728,927</u>
25,030	-	-	-	25,842
55,933	-	-	-	75,580
<u>80,963</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>101,422</u>
-	-	-	-	6,523
1,333,640	5,594	58,143	296,390	2,115,146
-	-	-	-	-
-	-	-	-	505,836
-	-	-	-	-
<u>1,333,640</u>	<u>5,594</u>	<u>58,143</u>	<u>296,390</u>	<u>2,627,505</u>
<u>\$ 1,414,603</u>	<u>\$ 5,594</u>	<u>\$ 58,143</u>	<u>\$ 296,390</u>	<u>\$ 2,728,927</u>

JEFFERSON ELEMENTARY SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2014**

	Cafeteria Fund	Deferred Maintenance Fund	Pupil Transportation Fund
REVENUES			
Revenue limit sources	\$ -	\$ 84,407	\$ -
Federal sources	438,414	-	-
Other State sources	25,577	-	-
Other local sources	334,320	1,299	592
Total Revenues	798,311	85,706	592
EXPENDITURES			
Current			
Pupil services:			
Food services	747,197	-	-
Administration:			
All other administration	19,647	-	-
Plant services	-	172,053	-
Facility acquisition and construction	-	-	-
Debt service			
Principal	-	-	-
Interest	-	-	-
Total Expenditures	766,844	172,053	-
Excess (Deficiency) of Revenues Over Expenditures	31,467	(86,347)	592
Other Financing Sources (Uses)			
Transfers in	-	-	-
Other Financing Sources (Uses)	-	-	-
Net Financing Sources (Uses)	-	-	-
NET CHANGE IN FUND BALANCES	31,467	(86,347)	592
Fund Balance - Beginning	161,854	592,183	233,989
Fund Balance - Ending	\$ 193,321	\$ 505,836	\$ 234,581

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
-	-	-	-	438,414
-	-	-	4,318	29,895
53,542	12	145	483,077	872,987
<u>53,542</u>	<u>12</u>	<u>145</u>	<u>487,395</u>	<u>1,425,703</u>
-	-	-	-	747,197
-	-	-	-	19,647
66,456	-	-	-	238,509
97,423	-	-	-	97,423
-	-	-	60,000	60,000
-	-	-	349,532	349,532
<u>163,879</u>	<u>-</u>	<u>-</u>	<u>409,532</u>	<u>1,512,308</u>
<u>(110,337)</u>	<u>12</u>	<u>145</u>	<u>77,863</u>	<u>(86,605)</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>(110,337)</u>	<u>12</u>	<u>145</u>	<u>77,863</u>	<u>(86,605)</u>
<u>1,443,977</u>	<u>5,582</u>	<u>57,998</u>	<u>218,527</u>	<u>2,714,110</u>
<u>\$ 1,333,640</u>	<u>\$ 5,594</u>	<u>\$ 58,143</u>	<u>\$ 296,390</u>	<u>\$ 2,627,505</u>

JEFFERSON ELEMENTARY SCHOOL DISTRICT

**NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2014**

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 the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 report 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 funds that have been recorded revenue in prior periods and expensed in the current period as of June 30, 2014. Unspent balances are reported as legally restricted ending balances with the General Fund.

Description	<u>CFDA Number</u>	<u>Amount</u>
Total Federal Revenues From the Statement of Revenues, Expenditures and Changes in Fund Balances:		\$ 1,132,037
Medi-Cal Billing Option	93.778	<u>19,531</u>
Total Schedule of Expenditures of Federal Awards		<u>\$ 1,151,568</u>

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.

JEFFERSON ELEMENTARY SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2014

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.

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.

IV - Independent Auditors' Reports

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Cichella & Tokunaga, LLP

Certified Public Accountants

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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, 2014, 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 3, 2014.

Change in Accounting Principles

As discussed in Note 14 to the financial statements, the District has adopted the provision of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

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 of 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.

Cubell + Tolinger, LLP

El Dorado Hills, California
December 3, 2014

Cichella & Tokunaga, LLP

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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 Circular A-133 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, 2014. 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 the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2014.

Report on Internal Control Over Compliance

Management of 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 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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Curtis + Tolson, LLP

El Dorado Hills, California
December 3, 2014

Cichella & Tokunaga, LLP

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Education
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 identified in the *Standards and Procedures for Audit of California K-12 Local Educational Agencies 2013-2014* that could have a direct and material effect on each of the Jefferson Elementary School District's State government programs as noted below for the year ended June 30, 2014.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State's programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of 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 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 *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2013-2014*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. 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 opinions. Our audit does not provide a legal determination of Jefferson Elementary School District's compliance with those requirements.

Unmodified Opinion on Each of the State Programs

In our opinion, Jefferson Elementary School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2014.

Other Matters

In connection with the audit referred to above, we selected and tested transactions and records to determine the Jefferson Elementary School District’s compliance with the State laws and regulations applicable to the following items:

	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Attendance Accounting:		
Attendance reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten continuance	3	Yes
Independent Study	23	No, See Below
Continuation education	10	Not Applicable
Instructional Time:		
School districts	10	Yes
Instructional Materials:		
General requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early retirement incentive	4	Not Applicable
Gann limit calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	Not Applicable
Local Control Funding Formula Certification	1	Yes
California Clean Energy Jobs Act	3	Not Applicable
After School Education and Safety Program		
General requirements	4	Not Applicable
After school	5	Not Applicable
Before school	6	Not Applicable
Education Protection Account Funds	1	Yes
Common Core Implementation Funds	3	Yes
Unduplicated Count Control Funding Formula Pupil Counts	3	Yes
Charter Schools:		
Contemporaneous records of attendance	8	Not Applicable
Mode of instruction	1	Not Applicable
Non classroom-based instruction/independent study	15	Not Applicable
Determination of funding for non-classroom-based instruction	3	Not Applicable
Annual instruction minutes classroom based	4	Not Applicable
Charter School Facility Grant Program	1	Not Applicable

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

Carroll & Tolinger, LLP

El Dorado Hills, California
December 3, 2014

V - Schedule of Findings and Questioned Costs

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JEFFERSON ELEMENTARY SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

None reported.

JEFFERSON ELEMENTARY SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

None reported.

JEFFERSON ELEMENTARY SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

None Reported.

JEFFERSON ELEMENTARY SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2014

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of financial statement findings.

2013-1 Instructional Materials – (40000)

Criteria or Specific Requirements

A school district that is required to conduct a hearing as provided in Education Code Section 60119, must provide a 10-day notice of the required public hearing or hearings prior to making a determination through a resolution as to the sufficiency of textbooks or other instructional materials.

Condition

Although the District conducted a hearing as provided in Education Code Section 60119, the notice of the required hearing was not provided 10 days prior to the public hearing

Questioned Cost

\$134,471

Context

Performing a review of whether the District meets applicable state compliance requirements will ensure state funding for relevant programs are not disallowed due to noncompliance.

Effect

Because the District was not in compliance with the 10-day notice of the required public hearing, it is in danger of not being eligible to receive an Instructional Materials Funding Realignment Program allowance for the fiscal year audited unless additional steps are taken stated in Education Code Section 41344.4.

Cause

Due to an oversight, the District did not follow its procedure to ensure that notice of the required hearing as provided in Education Code Section 60119 was provided 10 days prior to the hearing.

Recommendation

The District should implement a procedure to include scheduling a reminder that the required hearing as provided in Education Code Section 60119 to ensure that a 10-day notice of the public hearing posted. We recommend that at least two District employees schedule the posting of the public hearing and a reminder to confirm that timely posting was performed.

Status

Implemented

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