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**JEFFERSON UNION HIGH SCHOOL DISTRICT  
COUNTY OF SAN MATEO  
DALY CITY, CALIFORNIA  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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**JEFFERSON UNION HIGH SCHOOL DISTRICT**  
**AUDITED FINANCIAL STATEMENTS**  
**JUNE 30, 2017**  
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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees of  
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, 2017, and the related notes to the financial statements, which collectively comprise Jefferson Union High School District's basic financial statements as listed in table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2016-17 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Jefferson Union High School District as of June 30, 2017, and the respective changes in financial position and, where applicable cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### **Required Supplementary Information**

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

### **Other Information**

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

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2017, 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.

**Patel & Associates, LLP**  
**Certified Public Accountants**

*Patel & Associates, LLP*

**Oakland, California**  
**December 15, 2017**

**JEFFERSON UNION HIGH SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2017**

An overview of the Jefferson Union High School District's (the "District") financial activities for the fiscal year ended June 30, 2017 is provided in this discussion and analysis of the District's financial performance.

This Management Discussion and Analysis (MD&A) should be read in conjunction with the District's financial statements (including notes and supplementary information).

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statements of Net Position and the Statement of Activities provide information about the activities of the District as a whole and present a longer-term of the District's finances. Fund financial statements, for governmental activities, tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. The remaining statements provide financial information about activities for which the District acts solely as trustee or agent for the benefit of those outside of the District.

**Reporting the District as a Whole**

One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer these questions. These statements include all assets, deferred outflow, liabilities, and deferred inflow using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2017. This review is a part of the audit of the District as a result of the legally required implementation of Governmental Accounting Standards Board Statement No. 34 (GASB 34). 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**

- Total government wide revenue for 2017 fiscal year was \$75,246,743
- Expenditures totaled \$78,416,372
- The District's financial status has declined during the fiscal year. Over the course of the year, there was a 7.74% decrease (excluding prior period adjustment) in total net position or \$3,169,629. This decrease is mostly attributable to completion of bond projects and expenditure of carryover balances.
- Enrollment in the District decreased by 1.3%. This did not impact state funding.

**JEFFERSON UNION HIGH SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2017**

- The District's net position at the close of the 2016-17 fiscal year is negative \$44,109,274. of this amount, \$(44,623,713) (*unrestricted net position*) reflects the inclusion of GASB 68 and does not affect the District's ability to meet ongoing obligations to citizens and creditors, \$41,266,628 is legally restricted (*restricted net position*), and negative \$40,752,189 is net investment in capital assets.
- As of June 30, 2017 the District's governmental funds reported combined ending fund balances of \$48,822,190, a decrease of \$8,347,344 in comparison with the prior year. Approximately 84.52% of the combined fund balances, \$41,266,628 is restricted; 10.36% or \$5,059,576 is assigned; 4.61% or \$2,251,221 is unassigned; and 0.50% or \$244,765 is nonspendable.
- At the end of the fiscal year, unassigned fund balance for the general funds was \$2,251,221 or 4.03% of the general funds total expenditures.
- The District's total long-term debt increased by \$6,338,090 in comparison with the prior year. The increase resulted primarily from the new Bonds, OPEB Obligation, and Pension Liability.
- Due to the implementation of GASB 68 the District recognized a Net Pension Liability of \$47.14 million.

**OVERVIEW OF FINANCIAL STATEMENTS**

The full annual financial report is a product of three separate parts: the basic financial statements, supplementary information, and this section, Management Discussion and Analysis. The three sections together provide a comprehensive 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, the statement of net position and the statement of activities, 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.
  - Basic services funding (i.e., regular and special education) is described in the governmental funds statements. These statements include short-term financing and balance remaining for future spending.
  - Normally, short and long-term financial information about the activities of the District that operate like businesses (such as food service or self-insurance funds) are provided in the proprietary funds statements. The District has no proprietary funds.
  - Financial relationships, for which the District acts solely as an agent or trustee, for the benefit of others to whom the resources belong, are presented in the fiduciary fund statements.

**JEFFERSON UNION HIGH SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2017**

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. A comparison of the District's general fund budget for the year is included. The combining fund statements are presented to show the individual fund data for each nonmajor governmental.

**REPORTING THE DISTRICTS MOST SIGNIFICANT FUNDS**

**Government-wide Financial Statements**

The District as a whole is reported in the government-wide statements and uses accounting methods similar to those used by companies in the private sector. All of the District's assets, deferred outflow, liabilities, and deferred inflow are included in the **Statement of Net Position**. The **Statement of Activities** reports all of the current year's revenues and expenses regardless of when cash is received or paid.

The District's financial health or position (net position) can be measured by the difference between the District's assets and liabilities.

- Increases or decreases in the net position of the District over time are indicators of whether its financial position is improving or deteriorating, respectively.
- Additional non-financial factors such as condition of school buildings and other facilities, and changes in the property tax base of the District, need to be considered in assessing the overall health of the District.

The Statement of Net Position and the Statement of Activities are normally divided into two kinds of activities:

- Governmental activities:  
The basic services provided by the District, such as regular and special education, administration, and transportation are included here. Property taxes, funding received from the State of California through the revenue limit, along with categorical and special funding received from the federal and state government finance most of these activities.
- Business-type activities:  
Business-type activities would charge fees to help cover the costs of certain services it provides. There are no business-type activities for the District.

**Fund Financial Statements**

More detailed information about the District's most significant funds – not the District as a whole – is provided in the fund financial statements. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by bond covenants and by state law.

**JEFFERSON UNION HIGH SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**FOR THE YEAR ENDED JUNE 30, 2017**

- Other funds are established by the District to control and manage money for particular purposes (such as repaying its long-term debts). Other funds may also show proper usage of certain revenues (such as federal grants).

There are three kinds of funds: governmental, proprietary and fiduciary funds. The District maintains two kinds of funds, the governmental and fiduciary funds:

- Governmental funds:

Most of the District's basic services are included in governmental funds, which generally focus on:

- 1) How cash and other financial assets can readily be converted to cash flow (in and out).
- 2) The balances left at year-end that are available for spending.

A detailed short-term view is provided by the governmental fund statements. These help determine whether there are more or fewer financial resources that can be spent in the near future for financing the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided at the bottom of the governmental fund statements that explain the differences (or relationships) between them.

The District maintains several individual governmental funds organized according to their type (general, special revenue, capital projects, and debt service). Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general, building, and bond interest and redemption funds, which are considered to be the major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The District adopts an annual appropriated budget. The budget is a compilation of operating budgets from individual functional units within the general, special revenue, debt service, and capital projects fund. Budgets are adopted for all funds. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with the budget.

- Proprietary funds:

The District has no proprietary funds.

- Fiduciary funds:

For assets that belong to others, such as the student body funds, the District acts as the trustee, or fiduciary. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. A separate statement of fiduciary net position and a statement of changes in fiduciary net position reports the District's fiduciary activities. These activities are excluded from the government-wide financial statements, as the assets cannot be used by the District to finance its operations.

**JEFFERSON UNION HIGH SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2017**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**Table 1: Net Position**

	<u>Governmental Activities</u>		Total Percentage Change
	<u>2017</u>	<u>2016</u>	
Current assets:			
Cash and investments	\$ 49,403,799	\$ 60,317,141	(18)%
Accounts receivable	5,098,286	470,178	984 %
Other current assets	<u>240,290</u>	<u>1,969,135</u>	<u>(88)%</u>
Subtotal current assets	54,742,375	62,756,454	(13)%
Capital assets, net	<u>147,034,958</u>	<u>141,960,937</u>	<u>4 %</u>
Total assets	<u>201,777,333</u>	<u>204,717,391</u>	<u>(1)%</u>
Deferred outflows of resources	<u>25,572,906</u>	<u>18,258,338</u>	<u>40 %</u>
Long-term obligations	254,956,909	248,618,819	3 %
Other liabilities	<u>8,711,953</u>	<u>8,213,921</u>	<u>6 %</u>
Total liabilities	<u>263,668,862</u>	<u>256,832,740</u>	<u>3 %</u>
Deferred inflows of resources	<u>7,790,651</u>	<u>7,082,634</u>	<u>10 %</u>
Net position:			
Invested in capital assets, net of related debt	(40,752,189)	(47,992,979)	(15)%
Restricted			
Legally restricted	41,266,628	18,861,340	119 %
Unrestricted	<u>(44,623,713)</u>	<u>(11,808,006)</u>	<u>278 %</u>
Total net position	<u>\$ (44,109,274)</u>	<u>\$ (40,939,645)</u>	<u>8 %</u>

The District's net position was negative \$44,109,274 for the fiscal year ended June 30, 2017. This represents a decrease of \$3,169,629 or 8.00% from prior year which is the result of net increase in expenditure over revenue by \$3,169,629. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the school board's ability to use the net position for day to day operations.

**JEFFERSON UNION HIGH SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2017**

A summary of total district revenues, expenses and changes in net position is presented in the table below.

**Table 2: Changes in Net Position**

	<u>Governmental Activities</u>		Total Percentage Change
	<u>2017</u>	<u>2016</u>	
Program revenues:			
Charges for services	\$ 399,494	\$ 379,665	5 %
Operating grants and contributions	7,745,044	5,788,820	34 %
General revenues:			
Taxes and subventions:			
Taxes levied for general purposes	30,326,534	28,384,727	7 %
Taxes levied for debt service	15,476,729	10,835,900	43 %
Taxes levied for other specific purposes	2,620,443	2,163,386	21 %
Federal & state aid not restricted to specific purposes	15,006,777	16,210,348	(7)%
Interest and investment earnings	147,355	331,903	(56)%
Miscellaneous	<u>3,524,367</u>	<u>1,655,489</u>	<u>113 %</u>
Total revenues	<u>75,246,743</u>	<u>65,750,238</u>	<u>14 %</u>
Expenses			
Instruction	29,973,888	29,696,316	0.93 %
Instruction - related services	5,650,357	5,179,816	9 %
Pupil services	7,929,171	7,003,171	13 %
Ancillary services	805,226	753,303	7 %
General administration	3,647,037	3,499,360	4 %
Plant services	12,721,832	7,246,576	76 %
Other outgo	3,569,764	2,542,861	40 %
Interest on long term debt	8,239,648	9,175,367	(10)%
Depreciation	<u>5,879,449</u>	<u>5,759,047</u>	<u>2 %</u>
Total expenses	<u>78,416,372</u>	<u>70,855,817</u>	<u>11 %</u>
Increase (decrease) in net position	(3,169,629)	(5,105,579)	(38)%
Net position beginning of the year	(40,939,645)	(35,764,406)	14 %
Prior Period Adjustment	<u>-</u>	<u>(69,660)</u>	<u>(100)%</u>
Net position end of the year	<u>\$ (44,109,274)</u>	<u>\$ (40,939,645)</u>	<u>8 %</u>

**JEFFERSON UNION HIGH SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2017**

**Government Activities**

For June 30, 2017 fiscal year, the total District revenues were \$75,246,743. The total District expenses were \$78,416,372. The difference of \$3,169,629 is the decrease in net position bringing the total net position at June 30, 2017 to \$(44,109,274).

The main source of revenue for the District is the property taxes, state apportionment, Federal and State Categorical grants.

The cost of all governmental activities this year was \$78,416,372. The amount that our taxpayers ultimately financed for these activities through local taxes was only \$48,423,706. The balance was financed by other government agencies and organizations that subsidized certain programs with grants and contributions of \$22,751,821.

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

The District's governmental funds reported a combined fund balance of \$48,822,190, which is less than last year's total of \$57,169,534. Below is an analysis of the District's fund balances and the total change in fund balance from the prior year.

**Table 3: District's Fund Balances**

	<u>Fund Balance</u> <u>June 30, 2017</u>	<u>Fund Balance</u> <u>June 30, 2016</u>	<u>Percent</u> <u>Increase</u> <u>(Decrease)</u>
Major funds:			
General funds:			
General fund (fund01)	\$ 7,146,349	\$ 6,672,405	7 %
Special Reserve for other than capital outlay projects (fund17)	776,858	769,539	1 %
Capital Project – Building	22,772,938	35,937,840	(37)%
Debt Service – Bond Interest & Redemption	15,486,047	11,835,732	31 %
Nonmajor funds:			
Special Revenue:			
Adult Education	333,889	50,783	557 %
Cafeteria	16,770	4,951	239 %
Capital Project:			
Capital Facilities	<u>2,289,339</u>	<u>1,898,284</u>	<u>21 %</u>
Total	<u>\$ 48,822,190</u>	<u>\$ 57,169,534</u>	<u>(15)%</u>

**General Fund Budgetary Highlights**

The District's 2016-17 General Fund operating budget was adopted by the Governing Board in June of 2016. As adopted, projected expenditures and other financing uses totaled \$52,701,871. Budgeted revenues and other financing sources totaled \$52,281,945, which were projected to be less than expenditures and other financing uses projected by approximately \$419,926.

