JEFFERSON UNION HIGH SCHOOL DISTRICT
COUNTY OF SAN MATEO
DALY CITY, CALIFORNIA

AUDIT REPORT

JUNE 30, 2018

CHAVAN & ASSOCIATES, LLP
CERTIFIED PUBLIC ACCOUNTANTS
1475 SARATOGA AVE., SUITE 180
SAN JOSE, CA 95129

JEFFERSON UNION HIGH SCHOOL DISTRICT
SAN MATEO COUNTY

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Jefferson Union High School District
Daly City, 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 Jefferson Union High School District (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Jefferson Union High School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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

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Opinions

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

Emphasis of a Matter

Deficit Net Position

As of June 30, 2018, the District's net position in its Government-wide financial statements was at a deficit mostly because of the long-term benefit plan liabilities and deferrals as reported in Note 10 and 11. Our opinion is not modified with respect to this matter.

Other Matters

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the District adopted new accounting guidance, GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB). The District currently funds this obligation on a pay-as-you go basis. The District anticipates that its ongoing funding and current resources are sufficient to meet its obligations as they come due. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of pension contributions, schedule of proportionate share of net pension liability and schedule of total OPEB liability, as listed in the table of contents, 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.

Chavan & Associates, LLP
Certified Public Accountants

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements, schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Regulations, Cost Principles, and Audit Requirements for Federal Awards,* and the other information listed in the supplementary section of the table of contents, as required by the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, schedule of expenditures of federal awards, and the other information listed in the supplementary section of the table of contents are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Except for the organization schedule, schedule of charter schools, and schedule of financial trends and analysis, 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 combining and individual nonmajor fund financial statements, schedule of expenditures of federal awards, and the other information listed in the supplementary section of the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The organization schedule, schedule of charter schools and schedule of financial trends and analysis have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2018 on our consideration of Jefferson Union High 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 Union High School District's internal control over financial reporting and compliance.

C & A LLP

December 7, 2018
San Jose, California

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Management's Discussion and Analysis

This discussion and analysis of Jefferson Union High School District's (the District's) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for the fiscal year 2018 are as follows:

- Total net position decreased by $16,658,497 (38%) from June 30, 2017 to June 30, 2018, mainly due to an increase in net pension obligations of $4,051,590, the net OPEB liability of $16,132,879, and general obligation bonds of $65,274,684.

- The District recorded deferred outflows of resources of $27,128,869 and deferred inflows of resources of $5,917,947 as required by GASB 68 and GASB 75 for pension and other postemployment benefit accounting and reporting. Deferred outflows of resources are technically not assets but increase the Statement of Net Position similar to an asset and deferred inflows of resources are technically not liabilities but decrease the Statement of Net Position similar to liabilities. See Note 1 in the notes to financial statements for a definition.

- The District had $85,098,730 in government-wide expenses which is 102% of total government-wide revenues. Program specific revenues in the form of operating grants and contributions and charges for services accounted for $10,372,797, or 13%, of the total revenues of $83,158,913.

- General revenue of $83,158,913 which includes property taxes, unrestricted federal and state grants and LCFF sources, was 87% of total revenues in 2018 versus 89% in 2017.

- The fund balances of all funds increased by $53,287,998, which is a 109% increase from 2017, mostly due to unspent bond proceeds in the Building Fund.

- Total governmental fund revenues and expenditures totaled $83,158,912 and $102,370,914, respectively.

Using the Annual Report

This annual report consists of a series of basic financial statements and notes to those statements. These statements are organized so the reader can understand Jefferson Union High School District as a financial whole, an entire operating entity. The statements provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities comprise the government-wide financial statements and provide information about the activities of the entire District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column. In the case of Jefferson Union High School District, the General Fund is by far the most significant fund.

The basic financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Overview of the Financial Statements

The full annual financial report is a product of three separate parts: the basic financial statements, supplementary information, and this section, the Management Discussion and Analysis. These three sections together provide a comprehensive financial overview of the District. The basic financials are comprised of two kinds of statements that present financial information from different perspectives, Government-wide and funds.

- Government-wide financial statements, which comprise the first two statements, provide both short-term and long-term information about the District's overall financial position.

- Individual parts of the District, which are reported as fund financial statements, focus on reporting the District's operations in more detail. These fund financial statements comprise the remaining statements.

- Notes to the financials, which are included in the financial statements, provide more detailed data and explain some of the information in the statements. The required supplementary information section provides further explanations and provides additional support for the financial statements.

Government-wide Financial Statements - Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during the fiscal year 2018?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting practices used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses, regardless of when cash is received or paid.

These two statements report the District's net position and changes in those assets. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the District's property tax base, current property tax laws in California restricting revenue growth, facility conditions, and required educational programs.

In the Statement of Net Position and the Statement of Activities, the District reports governmental activities. Governmental activities are the activities where most of the District's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major funds begins with the Balance Sheet. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. These fund financial statements focus on each of the District's most significant funds. The District's major governmental funds are the General Fund, the Building Fund and the Bond Interest and Redemption Fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future periods. 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. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary Funds

Services for which the District charges a fee are generally reported in proprietary funds on a full accrual basis. The District has no proprietary funds.

Fiduciary Funds

The District is the trustee, or fiduciary, for its scholarship and student activity funds. All of the District's fiduciary activities are reported in separate Statements 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.

The District as a Whole

Recall that the Statement of Net Position provides a perspective of the District as a whole. Table 1 provides a summary of the District's net position as of June 30, 2018 compared to June 30, 2017:

Table 1 - Summary of Net Position

	Governmental Activities			
	2018	2017	$ Change	% Change
Assets				
Current and Other Assets	$ 111,138,699	$ 54,742,375	$ 56,396,324	103%
Capital Assets	159,052,011	147,034,958	12,017,053	8%
Total Assets	**$ 270,190,710**	**$ 201,777,333**	**$ 68,413,377**	**34%**
Deferred Outflows	**$ 27,128,869**	**$ 25,572,906**	**$ 1,555,963**	**6%**
Liabilities				
Current Liabilities	$ 12,154,511	$ 8,711,953	$ 3,442,558	40%
Long-Term Liabilities	340,014,892	254,956,909	85,057,983	33%
Total Liabilities	**$ 352,169,403**	**$ 263,668,862**	**$ 88,500,541**	**34%**
Deferred Inflows	**$ 5,917,947**	**$ 7,790,651**	**$ (1,872,704)**	**-24%**
Net Position				
Net Investment in Capital Assets	$ (22,428,700)	$ (21,096,648)	$ (1,332,052)	6%
Restricted	17,165,054	18,633,813	(1,468,759)	-8%
Unrestricted	(55,504,125)	(41,646,439)	(13,857,686)	33%
Total Net Position	**$ (60,767,771)**	**$ (44,109,274)**	**$ (16,658,497)**	**38%**

Current and other assets increased by 103% because of cash from unspent bond proceeds issued during the year. Capital assets increased by 8% from capital outlay related to bond spending on facility improvement programs. Long-term debt increased by 33% because of bond issuances totaling $72,500,000, increases to net pension obligations, and the implementation of GASB 75, which required the district to record its total unfunded, net other postemployment liability for the first time.

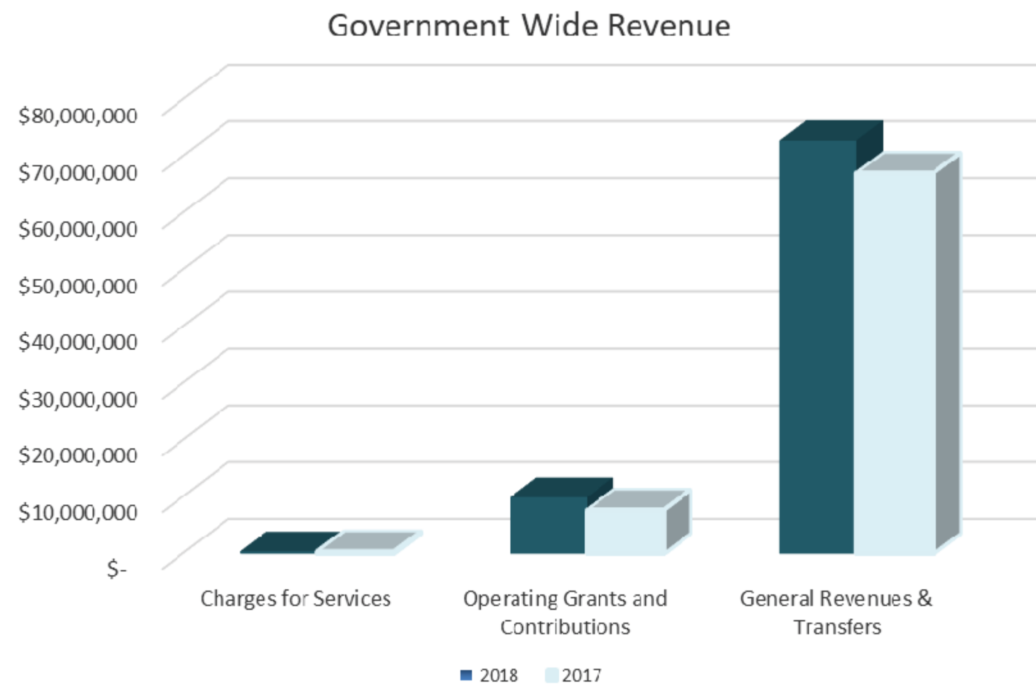
Table 2 compares the components of changes in net position for the fiscal year 2018 versus 2017:

