JEFFERSON SCHOOL DISTRICT

AUDIT REPORT
JUNE 30, 2019

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CHRISTY WHITE
Certified Public Accountants serving
K-12 School Districts and Charter
Schools throughout California

INDEPENDENT AUDITORS' REPORT

Governing Board
Jefferson School District
Tracy, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jefferson School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Jefferson School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Jefferson School District, as of June 30, 2019, 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.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis, budgetary comparison information, schedule of changes in net OPEB liability and related ratios, schedules of proportionate share of net pension liability, and schedules of District contributions for pensions be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Jefferson School District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of Federal awards, 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, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information listed in the table of contents 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 12, 2019 on our consideration of Jefferson 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 solely 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 the effectiveness of Jefferson School District's 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 School District's internal control over financial reporting and compliance.

Christy White, Inc

San Diego, California
December 12, 2019

JEFFERSON SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

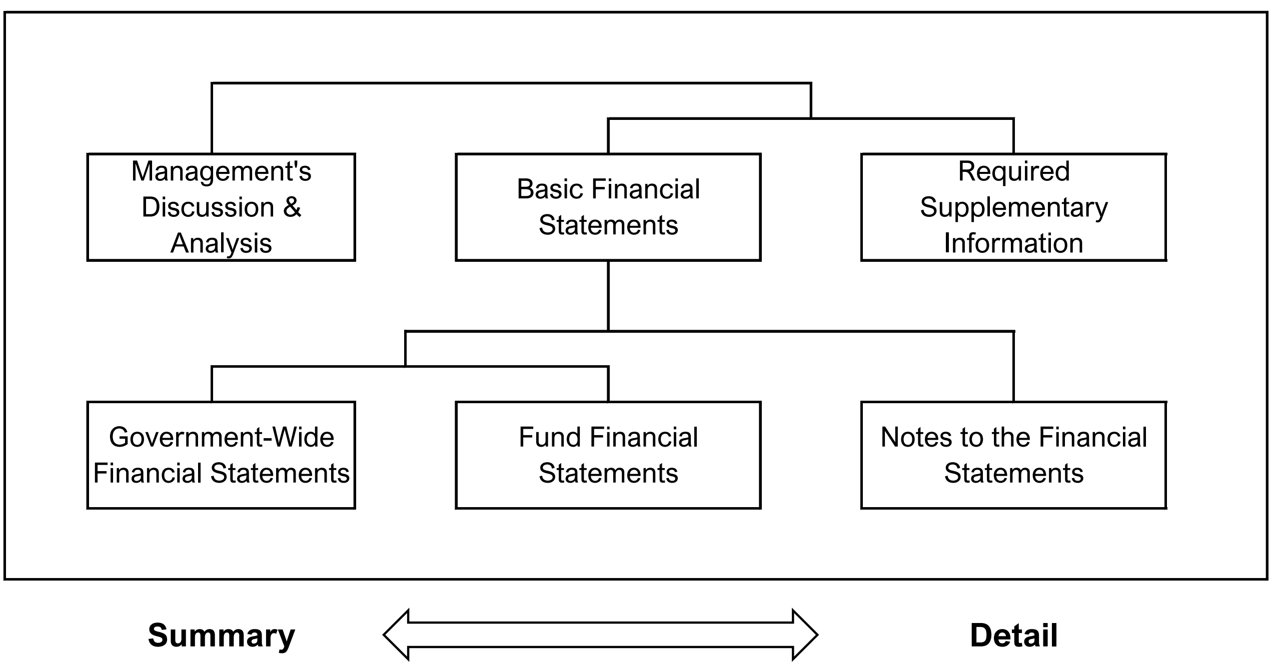
Our discussion and analysis of Jefferson School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2019. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total net position was $18,211,242 at June 30, 2019. This was a decrease of $723,975 from the prior year after restatement.
- Overall revenues were $26,292,632 which were exceeded by expenses of $27,016,607.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financials Section



OVERVIEW OF FINANCIAL STATEMENTS (continued)

Components of the Financials Section (continued)

This annual report consists of three parts – Management's Discussion and Analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

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

- **Fund financial statements** focus on reporting the individual parts of District operations in more detail. The fund financial statements comprise the remaining statements.

    - **Governmental Funds** provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

    - **Proprietary Funds** report services for which the District charges customers a fee. Like the government-wide statements, they provide both long- and short-term financial information.

    - **Fiduciary Funds** report balances for which the District is a custodian or *trustee* of the funds, such as Associated Student Bodies and pension funds.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by a section of required and other supplementary information that further explain and support the financial statements.

Government-Wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health. Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the District include governmental activities. All of the District's basic services are included here, such as regular education, food service, maintenance and general administration. Local control formula funding and federal and state grants finance most of these activities.

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's net position was $18,211,242 at June 30, 2019, as reflected in the table below. Of this amount, $(17,773,719) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use that net position for day-to-day operations.

	Governmental Activities		
	2019	**2018**	**Net Change**
ASSETS			
Current and other assets	$ 20,868,590	$ 19,500,197	$ 1,368,393
Capital assets	58,048,855	59,266,436	(1,217,581)
Total Assets	78,917,445	78,766,633	150,812
DEFERRED OUTFLOWS OF RESOURCES	6,428,508	6,813,293	(384,785)
LIABILITIES			
Current liabilities	1,103,035	1,764,069	(661,034)
Long-term liabilities	64,040,885	63,296,714	744,171
Total Liabilities	65,143,920	65,060,783	83,137
DEFERRED INFLOWS OF RESOURCES	1,990,791	1,712,704	278,087
NET POSITION			
Net investment in capital assets	25,893,386	19,414,094	6,479,292
Restricted	10,091,575	9,061,177	1,030,398
Unrestricted	(17,773,719)	(9,668,832)	(8,104,887)
Total Net Position	$ 18,211,242	$ 18,806,439	$ (595,197)

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the Statement of Activities. The table below takes the information from the Statement and rearranges it, so you can see our total revenues and expenses, for the year.