**JEFFERSON UNION HIGH SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2017**

There were several formal revisions made to the budget during the year. These revisions fell into the following main categories:

- 1) Increases to both estimated income and appropriations due to the increase in the state, federal and local apportionment.
- 2) The budgeting of carryover balances from prior years. It is district policy to not budget expenditure totals carried over from a prior year until after the unaudited actual balances for that year have been calculated.
- 3) Increases in appropriations to prevent budget overages.
- 4) Recognition of pass through funds for STRS retirement contributions.

During the year, Revenue budgets were increased by approximately \$2,587,345. Budgeted expenditures increased by \$4,132,993 mainly for calculated carryover, increase in retirement fund contributions, and increased contracted services. As revised, the final General Fund expenditures and transfers budget totaled \$56,834,864, with revenue projected to be less than expenditures and transfers by \$1,965,574. The actual results for the year reflected ending fund balance of \$7,923,207.

In order to decrease the ending fund balance to support the next fiscal year requirements which includes the continuation of Common Core Standards implementation, the continued increased benefit contribution costs and the effort to address potential deficit spending, the District continues to monitor expenditures closely. The ending fund balance for the General Fund will support: (a) Revolving Account \$4,000, (b) Assigned allocation of \$1.8 million to maintain instructional coaching programs, and (c) Reserve for economic uncertainties (3 percent per Education Code) \$1,671,822.

**Capital Asset and Debt Administration**

**Capital Assets at Year End Net of Depreciation**

At June 30, 2017, the District had \$229,312,517 in a broad range of capital assets, including land, buildings, improvements and equipment. The District uses \$5,000 as its capitalization threshold.

**Table 4: Capital Assets**

	<u>Governmental Activities</u>		Total Percentage Change
	<u>2017</u>	<u>2016</u>	
Land	\$ 1,536,578	\$ 1,536,578	- %
Construction in progress	10,110,267	26,042,064	(61)%
Improvements	1,774,120	1,774,120	- %
Buildings	211,550,250	184,843,373	14 %
Equipment	<u>4,341,302</u>	<u>4,291,143</u>	1 %
Total	<u>\$ 229,312,517</u>	<u>\$ 218,487,278</u>	<u>5 %</u>

The District's investment in capital assets amounts to \$147,034,958 (net of \$82,277,559 accumulated depreciation). This investment includes mainly land, buildings, improvements, and equipment.

**JEFFERSON UNION HIGH SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2017**

The District's investment in capital assets increased net \$10,825,239 or 5% over the prior year. This increase is mainly due to purchases of equipment.

**Table 5: Outstanding Long-Term Obligations**

	<u>Governmental Activities</u>		Total
	<u>2017</u>	<u>2016</u>	Percentage Change
Bonds payable (including premium)	\$ 198,729,815	\$201,142,757	(1)%
Lease-Lease back agreement	1,212,156	1,579,863	(23)%
Compensated absences	304,619	300,417	1 %
Net OPEB Obligation	7,567,007	6,343,135	19 %
Net Pension Liability	<u>47,143,312</u>	<u>39,252,647</u>	<u>20 %</u>
Total	<u>\$ 254,956,909</u>	<u>\$248,618,819</u>	<u>3 %</u>

As explained earlier, due to adoption of accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the District recorded its portion of net pension liability for an amount of \$47,143,312 under CalPERS and CalSTRS pensions plans in which the District participates.

**Contacting the District 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 any questions regarding this report or need additional financial information, please contact the District's Business Office at (650) 550-7954 or 699 Serramonte Blvd. Daly City, CA 94015.

## **BASIC FINANCIAL STATEMENTS**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**JEFFERSON UNION HIGH SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2017**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and investments	\$ 49,403,799
Accounts receivable	5,098,286
Prepaid expenses	240,290
Capital assets:	
Land	1,536,578
Improvements	1,774,120
Work in progress	10,110,267
Buildings	211,550,250
Equipment	4,341,302
Accumulated depreciation	<u>(82,277,559)</u>
Total assets	<u>201,777,333</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred refunding charges	12,154,824
Deferred outflow related to pension	<u>13,418,082</u>
Total deferred outflows of resources	<u>25,572,906</u>
<b>LIABILITIES</b>	
Accounts payable and accrued liabilities	4,294,054
Accrued interest	2,736,907
Unearned revenue	1,680,992
Long-term obligations:	
Current portion of long-term obligations other than pensions	11,461,556
Noncurrent portion of long-term obligations other than pensions	196,352,041
Net pension liability	<u>47,143,312</u>
Total liabilities	<u>263,668,862</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflow related to pension	<u>7,790,651</u>
Total deferred inflows of resources	<u>7,790,651</u>
<b>NET POSITION</b>	
Investment in capital assets net of related debt	(40,752,189)
Restricted for:	
Debt services	15,486,047
Capital projects	22,632,815
School programs	3,147,766
Unrestricted	<u>(44,623,713)</u>
Total net position	<u>\$ (44,109,274)</u>

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

**JEFFERSON UNION HIGH SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental activities:				
Instruction	\$ 29,973,888	\$ 17,262	\$ 4,944,713	\$ (25,011,913)
Instruction-related services	5,650,357	10,557	1,037,112	(4,602,688)
Pupil services	7,929,171	293,992	1,068,747	(6,566,432)
Ancillary services	805,226	174	24,387	(780,665)
General administration	3,647,037	1,468	89,193	(3,556,376)
Plant services	12,721,832	1,506	11,248	(12,709,078)
Other outgo	3,569,764	74,535	569,644	(2,925,585)
Interest on long-term debt	8,239,648	-	-	(8,239,648)
Depreciation	5,879,449	-	-	(5,879,449)
Total governmental activities	<u>\$ 78,416,372</u>	<u>\$ 399,494</u>	<u>\$ 7,745,044</u>	<u>(70,271,834)</u>
General revenues:				
Taxes and subventions:				
Taxes levied for general purposes				30,326,534
Taxes levied for debt service				15,476,729
Taxes levied for other specific purposes				2,620,443
Federal and state aid not restricted to specific purposes				15,006,777
Interest and investment earnings				147,355
Miscellaneous				<u>3,524,367</u>
Total general revenues				<u>67,102,205</u>
Change in net position				(3,169,629)
Net position - beginning				<u>(40,939,645)</u>
Net position - ending				<u>\$ (44,109,274)</u>

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

## **FUND FINANCIAL STATEMENTS**

**JEFFERSON UNION HIGH SCHOOL DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2017**

	<u>General Fund</u>	<u>Building Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and investments	\$ 6,863,198	\$ 24,438,452	\$ 15,450,142	\$ 2,706,868	\$ 49,458,660
Accounts receivable	4,596,871	71,881	35,905	393,629	5,098,286
Due from other funds	285,484	-	-	-	285,484
Prepaid expenses	<u>240,290</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>240,290</u>
Total assets	<u>11,985,843</u>	<u>24,510,333</u>	<u>15,486,047</u>	<u>3,100,497</u>	<u>55,082,720</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	2,460,652	1,720,986	-	112,416	4,294,054
Due to other funds	-	16,409	-	269,075	285,484
Unearned revenues	<u>1,601,984</u>	<u>-</u>	<u>-</u>	<u>79,008</u>	<u>1,680,992</u>
Total liabilities	<u>4,062,636</u>	<u>1,737,395</u>	<u>-</u>	<u>460,499</u>	<u>6,260,530</u>
Fund balances:					
Nonspendable:					
Revolving fund	4,000	-	-	475	4,475
Prepaid assets	240,290	-	-	-	240,290
Restricted for:					
Debt services	-	-	15,486,047	-	15,486,047
Capital projects	-	22,632,815	-	-	22,632,815
School programs	2,850,838	-	-	296,928	3,147,766
Assigned	2,576,858	140,123	-	2,342,595	5,059,576
Unassigned	<u>2,251,221</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,251,221</u>
Total fund balances	<u>7,923,207</u>	<u>22,772,938</u>	<u>15,486,047</u>	<u>2,639,998</u>	<u>48,822,190</u>
Total liabilities and fund balances	<u>\$ 11,985,843</u>	<u>\$ 24,510,333</u>	<u>\$ 15,486,047</u>	<u>\$ 3,100,497</u>	<u>\$ 55,082,720</u>

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

**JEFFERSON UNION HIGH SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2017**

Total fund balances - governmental funds		\$ 48,822,190
Amounts reported for Governmental Activities in the Statement of Net Position are different because:		
Capital assets used for governmental activities are not short-term financial resources and therefore are not reported as assets in governmental funds:		
Cost of capital assets	\$ 229,312,517	
Less: Accumulated depreciation	<u>(82,277,559)</u>	147,034,958
Change in the fair value of investment		(54,861)
Interest payable on long-term debt is not accrued as a liability in the balance sheet of government funds		(2,736,907)
Deferred charges on refunding related to the loss on refunding of debt, which is classified as a deferred outflow of resources and expensed over the life of the debt on the government-wide financial statements, but were recorded as an expenditure in the governmental fund statements when the debt was issued.		12,154,824
Deferred outflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds		13,418,082
Deferred inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds		(7,790,651)
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 the year end consist of:		
General obligation bonds payable	\$ 198,729,815	
Unamortized Bond Premium	1,212,156	
Pension liability	47,143,312	
Other Post-employment benefits obligations	7,567,007	
Compensated absences	<u>304,619</u>	<u>(254,956,909)</u>
Total net position - governmental activities		<u><u>\$ (44,109,274)</u></u>

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

**JEFFERSON UNION HIGH SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	<u>General Fund</u>	<u>Building Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
LCFF sources:					
State apportionments	\$ 15,502,149	\$ -	\$ -	\$ -	\$ 15,502,149
Local sources	27,370,644	-	-	-	27,370,644
LCFF transfers	612,943	-	-	-	612,943
Federal	1,631,844	-	1,249	756,577	2,389,670
Other state	4,489,915	-	121,840	1,519,432	6,131,187
Other local	<u>6,781,175</u>	<u>294,823</u>	<u>15,457,107</u>	<u>761,906</u>	<u>23,295,011</u>
Total revenues	<u>56,388,670</u>	<u>294,823</u>	<u>15,580,196</u>	<u>3,037,915</u>	<u>75,301,604</u>
<b>EXPENDITURES</b>					
Instruction	28,193,479	-	-	1,047,310	29,240,789
Instruction-related services	4,878,468	-	-	526,847	5,405,315
Pupil services	6,737,622	-	-	940,431	7,678,053
Ancillary services	787,725	-	-	-	787,725
General administration	3,545,273	-	-	-	3,545,273
Plant services	8,015,077	15,459,724	-	17,347	23,492,148
Other outgo	<u>3,569,764</u>	<u>-</u>	<u>11,929,881</u>	<u>-</u>	<u>15,499,645</u>
Total expenditures	<u>55,727,408</u>	<u>15,459,724</u>	<u>11,929,881</u>	<u>2,531,935</u>	<u>85,648,948</u>
Excess/(deficiency) of revenues over/(under) expenditures	<u>661,262</u>	<u>(15,164,901)</u>	<u>3,650,315</u>	<u>505,980</u>	<u>(10,347,344)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfers in	-	-	833,241	180,000	1,013,241
Operating transfers out	(180,000)	-	(833,241)	-	(1,013,241)
Sale of bonds	<u>-</u>	<u>2,000,000</u>	<u>-</u>	<u>-</u>	<u>2,000,000</u>
Total other financing sources (uses)	<u>(180,000)</u>	<u>2,000,000</u>	<u>-</u>	<u>180,000</u>	<u>2,000,000</u>
Net change in fund balance	481,262	(13,164,901)	3,650,315	685,980	(8,347,344)
Fund balances, July 01, 2016	<u>7,441,945</u>	<u>35,937,839</u>	<u>11,835,732</u>	<u>1,954,018</u>	<u>57,169,534</u>
Fund balances, June 30, 2017	<u>\$ 7,923,207</u>	<u>\$ 22,772,938</u>	<u>\$ 15,486,047</u>	<u>\$ 2,639,998</u>	<u>\$ 48,822,190</u>

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

**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 YEAR ENDED JUNE 30, 2017**

Total net change in fund balances - governmental funds \$ (8,347,344)

Amounts reported for Governmental Activities in the Statement of Activities are different because:

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 additions to capital outlay exceeds depreciation expense in the period.