Table 2 - Change in Net Position

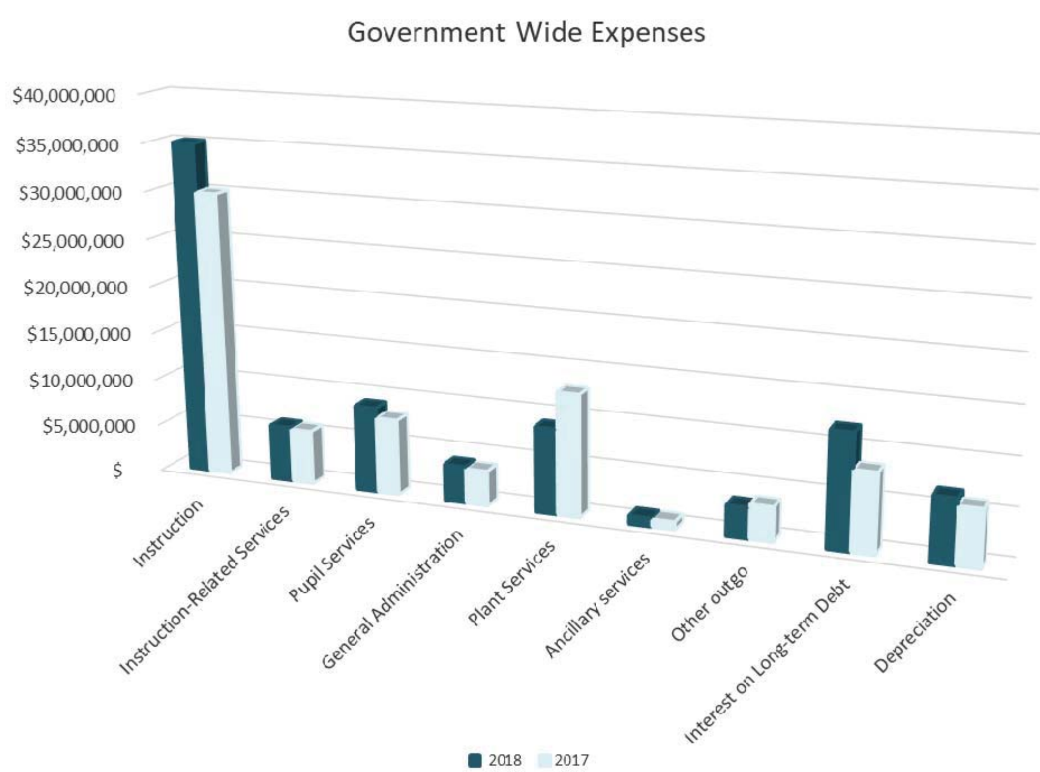
	Governmental Activities			
	2018	2017	$ Change	% Change
Revenues				
Program Revenues:				
Charges for Services	$ 428,442	$ 399,494	$ 28,948	7%
Operating Grants and Contributions	9,944,355	7,745,044	2,199,311	28%
General Revenues & Transfers	72,786,116	67,102,205	5,683,911	8%
Total Revenues	83,158,913	75,246,743	7,912,170	11%
Program Expenses				
Instruction	35,000,390	29,973,888	5,026,502	17%
Instruction-Related Services	5,817,367	5,650,357	167,010	3%
Pupil Services	8,974,385	7,929,171	1,045,214	13%
General Administration	3,849,708	3,647,037	202,671	6%
Plant Services	8,893,104	12,721,832	(3,828,728)	-30%
Ancillary services	851,668	805,226	46,442	6%
Other outgo	3,204,805	3,569,764	(364,959)	-10%
Interest on Long-term Debt	11,881,245	8,239,648	3,641,597	44%
Depreciation	6,626,058	5,879,449	746,609	13%
Total Expenses	85,098,730	78,416,372	6,682,358	9%
Change in Net Position	(1,939,817)	(3,169,629)	1,229,812	63%
Beginning Net Position	(44,109,274)	(40,939,645)	(3,169,629)	-8%
Prior Period Adjustments	(14,718,680)	-	(14,718,680)	-100%
Ending Net Position	**$ (60,767,771)**	**$ (44,109,274)**	**$ (16,658,497)**	**-38%**

Interest expense increased by 44% because of debt service payments on the Bond issuances. General Revenues increased by 8% because of new property tax assessments related to bond measures. The prior period adjustment of $14,718,680 included an adjustment of $14,783,413 for other postemployment benefits which was required to implement GASB 75 as a change in accounting policy.

The following chart compares government-wide revenue by category for 2018 and 2017:



The next chart compares government-wide expenses by category for 2018 and 2017:



Governmental Activities

Direct Instruction, Instruction-Related Services, and Pupil Services represent 59% of total expenses in 2018 versus 56% in 2017. The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services and identifies the cost of these services supported by revenues.

Table 3 - Net Cost of Services

Function	2018	2017	Increase (Decrease)	Percent
Instruction	$ 28,825,072	$ 25,011,913	$ 3,813,159	15.2%
Instruction-related services:	5,020,606	4,602,688	417,918	9.1%
Pupil services:	7,967,071	6,566,432	1,400,639	21.3%
General administration:	3,778,974	3,556,376	222,598	6.3%
Plant services	8,871,894	12,709,078	(3,837,184)	-30.2%
Ancillary services	849,792	780,665	69,127	8.9%
Other outgo	905,221	2,925,585	(2,020,364)	-69.1%
Interest on long-term debt	11,881,245	8,239,648	3,641,597	44.2%
Depreciation - unallocated	6,626,058	5,879,449	746,609	12.7%
Total Net Cost of Services	**$ 74,725,933**	**$ 70,271,834**	**$ 4,454,099**	**6.3%**

The District's Funds

Table 4 provides an analysis of the District's fund balances and the total change in fund balances from the prior year.

Table 4 - Change in Fund Balances

Funds	2018	2017	Increase (Decrease)	Percent
General Fund	$ 7,475,651	$ 7,923,207	$ (447,556)	-5.6%
Building Fund	76,146,009	22,772,938	53,373,071	234.4%
Bond Interest and Redemption Fund	15,179,227	15,486,047	(306,820)	-2.0%
Nonmajor Governmental Funds	3,309,301	2,639,998	669,303	25.4%
Total Fund Balances	**$ 102,110,188**	**$ 48,822,190**	**$ 53,287,998**	**109.1%**

Capital Assets

Table 5 shows June 30, 2018 capital asset balances compared to June 30, 2017:

Table 5 - Summary of Capital Assets Net of Depreciation				
Capital Asset	2018 Net Capital Assets	2017 Net Capital Assets	Increase (Decrease)	Percent
Land	$ 1,536,578	$ 1,536,578	$ -	0.0%
Work-in-Progress	18,317,412	10,110,267	8,207,145	81.2%
Buildings	137,321,472	133,397,402	3,924,070	2.9%
Improvements of sites	100,348	139,900	(39,552)	-28.3%
Equipment	1,776,201	1,850,811	(74,610)	-4.0%
Totals	**$ 159,052,011**	**$ 147,034,958**	**$ 12,017,053**	**8.2%**

See Note 5 for additional information related to the changes in capital assets.

Long Term Debt

Table 6 reports the balance and changes of long-term liabilities during the fiscal year 2018.

Table 6 - Long-term Debt				
Type of Debt	2018	2017	Increase (Decrease)	Percent
Bonds	$ 264,004,499	$ 198,729,815	$ 65,274,684	33%
Lease-Leaseback	655,601	1,212,156	(556,555)	-46%
Net Pension Liabilities	51,194,902	47,143,312	4,051,590	9%
Net OPEB Liability	23,699,886	7,567,007	16,132,879	213%
Compensated Absences	460,004	304,619	155,385	51%
Total Debt	**$ 340,014,892**	**$ 254,956,909**	**$ 85,057,983**	**33%**

The District implemented GASB 75 as of June 30, 2018, which required the District to record the entirety of its net OPEB liability. See Notes 6, 10 and 11 to the financial statements for additional information.

General Fund Budgetary Highlights

The District's budget is prepared in accordance with California law and is based on the modified accrual basis of accounting. Over the course of the year, the District revised its budget based on updated financial information. The original budget, approved at the end of June for July 1, is based on May Revise figures and updated 45 days after the State approves its final budget. In addition, the District revised its budget at First and Second Interim. The original budget presented in the required supplementary information section includes only new revenues for 2018. During the budget revision process the District accounts for prior year ending balances by budgeting to use the carryover. Budgeted revenue increased by $7,474,478 from adopted to final and budgeted expenditures increased by $6,852,661 from adopted to final during the year.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could significantly affect its financial health in the future:

- The state has reached full funding for Local Control Funding Formula (LCFF) earlier than expected, therefore, larger increases of revenue due to the GAP funding no longer exists. This means that unless the State adds significantly to the LCFF base funding, the District is likely to remain a Community Funded (Basic Aid) District.
- Basic Aid status may provide additional funds, however, it brings greater uncertainty. Property tax revenue is very uncertain and subject to dramatic changes. This is due to the cyclic nature of property values as well as to limitations on the county information systems. Thus, while the additional revenue that a basic aid district receives is extremely helpful, the district's financial picture must be watched very carefully for signs of change. The district must do long term financial planning and carry significant reserves so that changes in property tax revenue can be accommodated without major impact on district programs.
- Basic Aid status takes enrollment out of the equation. As opposed to the LCFF funding mechanism which pays an amount per student and therefore automatically funds growth, a basic aid district must pay for any growth from its fixed pool of property tax funds. Therefore, any enrollment growth would adversely affect district finances and the educational programs. JUHSD enrollment has been declining, but is projected to level off in the next few years.
- Other considerations. Many costs continue to increase beyond the control of the district, such as maintenance costs, STRS/PERS, and costs for Special Education. As a Basic Aid District, if the economy slows, percentage increases in these areas have the potential to be greater than property tax growth.
- With the passage of Measure Y, the District will see an increase of about $2M per year in local revenue and has committed to putting that toward compensation increases for District employees.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions regarding this report or need additional financial information, contact the District's Business Office at (650) 550-7954 or 699 Serramonte Blvd., Daly City, CA 94015.

Basic Financial Statements

JEFFERSON UNION HIGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018

		Governmental Activities
Assets		
Current Assets:		
Cash and investments	$	108,482,839
Accounts receivable		2,559,348
Other assets		96,512
Total Current Assets		111,138,699
Noncurrent Assets:		
Non-depreciable capital assets		16,218,133
Capital assets, net of depreciation		142,833,878
Total Noncurrent Assets		159,052,011
Total Assets	$	270,190,710
Deferred Outflows of Resources		
Pension adjustments	$	15,587,925
Deferred loss on early retirement of long-term debt		11,540,944
Total Deferred Outflows of Resources	$	27,128,869
Liabilities		
Current Liabilities:		
Accounts payable	$	8,043,720
Unearned revenue		984,791
Accrued interest		3,126,000
Total Current Liabilities		12,154,511
Long-term Liabilities:		
Due within one year		9,653,030
Due beyond one year		330,361,862
Total long-term Liabilities		340,014,892
Total Liabilities	$	352,169,403
Deferred Inflows of Resources		
Pension adjustments and changes	$	5,917,947
Net Position		
Net investment in capital assets	$	(18,595,725)
Restricted for:		
Cafteria programs		57,161
Debt service		15,179,227
Adult education		576,261
Educational programs		1,352,405
Total restricted net position		17,165,054
Unrestricted		(59,337,100)
Total Net Position	$	(60,767,771)

The notes to financial statements are an integral part of this statement.

JEFFERSON UNION HIGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

		Program Revenues		Net (Expense)
	Expenses	Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
Governmental activities				
Instruction	$ 35,000,390	$ 102,823	$ 6,072,495	$ (28,825,072)
Instruction-related services:				
Supervision of instruction	668,786	9	164,236	(504,541)
Instruction library, media and technology	772,385	1,875	23,358	(747,152)
School site administration	4,376,196	8,773	598,510	(3,768,913)
Pupil services:				
Home-to-school transportation	2,067,968	-	2,590	(2,065,378)
Food services	924,873	212,904	483,445	(228,524)
All other pupil services	5,981,544	11,173	297,202	(5,673,169)
General administration:				
Data processing	892,668	-	-	(892,668)
All other general administration	2,957,040	1,060	69,674	(2,886,306)
Plant services	8,893,104	1,578	19,632	(8,871,894)
Ancillary services	851,668	139	1,737	(849,792)
Transfers to other agencies	3,204,805	88,108	2,211,476	(905,221)
Interest on long-term debt	11,881,245	-	-	(11,881,245)
Depreciation - unallocated	6,626,058	-	-	(6,626,058)
Total governmental activities	$ 85,098,730	$ 428,442	$ 9,944,355	(74,725,933)
General revenues:				
Taxes and subventions:				
Taxes levied for general purposes				45,628,529
Taxes levied for debt service				16,968,677
Taxes levied for other specific purposes				2,623,237
Federal and state aid not restricted to specific purposes				1,361,032
Interest and investment earnings				185,085
Miscellaneous				6,019,556
Total general revenues				72,786,116
Change in net position				(1,939,817)
Net position beginning				(44,109,274)
Prior period adjustment - lease-leaseback debt				240,749
Prior period adjustment - accreted interest				(176,016)
Prior period adjustment - GASB 75 other postemployment benefits				(14,783,413)
Net position ending				$ (60,767,771)

The notes to financial statements are an integral part of this statement.