	Governmental Activities		
	2019	2018	Net Change
REVENUES			
Program revenues			
Charges for services	$ 2,051,658	$ 1,162,943	$ 888,715
Operating grants and contributions	2,564,457	3,084,291	(519,834)
Capital grants and contributions	81	77	4
General revenues			
Property taxes	5,296,985	4,842,640	454,345
Unrestricted federal and state aid	15,977,355	14,803,101	1,174,254
Other	402,096	4,400,767	(3,998,671)
Total Revenues	26,292,632	28,293,819	(2,001,187)
EXPENSES			
Instruction	16,915,827	16,395,459	520,368
Instruction-related services	2,181,693	2,175,059	6,634
Pupil services	1,781,374	1,666,625	114,749
General administration	1,727,542	1,796,718	(69,176)
Plant services	2,346,261	2,117,666	228,595
Ancillary and community services	53,640	44,448	9,192
Debt service	1,500,666	1,842,376	(341,710)
Other outgo	509,604	347,916	161,688
Total Expenses	27,016,607	26,386,267	630,340
Change in net position	(723,975)	1,907,552	(2,631,527)
Net Position - Beginning, as Restated	18,935,217	16,898,887	2,036,330
Net Position - Ending	$ 18,211,242	$ 18,806,439	$ (595,197)

The cost of all our governmental activities this year was $27,016,607 (refer to the table above). The amount that our taxpayers ultimately financed for these activities through taxes was only $5,296,985 because a portion of the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions.

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position (continued)

In the table below, we have presented the net cost of each of the District's functions. Net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

	Net Cost of Services	
	2019	2018
Instruction	$ 15,119,012	$ 14,511,023
Instruction-related services	1,959,803	1,894,938
Pupil services	857,485	769,650
General administration	1,642,628	1,711,530
Plant services	1,945,174	1,905,921
Ancillary and community services	53,037	43,240
Debt service	1,500,666	1,842,376
Transfers to other agencies	(677,394)	(539,722)
Total Expenses	$ 22,400,411	$ 22,138,956

FINANCIAL ANALYSIS OF THE DISTRICT'S MAJOR FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of $20,121,479, which is more than last year's ending fund balance of $18,078,092. The District's General Fund had $535,433 more in operating revenues than expenditures for the year ended June 30, 2019. The District's Capital Facilities Fund had $1,578,206 more in operating revenues than expenditures for the year ended June 30, 2019.

CURRENT YEAR BUDGET 2018-2019

During the fiscal year, budget revisions and appropriation transfers are presented to the Board for their approval on a regular basis to reflect changes to both revenues and expenditures that become known during the year. In addition, the Board of Education approves financial projections included with the Adopted Budget, First Interim, and Second Interim financial reports. The Unaudited Actuals reflect the District's financial projections and current budget based on State and local financial information.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

By the end of 2018-2019 the District had invested $58,048,855 in capital assets, net of accumulated depreciation.

	Governmental Activities		
	2019	2018	Net Change
CAPITAL ASSETS			
Land	$ 5,825,263	$ 5,825,263	$ -
Construction in progress	1,006,622	1,054,676	(48,054)
Land improvements	2,325,258	2,262,060	63,198
Buildings & improvements	64,354,452	63,878,715	475,737
Furniture & equipment	1,960,172	1,960,172	-
Accumulated depreciation	(17,422,912)	(15,714,450)	(1,708,462)
Total Capital Assets	$ 58,048,855	$ 59,266,436	$ (1,217,581)

Long-Term Liabilities

At year-end, the District had $64,040,885 in long-term liabilities, an increase of 1.67% from last year – as shown in the table below. (More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.)

	Governmental Activities		
	2019	2018	Net Change
LONG-TERM LIABILITIES			
Total general obligation bonds	$ 40,973,912	$ 39,852,342	$ 1,121,570
Compensated absences	57,297	52,458	4,839
Net OPEB liability*	548,679	569,339	(20,660)
Net pension liability	22,694,041	22,693,797	244
Less: current portion of long-term liabilities	(233,044)	(180,158)	(52,886)
Total Long-term Liabilities	$ 64,040,885	$ 62,987,778	$ 1,053,107

*The beginning balance in 2019 for net OPEB liability has been restated in order to remove the Medicare Premium Payment Program liability due to its material non-applicability.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

At the time these financial statements were prepared and audited, the District was aware of several circumstances that could affect its future financial health.

The US economy continues to grow slowly, but the State economic growth is slowing down due to low levels of available employees. However, the State is still experiencing overall economic prosperity. The State Budget for Education contained an increase of 3.26% in fiscal year 2019-20, plus $3.15 billion in non-Proposition 98 funding for school employer pension relief.

The fiscal policy for the funding of public education changes annually, based on fluctuations in State revenues. The UCLA Anderson Forecast (June 2019) noted that the risk of recession is about 50% within the next 5-8 quarters depending on the model, the biggest economic threat being from the escalating trade war with China and Mexico. If a recession were to happen, State revenues for public education would be negatively impacted.

Landmark legislation passed in Year 2013 reformed California school district finance by creating the Local Control Funding Formula (LCFF). The LCFF is designed to provide a flexible funding mechanism that links student achievement to state funding levels. The LCFF provides a per pupil base grant amount, by grade span, that is augmented by supplemental funding for targeted student groups in low income brackets, those that are English language learners and foster youth.