Capital outlays	\$ 10,953,470	
Less: Depreciation	<u>(5,879,449)</u>	5,074,021

Change in the fair value of investment (54,861)

The governmental funds report bond proceeds as an other financing source, while repayment of bond principal is reported as an expenditure. Also, governmental funds report the effect of premium when bond is first issued, whereas, this amounts are and amortized in the statement of activities. Issue costs are expensed the year the debt is issued. Interest is recognized as an expenditures 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 long-term debt	\$ (2,108,000)	
Repayment of bond principal	5,747,325	
Amortization of bond premium (discount)	641,052	
Amortization of deferred amount on refunding	(613,880)	
Accretion of bond	<u>(1,499,728)</u>	2,166,769

In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year. (670,234)

Interest on long-term debt is recognized as an expenditures 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. (109,906)

Other Postemployment benefit expenditures are recorded in the governmental funds to the extent of amounts actually funded. In the statement of activities, however, the expense is recorded for the full amount of the accrual-basis annual OPEB cost. (1,223,872)

In the statement of activities, compensated absences are measured by the amounts earned during the year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts paid).  
Increase in compensated absences (4,202)

Changes in net position - governmental activities \$ (3,169,629)

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

**JEFFERSON UNION HIGH SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS**  
**JUNE 30, 2017**

	<u>Student Body Funds</u>
<b>Assets</b>	
Cash	\$ 313,549
Total assets	<u>313,549</u>
<b>Liabilities</b>	
Due to students groups	<u>313,549</u>
Total liabilities	<u><u>\$ 313,549</u></u>

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

**JEFFERSON UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***A. Reporting Entity***

The Jefferson Union High School District (the "District") includes all funds that are controlled by the District's governing board for financial reporting purposes. The District has considered all potential component units in determining how to define the reporting entity using criteria set forth in generally accepted accounting principles. Based upon those criteria, the District has determined that there are no potential component units that should be included in the District financial reporting entity.

***B. Basis of Presentation***

**Government-wide financial statements:**

The government-wide financial statements (i.e. statement of net position and the statement of changes in net position) report information on all of the non fiduciary activities of the District.

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

**Fund Financial Statements:**

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

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.

**JEFFERSON UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONT'D)**

**C. Fund Accounting**

District accounts are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts comprised of assets, liabilities, fund equity (or retained earnings), revenues and expenditures or expenses as appropriate. Governmental resources allocated to individual funds are recorded for the purpose of carrying on specific activities in accordance with laws, regulations, or other appropriate requirements. The fund types and funds utilized by the District are described below:

**Major Governmental Funds:**

The General Funds are mainly the general operating fund of the District. It is used to account for all financial resources except for those required to be accounted for in another fund. This fund combines Fund 01-General Fund and, starting FY10/11, Fund 17-Special Reserve Fund for Other than Capital Outlay Projects.

The Building Fund is used to 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 the accumulation of resources from ad valorem tax levies and the repayment of District bonds, interest, and related costs.

**Non-Major Governmental Funds:**

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The District maintains following nonmajor special revenue funds:

- The Adult Education Fund is used to account for resources committed to adult education programs maintained by the District. Under the flexibility provisions of current statute that allow formerly restricted revenues to be used for any educational purpose, such as this fund, do not currently meet the definition of special revenue funds as they are no longer primarily composed of restricted or committed revenue sources. However, since the programs associated with these funds may be reinstated at the end of the five-year flexibility period, the CDE has elected not to close these funds at this time. Additionally, substantial portion of the inflows were federal revenues.
- The Cafeteria Fund is used to account separately for revenues received and expenditures made to operate the District's food service operations.

Capital Projects Funds are used to account for the acquisition and/or construction of all major governmental general fixed assets. The District maintains the Capital Facilities Fund as nonmajor capital projects fund. The Capital Facilities Fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act (CEQA).

**JEFFERSON UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONT'D)**

**Fiduciary Funds:**

Agency Funds account for assets of others for which the District acts as agent. The District maintains agency funds for the student body accounts, which 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 in the District.

**D. Accounting Policies**

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 accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants.

**E. 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 as of June 30.

**F. 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. Proprietary and 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. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one-year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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.

**JEFFERSON UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONT'D)**

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.

**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.

**Deposits and Investments:**

Cash balances held in banks and in revolving funds are insured up 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.

The County is authorized to deposit cash and invest excess funds by California *Government Code* Section 53648 et seq. The funds maintained by the County are either secured by federal depository insurance or are collateralized.

**Inventories and prepaid expenditures**

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time individual inventory items are purchased. Inventories are valued at average cost and consist of expendable supplies held for consumption. 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.

**JEFFERSON UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONT'D)**

The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure when incurred.

**Capital Assets**

The accounting and reporting treatment applied to the capital assets associated with a fund is determined by its measurement focus. Capital assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not own any infrastructure as defined in GASB No. 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets, except for land and work in progress, are depreciated. Improvements are depreciated over the remaining life of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Land	N/A
Buildings and improvements	20-50 years
Furniture and equipment	15-20 years
Vehicles	8 years

**Unearned revenue**

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

**Compensated Absences**

All vacation pay plus related payroll taxes 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.

**JEFFERSON UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONT'D)**

**Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligation are reported as liabilities in the Statement of Net Position. Bonds premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method over the remaining life of the debt. Bonds payable are reported net of applicable bond premium or discount.

In the fund financial statements, governmental fund recognized 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.

**Deferred Outflows/Inflows of Resources**

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

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

**Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the CalPERS and CalSTRS Financial Offices. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS and CalSTRS audited financial statements are publicly available reports that can be obtained at CalPERS' and CalSTRS' website.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

Valuation Date (VD)	June 30, 2015
Measurement Date (MD)	June 30, 2016
Measurement Period (MP)	July 01, 2015 to June 30, 2016

**JEFFERSON UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONT'D)**

**Fund Balance**

As of June 30, 2017, fund balances of the governmental funds are classified as follows:

- **Nonspendable** – Amounts that cannot be spent because they are either (a) not in spendable form (inventories, prepaid amounts, etc.) or (b) legally or contractually required to be maintained intact.
- **Restricted** – Amounts with constraints that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed** – Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District’s Board. Those committed amounts cannot be used for any other purpose unless the District Board removes or changes the specified use by taking the same type of action (legislation, resolution, ordinance) it employed to previously commit those amounts.
- **Assigned** – Amounts the District intends to be used for specific purposes that are neither restricted nor committed.
- **Unassigned** – The residual balance that has not been assigned to other funds and is not restricted, committed or assigned for specific purposes.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and other funds are available, then it applies amounts to the committed fund balance followed by assigned and then unassigned amounts.

**Minimum Fund Balance**

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 governing board believes a reserve of this level is prudent to protect the District from the effects of fluctuations in property tax revenues to which basic aid districts such as the District 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.

**Net position**

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

**JEFFERSON UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONT'D)**

**Revenue Limit/Property Tax**

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

The County 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 January 1, which is also the lien date. Property taxes on the secured roll are due on November 1 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.

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

The District's base revenue limit is the amount general purpose tax revenue, per average daily attendance (ADA), that the District is entitled to by law. This amount is multiplied by the second period ADA to derive the District's total entitlement.

**G. Budgets and Budgetary Accounting**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted accounting principles for all governmental funds. By state law, the District's governing body 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 are presented for the General Fund in the financial statements.

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

**JEFFERSON UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONT'D)**

***H. Accounting Estimates***

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

***I. Changes in Accounting Principles***

**New Accounting Pronouncements:**

**GASB Statement 75, Accounting and Financial Reporting for postemployment benefits other than pensions**

In June of 2015, the GASB issued GASB Statement 75 (GASB 75), Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, with required implementation for the District during the year ended June 30, 2018. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for other postemployment benefits (OPEB) by establishing standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. It will require employers to report a net OPEB liability for the difference between the present value of projected pension benefits for past service and restricted resources held in trust for the payment of benefits. The Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. GASB 75 is required to be implemented retroactively and will require a restatement of beginning net position.

**JEFFERSON UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 2: CASH AND INVESTMENTS**

The District's cash and investments as of June 30, 2017 are as follows:

Governmental activities	\$ 49,403,799
Fiduciary funds	<u>313,549</u>
Total cash and investments	<u><u>\$ 49,717,348</u></u>

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

Cash in revolving account	\$ 4,475
Cash in Banks	25,000
Cash with Fiscal Agent	5,002
Investments	<u>49,369,322</u>
Total cash and investments	<u><u>\$ 49,403,799</u></u>

Cash in revolving account and bank

Cash balances in the revolving funds are insured up to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured.

Investments

The District's investments consist of the following at June 30, 2017:

	<u>Book Value</u>	<u>Fair Value</u>
Cash with the county treasury	<u>\$ 49,424,183</u>	<u>\$ 49,369,322</u>
Total investments	<u><u>\$ 49,424,183</u></u>	<u><u>\$ 49,369,322</u></u>

Cash with 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 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. Information regarding the characteristics of the entire investment pool can be found in the County's June 30, 2017 basic financial statements. A copy of that report may be obtained by contacting the Controller's Office, County of San Mateo, 555 County Center, Redwood City, California 94063. As of June 30, 2017, the GASB fair market value factor for the San Mateo County Investment Pool was 0.99889.

Cash with the fiscal agents - The District maintains some cash with the bond trustee. The bond trustee invests the funds as authorized under the bond indenture.

**JEFFERSON UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 2: CASH AND INVESTMENTS - (CONT'D)**

**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.

**General Authorizations**

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

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. treasury obligations	7 years	100%	100%
Obligations of U.S. Agencies or government sponsored enterprises	7 years	100%	40%
U.S. Agencies Callables	7 years	100%	25%
Commercial paper (two agencies)	270 days or less	40%	5% Aggregate
Negotiable Certificates of Deposit (\$5 billion minimum assets) (two agencies)	5 years	30%	5% Aggregate
Bankers Acceptances *Domestic: (\$5 billion minimum assets) *Foreign: (\$5 billion minimum assets) (two agencies)	180 days	15%	5% Aggregate
Collateralized Time Deposits within the state of California	1 year	15%	5% Aggregate
Mortgage Backed Securities/CMO's: No Inverse Floaters No Range Notes No Interest only strips derived from a pool of Mortgages	5 years	20% Combined total	5% Aggregate
Asset Backed Securities	5 years	20% Combined total	5% Aggregate
Corporate bonds, Medium Term Notes & Covered Bonds (two agencies)	5 years	30%	5% Aggregate
US Instrumentalities	5 years	25% of the 30% above	5% Aggregate
CA Municipal Obligations	5 Years	30%	5% Aggregate
Repurchase Agreements secured by U.S. Treasury or agency obligation (102% collateral)	92 days	100%	See limitations for Treasuries and Agencies above Up to the current state limit
Local Agency Investment Fund (LAIF) Shares of beneficial interest issued by diversified management companies as defined in Government Code Section§ 53601(Mutual Funds)		10%	5% Aggregate
Local Government Investment Pools (LGIPs)		10%	5% Aggregate

**JEFFERSON UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 2: CASH AND INVESTMENTS - (CONT'D)**

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Weighted average maturity of the District's investment in County Pool is 1.01 years with an average duration of 0.98 years.

**Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The San Mateo County Pool and the State Investment Pool are not rated.

**NOTE 3: ACCOUNTS RECEIVABLE**

Accounts receivable as of June 30, 2017 consisted of grants, entitlements, interest and other local sources. All accounts receivable are considered collectible in full.

	General Fund	Building Fund	Bond Interest & Redemption Fund	Non Major Governmental Funds	Total
Federal sources:					
Categorical aid programs	\$ 337,113	\$ -	\$ -	\$ 264,983	\$ 602,096
State programs:					
Revenue limit	3,061,173	-	-	-	3,061,173
Categorical programs	19,553	-	-	86,886	106,439
Lottery	415,000	-	-	-	415,000
Local sources:					
Interest	41,411	71,881	35,905	7,048	156,245
Special education	286,752	-	-	-	286,752
Other	110,812	-	-	22,335	133,147
Miscellaneous	<u>325,057</u>	<u>-</u>	<u>-</u>	<u>12,377</u>	<u>337,434</u>
Total accounts receivable	<u>\$4,596,871</u>	<u>\$ 71,881</u>	<u>\$ 35,905</u>	<u>\$ 393,629</u>	<u>\$ 5,098,286</u>

**JEFFERSON UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 4: INTERFUND TRANSACTIONS**

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. 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.