JEFFERSON UNION HIGH SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Fund	Building Fund	Bond Interest Redemption Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	$ 9,087,786	$ 80,895,619	$ 15,124,181	$ 3,375,253	$ 108,482,839
Accounts receivable	1,902,630	282,149	55,046	319,523	2,559,348
Due from other funds	250,803	2,770	-	-	253,573
Other assets	96,512	-	-	-	96,512
Total Assets	$ 11,337,731	$ 81,180,538	$ 15,179,227	$ 3,694,776	$ 111,392,272
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	$ 2,884,458	$ 5,023,181	$ -	$ 136,081	$ 8,043,720
Due to other funds	2,770	11,348	-	239,455	253,573
Unearned revenue	974,852	-	-	9,939	984,791
Total Liabilities	3,862,080	5,034,529	-	385,475	9,282,084
Fund balances:					
Nonspendable:					
Revolving fund	4,000	-	-	475	4,475
Prepaid expenditures	96,512	-	-	-	96,512
Restricted for:					
Educational programs	1,352,405	-	-	-	1,352,405
Debt service	-	-	15,179,227	-	15,179,227
Adult education	-	-	-	576,261	576,261
Cafeteria programs	-	-	-	57,161	57,161
Capital projects	-	76,146,009	-	-	76,146,009
Assigned for:					
Capital projects	-	-	-	2,613,897	2,613,897
Adult education	-	-	-	61,507	61,507
Educational programs	1,901,190	-	-	-	1,901,190
Unassigned:					
Economic uncertainties	1,856,385	-	-	-	1,856,385
Unappropriated	2,265,159	-	-	-	2,265,159
Total Fund Balances	7,475,651	76,146,009	15,179,227	3,309,301	102,110,188
Total Liabilities and Fund Balances	$ 11,337,731	$ 81,180,538	$ 15,179,227	$ 3,694,776	$ 111,392,272

The notes to financial statements are an integral part of this statement.

JEFFERSON UNION HIGH SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Total fund balances - governmental funds		$ 102,110,188
Amounts reported for governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is $247,955,628 and the accumulated depreciation is $88,903,617.		159,052,011
To recognize accrued interest at year end which is not reported in the governmental funds		(3,126,000)
Deferred outflows of resources include amounts that will not be included in the calculation of the District's net pension liability of the plan year included in this report such as current fiscal year contributions as recorded in the fund statements.		15,587,925
The differences from pension plan assumptions in actuarial valuations are not included in the plan's actuarial study until the next fiscal year and are reported as deferred inflows of resources in the Statement of Net Position.		(5,917,947)
The difference between the reacquisition price and net carrying value of long-term debt when a bond is refunded is recorded as a deferred loss on the early retirement of long-term debt and a deferred inflow in the government-wide statement of net position and amortized over the remaining life of the refunded debt or refunding debt, whichever is shorter. This transaction is not a current financial resource and is not included in the governmental fund statements.		11,540,944
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consists of:		
General obligation bonds	$ 242,118,667	
Accreted interest	10,866,355	
Unamortized bond premiums	11,019,477	
Lease-leaseback	655,601	
Net pension obligations	51,194,902	
Net OPEB liability	23,699,886	
Compensated absences (vacation)	460,004	(340,014,892)
Total net position - governmental activities		$ (60,767,771)

The notes to financial statements are an integral part of this statement.

JEFFERSON UNION HIGH SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General Fund	Building Fund	Bond Interest Redemption Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
LCFF sources	$ 45,448,348	$ -	$ -	$ -	$ 45,448,348
Federal	1,705,932	-	1,210	726,555	2,433,697
Other state	5,128,241	-	122,678	1,486,261	6,737,180
Other local	9,329,395	750,845	17,796,728	662,719	28,539,687
Total revenues	61,611,916	750,845	17,920,616	2,875,535	83,158,912
Expenditures:					
Instruction	30,731,551	-	-	1,021,241	31,752,792
Instruction-related services:					
Supervision of instruction	609,436	-	-	-	609,436
Instruction library, media and technology	703,842	-	-	-	703,842
School site administration	3,491,356	-	-	496,488	3,987,844
Pupil services:					
Home-to-school transportation	1,884,452	-	-	-	1,884,452
Food services	6,832	-	-	835,966	842,798
All other pupil services	5,433,263	-	-	17,467	5,450,730
General administration:					
Data processing	813,451	-	-	-	813,451
All other general administration	2,694,627	-	-	-	2,694,627
Plant services	8,088,843	-	-	15,070	8,103,913
Facility acquisition and construction	3,101,028	19,794,836	-	-	22,895,864
Ancillary services	776,089	-	-	-	776,089
Transfers to other agencies	3,204,805	-	-	-	3,204,805
Debt service:					
Principal	315,806	-	10,787,424	-	11,103,230
Interest and fees	24,091	82,938	7,440,012	-	7,547,041
Total expenditures	61,879,472	19,877,774	18,227,436	2,386,232	102,370,914
Excess (deficiency) of revenues over (under) expenditures	(267,556)	(19,126,929)	(306,820)	489,303	(19,212,002)
Other financing sources (uses):					
Proceeds from bond issuance	-	72,500,000	-	-	72,500,000
Transfers in	-	-	1,525,907	180,000	1,705,907
Transfers out	(180,000)	-	(1,525,907)	-	(1,705,907)
Total other financing sources (uses)	(180,000)	72,500,000	-	180,000	72,500,000
Net change in fund balances	(447,556)	53,373,071	(306,820)	669,303	53,287,998
Fund balances beginning	7,923,207	22,772,938	15,486,047	2,639,998	48,822,190
Fund balances ending	$ 7,475,651	$ 76,146,009	$ 15,179,227	$ 3,309,301	$ 102,110,188

The notes to financial statements are an integral part of this statement.

JEFFERSON UNION HIGH SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Total net change in fund balances - governmental funds		$ 53,287,998
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities , the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalized capital outlay of $14,809,491 is more than depreciation expense of $6,625,413 in the period.		12,017,053
The governmental funds report bond proceeds as an other financing source, while repayment of bond principal is reported as an expenditure. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:		
Proceeds from bond issuance	$ (72,500,000)	
Lease principal payments	315,806	
Accreted interest	(1,599,837)	
Repayment of bond principal	10,787,424	(62,996,607)
In governmental funds, actual contributions to pension plans are reported as expenditures in the year incurred. However, in the government-wide statement of activities, only the current year pension expense as noted in the plans' valuation reports is reported as an expense, as adjusted for deferred inflows and outflows of resources.		(9,043)
In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an other financing source or other financing use in the period it is incurred. In the government-wide statements, the premium or discount is amortized as interest over the life of the debt. The difference between premiums or discounts recognized in the current period and amortized over future periods is:		(1,731,394)
In governmental funds, deferred loss on early retirement of long-term debt is recognized as other finances uses. In the government-wide statements, the deferred losses on early retirement of long-term debt is amortized over the life of the debt. The difference between other financing uses and amortization is:		(613,880)
In the statement of activities, compensated absences are measured by the amount earned during the year. In governmental funds, however, expenditures for those items are measured by the amount of financial resources used (essentially the amounts paid). This year vacation earned exceeded the amounts used by:		(155,385)
In governmental funds, actual contributions to OPEB plans are reported as expenditures in the year incurred. However, in the government-wide statement of activities, only the current year OPEB expense as noted in the plan's valuation reports is reported as an expense, as adjusted for deferred inflows and outflows of resources.		(1,349,466)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.		(389,093)
Changes in net position of governmental activities		$ (1,939,817)

The notes to financial statements are an integral part of this statement.

JEFFERSON UNION HIGH SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

	Student Body Agency Fund
Assets	
Cash on hand and in banks	$ 645,793
Total Assets	$ 645,793
Liabilities	
Due to student groups	$ 645,793
Total Liabilities	$ 645,793

The notes to financial statements are an integral part of this statement.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Principles

The Jefferson Union High School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*. The accounting policies of the district conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

B. Reporting Entity

The district is the level of government primarily accountable for activities related to public education. The governing authority consists of five elected officials who, together, constitute the Board of Trustees. The district's combined financial statements include the accounts of all its operations. The district evaluated whether any other entity should be included in these financial statements. The basic, but not the only, criterion for including a governmental department, agency, institution, commission, public authority, or other governmental organization in a governmental unit's reporting entity for general purpose financial reports is the ability of the governmental unit's elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one governmental unit is dependent on another and that the dependent unit should be reported as part of the other. Oversight responsibility is derived from the governmental unit's power and includes, but is not limited to:

- Financial interdependency
- Selection of governing authority
- Designation of management
- Ability to significantly influence operations
- Accountability for fiscal matters

The District does not have any other component units and is not a component unit of any other reporting entity.

C. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the statement of Net Position and the statement of Activities) report information on all of the non-fiduciary activities of the District. The Statement of Net Position reports all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund and fiduciary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include the 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 that are not classified as program revenues are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements:

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

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Fiduciary funds are reported using the economic resources measurement focus.

D. Basis of Accounting

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

Revenues – Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within 60 days after year-end.

Non-exchange transactions, in which the District receives value ***without*** directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred Outflows/Deferred Inflows:

Deferred outflow of resources is a consumption of net assets by the government that is applicable to a future reporting period. For example, prepaid items and deferred charges.

Deferred inflow of resources is an acquisition of net assets by the government that is applicable to a future reporting period. For example, unearned revenue and advance collections.

Unearned Revenue:

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as unearned revenue. On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as unearned revenue.

Expenses/Expenditures:

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Fund Accounting

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

Major Governmental Funds:

The *General Fund* is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

The *Building Fund* is used to account for proceeds from the sale of real property and account for the acquisition of major governmental capital facilities and buildings from the sale of bond proceeds.

The *Bond Interest and Redemption Fund* is maintained by the County Treasurer and is used to account for both the accumulation of resources from ad valorem tax levies and the interest and redemption of principal of the funding of general obligation bonds issued by the District.

Non-major Governmental Funds:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed for purposes other than debt service or capital projects. The restricted or committed resources need to comprise a substantial portion of the inflows reported in the special revenue fund. The District maintains the following non-major special revenue funds:

- The *Adult Education Fund* is used to account for resources committed to adult education programs maintained by the District.

- The *Cafeteria Fund* is used to account for revenues received and expenditures made to operate the District's food service programs.

Capital Projects Funds are used to account for resources restricted, committed or assigned for capital outlays. The District maintains the following non-major capital projects funds:

- 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).

Fiduciary Funds:

Agency Funds are used to account for assets of others for which the District acts as an agent. The District maintains an agency fund for the student body accounts. The student body funds are used to account for the raising and expending of money to promote the general welfare, morale, and educational experience of the student body. The amounts reported for student body funds represent the combined totals of all schools within the District.

F. Budgets and Budgetary Accounting

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

These budgets are revised by the District's governing board and District superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets for the General Fund are presented as Required Supplementary Information.

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

G. Encumbrances

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

H. Benefit Plans

Pensions

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

Other Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense information about the fiduciary net position of the District's Retiree Benefits Plan (the OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

I. Assets, Liabilities, and Equity

1. Cash and Investments

Cash balances held in banks and in revolving funds are insured to $250,000 by the Federal Deposit Insurance Corporation.

In accordance with *Education Code* Section 41001, the District maintains substantially all of its cash in the County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

All district-directed investments are governed by Government Code Section 53601 and Treasury investment guidelines. The guidelines limit specific investments to government securities, domestic chartered financial securities, domestic corporate issues, and California municipal securities. The District's securities portfolio is held by the County Treasurer. Interest earned on investments is recorded as revenue of the fund from which the investment was made.