Factors related to LCFF that the District is monitoring include: (1) estimates of funding in the next budget year and beyond; (2) the Local Control and Accountability Plan (LCAP) that aims to link student accountability measurements to funding allocations; (3) ensuring the integrity of reporting student data through the California Longitudinal Pupil Achievement Data System (CALPADs); and, (4) meeting annual compliance and audit requirements.

The District participates in state employee pensions plans, PERS and STRS, and both are underfunded. The District's proportionate share of the liability is reported in the Statement of Net Position as of June 30, 2019. The amount of the liability is material to the financial position of the District. To address the underfunding issues, the pension plans received a one-time funding allocation from the 2019-20 State Budget and continue to raise employer rates in future years. The projected increased pension costs to school employers remain a significant fiscal factor.

Enrollment can fluctuate due to factors such as population growth, competition from private, parochial, inter-district transfers in or out, economic conditions and housing values. Losses in enrollment will cause a school district to lose operating revenues without necessarily permitting the district to make adjustments in fixed operating costs.

All of these factors were considered in preparing the District's budget for the 2019-20 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

JEFFERSON SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2019

		Governmental Activities
ASSETS		
Cash and investments	$	20,453,136
Accounts receivable		412,453
Inventory		3,001
Capital assets, not depreciated		6,831,885
Capital assets, net of accumulated depreciation		51,216,970
Total Assets		78,917,445
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions		6,336,139
Deferred outflows related to OPEB		92,369
Total Deferred Outflows of Resources		6,428,508
LIABILITIES		
Accrued liabilities		869,991
Long-term liabilities, current portion		233,044
Long-term liabilities, non-current portion		64,040,885
Total Liabilities		65,143,920
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions		1,986,500
Deferred inflows related to OPEB		4,291
Total Deferred Inflows of Resources		1,990,791
NET POSITION		
Net investment in capital assets		25,893,386
Restricted:		
Capital projects		7,696,160
Debt service		398,040
Educational programs		1,403,223
All others		594,152
Unrestricted		(17,773,719)
Total Net Position	$	18,211,242

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

JEFFERSON SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position
Function/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**
GOVERNMENTAL ACTIVITIES					
Instruction	$ 16,915,827	$ 389,408	$ 1,407,326	$ 81	$ (15,119,012)
Instruction-related services					
Instructional supervision and administration	205,194	-	70,829	-	(134,365)
Instructional library, media, and technology	281,525	23,258	14,765	-	(243,502)
School site administration	1,694,974	10,418	102,620	-	(1,581,936)
Pupil services					
Home-to-school transportation	296,934	-	9,472	-	(287,462)
Food services	855,315	322,115	480,603	-	(52,597)
All other pupil services	629,125	-	111,699	-	(517,426)
General administration					
Centralized data processing	126,874	-	-	-	(126,874)
All other general administration	1,600,668	16,439	68,475	-	(1,515,754)
Plant services	2,346,261	375,062	26,025	-	(1,945,174)
Ancillary services	53,640	-	603	-	(53,037)
Interest on long-term debt	1,500,666	-	-	-	(1,500,666)
Other outgo	509,604	914,958	272,040	-	677,394
Total Governmental Activities	$ 27,016,607	$ 2,051,658	$ 2,564,457	$ 81	(22,400,411)
General revenues					
Taxes and subventions					
Property taxes, levied for general purposes					4,605,077
Property taxes, levied for debt service					691,908
Federal and state aid not restricted for specific purposes					15,977,355
Interest and investment earnings					141,276
Interagency revenues					488
Miscellaneous					260,332
Subtotal, General Revenue					21,676,436
CHANGE IN NET POSITION					(723,975)
Net Position - Beginning, as Restated					18,935,217
Net Position - Ending					$ 18,211,242

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

JEFFERSON SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2019

	General Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	$ 10,709,103	$ 7,629,540	$ 2,062,432	$ 20,401,075
Accounts receivable	412,453	-	-	412,453
Due from other funds	37,065	-	-	37,065
Stores inventory	-	-	3,001	3,001
Total Assets	$ 11,158,621	$ 7,629,540	$ 2,065,433	$ 20,853,594
LIABILITIES				
Accrued liabilities	$ 691,697	$ -	$ 3,353	$ 695,050
Due to other funds	-	-	37,065	37,065
Total Liabilities	691,697	-	40,418	732,115
FUND BALANCES				
Nonspendable	5,000	-	3,001	8,001
Restricted	1,403,223	7,629,540	1,708,919	10,741,682
Committed	-	-	313,095	313,095
Assigned	3,004,943	-	-	3,004,943
Unassigned	6,053,758	-	-	6,053,758
Total Fund Balances	10,466,924	7,629,540	2,025,015	20,121,479
Total Liabilities and Fund Balances	$ 11,158,621	$ 7,629,540	$ 2,065,433	$ 20,853,594

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

JEFFERSON SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

Total Fund Balance - Governmental Funds		$ 20,121,479
Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:		
Capital assets:		
In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation:		
Capital assets	$ 75,471,767	
Accumulated depreciation	(17,422,912)	58,048,855
Unmatured interest on long-term debt:		
In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:		(174,941)
Long-term liabilities:		
In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:		
Total general obligation bonds	$ 40,973,912	
Compensated absences	57,297	
Net OPEB liability	548,679	
Net pension liability	22,694,041	(64,273,929)
Deferred outflows and inflows of resources relating to pensions:		
In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.		
Deferred outflows of resources related to pensions	$ 6,336,139	
Deferred inflows of resources related to pensions	(1,986,500)	4,349,639
Deferred outflows and inflows of resources relating to OPEB:		
In governmental funds, deferred outflows and inflows of resources relating to OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to OPEB are reported.		
Deferred outflows of resources related to OPEB	$ 92,369	
Deferred inflows of resources related to OPEB	(4,291)	88,078
Internal service funds:		
Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets, deferred outflows of resources, liabilities, and deferred inflows of resources of internal service funds are reported with governmental activities in the statement of net position. Net position for internal service funds is:		52,061
Total Net Position - Governmental Activities		$ 18,211,242