Interfund Receivables/Payables (Due From/Due To)

Interfund receivables and payables as at June 30, 2017, between major and nonmajor governmental funds were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General fund	\$ 285,484	\$ -
Building fund	-	16,409
Nonmajor Governmental Funds- Cafeteria fund	-	90,431
Nonmajor Governmental Funds- Adult Fund	-	167,027
Nonmajor Governmental Funds- Capital facilities fund	-	11,617
Totals	<u>\$ 285,484</u>	<u>\$ 285,484</u>

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended. Interfund transfers for fiscal year 2016-17 were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 180,000
Bond Interest & Redemption Fund	833,241	833,241
Non-major governmental Funds - Cafeteria Fund	180,000	-
	<u>\$ 1,013,241</u>	<u>\$ 1,013,241</u>

Reasons for interfund transfers are as follows:

Transfer from the General Fund to the Cafeteria Fund was for general support of the program.	180,000
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**JEFFERSON UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 5: CAPITAL ASSETS AND DEPRECIATION**

Capital asset activity for the year ended June 30, 2017 is shown below:

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfer</u>	<u>Balance</u> <u>June 30, 2017</u>
Capital assets, not being depreciated:					
Land	\$ 1,536,578	\$ -	\$ -	\$ -	\$ 1,536,578
Construction in progress	<u>26,042,064</u>	<u>8,163,151</u>	<u>-</u>	<u>(24,094,948)</u>	<u>10,110,267</u>
Total capital assets, not being depreciated	<u>27,578,642</u>	<u>8,163,151</u>	<u>-</u>	<u>(24,094,948)</u>	<u>11,646,845</u>
Capital assets being depreciated:					
Improvements	1,774,120	-	-	-	1,774,120
Buildings	184,843,373	2,611,929	-	24,094,948	211,550,250
Equipment	<u>4,291,143</u>	<u>178,390</u>	<u>(128,231)</u>	<u>-</u>	<u>4,341,302</u>
Total capital assets, being depreciated	<u>190,908,636</u>	<u>2,790,319</u>	<u>(128,231)</u>	<u>24,094,948</u>	<u>217,665,672</u>
Less accumulated depreciation for:					
Improvements	1,594,668	39,552	-	-	1,634,220
Buildings	72,591,300	5,561,548	-	-	78,152,848
Equipment	<u>2,340,373</u>	<u>270,518</u>	<u>(120,400)</u>	<u>-</u>	<u>2,490,491</u>
Total accumulated depreciation	<u>76,526,341</u>	<u>5,871,618</u>	<u>(120,400)</u>	<u>-</u>	<u>82,277,559</u>
Total capital assets, being depreciated, net	<u>114,382,295</u>	<u>(3,081,299)</u>	<u>(7,831)</u>	<u>24,094,948</u>	<u>135,388,113</u>
Governmental activities capital assets, net	<u>\$ 141,960,937</u>	<u>\$ 5,081,852</u>	<u>\$ (7,831)</u>	<u>\$ -</u>	<u>\$ 147,034,958</u>

The unallocated depreciation expense charged to governmental activities for the fiscal year is \$5,871,618.

**NOTE 6: DEFERRED OUTFLOWS OF RESOURCES**

A deferred outflow of resource is a consumption of net position by the District that is applicable to a future reporting period. Deferred outflow of resources at June 30, 2017 consisted of the following:

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2017</u>
Deferred charges on refunding	\$ 12,768,704	\$ -	\$ 613,880	\$ 12,154,824
Deferred outflow related to pension	<u>5,489,634</u>	<u>14,021,687</u>	<u>6,093,239</u>	<u>13,418,082</u>
	<u>\$ 18,258,338</u>	<u>\$ 14,021,687</u>	<u>\$ 6,707,119</u>	<u>\$ 25,572,906</u>

For governmental activities, deferred outflows of resources related to loss from advance refunding for \$12,154,824 will be recognized as an expense and as a decrease in net position over the remaining life of related bonds.

**JEFFERSON UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 7: LONG-TERM DEBT**

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

	Balance			Balance		
	June 30, 2016	Additions	Reductions	June 30, 2017	Due within One Year	Due Beyond One Year
General obligation bonds	\$ 201,142,757	\$ 3,607,728	\$ 6,020,670	\$ 198,729,815	\$ 10,821,397	\$ 187,908,418
Lease - Lease back agreement	1,579,863	-	367,707	1,212,156	335,540	876,616
OPEB obligation	6,343,135	1,223,872	-	7,567,007	-	7,567,007
Net pension liability	39,252,647	7,890,665	-	47,143,312	-	47,143,312
Compensated absences	<u>300,417</u>	<u>4,202</u>	<u>-</u>	<u>304,619</u>	<u>304,619</u>	<u>-</u>
Total	<u>\$ 248,618,819</u>	<u>\$ 12,726,467</u>	<u>\$ 6,388,377</u>	<u>\$ 254,956,909</u>	<u>\$ 11,461,556</u>	<u>\$ 243,495,353</u>

The Bond Interest and Redemption fund is used to collect assessed property taxes which are used to repay the general obligation bonds. Compensated absences, net OPEB obligation and pension liabilities are paid for by the fund for which the employee worked.

**JEFFERSON UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

**NOTE 7: LONG-TERM DEBT - (CONT'D)**

**General Obligation Bonds Payable**

The outstanding general obligation bonds payable of the District as of June 30, 2017 are as follows:

Bond	Year of Issuance	Interest Rate	Maturity Date	Amount of Original Issue	Amount Outstanding July 01, 2016	Addition/ Accretion	Redeemed	Amount Outstanding June 30, 2017	Due within one year	Due beyond one year
General obligation refunding bonds, Series A	2000	5.75%-6.45%	8/1/2029	\$ 22,060,000	\$ 13,845,000	\$ -	\$ 805,000	\$ 13,040,000	\$ 860,000	\$ 12,180,000
2006 general obligation bonds, Series B	2009	2.5%-12%	8/1/2033	17,998,937	17,184,523	-	279,695	16,904,828	343,422	16,561,406
Accreted interest				-	7,396,142	1,046,918	-	8,443,060	-	8,443,060
Bond premium				-	421,045	-	24,646	396,399	24,646	371,753
2006 general obligation bonds, Series C	2010	3%-5%	8/1/2026	12,000,000	10,030,000	-	605,000	9,425,000	680,000	8,745,000
Bond premium				-	338,355	-	33,556	304,799	33,556	271,243
2012 general obligation bonds, Series A	2013	2%-5%	8/1/2037	35,540,000	33,880,000	-	890,000	32,990,000	935,000	32,055,000
Bond premium				-	1,186,260	-	56,265	1,129,995	56,265	1,073,730
2012 general obligation Ed-Tech bonds, Series A	2013	1.53%	8/1/2016	1,500,000	500,000	-	500,000	-	-	-
2014 general obligation refunding bonds, Series A	2014	3%-5%	8/1/2039	20,360,000	20,360,000	-	-	20,360,000	-	20,360,000
Bond premium				-	721,051	-	31,013	690,038	31,013	659,025
2014 general obligation refunding bonds, Series B	2014	1.45%-2%	8/1/2018	720,000	720,000	-	-	720,000	350,000	370,000
2015 general obligation refunding bonds	2015	2%-5%	8/1/2031	41,430,000	40,780,000	-	1,705,000	39,075,000	1,785,000	37,290,000
Bond premium				-	4,726,980	-	316,893	4,410,087	316,893	4,093,194
2016 general obligation refunding bonds	2016	3.65%-3.95%	8/1/2034	11,519,263	11,519,263	-	-	11,519,263	-	11,519,263
Accreted interest				-	139,771	452,810	-	592,581	-	592,581
2012 general obligation bonds, Series C	2016	2%-5%	8/1/2020	4,860,000	4,860,000	-	-	4,860,000	950,000	3,910,000
Bond premium				-	374,549	-	91,568	282,981	91,568	191,413
2014 general obligation bonds, Series A	2016	3%-5%	8/1/2041	30,000,000	30,000,000	-	-	30,000,000	3,455,000	26,545,000
Bond premium				-	2,159,818	-	86,034	2,073,784	86,034	1,987,750
2014 general obligation Ed-Tech bonds, Series B	2016	0.95%-1.45%	8/1/2019	<u>2,108,000</u>	<u>-</u>	<u>2,108,000</u>	<u>596,000</u>	<u>1,512,000</u>	<u>823,000</u>	<u>689,000</u>
Totals				<u>\$ 200,096,200</u>	<u>\$201,142,757</u>	<u>\$ 3,607,728</u>	<u>\$ 6,020,670</u>	<u>\$198,729,815</u>	<u>\$10,821,397</u>	<u>\$ 187,908,418</u>

**JEFFERSON UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 7: LONG-TERM DEBT - (CONT'D)**

**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. The annual requirements to amortize the bonds outstanding as of June 30, 2017, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 860,000	\$ 831,959	\$ 1,691,959
2019	920,000	777,115	1,697,115
2020	975,000	719,303	1,694,303
2021	1,040,000	657,896	1,697,896
2022	1,115,000	590,498	1,705,498
2023-2027	6,525,000	1,766,816	8,291,816
2028-2030	<u>1,605,000</u>	<u>134,483</u>	<u>1,739,483</u>
Total	<u>\$13,040,000</u>	<u>\$ 5,478,070</u>	<u>\$18,518,070</u>

**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. As of June 30, 2017, the accumulated accretion on the capital appreciation bonds and the annual requirements to amortize the bonds outstanding are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Accreted Interest</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 343,422	\$ 376,576	\$ 126,219	\$ 846,217
2019	482,028	442,972	122,500	1,047,500
2020	700,670	414,330	118,231	1,233,231
2021	773,340	556,660	113,456	1,443,456
2022	841,616	713,384	108,325	1,663,325
2023-2027	6,993,029	10,076,971	447,769	17,517,769
2028-2032	6,340,723	14,094,277	241,066	20,676,066
2033-2034	<u>430,000</u>	<u>-</u>	<u>23,381</u>	<u>453,381</u>
Total	16,904,828	26,675,170	<u>\$ 1,300,947</u>	<u>\$44,880,945</u>
Bond Premium as of June 30, 2017	396,399	-		
Unaccreted Interest	-	<u>(18,232,110)</u>		
Accreted Interest as of June 30, 2017	<u>8,443,060</u>	<u>\$ 8,443,060</u>		
Book Balance	<u>\$25,744,287</u>			

**JEFFERSON UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 7: LONG-TERM DEBT - (CONT'D)**

**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. The annual requirements to amortize the bonds outstanding as of June 30, 2017, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 680,000	\$ 408,100	\$ 1,088,100
2019	765,000	371,975	1,136,975
2020	940,000	329,350	1,269,350
2021	1,115,000	277,975	1,392,975
2022	1,315,000	223,800	1,538,800
2023-2027	<u>4,610,000</u>	<u>344,050</u>	<u>4,954,050</u>
Total	9,425,000	<u>\$ 1,955,250</u>	<u>\$ 11,380,250</u>
Bond Premium as of June 30, 2017	<u>304,799</u>		
Total	<u>\$ 9,729,799</u>		

**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. The annual requirements to amortize the bonds outstanding as of June 30, 2017, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 935,000	\$ 1,219,913	\$ 2,154,913
2019	980,000	1,181,613	2,161,613
2020	1,030,000	1,141,413	2,171,413
2021	1,080,000	1,099,213	2,179,213
2022	1,130,000	1,063,488	2,193,488
2023-2027	6,540,000	4,557,463	11,097,463
2028-2032	8,310,000	3,087,047	11,397,047
2033-2037	10,555,000	1,456,478	12,011,478
2038	<u>2,430,000</u>	<u>45,563</u>	<u>2,475,563</u>
Total	32,990,000	<u>\$14,852,191</u>	<u>\$47,842,191</u>
Bond Premium as of June 30, 2017	<u>1,129,995</u>		
Book Balance	<u>\$34,119,995</u>		

**JEFFERSON UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 7: LONG-TERM DEBT - (CONT'D)**

**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.

The annual requirements to amortize the Series 2014A bonds outstanding as of June 30, 2017, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ -	\$ 826,844	\$ 826,844
2019	-	826,844	826,844
2020	285,000	821,144	1,106,144
2021	325,000	808,944	1,133,944
2022	375,000	794,944	1,169,944
2023-2027	2,725,000	3,646,969	6,371,969
2028-2032	4,520,000	2,854,609	7,374,609
2033-2037	6,735,000	1,784,663	8,519,663
2038-2039	<u>5,395,000</u>	<u>333,700</u>	<u>5,728,700</u>
Total	20,360,000	<u>\$12,698,661</u>	<u>\$33,058,661</u>
Bond Premium as of June 30, 2017	<u>690,038</u>		
Book Balance	<u>\$21,050,038</u>		

The annual requirements to amortize the Series 2014B bonds outstanding as of June 30, 2017, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 350,000	\$ 9,938	\$ 359,938
2019	<u>370,000</u>	<u>3,700</u>	<u>373,700</u>
Total	<u>\$ 720,000</u>	<u>\$ 13,638</u>	<u>\$ 733,638</u>

**JEFFERSON UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 7: LONG-TERM DEBT - (CONT'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. The annual requirements to amortize the bonds outstanding as of June 30, 2017, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,785,000	\$ 1,765,763	\$ 3,550,763
2019	1,870,000	1,692,663	3,562,663
2020	1,970,000	1,606,013	3,576,013
2021	2,095,000	1,504,388	3,599,388
2022	2,225,000	1,396,388	3,621,388
2023-2027	12,970,000	5,149,063	18,119,063
2028-2032	<u>16,160,000</u>	<u>1,945,594</u>	<u>18,105,594</u>
Total	39,075,000	<u>\$ 15,059,872</u>	<u>\$ 54,134,872</u>
Bond Premium as of June 30, 2017	<u>4,410,087</u>		
Book Balance	<u>\$ 43,485,087</u>		

**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. As of June 30, 2017, the accumulated accretion on the capital appreciation bonds and the annual requirements to amortize the bonds outstanding are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2030-2034	\$10,058,708	\$10,192,821	\$20,251,529
2035	<u>1,460,555</u>	<u>57,916</u>	<u>1,518,471</u>
Total	11,519,263	10,250,737	<u>\$21,770,000</u>
Unaccreted Interest	-	<u>(9,658,156)</u>	
Accreted Interest as of June 30, 2017	<u>592,581</u>	<u>\$ 592,581</u>	
Book Balance	<u>\$12,111,844</u>		