2. Fair Value Measurements

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. In determining this amount, three valuation techniques are available:

- Market approach - This approach uses prices generated for identical or similar assets or liabilities. The most common example is an investment in a public security traded in an active exchange such as the NYSE.
- Cost approach - This technique determines the amount required to replace the current asset. This approach may be ideal for valuing donations of capital assets or historical treasures.
- Income approach - This approach converts future amounts (such as cash flows) into a current discounted amount.

Each of these valuation techniques requires inputs to calculate a fair value. Observable inputs have been maximized in fair value measures, and unobservable inputs have been minimized.

3. Stores Inventories and Prepaid Expenditures

Inventories are recorded using the purchases method, in that inventory acquisitions are initially recorded as expenditures. Reported inventories are equally offset by a fund balance reserve, 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 inventory is valued at a moving average cost and consists of expendable supplies held for consumption. The District has the option of reporting expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure during the benefiting period.

4. Capital Assets

Capital assets, which include sites, improvement of sites, buildings and improvements, equipment, and construction in progress, are reported in the government-wide financial statements. Such assets are valued at historical cost or estimated historical cost unless obtained by annexation or donation, in which case they are recorded at estimated market value at the date of receipt. The District utilizes a capitalization threshold of $5,000.

Projects under construction are recorded at cost as construction in progress and transferred to the appropriate asset account when substantially complete. Costs of major improvements and rehabilitation of buildings are capitalized. Repair and maintenance costs are charged to expense when incurred. Equipment disposed of, or no longer required for its existing use, is removed from the records at actual or estimated historical cost, net of accumulated depreciation.

All capital assets, except land and construction in progress, are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	20-50
Furniture and equipment	15-20
Vehicles	8

5. Unearned Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred and timing requirements have been met. Unearned revenue is recorded to the extent that cash received on specific projects and programs exceeds qualified expenditures. Unearned revenue in the funds is recorded for grant and entitlement receivables that are not available within ninety days of year end and for cash receipts from grants and entitlements for which the District has not met the eligibility requirements for recognizing revenue.

6. Compensated Absences

All vacation pay plus related payroll tax is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken, since such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts as well as issuance costs are deferred and amortized over the life of the bonds. Bonds payable are reported net of applicable bond premium or discount. Bond issuance costs are reported as prepaid expenditures and amortized over the term of the related debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts as well as bond issuance costs, during the current period. The face amount of the debt issued, premiums, or discounts are reported as other financing sources/uses.

8. Fund Balance Classifications

The District maintains a minimum unassigned fund balance of not less than 3 percent of budgeted general fund expenditures and other financing uses as a reserve for economic uncertainties. The District believes a reserve of this level is prudent to maintain a high bond rating and to protect the District from the effects of fluctuations in property tax revenues to which basic aide districts are vulnerable. Because amounts in the nonspendable, restricted, committed, and assigned categories are subject to varying constraints on their use, the reserve for economic uncertainties consists of balances that are otherwise unassigned.

In accordance with Government Accounting Standards Board 54*, Fund Balance Reporting and Governmental Fund Type Definitions*, the District classifies governmental fund balances as follows:

- Non-spendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

- Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

- Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end. Committed fund balances are imposed by the District's board of education.

- Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Superintendent.

- Unassigned includes positive fund balance within the general fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

The District uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

9. Net Position

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

Capital Projects restrictions will be used for the acquisition and construction of capital facilities.

Adult Education restrictions reflect the cash balances in the adult education fund that are restricted for the adult education program.

Debt Service restrictions reflect the cash balances in the debt service funds that are restricted for debt service payments by debt covenants.

Educational Programs restrictions reflect the amounts to be expended for federal and state funded educational programs.

Unrestricted net position reflects amounts that are not subject to any donor-imposed restrictions. This class also includes restricted gifts whose donor-imposed restrictions were met during the fiscal year.

10. Local Control Funding Formula and Property Taxes

The Local Control Funding Formula (LCFF) creates base, supplemental, and concentration grants in place of most previously existing K–12 funding streams, including revenue limits and most state categorical programs. The revenue limit was a combination of local property taxes, state apportionments, and other local sources.

Until full implementation, however, local educational agencies (LEAs) will receive roughly the same amount of funding they received in 2012–13 plus an additional amount each year to bridge the gap between current funding levels and the new LCFF target levels. The budget projects the time frame for full implementation of the LCFF to be eight years.

The county is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the assessed values as of the preceding March 1, which is also the lien date. Property taxes on the secured roll are due on August 31 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (March 1), and become delinquent if unpaid by August 31.

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

The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local revenue limit sources by the District.

11. Risk Management

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. The District has joined together with other school districts in the County to form the San Mateo County Schools Insurance Group ("SMCSIG") public entity risk pool. The District pays an annual premium for its property and casualty, workers' compensation, and liability insurance coverage. The Joint Powers Agreements provide that SMCSIG will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of self-insured levels.

There were no significant reductions in insurance coverage from coverage in the prior year and no insurance settlement exceeding insurance coverage.

12. Accounting Estimates

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

13. Subsequent Events

Management has reviewed subsequent events and transactions that occurred after the date of the financial statements through the date the financial statements were issued. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management has determined that there are no non-recognized subsequent events that require additional disclosure.

J. Implemented New Accounting Pronouncements

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions

The provisions in Statement 75 are effective for the fiscal year ended June 30, 2018. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to 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 defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

As of June 30, 2018, according to GASB 75, the District's net OPEB liability must be recognized. Therefore, the previous net OPEB liability as of June 30, 2017 in the amount of **$14,783,413** has been shown as a restatement of net position in the Statement of Activities as a separate line item.

GASB Statement No. 86, Certain Debt Extinguishment Issues

The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017. Earlier application is encouraged. This statement did not have an impact on the District's financial statements.

K. <u>Upcoming Accounting and Reporting Changes</u>

GASB Statement No. 83, *Certain Asset Retirement Obligations*

This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2018. Earlier application is encouraged. The District doesn't believe this statement will have a significant impact on the District's financial statements.

GASB Statement No. 84, *Fiduciary Activities*

The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2018. Earlier application is encouraged. The District doesn't believe this statement will have a significant impact on the District's financial statements.

GASB issued Statement No. 87, *Leases*

The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for the fiscal year ending June 30, 2021. The District doesn't believe this statement will have a significant impact on the District's financial statements.

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*

This Statement addresses additional information to be disclosed in the notes to the financial statements regarding debt, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2018. Earlier application is encouraged. The District doesn't believe this statement will have a significant impact on the District's financial statements.

GASB Statement No. 89, Accounting for Interest Cost Incurred Before the End of the Construction Period

This Statement addresses interest costs incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2019. Earlier application is encouraged. The District doesn't believe this statement will have a significant impact on the District's financial statements.

NOTE 2 - CASH AND INVESTMENTS

Summary of Cash and Investments

A summary of cash and investments as of June 30, 2018, is as follows:

Description	Carrying Amount	Fair Value
Government-Wide Statements:		
Cash on hand and in banks	$ 25,000	$ 25,000
Cash with fiscal agent	18,364	18,364
Cash in revolving fund	4,475	4,475
Cash with County	108,435,000	107,944,874
Total Cash and Investments	$ 108,482,839	$ 107,992,713
Fiduciary Funds:		
Cash on hand and in banks	$ 645,793	$ 645,793

Cash in banks and revolving funds

As of June 30, 2018, the bank balances of the District's accounts totaled $684,466 which was fully insured by FDIC coverage. FDIC covers up to $250,000 per issuer, per bank.

Cash 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.

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.

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are described below:

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 the changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains cash with the San Mateo County Investment Pool. The pool has a fair value of approximately $1.468 billion and an amortized book value of $1.475 billion. Investments in the San Mateo County Treasury Investment Pool are not measured using input levels because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at $1.00 net asset value per share.

Credit Risk

Credit risk is the risk of loss due to the failure of the security issuer. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investment with the San Mateo County Investment Pool is governed by the County's general investment policy. The investment with the San Mateo County Investment Pool is rated at least A1 by Moody's Investor Service.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (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.

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government code. District investments that are greater than 5 percent of total investments are in either an external investment pool or mutual funds and are therefore exempt.

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following as of June 30, 2018:

Receivables	General Fund	Building Fund	Bond Interest & Redemption Fund	Nonmajor Funds	Total
Federal Government	$ 490,552	$ -	$ -	$ 281,810	$ 772,362
State Government	440,366	-	-	1,374	441,740
Other resources	971,712	282,149	55,046	36,339	1,345,246
Totals	$ 1,902,630	$ 282,149	$ 55,046	$ 319,523	$ 2,559,348

NOTE 4 - INTERFUND TRANSACTIONS

Interfund transactions are reported as loans, services provided reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental funds are netted as part of the reconciliation to the government-wide financial statements.

As of June 30, 2018, interfund receivables and payables were as follows:

Fund	Due From Other Funds	Due to Other Funds
General Fund	$ 250,803	$ 2,770
Building Fund	2,770	11,348
County School Facilities Fund	-	-
Nonmajor Funds	-	239,455
Totals	$ 253,573	$ 253,573

Interfund transfers consist of operating transfers from funds receiving revenues to funds through which the resources are to be expended. Interfund transfers for fiscal year 2017-2018 were as follows:

Fund	Transfers In	Transfers Out
General Fund	$ -	$ 180,000
Bond Interest and Redemption Fund	1,525,907	1,525,907
Nonmajor funds	180,000	-
Totals	$ 1,705,907	$ 1,705,907

NOTE 5 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2018, is shown below:

Capital Assets	Balance July 01, 2017	Additions	Deletions	Balance June 30, 2018
Land - not depreciable	$ 1,536,578	$ -	$ -	$ 1,536,578
Work-in-progress - not depreciable	10,110,267	14,112,591	(5,905,446)	18,317,412
Buildings	211,550,250	10,221,781	-	221,772,031
Site improvements	1,774,120	-	-	1,774,120
Equipment	4,341,302	214,185	-	4,555,487
Total capital assets	229,312,517	24,548,557	(5,905,446)	247,955,628
Less accumulated depreciation for:				
Buildings	78,152,848	6,297,711	-	84,450,559
Site improvements	1,634,220	39,552	-	1,673,772
Equipment	2,490,491	288,795	-	2,779,286
Total accumulated depreciation	82,277,559	6,626,058	-	88,903,617
Total capital assets - net depreciation	$ 147,034,958	$ 17,922,499	$ (5,905,446)	$ 159,052,011

NOTE 6 - SCHEDULE OF CHANGES IN LONG-TERM LIABILITIES

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

Long-term Liabilities	Balance July 01, 2017	Additions	Deletions	Balance June 30, 2018	Due Within One Year
Bonds	$ 198,729,815	$ 77,149,840	$ 11,875,156	$ 264,004,499	$ 9,423,028
Lease-Leaseback	1,212,156	-	556,555	655,601	-
Net Pension Liabilities	47,143,312	4,051,590	-	51,194,902	-
Net OPEB Liability	7,567,007	17,731,203	1,598,324	23,699,886	-
Compensated Absences	304,619	307,694	152,309	460,004	230,002
Total Long-term Liabilities	$ 254,956,909	$ 99,240,327	$ 14,182,344	$ 340,014,892	$ 9,653,030

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund from local revenues. The accrued vacation, net pension obligations and other postemployment benefits will be paid by the fund for which the employee worked. The lease-leaseback is paid from the General Fund. The District implemented GASB 75 related to other postemployment benefits (OPEB) which required the District to reduce beginning net position by $14,783,413. The additions to the net OPEB liability are slightly difference based on activity during the measurement period. See Note 12 for more information.