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

JEFFERSON SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
LCFF sources	$ 19,593,612	$ -	$ 84,407	$ 19,678,019
Federal sources	510,044	-	507,443	1,017,487
Other state sources	2,939,618	-	54,431	2,994,049
Other local sources	974,685	1,821,361	1,051,498	3,847,544
Total Revenues	24,017,959	1,821,361	1,697,779	27,537,099
EXPENDITURES				
Current				
Instruction	15,948,546	-	-	15,948,546
Instruction-related services				
Instructional supervision and administration	236,157	-	-	236,157
Instructional library, media, and technology	257,919	-	-	257,919
School site administration	1,711,730	-	-	1,711,730
Pupil services				
Home-to-school transportation	274,330	-	-	274,330
Food services	-	-	815,711	815,711
All other pupil services	659,507	-	-	659,507
General administration				
Centralized data processing	126,874	-	-	126,874
All other general administration	1,517,579	-	37,889	1,555,468
Plant services	1,997,132	73,056	166,235	2,236,423
Facilities acquisition and maintenance	187,746	170,099	150,752	508,597
Ancillary services	55,402	-	-	55,402
Transfers to other agencies	509,604	-	-	509,604
Debt service				
Principal	-	-	175,000	175,000
Interest and other	-	-	422,444	422,444
Total Expenditures	23,482,526	243,155	1,768,031	25,493,712
Excess (Deficiency) of Revenues Over Expenditures	535,433	1,578,206	(70,252)	2,043,387
Other Financing Sources (Uses)				
Transfers in	-	-	104,407	104,407
Transfers out	(104,407)	-	-	(104,407)
Net Financing Sources (Uses)	(104,407)	-	104,407	-
NET CHANGE IN FUND BALANCE	431,026	1,578,206	34,155	2,043,387
Fund Balance - Beginning	10,035,898	6,051,334	1,990,860	18,078,092
Fund Balance - Ending	$ 10,466,924	$ 7,629,540	$ 2,025,015	$ 20,121,479

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

JEFFERSON SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Net Change in Fund Balances - Governmental Funds		$ 2,043,387
Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:		
Capital outlay:		
In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:		
Expenditures for capital outlay:	$ 490,881	
Depreciation expense:	(1,708,462)	(1,217,581)
Debt service:		
In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:		175,000
Unmatured interest on long-term debt:		
In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was:		218,348
Accreted interest on long-term debt:		
In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current sources. In the government-wide statement of activities, however, this is recorded as interest expense for the period.		(1,301,728)
Compensated absences:		
In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amount earned. The difference between compensated absences paid and compensated absences earned, was:		(4,839)
Postemployment benefits other than pensions (OPEB):		
In governmental funds, OPEB expenses are recognized when employer OPEB contributions are made. In the statement of activities, OPEB expenses are recognized on the accrual basis. This year, the difference between OPEB expenses and actual employer OPEB contributions was:		61,052

(continued on next page)

Pensions:		
In governmental funds, pension costs are recognized when employer contributions are made, in the government-wide statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and employer contributions was:		(703,508)
Amortization of debt issuance premium or discount:		
In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized over the life of the debt. Amortization of premium or discount for the period is:		5,158
Internal Service Funds:		
Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental in the statement of activities. The net increase or decrease in internal service funds was:		736
Change in Net Position of Governmental Activities	$	(723,975)

JEFFERSON SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities Internal Service Fund
ASSETS	
Current assets	
Cash and investments	$ 52,061
Total Assets	52,061
NET POSITION	
Restricted	52,061
Total Net Position	$ 52,061

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

JEFFERSON SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019

	Governmental Activities Internal Service Fund
NON-OPERATING REVENUES	
Interest income	$ 736
Total non-operating revenues/(expenses)	736
CHANGE IN NET POSITION	736
Net Position - Beginning	51,325
Net Position - Ending	$ 52,061

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

JEFFERSON SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

	Governmental Activities
	Internal Service Fund
Cash flows from operating activities	
Cash payments for payroll, insurance, and operating costs	$ 209
Net cash provided by (used for) operating activities	209
Cash flows from investing activities	
Interest received	736
Net cash provided by (used for) investing activities	736
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	945
CASH AND CASH EQUIVALENTS	
Beginning of year	51,116
End of year	$ 52,061
Reconciliation of operating income (loss) to cash provided by (used for) operating activities	
Operating income/(loss)	$ -
Changes in assets and liabilities:	
(Increase) decrease in accounts receivables	209
Net cash provided by (used for) operating activities	$ 209

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

JEFFERSON SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2019

	Trust Funds		Agency Funds
	Retiree Benefit Fund	Scholarship Trust Fund	Student Body Fund
ASSETS			
Cash and investments	$ 130,294	$ 4,219	$ 30,744
Accounts receivable	44,683	-	-
Total Assets	174,977	4,219	$ 30,744
LIABILITIES			
Accrued liabilities	-	-	$ 30,744
Due to student groups	-	4,219	-
Total Liabilities	-	4,219	$ 30,744
NET POSITION			
Restricted	174,977	4,219	
Total Net Position	$ 174,977	$ 4,219	

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

JEFFERSON SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019

	Trust Funds	
	Retiree Benefit Fund	Scholarship Trust Fund
ADDITIONS		
Contributions	$ 44,683	$ -
Investment earnings	2,635	2,260
Total Additions	47,318	2,260
DEDUCTIONS		
Other trust activities	94,472	-
Total Deductions	94,472	-
CHANGE IN NET POSITION	(47,154)	2,260
Net Position - Beginning	222,131	1,959
Net Position - Ending	$ 174,977	$ 4,219

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

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

The District operates under a locally elected Board form of government and provides educational services to grades K-8 as mandated by the state. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student-related activities.