**JEFFERSON UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 7: LONG-TERM DEBT - (CONT'D)**

**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"). The annual requirements to amortize the bonds outstanding as of June 30, 2017, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 950,000	\$ 169,800	\$ 1,119,800
2019	1,140,000	122,900	1,262,900
2020	1,300,000	61,900	1,361,900
2021	<u>1,470,000</u>	<u>14,700</u>	<u>1,484,700</u>
Total	4,860,000	<u>\$ 369,300</u>	<u>\$ 5,229,300</u>
Bond Premium as of June 30, 2017	<u>282,981</u>		
Book Balance	<u>\$ 5,142,981</u>		

**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. The annual requirements to amortize the bonds outstanding as of June 30, 2017, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 3,455,000	\$ 1,031,475	\$ 4,486,475
2019	315,000	962,150	1,277,150
2020	355,000	948,750	1,303,750
2021	410,000	933,450	1,343,450
2022	460,000	916,050	1,376,050
2023-2027	3,145,000	4,194,825	7,339,825
2028-2032	4,945,000	3,197,125	8,142,125
2033-2037	7,245,000	2,022,975	9,267,975
2038-2042	<u>9,670,000</u>	<u>755,700</u>	<u>10,425,700</u>
Total	30,000,000	<u>\$14,962,500</u>	<u>\$44,962,500</u>
Bond Premium as of June 30, 2017	<u>2,073,784</u>		
Book Balance	<u>\$32,073,784</u>		

**JEFFERSON UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 7: LONG-TERM DEBT - (CONT'D)**

**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”). The annual requirements to amortize the bonds outstanding as of June 30, 2017, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 823,000	\$ 15,044	\$ 838,044
2019	458,000	7,880	465,880
2020	<u>231,000</u>	<u>1,675</u>	<u>232,675</u>
Total	<u>\$ 1,512,000</u>	<u>\$ 24,599</u>	<u>\$ 1,536,599</u>

**Lease-lease back agreement**

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-lease back 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 \$1,577,000 at an interest rate of 2.48% over a four years term ending August 1, 2020. As of June 30, 2017, the lease matures on August 1, 2020 as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 335,540	\$ 27,962	\$ 363,502
2019	343,914	19,590	363,504
2020	352,496	11,008	363,504
2021	<u>178,420</u>	<u>2,213</u>	<u>180,633</u>
Total	1,210,370	<u>\$ 60,773</u>	<u>\$ 1,271,143</u>
Bond Premium as of June 30, 2017	<u>1,786</u>		
Book Balance	<u>\$ 1,212,156</u>		

**JEFFERSON UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 8: EMPLOYEE RETIREMENT SYSTEMS**

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

The District reported its proportionate share of the net pension liabilities, pension expense and deferred inflow of resources for each of the above plans and a deferred outflow of resources for each of the above plans as follows:

<u>Pension Plan</u>	<u>Net Pension Liability</u>	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>	<u>Pension Expense</u>
CalPERS	\$ 13,173,292	\$ 5,042,229	\$ (2,276,457)	\$ 1,144,822
CalSTRS	<u>33,970,020</u>	<u>8,375,853</u>	<u>(5,514,194)</u>	<u>2,611,026</u>
	<u>\$ 47,143,312</u>	<u>\$ 13,418,082</u>	<u>\$ (7,790,651)</u>	<u>\$ 3,755,848</u>

**California Public Employees Retirement System (CalPERS)**

**Plan Description**

The Schools Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (the Plan or PERF B) is administered by the California Public Employees' Retirement System (CalPERS). Plan membership consists of non-teaching and non-certified employees of public schools (K-12), community college districts, offices of education, charter and private schools (elective) in the State of California. The Plan excludes school safety members who participate either in the agent multiple-employer defined benefit pension plan or public agency cost-sharing multiple-employer defined benefit pension plan administered by CalPERS, depending on the number of active members.

The Plan was established to provide retirement, death and disability benefits to non-teaching and non-certified employees in schools. The benefit provisions for Plan employees are established by statute.

**Benefits Provided**

The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the state statutes, as legislatively amended, within the Public Employees' Retirement Law.

**Contributions**

Active plan members who entered into the plan prior to January 1, 2013, are required to contribute 7.0% of their salary. The California Public Employees' Pension Reform Act (PEPRA) specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 6.0% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contribution to CalPERS unless the employer payment of the member's contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

**JEFFERSON UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 8: EMPLOYEE RETIREMENT SYSTEMS - (CONT'D)**

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2016-17 was 13.888% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were \$1,122,298 for the year ended June 30, 2017.

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

The following table shows the District's proportionate share of the Pool's changes in the aggregate net pension liability over the measurement period.

	Increase (Decrease)		
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability/(Asset)
	<u>(a)</u>	<u>(b)</u>	<u>(c)=(a)-(b)</u>
Balance at: June 30, 2015 (VD)	\$ 50,084,164	\$ 39,780,837	\$ 10,303,327
Balance at: June 30, 2016 (MD)	<u>50,467,240</u>	<u>37,293,948</u>	<u>13,173,292</u>
Net Changes during 2015-16	<u>\$ 383,076</u>	<u>\$ (2,486,889)</u>	<u>\$ 2,869,965</u>

As of June 30, 2017, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$13,173,292. The net pension liability was measured as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2016, the District's proportion was 0.0667% (0.0699% for June 30, 2015), which was a decrease of 0.0032% from its proportion measured as of June 30, 2016.

For the measurement period ended June 30, 2016 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2015 total pension liability determined in the June 30, 2015 actuarial accounting valuation.

**JEFFERSON UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 8: EMPLOYEE RETIREMENT SYSTEMS - (CONT'D)**

For the year ended June 30, 2017, the District recognized pension expense of \$1,144,822. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between projected & actual earnings on pension plan investments	\$ 3,344,996	\$ (1,300,925)
Difference between expected and actual experience	566,578	-
Changes in assumptions	-	(395,779)
Employer contributions subsequent to measurement date	1,122,298	-
Difference in actual and proportionated contributions	8,357	-
Difference in proportionate share of the beginning net pension liability	<u>-</u>	<u>(579,753)</u>
Total	<u><u>\$ 5,042,229</u></u>	<u><u>\$ (2,276,457)</u></u>

The deferred outflow of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

<u>Year ended June 30</u>	<u>Amortization</u>
2018	\$ 1,228,260
2019	118,316
2020	885,712
2021	<u>533,484</u>
Total	<u><u>\$ 2,765,772</u></u>

**Amortization of Deferred Outflows and Deferred Inflows of Resources**

The Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments is amortized over a five-year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period, and the remaining Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments is amortized over the remaining amortization periods. The Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments in the Schedule of Collective Pension Amounts represents the unamortized balance relating to the current measurement period and the prior measurement periods on a net basis.

**JEFFERSON UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 8: EMPLOYEE RETIREMENT SYSTEMS - (CONT'D)**

Deferred outflows of resources and deferred inflows of resources relating to Differences Between Expected and Actual Experience and Changes of Assumptions should be amortized over the Expected Average Remaining Service Lifetime (EARSL) of members provided with pensions through the Plan determined as of the beginning of the related measurement period. The EARSL for the Plan for the June 30, 2016 measurement date is 3.9 years, which was obtained by dividing the total service years of 2,802,634 (the sum of remaining service lifetimes of the active employees) by 709,861 (the total number of participants: active, inactive, and retired). Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

**Actuarial Methods and Assumptions**

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

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table <sup>1</sup>	Derived using CalPERS' Membership Data for all Funds
Post-retirement Benefit Increases	2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

<sup>1</sup> The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the April 2014 experience study report (based on CalPERS demographic data from 1997 to 2011) available online at <https://www.calpers.ca.gov/docs/forms-publications/calpers-experience-study-2014.pdf>.

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website.

**Change of Assumptions**

There were no changes of assumptions during the measurement period ended June 30, 2016. Deferred inflows of resources for changes of assumptions presented in the Schedule of Collective Pension Amounts represents the unamortized portion of the changes of assumptions related to prior measurement periods.

**JEFFERSON UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 8: EMPLOYEE RETIREMENT SYSTEMS - (CONT'D)**

**Discount Rate**

The discount rate used to measure the total pension liability for PERF B was 7.65%. To determine whether the municipal bond rate should be used in the calculation of a discount rate, the amortization and smoothing periods recently adopted by the Board were used. A projection of expected benefit payments and contributions was performed for the Plan to determine if the assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for PERF B. The crossover test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained on CalPERS’ website under the GASB 68 section.

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, staff took into account both short-term and long-term market return expectations as well as the expected pension fund (Public Employees’ Retirement Fund) cash flows. Using historical returns of all the funds’ asset classes, expected compound (geometric) 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. 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 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 geometric rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Expected Real Rate of Return Years 1-10<sup>1</sup></u>	<u>Expected Real Rate of Return Years 11+<sup>2</sup></u>
Global equity	51%	5.25%	5.71%
Global debt securities	20%	0.99%	2.43%
Private equity	10%	6.83%	6.95%
Real Estate	10%	4.50%	5.13%
Inflation sensitive	6%	0.45%	3.36%
Infrastructure and forestland	2%	4.50%	5.09%
Liquidity	1%	(0.55%)	(1.05%)

<sup>1</sup> An expected inflation of 2.5% used for this period

<sup>2</sup> An expected inflation of 3.0% used for this period

**JEFFERSON UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 8: EMPLOYEE RETIREMENT SYSTEMS - (CONT'D)**

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

Discount Rate	Net Pension Liability
1% decrease (6.65%)	\$ 19,654,624
Current discount rate (7.65%)	\$ 13,173,292
1% increase (8.65%)	\$ 7,776,306

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report.

**Additional Financial And Actuarial Information**

Additional financial and actuarial information required for GASB Statement No. 68 disclosures is located in CalPERS' CAFR for the fiscal year ended June 30, 2016, and the CalPERS' GASB 68 Accounting Valuation Report for the schools cost-sharing multiple-employer defined benefit pension plan, which can be found on CalPERS' website at <https://www.calpers.ca.gov/docs/forms-publications/gasb-68>.

**California State Teachers' Retirement System (CalSTRS)**

**Plan Description**

The District contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained at the CalSTRS website.

**Benefits Provided**

The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established state statutes, as legislatively amended, within the State Teachers' Retirement Law.

**JEFFERSON UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 8: EMPLOYEE RETIREMENT SYSTEMS - (CONT'D)**

**Contributions**

Below is a summary of the employee contribution rates and employer contributions rates for fiscal year 2016-17:

<u>Plan</u>	<u>Employee Contribution Rate</u>	<u>Employer Contribution Rate</u>
Classic Members	10.25 %	12.58 %
New Members	9.205 %	12.58 %
STRS DBS	8.00 %	8.25 %

The District's contribution to CalSTRS were \$2,619,596 for the fiscal year ending June 30, 2017.

**On Behalf Payments**

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$1,760,826 (0.0844% of annual payroll). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenue and expenditures. Accordingly, these amounts have been recorded in these financial statements.

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

The following table shows the District's proportionate share of the Pool's changes in the aggregate net pension liability over the measurement period.

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Fiduciary Net Position (b)</u>	<u>Net Pension Liability/(Asset) (c)=(a)-(b)</u>
Balance at: June 30, 2015 (VD)	\$ 111,432,780	\$82,483,460	\$ 28,949,320
Balance at: June 30, 2016 (MD)	<u>113,432,760</u>	<u>79,462,740</u>	<u>33,970,020</u>
Net Changes during 2015-16	<u>\$ 1,999,980</u>	<u>\$ (3,020,720)</u>	<u>\$ 5,020,700</u>

At June 30, 2017, the District reported a liability of \$33,970,020 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2016, the District's proportion was 0.042% (0.043% for June 30, 2015), which was a decrease of 0.001% from its proportion measured as of June 30, 2015.

**JEFFERSON UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 8: EMPLOYEE RETIREMENT SYSTEMS - (CONT'D)**

Total net pension liability, including state share:	Amount
District's proportionate share of net pension liability	\$33,970,020
State's proportionate share of the net pension liability associated with the school	<u>19,339,132</u>
	<u><u>\$53,309,152</u></u>

For the year ended June 30, 2017, The District recognized pension expense of \$2,611,026. In addition, the district recognized pension expense and revenue of \$1,760,826 for support provided by the State. At June 30, 2017, The District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between projected & actual earnings on pension plan investments	\$ 5,722,920	\$ (3,022,320)
Difference between expected and actual experience	-	(828,660)
Difference in proportionate share of the beginning net pension liability	-	(1,637,460)
Changes in proportion and differences between district contributions and proportionate share of contributions	33,337	(25,754)
Pension contributions subsequent to measurement date	<u>2,619,596</u>	<u>-</u>
Total	<u><u>\$ 8,375,853</u></u>	<u><u>\$ (5,514,194)</u></u>

The deferred outflow of resources related to pensions resulting from The District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. The deferred inflow of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year ended June 30,	Amortization
2018	\$ 2,195,645
2019	(424,791)
2020	1,086,789
2021	589,109
2022	(412,801)
2023	<u>(172,292)</u>
Total	<u><u>\$ 2,861,659</u></u>

**JEFFERSON UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 8: EMPLOYEE RETIREMENT SYSTEMS - (CONT'D)**

**Amortization of Deferred Outflows and Deferred Inflows of Resources**

The Schedule B includes only certain categories of deferred outflows of resources and deferred inflows of resources. This schedule includes differences between expected and actual experience, changes of assumptions and differences between projected and actual earnings on plan investments. The schedule does not include deferred outflows/inflows of resources for changes in the employer's proportionate share of contributions, employer contributions made subsequent to the measurement date, or adjustments to pension revenue and expense associated with on-behalf payments made by the State of California (non-employer contributing entity) for each employer. Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of June 30, 2016.