NOTE 7 - LONG TERM DEBT

General Obligation Bonds

Through elections, the District received authorization to issue general obligation bonds (GOB) that requires the county to levy annual ad valorem taxes for the payment of interest and principal on the bonds. Bond proceeds are used to build additional classrooms and to perform repairs and renovations.

In prior years, the District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements.

General obligation refunding bonds, Series A
In March 2000, the District issued the 2000 General Obligation Refunding Bonds, Series A, for $22,060,000 to refund in advance certain bonds which were previously issued for the purpose of financing the acquisition and construction of new facilities and improving and repairing existing schools.

2006 General Obligation Bonds, Series B
In July 2009, the District issued the 2006 General Obligation Bonds, Series B, for $17,998,937 to finance the construction of new school facilities, and the repair and refurbishment of existing facilities. The bonds consisted of current interest and capital appreciation in the amounts of $3,000,000 and $14,998,937, respectively. The capital appreciation bonds of $14,998,937 will mature at $42,220,000 ranging from the fiscal years 2011 to 2031.

2006 General Obligation Bonds, Series C
In April 2010, the District issued the 2006 General Obligation Bonds, Series C, for $12,000,000 to finance the construction of new school facilities, and the repair and refurbishment of existing facilities.

2012 General Obligation Bonds, Series A
On May 9, 2013, the District issued the 2012 General Obligation Bonds, Series A, for $35,540,000 for constructing and renovating school facilities.

2014 General Obligation Refunding Bonds, Series 2014A
On October 2, 2014, the District issued the 2014 General Obligation Refunding Bonds, Series 2014A, for $20,360,000 and Series 2014B for $720,000, to refund the 2006 General Obligation Bonds Series D.

2015 General Obligation Refunding Bonds
On May 28, 2015, the District issued the 2015 General Obligation Refunding Bonds, for $41,430,000, to refund the 2005 General Obligation Refunding Bonds and 2006 General Obligation Bonds Series A.

2016 General Obligation Refunding Bonds
In April 2016, the District issued the 2016 General Obligation Refunding Bonds, for $11,519,263 to refund on an advance basis all of the District's outstanding General Obligation Bonds, Election of 2006, Series D, issued on January 19, 2011 in the original principal amount of $14,999,736.85 (the "2006 Series D Bonds"), and to pay related costs of issuance.

2012 General Obligation Bonds, 2012 Election Series C
On May 17, 2016, the District issued the 2012 General Obligation Bonds, 2012 Election Series C, for $4,860,000, to pay at maturity on June 1, 2016 the issue of 2011 Taxable Bond Anticipation Note (Direct Pay Qualified School Construction Bonds) which were issued by the District on June 16, 2011 in the aggregate principal amount of $4,860,000 (the "2011 Notes").

2014 General Obligation Bonds, 2014 Election Series A
On May 17, 2016, the District issued the 2014 General Obligation Bonds, 2014 Election Series A, for $30,000,000, to provide funds to finance the school projects.

General Obligation Ed Tech Bonds, 2014 Election Series B
On September 7, 2016, the District issued the General Obligation Ed Tech Bonds, 2014 Election Series B, for the purpose of financing technology projects authorized under Bond Measure, designated the Jefferson Union High School District (San Mateo County, California) General Obligation Ed Tech® Bonds, 2014 Election, Series B, in the aggregate principal amount of $2,108,000 (the "Series B Bonds").

General Obligation Bonds, 2014 Election Series C
On June 29, 2017, the District issued $30,000,000 General Obligation Bonds, Election Series C, to finance the construction of new school facilities, and the repair and refurbishment of existing facilities.

General Obligation Bonds, 2014 Election Series E
On April 26, 2018, the District issued $38,500,000 General Obligation Bonds, Election Series C, to finance the construction of new school facilities, and the repair and refurbishment of existing facilities.

General Obligation Ed Tech Bonds, 2014 Election Series D
On July 26, 2017, the District issued $4,000,000 General Obligation Ed Tech Bonds, 2014 Election Series D, for the purpose of financing technology projects authorized under the bond measure.

The outstanding general obligation bond debt of the District as of June 30, 2018, is as follows:

Description	Maturity Date	Interest Rate (%)	Original Issue	Bonds Outstanding July 01, 2017	Issued	Redeemed	Bonds Outstanding June 30, 2018
Principle Bonds:							
2000 GORB, Series A	8/1/2029	5.75-6.45	$ 22,060,000	$ 13,040,000	$ -	$ 860,000	$ 12,180,000
2006 GOB Series B	8/1/2033	2.5-12	17,998,937	16,904,828	-	343,424	16,561,404
2006 GOB Series C	8/1/2026	3-5	12,000,000	9,425,000	-	680,000	8,745,000
2012 GOB Series A	8/1/2037	2-5	35,540,000	32,990,000	-	935,000	32,055,000
2014 GOB Series A	8/1/2039	3-5	20,360,000	20,360,000	-	-	20,360,000
2014 GOB Series B	8/1/2018	1.45-2	720,000	720,000	-	350,000	370,000
2015 GORB	8/1/2031	2-5	41,430,000	39,075,000	-	1,785,000	37,290,000
2016 GORB	8/1/2034	3.65-3.95	11,519,263	11,519,263	-	-	11,519,263
2012 GOB Series C	8/1/2020	2-5	4,860,000	4,860,000	-	950,000	3,910,000
2014 GOB Series A	8/1/2041	3-5	30,000,000	30,000,000	-	3,455,000	26,545,000
2014 GOB Series B, Ed-Tech	8/1/2019	.95-1.45	2,108,000	1,512,000	-	823,000	689,000
2014 GOB Series C	8/1/2045	4-5	30,000,000	-	30,000,000	-	30,000,000
2014 GOB Series E	8/1/2044	3.5-5	38,500,000	-	38,500,000	-	38,500,000
2014 GOB Series D, Ed-Tech	8/1/2020	1.61	4,000,000	-	4,000,000	606,000	3,394,000
Subtotal General Obligation Bonds			271,096,200	180,406,091	72,500,000	10,787,424	242,118,667
Accreted Interest			-	9,035,641	2,435,902	605,188	10,866,355
Bond Premiumns			-	9,288,083	2,213,938	482,544	11,019,477
Total Bonds			$ 271,096,200	$ 198,729,815	$ 77,149,840	$ 11,875,156	$ 264,004,499

The annual requirements to amortize general obligation bonds outstanding as of June 30, 2018, are as follows:

Year Ending June 30	Principal	Interest	Total
2019	$ 9,423,028	$ 8,669,676	$ 18,092,704
2020	9,180,670	9,046,083	18,226,753
2021	9,060,340	8,666,910	17,727,250
2022	7,536,616	8,500,175	16,036,791
2023	8,149,453	8,362,356	16,511,809
2024-2028	46,643,318	44,201,063	90,844,381
2029-2033	50,871,076	37,896,871	88,767,947
2034-2038	44,734,166	19,221,718	63,955,884
2039-2043	35,805,000	7,117,244	42,922,244
2044-2046	20,715,000	983,344	21,698,344
Total Debt Service	$ 242,118,667	$ 152,665,440	$ 394,784,107

Lease Leaseback Debt

Under the provisions of Section 17456 of the Education Code of the State of California, on December 18, 2015, the District entered into a lease-leaseback agreement with the Public Property Financing Corporation of California (the Corporation) for the purpose of moving the Daly City Youth Health Center to a new facility and performing the necessary improvements. The District agreed to lease the District's main building (the Property) to the Corporation and the Corporation leased back the property to the District. In order to raise the funds needed to make the upfront rental payment required by this Lease, the Corporation has assigned certain of its rights under the Lease, including the right to receive and enforce payment of the Lease Payments, to Capital One Public Funding, LLC (the Assignee), under an Assignment Agreement. Based on the Agreement, the District is obligated for the base rental payment of $1,580,000 at an interest rate of 2.48% over a four years term ending August 1, 2020.

As of June 30, 2018, the annual debt service requirements were a follows:

Year Ending June 30	Principal	Interest	Total
2019	$ -	$ 8,129	$ 8,129
2020	323,736	12,245	335,981
2021	331,865	4,115	335,980
Total Debt Service	$ 655,601	$ 24,489	$ 680,090

NOTE 8 - JOINT VENTURES (JOINT POWERS AGREEMENTS)

The District participates in a joint powers agreement ("JPA") with the San Mateo County Schools Insurance Group ("SMCSIG"). A board consisting of a representative from each member district governs the JPA. The governing board controls the operation of the JPA independent of any influence by the District beyond the District's representation on the governing board. The JPA is independently accountable for its fiscal matters. Budgets are not subject to any approval other than that of the governing board. Member districts share surpluses and deficits proportionately to their participation. The relationship between the District and the JPA is such that the JPA not a component unit of the District for financial reporting purposes. The following is a summary of coverage provided by SMCSIG JPA and its most recent financial statement information:

	SMCSIG June 30, 2018
Total Assets & Deferred Outflows	$ 25,857,722
Total Liabilities & Deferred Inflows	10,504,013
Total Equity	15,353,709
Total Revenues	45,214,456
Total Expenditures	42,672,851

NOTE 9 - COMMITMENTS AND CONTINGENCIES

State and Federal Allowances, Awards, and Grants

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

Litigation

The District may be exposed to claims and litigation. Management believes, based on consultation with legal counsel, that the ultimate resolution of any claims or litigation will not have a material adverse effect on the District's financial position or results of operations.

Commitments

As of June 30, 2018, the District had committed $7,338,561 towards construction. These commitments are not a liability of the District's until services or goods have been rendered.

NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS

California Public Employees Retirement System (CalPERS/PERS) Pension Plan

General Information about the PERS Pension Plan

Plan Description - All qualified permanent and probationary employees are eligible to participate in the District's CalPERS Employee Pension Plan (the Plan), a cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided - CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the Plan are applied as specified by the Public Employees' Retirement Law. The Plans' provisions and benefits in effect at June 30, 2018, are summarized as follows:

	CalPERS	
	Classic	PEPRA
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	55	62
Monthly benefits as a % of eligible compensation	2.0% to 2.5%	2.00%
Required employee contribution rates	7.0%	6.0%
Required employer contribution rates	15.531%	15.531%

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

For the year ended June 30, 2018, the District's contributions were as follows:

	CalPERS
Contributions - employer	$ 1,272,615

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability/(Asset)
CalPERS	$ 15,128,092

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2017, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability for the Plan as of measurement dates, June 30, 2017 and 2018, was as follows:

	CalPERS
Proportion - June 30, 2017	0.06670%
Proportion - June 30, 2018	0.06337%
Change - Increase/(Decrease)	-0.00333%

For the year ended June 30, 2018, the District recognized pension expense of $2,380,168 for the Plan.