B. Component Units

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

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

C. Basis of Presentation

Government-Wide Statements. The statement of net position and the statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenue, and other non-exchange transactions.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Government-Wide Statements, (continued)
The statement of activities presents a comparison between direct expenses and program revenue for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reserved for the statement of activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting of operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District.

Fund Financial Statements. The fund financial statements provide information about the District's funds, including its proprietary and fiduciary funds. Separate statements for each fund category – governmental, proprietary and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

Governmental funds are used to account for activities that are governmental in nature. Governmental activities are typically tax-supported and include education of pupils, operation of food service and child development programs, construction and maintenance of school facilities, and repayment of long-term debt.

Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the District, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting.

Fiduciary funds are used to account for assets held by the District in a trustee or agency capacity for others that cannot be used to support the District's own programs.

Major Governmental Funds

General Fund: The General Fund is the main operating fund of the District. It is used to account for all activities except those that are required to be accounted for in another fund. In keeping with the minimum number of funds principle, all of the District's activities are reported in the General Fund unless there is a compelling reason to account for an activity in another fund. A District may have only one General Fund.

Capital Facilities Fund: This fund is used primarily to account separately for moneys received from fees levied on developers or other agencies as a condition of approving a development (*Education Code Sections* 17620–17626). The authority for these levies may be county/city ordinances (*Government Code Sections* 65970–65981) or private agreements between the District and the developer. Interest earned in the Capital Facilities Fund is restricted to that fund (*Government Code Section* 66006).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Non-Major Governmental Funds

Special Revenue Funds: Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The District maintains the following special revenue funds:

Cafeteria Fund: This fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code Sections* 38090–38093). The Cafeteria Fund shall be used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code Sections* 38091 and 38100).

Deferred Maintenance Fund: This fund is used to account separately for state apportionments and the District's contributions for deferred maintenance purposes (*Education Code Sections* 17582–17587). In addition, whenever the state funds provided pursuant to *Education Code Sections* 17584 and 17585 (apportionments from the State Allocation Board) are insufficient to fully match the local funds deposited in this fund, the governing board of a school district may transfer the excess local funds deposited in this fund to any other expenditure classifications in other funds of the District (*Education Code Sections* 17582 and 17583).

Pupil Transportation Equipment Fund: This fund is used to account separately for state and local revenues specifically for the acquisition, rehabilitation, or replacement of equipment used to transport students (*Education Code Section* 41852[b]).

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

Building Fund: This fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code Section* 15146) and may not be used for any purposes other than those for which the bonds were issued. Other authorized revenues to the Building Fund are proceeds from the sale or lease-with-option-to-purchase of real property (*Education Code Section* 17462) and revenue from rentals and leases of real property specifically authorized for deposit into the fund by the governing board (*Education Code Section* 41003).

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

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

Bond Interest and Redemption Fund: This fund is used for the repayment of bonds issued for the District (*Education Code Sections* 15125–15262). The board of supervisors of the county issues the bonds. The proceeds from the sale of the bonds are deposited in the county treasury to the Building Fund of the District. Any premiums or accrued interest received from the sale of the bonds must be deposited in the Bond Interest and Redemption Fund of the District. The county auditor maintains control over the District's Bond Interest and Redemption Fund. The principal and interest on the bonds must be paid by the county treasurer from taxes levied by the county auditor-controller

Proprietary Funds

Internal Service Funds: Internal service funds are created principally to render services to other organizational units of the District on a cost-reimbursement basis. These funds are designed to be self-supporting with the intent of full recovery of costs, including some measure of the cost of capital assets, through user fees and charges.

Warehouse Revolving Fund: This fund is used primarily to maintain budget control and stock accounting of merchandise for an LEA’s use (*Education Code Section* 42830).

Self-Insurance Fund: Self-insurance funds are used to separate moneys received for self-insurance activities from other operating funds of the District. Separate funds may be established for each type of self-insurance activity, such as workers' compensation, health and welfare, and deductible property loss (*Education Code Section* 17566).

Fiduciary Funds

Trust and Agency Funds: Trust and agency funds are used to account for assets held in a trustee or agent capacity for others that cannot be used to support the District's own programs. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Retiree Benefit Fund: This fund exists to account separately for amounts held in trust from salary reduction agreements, other irrevocable contributions for employees’ retirement benefit payments, or both.

Scholarship Trust Fund: This fund is used to account separately for gifts or bequests per *Education Code Section* 41031 that benefit individuals, private organizations, or other governments and under which neither principal nor income may be used for purposes that support the District's own programs.

Student Body Fund: The Student Body Fund is an agency fund and, therefore, consists only of accounts such as cash and balancing liability accounts, such as due to student groups. The student body itself maintains its own general fund, which accounts for the transactions of that entity in raising and expending money to promote the general welfare, morale, and educational experiences of the student body (*Education Code Sections* 48930–48938).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus

Government-Wide, Proprietary, and Fiduciary Financial Statements
The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide, proprietary, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Net Position equals assets and deferred outflows of resources minus liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The net position should be reported as restricted when constraints placed on its use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities results from special revenue funds and the restrictions on their use.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the internal service fund are charges to other funds for self-insurance costs. Operating expenses for internal service funds include the costs of insurance premiums and claims related to self-insurance.