**Actuarial Methods and Assumptions**

The total pension liability for the State Teachers' Retirement Plan (STRP), a plan administered by the California State Teachers' Retirement System (CalSTRS), was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2015
Experience Study	July 1, 2006, through June 30, 2010
Actuarial Cost Method	Entry age normal
Investment Rate of Return <sup>1</sup>	7.60%
Consumer Price Inflation	3.00%
Wage Growth	3.75%
Post-retirement Benefit Increases	2.00% simple for DB (Annually) Maintain 85% purchasing power level for DB Not applicable for DBS/CBB

<sup>1</sup> Net of investment expenses, but gross of administrative expenses. CalSTRS uses a 7.5 percent assumed investment rate of return for funding purposes, which is net of administrative expenses.

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries. See CalSTRS July 1, 2006 – June 30, 2010 Experience Analysis for more information.

**Discount Rate**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance - PCA) as an input to the process.

**JEFFERSON UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 8: EMPLOYEE RETIREMENT SYSTEMS - (CONT'D)**

The actuarial investment rate of return assumption was adopted by the board in 2012 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometric real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2016, are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	47%	6.30%
Fixed Income	12%	0.30%
Real estate	13%	5.20%
Private Equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation Sensitive	4%	3.80%
Cash/liquidity	2%	(1.00%)

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates disclosed in Note 1 to the Basic Financial Statements in CalSTRS Comprehensive Annual Financial Report (CAFR) as of and for the fiscal year ended June 30, 2016. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
3% decrease (4.60%)	\$ 89,048,820
2% decrease (5.60%)	\$ 66,985,380
1% decrease (6.60%)	\$ 48,890,520
Current discount rate (7.60%)	\$ 33,970,020
1% increase (8.60%)	\$ 21,578,340
2% increase (9.60%)	\$ 11,156,880
3% increase (10.60%)	\$ 2,353,680

**JEFFERSON UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 8: EMPLOYEE RETIREMENT SYSTEMS - (CONT'D)**

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalSTRS financial report.

**Additional Financial And Actuarial Information**

Additional financial and actuarial information required for GASB Statement No. 68 disclosures is located in CalSTRS financial statements and/or Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016, which can be found on CalSTRS website.

**Cash Benefit Program Offered by CalSTRS**

In September 2, 2005, the District adopted the Cash Balance Benefit Program (CBB) offered by STRS for employees whose basis of employment is less than 50 percent of the full-time equivalent for the position. By offering the CBB to the part-time employees, teachers who are currently contributing to the STRS Defined Benefit Program (DB) may choose to participate in the CBB program in lieu of the DB program or Social Security.

For each CBB program member, the District will realize a contribution savings of 4.25% over the DB program contribution of 8.88%. The District will also save 2.2% in Social Security contributions for each teacher that voluntarily changes to the CB program. The District had 34 employees enrolled in the CBB for the fiscal year ended June 30, 2017.

**Social Security**

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

**JEFFERSON UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 9: POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**

**Plan Description**

Employees must enroll in Medicare A and B plan when they qualify for Medicare. After ten (10) years of continuous, full-time service, or for those hired in 2008-09 and thereafter with fifteen (15) years of continuous, full-time service in the Jefferson Union High School District, an employee may retire any time after the end of the school year in which the employee reaches the age of fifty-five (55), or at the age of fifty (50) to fifty-five (55) with thirty (30) years STRS credit, and will continue to receive district-paid health benefits for self and eligible dependents for a period of ten (10) years, up to age seventy-five (75), if he/she enrolls in Parts A and B of Medicare by their 65th birthday and enrolls in the health carrier's Medicare plan. The retiree's spouse/registered domestic partner must also enroll in Parts A and B of Medicare by their 65th birthday and enroll in their health insurance carrier's Medicare plan to maintain district-paid health benefits for the ten (10) year period, or until the retiree's benefits end. It is the retiree's responsibility to notify the District Office prior to Medicare eligibility to guarantee this additional benefit beyond age 65. Dental benefits will be paid for retiree and eligible dependents for a period of seven (7) years up to age seventy (70), whichever occurs first. All new employees hired by the district after the ratification of the 2009/10 contract, once retired, will pay into their benefits at the same rate as active employees. Expenditures for post-employment benefits are recognized on a pay-as-you-go basis, as premiums are paid. On June 30, 2017, membership consisted of 152 retirees currently receiving benefits.

**JEFFERSON UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 9: POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS - (CONT'D)**

The actuarial valuation of the postretirement welfare benefits is available directly from the District. Based on the latest actuarial valuation as of November 1, 2016 (valuation date), the District's post-employment benefits other than pension program is as follows:

Actuarial cost method	Entry age normal
Amortization methods	Level percent, closed 30 year for initial UAAL and open 23 year for any residual UAAL
Inflation	2.75%
Investment return/discount rate	4.5%
Trend	4%
Payroll increase	2.75%
Actuarially required contributions beginning November 1, 2014:	
Normal cost (increased based on covered payroll)	\$ 1,437,487
Initial unfunded AAL (UAAL) amortization	1,103,249
Residual UAAL amortization	<u>(36,970)</u>
Annual required contribution	<u>\$ 2,503,766</u>
As of November 1, 2016:	
Actuarial accrued liability (AAL)	\$ 19,593,443
Unamortized balance of the initial unfunded AAL	\$ 20,292,131

	For the Fiscal Year Ended
<u>Determination of Net OPEB Obligation</u>	<u>June 30, 2017</u>
Annual required contribution	\$ 2,503,766
Interest on net OPEB obligation	285,441
Adjustment to annual required contribution	<u>(335,637)</u>
Annual OPEB cost	2,453,570
Contributions made	<u>(1,229,698)</u>
Increase in Net OPEB obligation	1,223,872
Net OPEB obligation – beginning of year	<u>6,343,135</u>
Net OPEB obligation – end of year	<u>\$ 7,567,007</u>

**JEFFERSON UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 9: POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS - (CONT'D)**

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2016-17 was as follows:

<u>Fiscal Year Ended</u>	<u>Annual Required Contribution</u>	<u>Amount Contributed</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2015	\$ 2,689,055	\$ 1,241,105	46%	\$ 4,843,669
June 30, 2016	\$ 2,714,132	\$ 1,214,666	45%	\$ 6,343,135
June 30, 2017	\$ 2,503,766	\$ 1,229,698	49%	\$ 7,567,007

**NOTE 10: LEASE OF FORMER SCHOOL SITE**

In April 1985, the District leased for 99 years, until March 31, 2084, two lots (Lot 2B and Lot 4) that comprise a former school site to a commercial real estate developer, Southwest Diversified. Under the terms of the leases, the District annually receives a fixed amount, plus increases that take into account the annual change in the consumer price index. In the fiscal year 2016-17, the District received a total of \$1,604,045 in lease revenues from Southwest Diversified.

**NOTE 11: EARLY RETIREMENT INCENTIVE**

The District does not have early retirement incentive for its employees for the fiscal year ended June 30, 2017.

**NOTE 12: RISK MANAGEMENT**

The District's risk management activities are recorded in the General Fund. Employee life, health, and disability programs are administered by the General Fund through the purchase of commercial insurance and participation in a public entity risk pool. The District participates in the San Mateo County Schools Insurance Group public entity risk pool (JPA). Refer to Note 11 for additional information regarding the JPA. Excess property and liability coverage is obtained through School Excess Liability Fund (SELF).

As of June 30, 2017, there are no outstanding claims liabilities to the District as all claims are filed on and paid by SMCSIG.

Coverage provided by SMCSIG for property and liability workers' compensation is as follows:

<u>Type of Coverage</u>	<u>Limits</u>
Worker's compensation	State of California statutory Limits
Property	\$250,000 - \$1,000,000,000 per occurrence
Liability	\$250,000 - \$25,000,000 per occurrence

**JEFFERSON UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 13: JOINT VENTURES (Joint Powers Agreements)**

The District is a member of the San Mateo County Schools' Insurance Group joint powers authority (JPA). The District pays an annual premium to the entity for its health, workers' compensation, and property liability coverage. The relationships between the District and the JPA are such that it is not a component unit of the District for financial reporting purposes.

This entity has budgeting and financial reporting requirements independent of member units and its financial statements are not presented in these financial statements; however, fund transactions between the entity and the District are included in these statements. Audited financial statements are available from the entity.

- A. Entity                      San Mateo County Schools Insurance Group
- B. Purpose                    Provide property and liability, casualty, workers' compensation, dental and vision coverage.
- C. Participants                Local educational agencies
- D. Governing Board        Representatives from member agencies
- E. Condensed Audited Financial Information Follows:

	<u>June 30, 2017</u>
Assets	\$ 24,180,075
Deferred outflows of resources	482,864
Liabilities	11,568,295
Deferred inflows of resources	<u>54,871</u>
Net position	<u>\$ 13,039,773</u>
Revenues	\$ 43,768,492
Expenses	<u>42,134,116</u>
Net increase in net position	<u>\$ 1,634,376</u>

F. Payments for the Current Year:

Workers' compensation	\$ 894,028
Property liability	\$ 335,156
Dental	\$ 695,004
Comprehensive & collision coverage	\$ 1,504

**JEFFERSON UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 14: COMMITMENTS AND CONTINGENCIES**

***A. State and Federal Allowances, Awards, and Grants***

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

***B. Litigation***

Various claims and litigation involving the District are currently outstanding. However, management of the District believes, based on consultation with legal counsel, that the ultimate resolution of these matters will not have a material adverse effect on the District's financial position or results of operations.

***C. Construction Commitments***

As of June 30, 2017, the District had the following commitments with respect to the unfinished capital projects:

<u>Capital Project</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Terra Nova Modernization	\$ 3,500,000	January 2018
Daly city Youth Health Center	3,400,000	June 2018
Westmoor Modernization	<u>65,000,000</u>	July 2021
Total	<u>\$ 71,900,000</u>	

**NOTE 15: SUBSEQUENT EVENTS**

The management of Jefferson Union High School District reviewed the results of operations for the period of time from its year end June 30, 2017 through December 15, 2017, the date the financial statements were available to be issued and have determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred other than already mentioned, the nature of which would require disclosure.

**REQUIRED SUPPLEMENTARY INFORMATION**

**JEFFERSON UNION HIGH SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCE - BUDGET AND ACTUAL (GAAP) - GENERAL FUND**  
**YEAR ENDED JUNE 30, 2017**

	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>Original</u>	<u>Final</u>	(GAAP Basis)	Final Budget
				Positive-
				(Negative)
<b><u>Revenues</u></b>				
Revenue limit sources:				
State apportionments	\$15,183,769	\$15,865,562	\$ 15,502,149	\$ (363,413)
Local sources	27,657,384	26,702,336	27,370,644	668,308
LCFF transfers	<u>(43,206)</u>	<u>(43,206)</u>	<u>612,943</u>	<u>656,149</u>
Total revenue limit	42,797,947	42,524,692	43,485,736	961,044
Federal revenue	1,577,482	1,673,140	1,631,844	(41,296)
Other state revenue	2,110,323	4,469,748	4,489,915	20,167
Other local revenue	<u>5,796,193</u>	<u>6,201,710</u>	<u>6,781,175</u>	<u>579,465</u>
Total revenues	<u>52,281,945</u>	<u>54,869,290</u>	<u>56,388,670</u>	<u>1,519,380</u>
<b><u>Expenditures</u></b>				
Certificated salaries	20,792,002	20,782,867	20,581,385	201,482
Classified salaries	8,373,692	8,165,771	8,318,122	(152,351)
Employee benefits	11,429,286	13,096,932	12,647,078	449,854
Books & supplies	2,334,946	3,541,776	2,135,058	1,406,718
Services and other operating				
expenditures	7,269,184	8,218,903	8,458,935	(240,032)
Capital outlay	20,000	125,472	134,767	(9,295)
Other outgo	<u>2,232,761</u>	<u>2,653,143</u>	<u>3,452,063</u>	<u>(798,920)</u>
Total expenditures	<u>52,451,871</u>	<u>56,584,864</u>	<u>55,727,408</u>	<u>857,456</u>
Excess/(deficiency) of revenues				
over/(under) expenditures	<u>(169,926)</u>	<u>(1,715,574)</u>	<u>661,262</u>	<u>2,376,836</u>
<b><u>Other Financing Sources/(Uses)</u></b>				
Operating transfers in	-	-	-	-
Operating transfers out	<u>(250,000)</u>	<u>(250,000)</u>	<u>(180,000)</u>	<u>(70,000)</u>
Total other financing sources/(uses)	<u>(250,000)</u>	<u>(250,000)</u>	<u>(180,000)</u>	<u>(70,000)</u>
Net change in fund balance	(419,926)	(1,965,574)	481,262	2,446,836
Fund balance, July 01, 2016	<u>7,441,945</u>	<u>7,441,945</u>	<u>7,441,945</u>	-
Fund balance, June 30, 2017	<u>\$ 7,022,019</u>	<u>\$ 5,476,371</u>	<u>\$ 7,923,207</u>	<u>\$ 2,446,836</u>

Due to consolidation of Special Reserve Fund for Other Than Capital Outlays Fund and with General Fund, reporting purposes, revenues and expenditures of Special Reserve Fund are included in the Actual (GAAP Basis) revenues and expenditures and in the original and final budgets.