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	CalPERS	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Changes of Assumptions	$ 2,209,696	$ 178,115
Differences between Expected and Actual Experience	541,977	-
Differences between Projected and Actual Investment Earnings	523,328	-
Differences between Employer's Contributions and Proportionate Share of Contributions	3,959	10,945
Change in Employer's Proportion	-	751,053
Pension Contributions Made Subsequent to Measurement Date	1,272,615	-
Total	$ 4,551,575	$ 940,113

The District reported $1,272,615 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending June 30:	**Outflows/(Inflows) of Resources CalPERS**
2019	$ 494,122
2020	1,228,988
2021	902,312
2022	(286,575)
2023	-
Thereafter	-
Total	$ 2,338,847

Actuarial Assumptions - The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	(1)
Investment Rate of Return	7.5% (2)
Mortality	(3)

(1) Varies by age and service
(2) Net of pension plan investment expenses, including inflation
(3) Derived using CalPERS' membership data for all funds

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	47.00%	4.90%	5.38%
Fixed Income	19.00%	0.80%	2.27%
Inflation Sensitive	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure and Forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%
Total	100.00%		

(a) An expected inflation of 2.5% used for this period.
(b) An expected inflation of 3.0% used for this period.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

		CalPERS
1% Decrease		6.15%
Net Pension Liability	$	22,258,270
Current		7.15%
Net Pension Liability	$	15,128,092
1% Increase		8.15%
Net Pension Liability	$	9,213,011

Pension Plan Fiduciary Net Position - Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

California State Teachers' Retirement System (STRS) Pension Plan

General Information about the STRS Pension Plan

Plan Description - The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information.

Benefits Provided - STRS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. The cost of living adjustments for the Plan are applied as specified by the retirement Law. The Plan's provisions and benefits in effect at June 30, 2018, are summarized as follows:

	CalSTRS	
	Tier 1	Tier 2
Benefit formula	2% @ 60	2% @ 62
Benefit vesting schedule	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	60	62
Monthly benefits as a % of eligible compensation	2.000%	2.000%
Required employee contribution rates	10.250%	9.205%
Required employer contribution rates	14.430%	14.430%

Contributions - As part of the annual valuation process, the Normal Cost rate is determined as the basis for setting the base member contribution rate for the following fiscal year. Generally, the base member contribution rate is one-half of the Normal Cost rate within certain parameters. Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial cost method.

For the year ended June 30, 2018 the District's contributions were as follows:

		CalSTRS
Employer Contributions	$	3,099,031
State Contributions		1,794,064
Total	$	4,893,095

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

		Proportionate Share of Net Pension Liability/(Asset)
District	$	36,066,810
State		13,406,033
Total	$	49,472,843

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2017, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability for the Plan as of measurement dates, June 30, 2017 and 2018, was as follows:

	CalSTRS
Proportion - June 30, 2017	0.04200%
Proportion - June 30, 2018	0.03900%
Change - Increase/(Decrease)	-0.00300%

For the year ended June 30, 2018, the District recognized pension expense of $1,998,964 for the Plan.

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	CalSTRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	$ 6,681,870	$ -
Differences between Expected and Actual Experience	133,380	629,070
Differences between Projected and Actual Investment Earnings	-	960,570
Differences between Employer's Contributions and Proportionate Share of Contributions	1,122,069	21,459
Change in Employer's Proportion	-	3,366,734
Pension Contributions Made Subsequent to Measurement Date	3,099,031	-
Total	$ 11,036,350	$ 4,977,833

The District reported $3,099,031 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending June 30:	Outflows/(Inflows) of Resources CalSTRS
2019	$ (269,619)
2020	1,133,406
2021	616,266
2022	(324,609)
2023	813,328
Thereafter	990,714
Total	$ 2,959,486

Actuarial Assumptions - The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.10%
Inflation	2.75%
Payroll Growth	3.50%
Projected Salary Increase	(1)
Investment Rate of Return	7.50% (2)
Mortality	(3)

(1) Varies by age and service. Approximately 6% average over career including inflation

(2) Net of pension plan investment expenses and administrative expenses, including inflation

(3) Derived using CalSTRS' membership data for all funds

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

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Long-Term Expected Rate of Return [1]
Global Equity	47.00%	6.30%
Fixed Income	12.00%	0.30%
Real Estate	13.00%	5.20%
Private Equity	13.00%	9.30%
Absolute Return / Risk Mitigating Strategies	9.00%	2.90%
Inflation Sensitive	4.00%	3.80%
Cash / Liquidity	2.00%	-1.00%
Total	100.00%	

[1] 20 year average

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

		CalSTRS
1% Decrease		6.10%
Net Pension Liability	$	52,958,100
Current		7.10%
Net Pension Liability	$	36,066,810
1% Increase		8.10%
Net Pension Liability	$	22,359,090

Pension Plan Fiduciary Net Position - Detailed information about each pension plan's fiduciary net position is available in the separately issued STRS financial reports.

NOTE 11 - POSTEMPLOYMENT HEALTHCARE PLAN (OPEB)

Plan Description and Benefits

The District's Postemployment Healthcare Plan (PHP) is a single-employer defined benefit healthcare plan including medical benefits for the following groups of employees:

	Bus. & Inst. Support	Certificated	Management/ Confidential	Operational Support	Teamsters
Benefit types provided	Medical Dental	Medical Dental	Medical Dental	Medical Dental	Medical Dental
Duration of benefits	Lifetime	To age 65	To age 65	Lifetime	Lifetime
Medical	7 yrs <= 70	7 yrs <= 70	7 yrs <= 70	7 yrs <= 70	7 yrs <= 70
Dental	15 yrs <= 75	10 yrs <= 75	10 yrs <= 75	10 yrs <= 75	10 yrs <= 75
Required service	15 years	15 years	15 years	15 years	15 years
Minimum age	PERS retirement	STRS retirement	PERS/STRS retirement	PERS retirement	PERS retirement
Dependent coverage	Yes	Yes	Yes	Yes	Yes
District contribution %	100%	100%	100%	100%	100%
District cap	None	None	None	None	None

Employees Covered by Benefit Terms

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

Active employees	436
Inactive employees	115
Total employees	551

Contributions

Total benefit payments included in the measurement period were $1,598,324 which were considered contributions into the plan, but no contributions were made into a trust. The District's contributions and benefit payments were 5.09% of covered payroll during the measurement period June 30, 2018 (reporting period June 30, 2018). Employees are not required to contribute to the plan. There have been no assets accumulated in a trust to provide for the benefits of this plan.

Actuarial Assumptions

The following summarized the actuarial assumptions for the OPEB plan included in this fiscal year:

Valuation Date:	June 30, 2018
Measurement Date:	June 30, 2018
Actuarial Cost Method:	Entry-Age Normal Cost Method
Amortization Period:	20 years
Asset Valuation Method:	Level percentage of payroll, closed
Actuarial Assumptions:	
Discount Rate	3.80%
Inflation	2.75%
Payroll Increases	2.75%
Municipal Bond Rate	38.00%
Healthcare Trend Rate	4.00%
Mortality	2009 CalSTRS and 2014 CalPERS Misc
Retirement	2009 CalSTRS Hired < 2013 2009 CalPERS Hired > 2013 2009 CalPERS 2%@60
Service Requirement	Cert/100% vesting/15yrs (10<65) at age 65; prior to 65 additional 1 year for each year before 65 for 10yrs. Cert/100% vesting/16yrs @55; 14 yrs@56; 12yrs@57; 10yrs@58 or older

Discount Rate

The discount rate was based on the Bond Buyer 20-bond General Obligation Index.

Total OPEB Liability

The District's total OPEB liability was measured as of June 30, 2018 (measurement date) and was determined by an actuarial valuation as of June 30, 2018 (valuation date) for the fiscal year ended June 30, 2018 (reporting date).

Changes in the Total OPEB Liability

The following summarizes the changes in the net OPEB liability during the year ended June 30, 2018:

Fiscal Year Ended June 30, 2018 (Measurement Date June 30, 2018)	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30,2017	$ 22,703,954	$ -	$ 22,703,954
Service cost	1,729,909	-	1,729,909
Interest in Total OPEB Liability	864,347	-	864,347
Employer contributions	-	1,598,324	(1,598,324)
Benefit payments	(1,598,324)	(1,598,324)	-
Net changes	995,932	-	995,932
Balance at June 30, 2018	$ 23,699,886	$ -	$ 23,699,886

Covered Payroll at Measurement Date	$ 31,410,161
Total OPEB Liability as a % of covered payroll	75.45%
Plan Fid. Net Position as a % of Total OPEB Liability	0.00%
Service cost as a % of covered payroll	5.51%
Net OPEB Liability as a % of covered payroll	75.45%
Contributions as a percent of covered payroll	5.09%

The District's plan is nonfunded, meaning there have not been assets placed into an irrevocable trust, therefore the plan fiduciary net position is zero.

OPEB Expense

The following summarizes the OPEB expense by source during the year ended June 30, 2018:

Service cost	$ 1,729,909
Interest in TOL	864,347
OPEB Expense	**$ 2,594,256**

The following summarizes changes in the net OPEB liability as reconciled to OPEB expense during the year ended June 30, 2018:

Total OPEB liability ending	$ 23,699,886
Total OPEB liability begining	(22,703,954)
Change in total OPEB liability	995,932
Employer contributions	1,598,324
OPEB Expense	**$ 2,594,256**

Sensitivity to Changes in the Discount Rate

The net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher, is as follows:

	Municipal Bond Rate		
	(1% Decrease)	(Current Rate)	(1% Increase)
Total OPEB Liability	$ 25,608,785	$ 23,699,886	$ 22,006,835

Sensitivity to Changes in the Healthcare Cost Trend Rates

The net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than current healthcare cost trend rates, is as follows:

	Trend Rate		
	(1% Decrease)	(Current Rate)	(1% Increase)
Total OPEB Liability	$ 22,154,195	$ 23,699,886	$ 25,296,988

REQUIRED SUPPLEMENTARY INFORMATION

JEFFERSON UNION HIGH SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (GAAP)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual (GAAP Basis)	Positive - (Negative)
Revenues:				
LCFF sources	$ 42,722,968	$ 44,729,635	$ 45,448,348	$ 718,713
Federal	1,640,114	1,881,774	1,705,932	(175,842)
Other state	3,772,717	5,347,695	5,128,241	(219,454)
Other local	5,835,896	9,487,069	9,329,395	(157,674)
Total revenues	53,971,695	61,446,173	61,611,916	165,743
Expenditures:				
Certificated salaries	21,100,932	21,366,822	21,314,842	51,980
Classified salaries	8,013,685	8,423,642	8,744,533	(320,891)
Employee benefits	13,445,136	13,209,074	13,394,782	(185,708)
Books and supplies	2,872,741	4,524,277	2,544,409	1,979,868
Services and other operating expenditures	7,726,426	8,877,947	9,126,404	(248,457)
Capital outlay	77,256	3,542,426	3,209,808	332,618
Other outgo	2,617,765	2,762,414	3,544,694	(782,280)
Total expenditures	55,853,941	62,706,602	61,879,472	827,130
Excess (deficiency) of revenues over (under) expenditures	(1,882,246)	(1,260,429)	(267,556)	992,873
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	(250,000)	(180,000)	(180,000)	-
Total other financing sources (uses)	(250,000)	(180,000)	(180,000)	-
Net change in fund balance	(2,132,246)	(1,440,429)	(447,556)	992,873
Fund balances beginning	7,923,207	7,923,207	7,923,207	-
Fund balances ending	$ 5,790,961	$ 6,482,778	$ 7,475,651	$ 992,873

The budgetary control level is by object on the modified accrual basis per U.S. GAAP. Expenditures can not legally exceed appropriations by maor object. The above excesses were not in accordance with Education Code 42600.