Governmental Funds
Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Governmental funds use the modified 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. Generally, "available" means collectible within the current period or within 60 days after year-end. However, to achieve comparability of reporting among California school 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 school districts as collectible within one year.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus (continued)

Revenues – Exchange and Non-Exchange Transactions, (continued)
Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from the grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

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

Expenses/Expenditures
On the accrual basis of accounting, expenses are recognized at the time 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position

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

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

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

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 fixed assets are recorded at their acquisition value 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 Statement 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 construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Life
Buildings and Improvements	5-50 years
Furniture and Equipment	2-15 years
Vehicles	2-15 years

Interfund Balances
On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Due from other funds/Due to other funds." These amounts are eliminated in the governmental activities columns of the statement of net position.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)

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

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 because 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.

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

Postemployment Benefits Other Than Pensions (OPEB)
For purposes of measuring the net OPEB liability, deferred outflows of resources related to OPEB and deferred inflows of resources related to OPEB, and OPEB expense have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms.

Generally accepted accounting principles require the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Measurement Period	July 1, 2017 – June 30, 2018

Gains and losses related to changes in net OPEB liability are recognized in OPEB expense systematically over time. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The amortization period differs depending on the source of gain or loss. The difference between projected and actual earnings is amortized on a straight-line basis over five years. All other amounts are amortized on a straight-line basis over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) at the beginning of the measurement period.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)

Premiums and Discounts
In the government-wide and proprietary fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

Deferred Outflows/Deferred Inflows of Resources
In addition to assets, the District will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the District will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

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 defined benefit pension plans (the Plans) of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)

Fund Balance
Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification reflects amounts that are not in spendable form. Examples include inventory, prepaid items, the long-term portion of loans receivable, and nonfinancial assets held for resale. This classification also reflects amounts that are in spendable form but that are legally or contractually required to remain intact, such as the principal of a permanent endowment.

Restricted - The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Governing Board. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. In contrast to restricted fund balance, committed fund balance may be redirected by the government to other purposes as long as the original constraints are removed or modified in the same manner in which they were imposed, that is, by the same formal action of the Governing Board.

Assigned - The assigned fund balance classification reflects amounts that the government *intends* to be used for specific purposes. Assignments may be established either by the Governing Board or by a designee of the governing body and are subject to neither the restricted nor committed levels of constraint. In contrast to the constraints giving rise to committed fund balance, constraints giving rise to assigned fund balance are not required to be imposed, modified, or removed by formal action of the Governing Board. The action does not require the same level of formality and may be delegated to another body or official. Additionally, the assignment need not be made before the end of the reporting period, but rather may be made any time prior to the issuance of the financial statements.

Unassigned - In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes. However, deficits in any fund, including the General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Interfund Activity

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

G. Estimates

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

H. Budgetary Data

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

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

I. Property Tax

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. New Accounting Pronouncements

GASB Statement No. 84 – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This standard's primary objective is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement is effective for periods beginning after December 15, 2018. The District has not yet determined the impact on the financial statements.

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, *Leases*. This standard's primary objective is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The statement is effective for periods beginning after December 15, 2019. The District has not determined the impact on the financial statements.

GASB Statement No. 88 – In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This standard's primary objective is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The statement is effective for periods beginning after June 15, 2018. The District has implemented GASB Statement No. 88 for the year ended June 30, 2019.

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Governmental Funds	Internal Service Funds	Total Governmental Activities	Fiduciary Funds
Investment in county treasury	$ 20,361,466	$ 52,061	$ 20,413,527	$ 129,441
Cash on hand and in banks	34,609	-	34,609	35,816
Cash with fiscal agent	-	-	-	-
Cash in revolving fund	5,000	-	5,000	-
Total cash and investments	$ 20,401,075	$ 52,061	$ 20,453,136	$ 165,257

B. 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; collateralized mortgage obligations; and the County Investment Pool.

NOTE 2 – CASH AND INVESTMENTS (continued)

B. Policies and Practices (continued)

Investment in County Treasury – The District maintains substantially all of its cash in the County Treasury in accordance with *Education Code Section* 41001. The San Joaquin County Treasurer's pooled investments are managed by the County Treasurer who reports on a monthly basis to the board of supervisors. In addition, the function of the County Treasury Oversight Committee is to review and monitor the County's investment policy. The committee membership includes the Treasurer and Tax Collector, the Auditor-Controller, Chief Administrative Officer, Superintendent of Schools Representative, and a public member. The fair value of the District's investment in the pool is 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.

C. General Authorizations

Except for investments by trustees of debt proceeds, the authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website. The table below identifies the investment types permitted by California Government Code.

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

NOTE 2 – CASH AND INVESTMENTS (continued)

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 investing in the County Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately $20,599,343 and an amortized book value of $20,542,968. The average weighted maturity for this pool is 395 days.

E. 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 investments in the County Treasury are not required to be rated. As of June 30, 2019, the pooled investments in the County Treasury were rated not rated.

F. Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2019, the District's bank balance was not exposed to custodial credit risk.

NOTE 2 – CASH AND INVESTMENTS (continued)

G. Fair Value

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, either directly or indirectly.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonable available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the San Joaquin County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at $1.00 net asset value per share.