**JEFFERSON UNION HIGH SCHOOL DISTRICT  
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING  
PROGRESS AND EMPLOYER CONTRIBUTION  
FOR THE YEAR ENDED JUNE 30, 2017**

**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	AAL (Projected Unit Credit) (b)	UAAL (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a % of Cov. Payroll [(b)-(a)]/(c)
11/01/2010	\$0	\$19,963,252	\$19,963,252	0.0%	\$26,062,548	76.60%
11/01/2012	\$0	\$19,919,856	\$19,919,856	0.0%	\$29,302,763	67.98%
11/01/2014	\$0	\$23,365,522	\$23,365,522	0.0%	\$30,445,491	76.75%
11/01/2016	\$0	\$19,593,443	\$19,593,443	0.0%	\$30,569,500	64.09%

**JEFFERSON UNION HIGH SCHOOL DISTRICT**  
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>CalSTRS</b>			
District's proportion of the net pension liability	<u>0.0420 %</u>	<u>0.0430 %</u>	<u>0.0450 %</u>
District's proportionate share of the net pension liability	<u>\$33,970,020</u>	<u>\$26,256,360</u>	<u>\$26,296,650</u>
State's proportionate share of the net pension liability associated with the district	<u>19,339,132</u>	<u>-</u>	<u>-</u>
Total	<u><u>\$53,309,152</u></u>	<u><u>\$26,256,360</u></u>	<u><u>\$26,296,650</u></u>
District's covered – employee payroll	<u><u>\$20,856,375</u></u>	<u><u>\$20,621,363</u></u>	<u><u>\$20,526,642</u></u>
District's proportionate share of the net pension liability as a percentage of its covered – employee payroll	<u>162.88 %</u>	<u>127.33 %</u>	<u>128.11 %</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>70 %</u>	<u>74 %</u>	<u>77 %</u>
<b>CalPERS</b>			
District's proportion of the net pension liability	<u>0.0667 %</u>	<u>0.0699 %</u>	<u>0.0728 %</u>
District's proportionate share of the net pension liability	<u><u>\$13,173,292</u></u>	<u><u>\$10,303,328</u></u>	<u><u>\$ 8,264,572</u></u>
District's covered – employee payroll	<u><u>\$ 8,094,792</u></u>	<u><u>\$ 7,992,604</u></u>	<u><u>\$ 7,815,529</u></u>
District's proportionate share of the net pension liability as a percentage of its covered – employee payroll	<u>162.74 %</u>	<u>128.91 %</u>	<u>105.75 %</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>74 %</u>	<u>79 %</u>	<u>83 %</u>

Note: In the future, as data becomes available, ten years of information will be presented.

**JEFFERSON UNION HIGH SCHOOL DISTRICT**  
**SCHEDULE OF PENSION CONTRIBUTIONS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>CalSTRS</b>				
Contractually required contribution	\$ 2,619,956	\$ 2,208,977	\$ 1,811,391	\$ 1,643,008
Contributions in relations to the contractually required contribution	<u>(2,619,956)</u>	<u>(2,208,977)</u>	<u>(1,811,391)</u>	<u>(1,643,008)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered – employee payroll	<u>\$ 20,856,375</u>	<u>\$ 20,621,363</u>	<u>\$ 20,526,642</u>	<u>\$ 19,920,275</u>
Contributions as a percentage of covered – employee payroll	<u>12.56 %</u>	<u>10.71 %</u>	<u>8.82 %</u>	<u>8.25 %</u>
<b>CalPERS</b>				
Contractually required contribution	\$ 1,122,298	\$ 946,835	\$ 932,155	\$ 905,694
Contributions in relations to the contractually required contribution	<u>(1,122,298)</u>	<u>(946,835)</u>	<u>(932,155)</u>	<u>(905,694)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered – employee payroll	<u>\$ 8,094,792</u>	<u>\$ 7,992,604</u>	<u>\$ 7,815,529</u>	<u>\$ 7,731,134</u>
Contributions as a percentage of covered – employee payroll	<u>13.86 %</u>	<u>11.85 %</u>	<u>11.93 %</u>	<u>11.71 %</u>

Note: In the future, as data becomes available, ten years of information will be presented.

**SUPPLEMENTARY INFORMATION**

**JEFFERSON UNION HIGH SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2017**

	General Funds			Nonmajor Governmental Funds (By Object)		
	General Fund	Special Reserve Fund for Other than Capital Outlay Projects	Total	Special Revenue	Capital Projects	Total
<b>Assets</b>						
Cash and investments	\$ 6,088,407	\$ 774,791	\$ 6,863,198	\$ 395,812	\$ 2,311,056	\$ 2,706,868
Accounts receivable	4,594,804	2,067	4,596,871	365,256	28,373	393,629
Due from other funds	285,484	-	285,484	-	-	-
Other current assets	<u>240,290</u>	<u>-</u>	<u>240,290</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>11,208,985</u>	<u>776,858</u>	<u>11,985,843</u>	<u>761,068</u>	<u>2,339,429</u>	<u>3,100,497</u>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable	2,460,652	-	2,460,652	73,942	38,474	112,416
Due to other funds	-	-	-	257,459	11,616	269,075
Unearned revenue	<u>1,601,984</u>	<u>-</u>	<u>1,601,984</u>	<u>79,008</u>	<u>-</u>	<u>79,008</u>
Total liabilities	<u>4,062,636</u>	<u>-</u>	<u>4,062,636</u>	<u>410,409</u>	<u>50,090</u>	<u>460,499</u>
<b>Fund balances:</b>						
<b>Nonspendable</b>						
Revolving Cash	4,000	-	4,000	475	-	475
Prepaid Expenditures	240,290	-	240,290	-	-	-
<b>Restricted for</b>						
School programs	2,850,838	-	2,850,838	296,928	-	296,928
<b>Assigned</b>						
Other Assignments	1,800,000	776,858	2,576,858	53,256	2,289,339	2,342,595
<b>Unassigned</b>						
Economic Uncertainties	1,671,822	-	1,671,822	-	-	-
Unassigned	<u>579,399</u>	<u>-</u>	<u>579,399</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>7,146,349</u>	<u>776,858</u>	<u>7,923,207</u>	<u>350,659</u>	<u>2,289,339</u>	<u>2,639,998</u>
Total liabilities and fund balances	<u>\$ 11,208,985</u>	<u>\$ 776,858</u>	<u>\$ 11,985,843</u>	<u>\$ 761,068</u>	<u>\$ 2,339,429</u>	<u>\$ 3,100,497</u>

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

**JEFFERSON UNION HIGH SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2017**

	Special Revenue Funds			Capital Project Funds	
	Adult Education Fund	Cafeteria Fund	Total	Capital Facilities Fund	Total
<b>Assets</b>					
Cash and investments	\$ 337,118	\$ 58,694	\$ 395,812	\$ 2,311,056	\$ 2,311,056
Accounts receivable	309,503	55,753	365,256	28,373	28,373
Due from other funds	-	-	-	-	-
Other current assets	-	-	-	-	-
Total assets	<u>646,621</u>	<u>114,447</u>	<u>761,068</u>	<u>2,339,429</u>	<u>2,339,429</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	66,697	7,245	73,942	38,474	38,474
Due to other funds	167,027	90,432	257,459	11,616	11,616
Unearned revenue	<u>79,008</u>	<u>-</u>	<u>79,008</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>312,732</u>	<u>97,677</u>	<u>410,409</u>	<u>50,090</u>	<u>50,090</u>
<b>Fund balances:</b>					
<b>Nonspendable</b>					
Revolving Cash	475	-	475	-	-
Prepaid Expenditures	-	-	-	-	-
<b>Restricted for</b>					
School programs	280,158	16,770	296,928	-	-
<b>Assigned</b>					
Other Assignments	53,256	-	53,256	2,289,339	2,289,339
<b>Unassigned</b>					
Economic Uncertainties	-	-	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>333,889</u>	<u>16,770</u>	<u>350,659</u>	<u>2,289,339</u>	<u>2,289,339</u>
Total liabilities and fund balances	<u>\$ 646,621</u>	<u>\$ 114,447</u>	<u>\$ 761,068</u>	<u>\$ 2,339,429</u>	<u>\$ 2,339,429</u>

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

**JEFFERSON UNION HIGH SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	<u>General Funds</u>			<u>Nonmajor Governmental Funds (By Object)</u>		
	<u>General Fund</u>	<u>Special Reserve Fund for Other than Capital Outlay Projects</u>	<u>Total</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
<b>Revenues</b>						
LCFF sources:						
State apportionments	\$ 15,502,149	\$ -	\$ 15,502,149	\$ -	\$ -	\$ -
Local sources	27,370,644	-	27,370,644	-	-	-
LCFF transfers	612,943	-	612,943	-	-	-
Total LCFF sources	43,485,736	-	43,485,736	-	-	-
Federal	1,631,844	-	1,631,844	756,577	-	756,577
Other state	4,489,915	-	4,489,915	1,519,432	-	1,519,432
Other local	6,773,856	7,319	6,781,175	353,810	408,096	761,906
Total revenues	<u>56,381,351</u>	<u>7,319</u>	<u>56,388,670</u>	<u>2,629,819</u>	<u>408,096</u>	<u>3,037,915</u>
<b>Expenditures</b>						
Instruction	28,193,479	-	28,193,479	1,047,310	-	1,047,310
Instruction-related services	4,878,468	-	4,878,468	526,847	-	526,847
Pupil services	6,737,622	-	6,737,622	940,431	-	940,431
Ancillary services	787,725	-	787,725	-	-	-
General administration	3,545,273	-	3,545,273	-	-	-
Plant services	8,015,077	-	8,015,077	306	17,041	17,347
Other outgo	3,569,764	-	3,569,764	-	-	-
Total expenditures	<u>55,727,408</u>	<u>-</u>	<u>55,727,408</u>	<u>2,514,894</u>	<u>17,041</u>	<u>2,531,935</u>
Excess/(deficiency) of revenues over/(under) expenditures	<u>653,943</u>	<u>7,319</u>	<u>661,262</u>	<u>114,925</u>	<u>391,055</u>	<u>505,980</u>
<b>Other Financing Source/(Uses)</b>						
Operating transfers in	-	-	-	180,000	-	180,000
Operating transfers out	(180,000)	-	(180,000)	-	-	-
Total other financing sources	<u>(180,000)</u>	<u>-</u>	<u>(180,000)</u>	<u>180,000</u>	<u>-</u>	<u>180,000</u>
Net change in fund balances	473,943	7,319	481,262	294,925	391,055	685,980
Fund balances, July 01, 2016	<u>6,672,406</u>	<u>769,539</u>	<u>7,441,945</u>	<u>55,734</u>	<u>1,898,284</u>	<u>1,954,018</u>
Fund balances, June 30, 2017	<u>\$ 7,146,349</u>	<u>\$ 776,858</u>	<u>\$ 7,923,207</u>	<u>\$ 350,659</u>	<u>\$ 2,289,339</u>	<u>\$ 2,639,998</u>