JEFFERSON UNION HIGH SCHOOL DISTRICT
SCHEDULE OF PENSION PLAN CONTRIBUTIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

CalPERS	**2018**	**2017**	**2016**	**2015**
Contractually Required Contributions (Actuarially Determined)	$ 1,272,615	$ 1,122,298	$ 946,835	$ 932,155
Contributions in Relation to Actuarially Determined Contributions	1,272,615	1,122,298	946,835	932,155
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered Payroll	**$ 8,202,936**	**$ 8,081,063**	**$ 7,991,990**	**$ 7,919,081**
Contributions as a Percentage of Covered Payroll	**15.51%**	**13.89%**	**11.85%**	**11.77%**

Notes to Schedule:

Valuation Date: June 30, 2016

Assumptions Used: Entry Age Method used for Actuarial Cost Method
Level Percentage of Payroll and Direct Rate Smoothing
4 Years Remaining Amortization Period
Inflation Assumed at 2.75%
Investment Rate of Returns set at 7.5%
CalPERS mortality table using 20 years of membership data for all funds

STRS	**2018**	**2017**	**2016**	**2015**
Contractually Required Contributions (Actuarially Determined)	$ 3,099,031	$ 2,619,956	$ 2,208,977	$ 1,811,391
Contributions in Relation to Actuarially Determined Contributions	3,099,031	2,619,956	2,208,977	1,811,391
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered Payroll	**$ 21,513,453**	**$ 20,826,359**	**$ 20,586,925**	**$ 20,398,547**
Contributions as a Percentage of Covered Payroll	**14.41%**	**12.58%**	**10.73%**	**8.88%**

Notes to Schedule:

Valuation Date: June 30, 2016

Assumptions Used: Entry Age Method used for Actuarial Cost Method
Level Percentage of Payroll
7 Years Remaining Amortization Period
Inflation Assumed at 3.00%
Investment Rate of Returns set at 7.50%
STRS mortality table using membership data for all funds

Fiscal year 2015 was the first year of implementation, therefore only four years are shown.
There were no changes in benefit terms
PERS discount rates were reduced from 7.5 to 7.65 in 2017 and then again to 7.15 in 2018.
STRS discount rates were reduced from 7.60 in 2017 to 7.10 in 2018.

JEFFERSON UNION HIGH SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

CalPERS	**2018**	**2017**	**2016**	**2015**
District's Proportion of Net Pension Liability	0.06337%	0.06670%	0.06990%	0.07280%
District's Proportionate Share of Net Pension Liability	$ 15,128,092	$ 13,173,292	$ 10,303,328	$ 8,264,572
District's Covered Payroll	$ 8,081,063	$ 7,991,990	$ 7,919,081	$ 7,731,137
District's Proportionate Share of NPL as a % of Covered Payroll	**187.20%**	**164.83%**	**130.11%**	**106.90%**
Plan's Fiduciary Net Position as a % of the TPL	**71.87%**	**73.90%**	**79.43%**	**83.38%**

STRS	**2018**	**2017**	**2016**	**2015**
District's Proportion of Net Pension Liability	0.03900%	0.04200%	0.03900%	0.04500%
District's Proportionate Share of Net Pension Liability	$ 36,066,810	$ 33,970,020	$ 26,256,360	$ 26,296,650
District's Covered Payroll	$ 20,826,359	$ 20,586,925	$ 20,398,547	$ 19,920,275
District's Proportionate Share of NPL as a % of Covered Payroll	**173.18%**	**165.01%**	**128.72%**	**132.01%**
Plan's Fiduciary Net Position as a % of the TPL	**69.46%**	**70.04%**	**74.02%**	**76.52%**

Fiscal year 2015 was the first year of implementation, therefore only four years are shown.
There were no changes in benefit terms
PERS discount rates were reduced from 7.5 to 7.65 in 2017 and then again to 7.15 in 2018.
STRS discount rates were reduced from 7.60 in 2017 to 7.10 in 2018.

JEFFERSON UNION HIGH SCHOOL DISTRICT
SCHEDULE OF TOTAL OPEB LIABILITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Total OPEB liability	**Fiscal Year Ended June 30, 2018**
Service cost	$ 1,729,909
Interest	864,347
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments	(1,598,324)
Net change in Total OPEB Liability	995,932
Total OPEB Liability - beginning	22,703,954
Total OPEB Liability - ending	$ 23,699,886
Plan fiduciary net position	
Employer contributions	$ 1,598,324
Employer implict subsidy	-
Employee contributions	-
Net investment income	-
Difference between estimated and actual earnings	-
Benefit payments	(1,598,324)
Other	-
Administrative expense	-
Net change in plan fiduciary net position	-
Plan fiduciary net position - beginning	-
Plan fiduciary net position - ending	$ -
Net OPEB liability	$ 23,699,886
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%
Covered payroll	$ 31,410,161
Net OPEB Liability as a percentage of covered payroll	75.45%
Total OPEB Liability as a percentage of covered payroll	75.45%

GASB 75 requires a schedule of contributions for the last ten fiscal years, or for as many years as are available if less than ten years are available. GASB 75 was adopted as of June 30, 2018.

SUPPLEMENTARY
INFORMATION

JEFFERSON UNION HIGH SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

	Special Revenue Funds		Capital Projects Funds	
	Adult Education Fund	Cafeteria Fund	Capital Facilities Fund	Total Nonmajor Funds
Assets				
Cash and investments	$ 657,419	$ 87,518	$ 2,630,316	$ 3,375,253
Accounts receivable	217,865	68,570	33,088	319,523
Total Assets	$ 875,284	$ 156,088	$ 2,663,404	$ 3,694,776
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	$ 89,863	$ 5,839	$ 40,379	$ 136,081
Due to other funds	137,239	93,088	9,128	239,455
Unearned revenue	9,939	-	-	9,939
Total Liabilities	237,041	98,927	49,507	385,475
Fund balances:				
Nonspendable revolving funds	475	-	-	475
Restricted for adult education	576,261	-	-	576,261
Restricted for cafeteria programs	-	57,161	-	57,161
Assigned for capital projects	-	-	2,613,897	2,613,897
Assigned for adult education	61,507	-	-	61,507
Total Fund Balances	638,243	57,161	2,613,897	3,309,301
Total Liabilities and Fund Balances	$ 875,284	$ 156,088	$ 2,663,404	$ 3,694,776

JEFFERSON UNION HIGH SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Special Revenue Funds		Capital Projects Funds	
	Adult Education Fund	Cafeteria Fund	Capital Facilities Fund	Total Nonmajor Funds
Revenues:				
LCFF Sources	$ -	$ -	$ -	$ -
Federal	278,972	447,583	-	726,555
Other state	1,450,399	35,862	-	1,486,261
Other local	110,179	212,912	339,628	662,719
Total revenues	1,839,550	696,357	339,628	2,875,535
Expenditures:				
Instruction	1,021,241	-	-	1,021,241
Instruction-related services:				
School site administration	496,488	-	-	496,488
Pupil services:				
Food services	-	835,966	-	835,966
All other pupil services	17,467	-	-	17,467
Plant services	-	-	15,070	15,070
Total expenditures	1,535,196	835,966	15,070	2,386,232
Excess (deficiency) of revenues over (under) expenditures	304,354	(139,609)	324,558	489,303
Other financing sources (uses):				
Transfers in	-	180,000	-	180,000
Transfers out	-	-	-	-
Total other financing sources (uses)	-	180,000	-	180,000
Net change in fund balances	304,354	40,391	324,558	669,303
Fund balances beginning	333,889	16,770	2,289,339	2,639,998
Fund balances ending	$ 638,243	$ 57,161	$ 2,613,897	$ 3,309,301

STATE AND FEDERAL AWARD COMPLIANCE SECTION

The Jefferson Union High School District (the "District"), established in 1922, is located in the northern portion of San Mateo County. There were no changes in the boundaries of the District during the current year. The District is currently operating four (4) high schools and one (1) continuation high school, and an adult education program.

Governing Board

Name	Office	Term Expires
Andrew Lie	President	2020
Kalimah Salahuddin	Vice President	2020
Braxton Lethco	Clerk	2018
Nick Occhipinti	Trustee	2018
Rosie Tejada	Trustee	2018

Administration

Dr. Terry Ann Deloria
Superintendent

Tina Van Raaphorst
Associate Superintendent, Business Services

Keith Irish
Associate Superintendent, Education

Kareen Baca
Director of Categorical Programs

Doreen Basuino
Director of Student Services

Tom Egan
Director of Food Service

Kimberly Gillette
Director of Daly City Youth Health Center

Kristen Hardy
Director of Special Education

Jacob Meyer
Director of Information & Technology

Marcus Peppers
Director of Maintenance, Operations, Transportation & Safety

Jim Thomas
Director of Human Resources

Francisca Wentworth
Director of Adult School

JEFFERSON UNION HIGH SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Total ADA		Classroom Based	
	Second Period Report	Annual Report	Second Period Report	Annual Report
Regular ADA:				
Grades nine through twelve	4,157.24	4,147.08	4,157.24	4,147.08
Extended year Special education:				
Grades nine through twelve	7.52	7.52	7.52	7.52
Special education - nonpublic, nonsect schools:				
Grades nine through twelve	15.71	17.98	15.71	17.98
Extended year special education - nonpublic, nonsect schools:				
Grades nine through twelve	2.24	2.24	2.24	2.24
District ADA Totals	4,182.71	4,174.82	4,182.71	4,174.82

JEFFERSON UNION HIGH SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Grade Level	Minutes Requirements	Minutes Requirements Adjusted (1)	2018 Actual Minutes (1)	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Grade 9	64,800	60,240	60,689	180	0	In compliance
Grade 10	64,800	60,240	60,689	180	0	In compliance
Grade 11	64,800	60,240	60,689	180	0	In compliance
Grade 12	64,800	60,240	60,689	180	0	In compliance

School districts and charter schools must maintain their instructional minutes as defined in Education Code Section 46207. This schedule is required of all districts and charter schools, including basic aid districts.

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 instruction time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206. The District has not met or exceeded its target funding.

The Distrct was granted a waiver for Oceana H.S. totaling 4,560 minutes, making the required minutes 60,240 for this fiscal year.

Education Audit Appeals Panel Section 19815 (d)(7) Disclosure

Schedule of Charter Schools:

Charter School	Status
Summit Public School Shasta	Excluded from financial statements

JEFFERSON UNION HIGH SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	(Budget [1]) 2019	2018	2017	2016
General Fund				
Revenues and other financial sources	$ 58,401,775	$ 61,611,916	$ 56,381,351	$ 53,012,060
Expenditures	57,779,951	61,879,472	55,727,408	52,704,978
Other uses and transfers out	150,000	180,000	180,000	250,000
Total outgo	57,929,951	62,059,472	55,907,408	52,954,978
Change in fund balance	$ 471,824	$ (447,556)	$ 473,943	$ 57,082
Beginning fund balance adjustment: Special reserve fund for other than capital outlay per GASB 54	$ -	$ 776,859	$ -	$ -
Ending fund balance	$ 7,947,475	$ 7,475,651	$ 7,146,348	$ 6,672,405
Available reserves [(2)]	$ 5,230,137	$ 4,121,544	$ 2,251,221	$ 5,037,184
Designated for economic uncertainty	$ 1,733,399	$ 1,856,385	$ 1,671,822	$ 1,581,149
Unassigned fund balance	$ 3,496,738	$ 2,265,159	$ 579,399	$ 3,456,035
Available reserves as a percentage of total outgo	9.03%	6.64%	4.03%	9.51%
Total long-term debt	$ 330,361,862	$ 340,014,892	$ 254,956,909	$ 248,618,819
Average daily attendance at P-2	4,080	4,183	4,276	4,395

Average daily attendance has increased by 212 over the past three years. The district anticipates an decrease of 103 ADA.