The District's fair value measurements at June 30, 2019 were as follows:

	Uncategorized
Investment in county treasury	$ 20,599,343
Total fair market value of investments	$ 20,599,343

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2019 consisted of the following:

		General Fund
Federal Government		
Categorical aid	$	260,089
State Government		
Categorical aid		26,862
Lottery		114,292
Local Government		
Other local sources		11,210
Total	$	412,453

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019 was as follows:

	Balance July 01, 2018	Additions	Deletions	Balance June 30, 2019
Governmental Activities				
Capital assets not being depreciated				
Land	$ 5,825,263	$ -	$ -	$ 5,825,263
Construction in progress	1,054,676	230,442	278,496	1,006,622
Total Capital Assets not Being Depreciated	6,879,939	230,442	278,496	6,831,885
Capital assets being depreciated				
Land improvements	2,262,060	63,198	-	2,325,258
Buildings & improvements	63,878,715	475,737	-	64,354,452
Furniture & equipment	1,960,172	-	-	1,960,172
Total Capital Assets Being Depreciated	68,100,947	538,935	-	68,639,882
Less Accumulated Depreciation				
Land improvements	421,660	88,450	-	510,110
Buildings & improvements	13,675,129	1,444,419	-	15,119,548
Furniture & equipment	1,617,661	175,593	-	1,793,254
Total Accumulated Depreciation	15,714,450	1,708,462	-	17,422,912
Governmental Activities Capital Assets, net	$ 59,266,436	$ (939,085)	$ 278,496	$ 58,048,855

Depreciation expense was charged as a direct expense to governmental function Instruction in the amount of $1,708,462.

NOTE 5 – INTERFUND TRANSACTIONS

A. Interfund Receivables/Payables (Due From/Due To)

Individual interfund receivable and payable balances at June 30, 2019 were as follows:

	Due From Other Funds	
Due To Other Funds	**General Fund**	**Total**
Non-Major Governmental Funds	$ 37,065	$ 37,065
Total Due From Other Funds	$ 37,065	$ 37,065

Due from the Non-Major Cafeteria Fund to the General Fund for indirect costs.	$ 37,065
Total	$ 37,065

B. Operating Transfers

Interfund transfers for the year ended June 30, 2019 consisted of the following:

	Interfund Transfers In	
Interfund Transfers Out	**Non-Major Governmental Funds**	**Total**
General Fund	$ 104,407	$ 104,407
Total Interfund Transfers	$ 104,407	$ 104,407

Transfer from the General Fund to the Deferred Maintenance Fund for a contribution.	$ 84,407
Transfer from the General Fund to the Pupil Transportation Fund for an annual equipment transfer.	20,000
Total	$ 104,407

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2019 consisted of the following:

	General Fund	Non-Major Governmental Funds	District-Wide	Total Governmental Activities	Total Fiduciary
Payroll	$ 148,147	$ 609	$ -	$ 148,756	$ -
Construction	-	700	-	700	-
Vendors payable	499,838	1,073	-	500,911	-
Unmatured interest	-	-	174,941	174,941	-
Other liabilities	43,712	971	-	44,683	30,744
Total	$ 691,697	$ 3,353	$ 174,941	$ 869,991	$ 30,744

NOTE 7 – LONG-TERM LIABILITIES

A schedule of changes in long-term liabilities for the year ended June 30, 2019 consisted of the following:

	Restated Balance July 01, 2018	Additions	Deductions	Balance June 30, 2019	Balance Due In One Year
Governmental Activities					
General obligation bonds	$ 32,661,320	$ -	$ 173,918	$ 32,487,402	$ 227,886
Unamortized premium	148,391	-	5,158	143,233	5,158
Accreted interest	7,042,631	1,301,728	1,082	8,343,277	-
Total general obligation bonds	39,852,342	1,301,728	180,158	40,973,912	233,044
Compensated absences	52,458	4,839	-	57,297	-
Net OPEB liability	569,339	-	20,660	548,679	-
Net pension liability	22,693,797	244	-	22,694,041	-
Total	$ 63,167,936	$ 1,306,811	$ 200,818	$ 64,273,929	$ 233,044

- Payments for general obligation bonds are made in the Bond Interest and Redemption Fund.
- Payments for compensated absences are typically liquidated in the General Fund and the Non-Major Governmental Funds.

A. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2019 amounted to $57,297. This amount is included as part of long-term liabilities in the government-wide financial statements.

B. Other Postemployment Benefits

The District's restated beginning net OPEB liability was $569,339 and decreased by $20,660 during the year ended June 30, 2019. The ending net OPEB liability at June 30, 2019 was $548,679. See Note 9 for additional information regarding the net/total OPEB liability.

C. Net Pension Liability

The District's beginning net pension liability was $22,693,797 and increased by $244 during the year ended June 30, 2019. The ending net pension liability at June 30, 2019 was $22,694,041. See Note 10 for additional information regarding the net pension liability.

NOTE 7 – LONG-TERM LIABILITIES (continued)

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

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

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

The outstanding general obligation bonded debt of the District at June 30, 2019 is as follows:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 01, 2018	Additions	Deductions	Bonds Outstanding June 30, 2019
Series A	4/27/2011	8/1/2040	2.00% - 5.50%	$ 6,397,194	$ 6,562,700	$ -	$ 40,000	$ 6,522,700
Series B	4/21/2013	8/1/2052	0.84% - 5.50%	22,999,470	28,996,418	875,590	115,000	29,757,008
Series C	8/19/2014	8/1/2044	0.72% - 5.12%	3,814,069	4,144,833	426,138	20,000	4,550,971
					$ 39,703,951	$ 1,301,728	$ 175,000	$ 40,830,679

The bonds mature as follows:

Year Ended June 30,	Principal	Interest	Total
2020	$ 227,886	$ 419,858	$ 647,744
2021	300,133	414,935	715,068
2022	381,637	408,557	790,194
2023	401,516	468,403	869,919
2024	574,985	642,548	1,217,533
2025 - 2029	1,557,638	5,292,605	6,850,243
2030 - 2034	3,582,838	7,210,075	10,792,913
2035 - 2039	7,309,324	8,689,584	15,998,908
2040 - 2044	8,751,594	13,126,868	21,878,462
2045 - 2049	5,314,998	24,221,976	29,536,974
2050 - 2053	4,084,853	27,499,373	31,584,226
Accreted interest	8,343,277	(8,343,277)	-
Total	$ 40,830,679	$ 80,051,505	$ 120,882,184

Debt service payments are made from property tax levy authorized by the voters.