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

**JEFFERSON UNION HIGH SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	Special Revenue Funds			Capital Project Funds		
	Adult Education Fund	Cafeteria Fund	Total	Capital Facilities Fund	County School Facilities Fund	Total
<b>Revenues</b>						
LCFF sources:						
State apportionments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Local sources	-	-	-	-	-	-
LCFF transfers	-	-	-	-	-	-
Total LCFF sources	-	-	-	-	-	-
Federal	291,519	465,058	756,577	-	-	-
Other state	1,483,691	35,741	1,519,432	-	-	-
Other local	<u>120,961</u>	<u>232,849</u>	<u>353,810</u>	<u>408,096</u>	-	<u>408,096</u>
Total revenues	<u>1,896,171</u>	<u>733,648</u>	<u>2,629,819</u>	<u>408,096</u>	-	<u>408,096</u>
<b>Expenditures</b>						
Instruction	1,047,310	-	1,047,310	-	-	-
Instruction-related services	526,847	-	526,847	-	-	-
Pupil services	38,602	901,829	940,431	-	-	-
Ancillary services	-	-	-	-	-	-
General administration	-	-	-	-	-	-
Plant services	306	-	306	17,041	-	17,041
Other outgo	-	-	-	-	-	-
Total expenditures	<u>1,613,065</u>	<u>901,829</u>	<u>2,514,894</u>	<u>17,041</u>	-	<u>17,041</u>
Excess/(deficiency) of revenues over/(under) expenditures	<u>283,106</u>	<u>(168,181)</u>	<u>114,925</u>	<u>391,055</u>	-	<u>391,055</u>
<b>Other Financing Source/(Uses)</b>						
Operating transfers in	-	180,000	180,000	-	-	-
Operating transfers out	-	-	-	-	-	-
Total other financing sources	-	<u>180,000</u>	<u>180,000</u>	-	-	-
Net change in fund balances	283,106	11,819	294,925	391,055	-	391,055
Fund balances, July 01, 2016	<u>50,783</u>	<u>4,951</u>	<u>55,734</u>	<u>1,898,284</u>	-	<u>1,898,284</u>
Fund balances, June 30, 2017	<u>\$ 333,889</u>	<u>\$ 16,770</u>	<u>\$ 350,659</u>	<u>\$ 2,289,339</u>	\$ -	<u>\$ 2,289,339</u>

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

**JEFFERSON UNION HIGH SCHOOL DISTRICT  
ORGANIZATION  
JUNE 30, 2017**

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**

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Rosie Tejada	President	2018
Kalimah Salahuddin	Clerk	2020
Braxton Lethco	Trustee	2018
Nick Occhipinti	Trustee	2018
Andrew Lie	Trustee	2020

**ADMINISTRATION**

Dr. Terry Ann Deloria  
Superintendent

Keith Irish  
Associate Superintendent - Education

Tina Van Raaphorst  
Associate Superintendent - Business Services

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  
Karen Gnusti  
Director of Career Tech/College Readiness

Kristen Hardy  
Director of Special Education  
Jacob Meyer  
Director of Information & Technology  
John Schultz  
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 EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Entity Identifying Number</u>	<u>Program Expenditures</u>
<b>FEDERAL PROGRAMS:</b>			
<b>U.S. Department of Education:</b>			
<b>Pass-through California Department of Education (CDE)</b>			
NCLB: Title I - Part A - Basic Grants	84.010	14329	\$ 330,763
Special Education Local Assistance	84.027	13379	816,958
Department of Rehab - Workability	84.126	10006	93,272
Carl D. Perkins Career and Technical Education Improvement Act of 2006	84.048	14894	87,202
Title II Part A Teacher Quality	84.367	14341	113,689
Title III - Limited English Proficient Students	84.365	14346	49,372
Title III - Immigrant Education	84.365	15146	1,295
Adult Education Basic Ed & ESL	84.002	14508	197,114
Adult Education GED Services	84.002	13978	51,635
Adult Education Basic Ed EL Civics	84.002	14109	<u>42,772</u>
Subtotal U.S. Department of Education			<u>1,784,072</u>
<b>U.S. Department of Agriculture</b>			
<b>Passed through the California Department of Education:</b>			
Child Nutrition - National School Lunch Program	10.555	13523, 13524	<u>465,059</u>
Total U.S. Department of Agriculture			<u>2,249,131</u>
<b>U.S. Department of Health and Human Services:</b>			
Drug Free Community	93.276		<u>123,862</u>
Total U.S. Department of Human Services			<u>123,862</u>
Total Federal Expenditures			<u>\$ 2,372,993</u>

See accompanying notes to supplementary information

**JEFFERSON UNION HIGH SCHOOL DISTRICT  
SCHEDULE OF AVERAGE DAILY ATTENDANCE  
FOR THE YEAR ENDED JUNE 30, 2017**

High School	Second Period Report	Annual Report
Grades 9 through 12, regular ADA	4,175	4,166
District funded county program ADA	20	24
	4,195	4,190

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 the state funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

**JEFFERSON UNION HIGH SCHOOL DISTRICT**  
**SCHEDULE OF INSTRUCTIONAL TIME**  
**FOR THE YEAR ENDED JUNE 30, 2017**

<u>Grade Level</u>	<u>1986-87 Minutes Requirement</u>	<u>2016-17 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>2016-17 No. of Days Traditional Calendar</u>	<u>Status</u>
Grade 9	64,800	65,193	180	Not Applicable	In Compliance
Grade 10	64,800	65,193	180	Not Applicable	In Compliance
Grade 11	64,800	65,193	180	Not Applicable	In Compliance
Grade 12	64,800	65,193	180	Not Applicable	In Compliance

Districts, including basic aid districts, must maintain their instructional minutes at the 1986-87 requirements, as required by Education Code Section 46201. This schedule is required for all districts, including basic aid districts.

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day but has not met or exceeded its Local Control Funding Formula target. 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 46207.

**JEFFERSON UNION HIGH SCHOOL DISTRICT  
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET  
REPORT WITH AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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

	<u>General Fund</u>				
	<u>General Fund</u>	<u>Special Reserve Fund for Other Than Capital Outlay Projects</u>	<u>Building fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>Nonmajor Governmental Funds</u>
FUND BALANCE					
Balance, June 30, 2017, unaudited actuals	\$ 7,146,349	\$ 776,858	\$ 22,772,938	\$ 15,486,047	\$ 2,639,998
As required by GASB 54, Special Reserve Fund for Other Than Capital Outlay Projects is combined with General Fund in the audited financial statements	776,858	(776,858)	-	-	-
Adjustments and reclassifications increasing (decreasing) the Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance, June 30, 2017 audited financial statements	<u>\$ 7,923,207</u>	<u>\$ -</u>	<u>\$ 22,772,938</u>	<u>\$ 15,486,047</u>	<u>\$ 2,639,998</u>

See accompanying notes to supplementary information

**JEFFERSON UNION HIGH SCHOOL DISTRICT**  
**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

<u>General Fund (Fund 01)</u>	<u>2018 (Budget)</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Revenues & other financial sources	\$ 53,966,695	\$ 56,381,351	\$ 53,012,060	\$ 49,911,486	\$ 45,980,789
Expenditures	55,853,939	55,727,408	52,704,978	50,452,487	48,307,383
Other uses & transfers in/(out)	<u>250,000</u>	<u>180,000</u>	<u>250,000</u>	<u>1,150,000</u>	<u>1,025,000</u>
Total outgo	<u>56,103,939</u>	<u>55,907,408</u>	<u>52,954,978</u>	<u>51,602,487</u>	<u>49,332,383</u>
Change in fund balance (deficit)	<u>(2,137,244)</u>	<u>473,943</u>	<u>57,082</u>	<u>(1,691,001)</u>	<u>(3,351,594)</u>
Ending fund balance	<u>\$ 5,009,105</u>	<u>\$ 7,146,349</u>	<u>\$ 6,672,405</u>	<u>\$ 6,615,323</u>	<u>\$ 8,306,324</u>
Available reserves	<u>\$ 2,681,917</u>	<u>\$ 2,251,221</u>	<u>\$ 5,037,184</u>	<u>\$ 3,126,966</u>	<u>\$ 4,263,778</u>
Designated for economic uncertainties	<u>\$ 1,675,618</u>	<u>\$ 1,671,822</u>	<u>\$ 1,581,149</u>	<u>\$</u>	<u>\$ 2,349,302</u>
Undesignated fund balance	<u>\$ 1,006,299</u>	<u>\$ 579,399</u>	<u>\$ 3,456,035</u>	<u>\$ 3,126,966</u>	<u>\$ 1,914,476</u>
Available reserves as a percentage of total outgo	<u>4.8 %</u>	<u>4.0 %</u>	<u>9.5 %</u>	<u>6.1 %</u>	<u>8.6 %</u>
Total long-term obligation	<u>\$ 243,495,353</u>	<u>\$ 254,956,909</u>	<u>\$ 248,618,819</u>	<u>\$ 208,140,315</u>	<u>\$ 164,707,715</u>
Average daily attendance at P-2	<u>4,234</u>	<u>4,276</u>	<u>4,395</u>	<u>4,585</u>	<u>4,409</u>

The 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.

The general fund (Fund 01) balance has increased by \$531,026 over the past two years. The fiscal year 2017-18 budget projects a deficit of \$2,137,244. For a District this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, and other uses (total outgo). As of June 30, 2017 the District has available reserve of \$2,251,221 which is 4% of the total outgo.

Total long-term debt has increased by \$46,816,594 over the last two years. This is mainly due to issuance of new bonds and pension liability.

Average daily attendance has decreased by 309 over the past two years and is anticipated to be decrease by 42 in the fiscal year 2017-18.

**JEFFERSON UNION HIGH SCHOOL DISTRICT**  
**SCHEDULE OF CHARTER SCHOOLS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

The Jefferson Union High School District has renewed the charter for Summit Public School Shasta for a period of five years which expires June 30, 2023.

Summit Public School: Shasta is responsible for reporting its financial activities and has its separate audit report independent of Jefferson Union High School District. The District accounts for the transfers to the charter school within the General fund, as a separate school/site.

**JEFFERSON UNION HIGH SCHOOL DISTRICT  
NOTES TO SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 1 - PURPOSE OF SCHEDULES**

***A. Schedule of Expenditures of Federal Awards***

The audit of the District for the year ended June 30, 2017, was conducted in accordance with Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), which requires disclosure of the financial activities of all federally funded programs. To comply with Uniform Guidance, the Schedule of Expenditures of Federal Awards was prepared by the District.

- General – The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the District.
- Basis of Accounting – The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting.
- Indirect Cost Rate – The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

***B. Schedule of Average Daily Attendance (ADA)***

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

***C. Schedule of Instructional time***

The 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 46207.

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District neither met nor exceeded its targeted funding. Districts must maintain their instructional minutes at the 1986-87 requirements, as required by *Education Code* Section 46201.

***D. Reconciliation of Annual Financial and Budget Report with Audited Financial Statements***

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

***E. 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.

***F. Schedule of Charter Schools***

This schedule is provided to list all charter schools chartered by the District and displays information for each charter school on whether or not the charter school is included in the District audit.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

**INDEPENDENT AUDITOR'S REPORT**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jefferson Union High School District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Jefferson Union High School District's basic financial statements, and have issued our report thereon dated December 15, 2017.

**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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

**Patel & Associates, LLP**  
**Certified Public Accountants**

*Patel & Associates, LLP*

**Oakland, California**  
**December 15, 2017**

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY  
THE UNIFORM GUIDANCE  
INDEPENDENT AUDITOR'S REPORT**

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

**Management's Responsibility**

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Jefferson Union High School 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, 2017.

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

**Patel & Associates, LLP**  
**Certified Public Accountants**

*Patel & Associates, LLP*

**Oakland, California**  
**December 15, 2017**

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

**INDEPENDENT AUDITOR'S REPORT**

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

**Report on State Compliance**

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

**Managements Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on Jefferson Union High School District's state compliance based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and *2016-17 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Those standards and the *2016-17 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the programs identified in the below schedule occurred. applicable government programs noted below. An audit includes examining, on a test basis, evidence about Jefferson Union High School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance. However, our audit does not provide a legal determination of Jefferson Union High School District's compliance with those requirements.

### Other Matters

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

<u>Program Description:</u>	<u>Procedures Performed</u>
<b>Local Education Agencies other than Charter Schools:</b>	
Attendance Reporting	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Not applicable
Independent Study	No*
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Not applicable
Transportation Maintenance of Effort	Yes
Mental Health Expenditures	Yes
<b>School Districts, County Offices of Education, and Charter Schools:</b>	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
Immunizations	Yes
<b>Charter Schools:</b>	
Attendance	Not applicable
Mode of Instruction	Not applicable
Non-classroom-Based Instruction/Independent Study	Not applicable
Determination of Funding for Non-classroom-Based Instruction	Not Applicable
Annual Instructional Minutes- Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

\* We did not perform testing for independent study because the independent study ADA was under the level that requires testing.

**Opinion on State Compliance**

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 the programs identified in the above schedule for the year ended year ended June 30, 2017.

**Patel & Associates, LLP  
Certified Public Accountants**

*Patel & Associates, LLP*

**Oakland, California  
December 15, 2017**

**JEFFERSON UNION HIGH SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Significant deficiencies identified?	No
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major programs:	
• Material weaknesses identified?	No
• Significant deficiencies identified?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	No

**Identification of major programs:**

CFDA Number	Name of Federal Program or Cluster
84.027	Special Education Local Assistance
84.002	Adult Education Basic Ed & ESL
84.002	Adult Education GED Services
84.002	Adult Education Basic Ed EL Civics

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

**State Awards**

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

**JEFFERSON UNION HIGH SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**SECTION II - FINANCIAL STATEMENT FINDING**

There were no findings.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There were no findings.

**SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS**

There were no findings.

**JEFFERSON UNION HIGH SCHOOL DISTRICT  
STATUS OF PRIOR YEAR'S FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2017**

No matters were reported in the prior year.