The general fund balance has increased by $26,387 over the past three years. For a district this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, other uses (total outgo).

The district has shown an operating surplus in two of the past three years. Total long-term debt has increased by $91,396,073 over the past three years.

[1] Budget numbers are based on the first adopted budget of the fiscal year 2018/19.

[2] Available reserves consists of all unassigned fund balances in the general fund, which includes the reserve for economic uncertainties.

JEFFERSON UNION HIGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

PROGRAM NAME		FEDERAL CATALOG NUMBER	PASS THROUGH NUMBER	PROGRAM EXPENDITURE
U. S. DEPARTMENT OF EDUCATION				
Passed Through California Department of Education				
Special Education Cluster				
Special Ed: IDEA Basic Local Assistance Entitlement, Part B, Sec 611	(1)	84.027	13379	$ 665,850
Special Ed: IDEA Local Assistance, Part B, Sec 611, Private School ISPs	(1)	84.027	10115	5,268
Total Special Education Cluster				671,118
NCLB: Title II, Part A, Teacher Quality		84.367	14341	105,854
Title III Cluster				
NCLB (ESEA): Title III, Immigrant Education Program		84.365	15146	44,913
ESEA (ESSA): Title III, English Learner Student Program		84.365	14346	80,156
Total Title III Cluster				125,069
NCLB: Title I, Part A, Basic Grants Low-Income and Neglected		84.010	14329	582,294
Department of Rehab: Workability II, Transition Partnership		84.158	10006	32,838
Carl D. Perkins Career and Technical Education: Secondary, Section 131		84.048	14894	71,673
Adult Education: Adult Basic Education & ESL		84.002	14508	164,067
Adult Education: Adult Secondary Education		84.002	13978	53,993
Adult Education: English Literacy & Civics Education		84.002	14109	60,912
TOTAL U. S. DEPARTMENT OF EDUCATION				1,867,818
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Drug-Free Communities Support Program Grants		93.276	2H79SP021038-06	111,063
U. S. DEPARTMENT OF AGRICULTURE				
Passed Through California Department of Education				
National School Lunch Program		10.555	13391	447,583
TOTAL FEDERAL PROGRAMS				$ 2,426,464

(1) Audited as major program

JEFFERSON UNION HIGH SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT
TO THE AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General Fund	Building Fund	Bond Redemption Fund	Other Nonmajor Governmental Funds
June 30, 2018 Annual Financial and Budget Report Fund Balances	$ 6,687,923	$ 76,146,009	$ 15,179,227	$ 4,097,029
Adjustments and Reclassifications:				
Cash with Fiscal Agent Adjustment	-	-	-	-
Mental Health Receivable Adjustment	-	-	-	-
Special Reserve Fund for Postemployment Benefits:				
GASB 54 Consolidation	787,728	-	-	(787,728)
June 30, 2018 Audited Financial Statements Fund Balances	$ 7,475,651	$ 76,146,009	$ 15,179,227	$ 3,309,301

1. PURPOSE OF SCHEDULES

A. Schedule of Average Daily Attendance

Average daily attendance 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.

B. Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day and Longer Instructional Year. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46201 through 46206.

C. 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.

D. Schedule of Expenditures of Federal Awards

Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Regulations, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) requires a disclosure of the financial activities of all federally funded programs. This schedule was prepared to comply with Uniform Guidance requirements.

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

This schedule provides the information necessary to reconcile the fund balances of all funds as reported in the annual financial and budget report to the audited financial statements.

F. Schedule of Charter Schools

This schedule is provided to list all charter schools chartered by the District and displays information for ach charter school on whether or not the charter school is included in the District's financial statements.

2. RESULTS OF RECONCILIATIONS OF EXPENDITURES PER SCHEDULE OF GRANT ACTIVITY WITH THE DISTRICT'S ACCOUNTING SYSTEMS

There were no material unreconciled differences between the District's records and the schedule of federal grant activity as shown on the Schedule of Expenditures of Federal and State Awards.

3. BASIS OF PRESENTATION – 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 *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Regulations, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The District has elected not to use the 10 percent de-minimus indirect cost rate as allowed under Uniform Guidance.

OTHER INDEPENDENT AUDITOR'S REPORTS

Chavan & Associates, LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S 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*

Board of Trustees
Jefferson Union High School District
Daly City, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jefferson Union High School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Jefferson Union High School District's basic financial statements, and have issued our report thereon dated December 7, 2018.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as deficiency 2018-001 to be a significant deficiency.

Our consideration of internal control over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 Union High School District's financial statements are free from material misstatement, we performed tests of its compliance with

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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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings and questioned costs as finding 2018-001.

District's Response to Finding

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

C & A LLP

December 7, 2018
San Jose, California

Chavan & Associates, LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY TITLE 2 CFR PART 200 (UNIFORM GUIDANCE)

Board of Education
Jefferson Union High School District
Daly City, California

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Jefferson Union High 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, 2018.

Report on Internal Control over Compliance

Management of Jefferson Union High 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 Union High 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

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the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Jefferson Union High 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

C & A LLP

December 7, 2018
San Jose, California

Chavan & Associates, LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON STATE PROGRAMS

The Honorable Board of Trustees
Jefferson Union High School District
Daly City, California

Compliance

We have audited the Jefferson Union High School District's (the District) compliance with the types of compliance requirements described in the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, that could have a direct and material effect on each of the District's state programs identified below for the year ended June 30, 2018.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each applicable program as identified in the State's audit guide, *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Those standards, and state audit, guide 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 compliance with the state laws and regulations described in the schedule below, occurred. An audit includes examining, on a test basis, evidence supporting the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In connection with the compliance audit referred to above, we selected and tested transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

Description	Procedures Performed
Local Education Agencies Other than Charter Schools:	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	N/A
Independent Study	No
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes

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Description	Procedures Performed
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	N/A
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	N/A
Middle or Early College High Schools	N/A
K-3 Grade Span Adjustment	N/A
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	N/A
School Districts, County Offices of Education, and Charter Schools:	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General Requirements	N/A
After School	N/A
Before School	N/A
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	N/A
Charter Schools:	
Attendance	N/A
Mode of Instruction	N/A
Nonclassroom-Based Instruction/Independent Study for Charter Schools	N/A
Determination of Funding for Nonclassroom-Based Instruction	N/A
Annual Instructional Minutes - Classroom Based	N/A
Charter School Facility Grant Program	N/A

We did not perform the audit procedures for the Independent Study program because the ADA was under the level that requires testing.

Opinion

In our opinion, Jefferson Union High School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on State Programs for the fiscal year ended June 30, 2018.

Other Matter

The results of our auditing procedures disclosed an instance of noncompliance with the compliance requirements referred to above, which is required to be reported in accordance with *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* and which is described in the accompanying schedule of findings and questioned costs as finding 2018-001.

District's Response to Finding

The District's response to the compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures in the audit of compliance and, accordingly, we express no opinion on the response.

C & A LLP

December 7, 2018
San Jose, California

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FINDINGS AND RECOMMENDATIONS

JEFFERSON UNION HIGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	**Unmodified**
Internal control over financial reporting:	
Material weaknesses?	____ Yes __x__ No
Significant deficiencies identified not considered to be material weaknesses?	__x__ Yes ____ No
Non-compliance material to financial statements noted?	____ Yes __x__ No

Federal Awards

Internal control over major programs:	
Material weaknesses?	____ Yes __x__ No
Significant deficiencies identified not considered to be material weaknesses?	____ Yes __x__ No
Type of auditor's report issued on compliance over major programs	**Unmodified**
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)	____ Yes __x__ No

Identification of Major Programs:

CFDA Numbers	Name of Federal Program
84.027	Special Ed: IDEA Basic Local Assistance Entitlement, Part B, Sec 611
84.027	Special Ed: IDEA Local Assistance, Part B, Sec 611, Private School ISPs

Dollar threshold used to distinguish between type A and type B programs:	$ 750,000
Auditee qualified as low risk auditee?	__x__ Yes ____ No

State Awards

Internal control over state programs:	
Material weaknesses?	____ Yes __x__ No
Significant deficiencies identified not considered to be material weaknesses?	__x__ Yes ____ No
Type of auditor's report issued on compliance over state programs:	**Unmodified**

Section II – Financial Statement Findings

No findings noted.

Section III - Federal Award Findings and Questioned Costs

No findings noted.

Section IV - State Award Findings and Questioned Costs

Finding 2018-001; 40000 – Unduplicated Pupil Counts

Criteria or Specific Requirements

Supplemental and concentration grant amounts are calculated based on the percentage of "unduplicated pupils" enrolled in the LEA on Census Day (first Wednesday in October). The percentage equals:

- Unduplicated count of pupils who (1) are English learners, (2) meet income or categorical eligibility requirements for free or reduced-price meals under the National School Lunch Program, or (3) are foster youth. "Unduplicated count" means that each pupil is counted only once even if the pupil meets more than one of these criteria (*EC* sections 2574(b)(2) and 42238.02(b)(1)).

- Divided by total enrollment in the LEA (*EC* sections 2574(b)(1) and 42238.02(b)(5)). All pupil counts are based on Fall 1 certified enrollment reported in the CALPADS as of Census Day.

Condition

During our testing of the FRPM applications and the CALPADS reporting, we noted students who were reported as FRPM eligible who did not have an application on file for the 2017-18 fiscal year. This resulted in an overstatement of FRPM by eligible students.

Questioned Costs

The dollar impact of this finding is as follows:

Adjusted Base Grant per ADA	$	8,939
Supplemental and Concentration Grant ADA		4,239
Supplemental Grant Percentage		20%
UPP calculated as of P-2		43%
Target Supplemental Grant Funding calculated as of P-2		3,290,260
Revised Unduplicated Pupil Percentage		42.68%
Revised Target Supplemental Grant Funding for audit finding		3,234,184
Target Supplemental Grant Funding audit adjustment	$	56,075

Context

Controls should be in place to ensure accurate classification of students in CALPADS as of Census Day.

Effect

The unduplicated pupil counts reported in the CALPADS 1.17 and 1.18 reports should be adjusted for the following changes as a result of the procedures performed:

Total Adjusted Unduplicated Pupil Count	5,842
Audit Adjustment - Number of Unduplicated Pupil Count	(99)
Revised Adjusted Unduplicated Pupil Count	5,743

No changes to enrollment were identified as a result of testing the unduplicated pupil counts.

Cause

The District did not review the CALPADS data for accuracy during the adjustment window annually and does not have a system of review that provides adequate oversight of this reporting process and ensures proper reconciliation between the school lunch point of sale system and CALPADS data.

Recommendation

The District should review all CALPADS data for accuracy during the adjustment window annually and establish a system of review that provide adequate oversight of this reporting process and ensures proper reconciliation between the school lunch point of sale system and CALPADS data.

Corrective Action Plan

The District agrees with the findings and recommendation. The District will review all CALPADS data for accuracy during the adjustment window annually and establish a system of review that provides adequate oversight of the CALPADS reporting and reconciliation process.

Section II – Financial Statement Findings

No findings noted.

Section III - Federal Award Findings and Questioned Costs

No findings noted.

Section IV - State Award Findings and Questioned Costs

No findings noted.