NOTE 8 – FUND BALANCES

Fund balances were composed of the following elements at June 30, 2019:

	General Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable				
Revolving cash	$ 5,000	$ -	$ -	$ 5,000
Stores inventory	-	-	3,001	3,001
Total non-spendable	5,000	-	3,001	8,001
Restricted				
Educational programs	1,403,223	-	-	1,403,223
Capital projects	-	7,629,540	541,786	8,171,326
Debt service	-	-	572,981	572,981
All others	-	-	594,152	594,152
Total restricted	1,403,223	7,629,540	1,708,919	10,741,682
Committed				
Deferred maintenance	-	-	313,095	313,095
Total committed	-	-	313,095	313,095
Assigned				
Other assignments	3,004,943	-	-	3,004,943
Total assigned	3,004,943	-	-	3,004,943
Unassigned				
Reserve for economic uncertainties	666,123	-	-	666,123
Remaining unassigned	5,387,635	-	-	5,387,635
Total unassigned	6,053,758	-	-	6,053,758
Total	$ 10,466,924	$ 7,629,540	$ 2,025,015	$ 20,121,479

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District's Minimum Fund Balance Policy requires a Reserve for Economic Uncertainties, consisting of unassigned amounts, equal to no less than 3 percent of General Fund expenditures and other financing uses.

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

A. Plan Description

The Jefferson School District's defined benefit OPEB plan, Jefferson School District Retiree Benefit Plan (the Plan) is described below. The Plan is a single-employer defined benefit plan administered by the District. The Plan provides medical, dental and vision insurance benefits to eligible retirees and their spouses. The District participates in an irrevocable trust, administered by the San Joaquin County Treasurer-Tax Collector.

B. OPEB Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position can be obtained by contacting the District. The trust is set up for receiving employer contributions that will prefund health and other postemployment benefits costs for retirees and their beneficiaries.

C. Benefits Provided

The eligibility requirements and benefits provided by the Plan are described below.

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

D. Contributions

The contribution requirements of Plan members and the Jefferson School District are established and may be amended by the Jefferson School District. For fiscal year 2018-19, the District contributed $99,370 to the Plan, all of which was used for current premiums.

E. Plan Membership

Membership of the Plan consisted of the following:

	Number of participants
Inactive employees receiving benefits	9
Inactive employees entitled to but not receiving benefits*	-
Participating active employees	2
Total number of participants**	11

*Information not provided
**As of the June 30, 2017 valuation date

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

F. Net OPEB Liability

The components of the net OPEB liability of the District at June 30, 2019, were as follows:

Total OPEB liability	$ 770,809
Plan fiduciary net position	(222,130)
District's net OPEB liability	$ 548,679
Plan fiduciary net position as a percentage of total OPEB liability	28.82%

G. Investments

Investment Policy
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; collateralized mortgage obligations; and the County Investment Pool.

Concentrations
The Plan fund are in the County Treasury administered by the San Joaquin County Treasurer-Tax Collector. The funds are 100% in a short term fixed income asset class.

Rate of Return
For the year ended, June 30, 2019, the annual money-weighted rate of return on investments, net of investment expense, was 0.77 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

H. Actuarial Assumptions and Other Inputs

The net OPEB liability as of June 30, 2019 was determined by an actuarial valuation as of June 30, 2017 using the following actuarial assumptions and other inputs, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018:

Economic assumptions:

Investment rate of return	3.50%
Salary increases	2.75%
Discount rate	3.50%
Healthcare cost trend rates	3.70%

Non-economic assumptions:

Mortality:	
Certificated	2009 CalSTRS Mortality Table
Classified	2014 CalPERS Active Mortality for Miscellaneous Employees Table
Retirement rates:	
Certificated	2009 CalSTRS Retirement Rates Table

NOTE 9– POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

H. Actuarial Assumptions and Other Inputs (continued)

The actuarial assumptions used in the June 30, 2017 valuation were based on a review of plan experience during the period July 1, 2017 to June 30, 2018.

The discount rate was based on the Bond Buyer 20 Bond Index. The actuary assumed contributions would be sufficient to fully fund the obligation over a period not to exceed thirty years.

I. Changes in Net OPEB Liability

	June 30, 2019
Total OPEB Liability	
Service Cost	$ 2,526
Interest on total OPEB liability	27,703
Benefits payments	(99,370)
Net change in total OPEB liability	(69,141)
Total OPEB liability - beginning	839,950
Total OPEB liability - ending (a)	$ 770,809
Plan fiduciary net position	
Contributions - employer	$ 47,686
Net investment income	3,203
Benefit payments	(99,370)
Net change in plan fiduciary net position	(48,481)
Plan fiduciary net position - beginning	270,611
Plan fiduciary net position - ending (b)	$ 222,130
District's net OPEB liability - ending (a) - (b)	$ 548,679
Plan fiduciary net position as a percentage of the total OPEB liability	28.8%
Covered-employee payroll	$ 13,375,324
District's net OPEB liability as a percentage of covered-employee payroll	4.1%

J. Sensitivity of the Net/Total OPEB Liability to Changes in the Discount Rate

The following presents the net/total OPEB liability of the Jefferson School District, as well as what the District's net/total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.5 percent) or one percentage point higher (4.5 percent) than the current discount rate:

	1% Decrease (2.5%)	Valuation Discount Rate (3.5%)	1% Increase (4.5%)
Net OPEB liability	$ 582,009	$ 548,679	$ 517,764

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

K. Sensitivity of the Net/Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the net/total OPEB liability of the Jefferson School District, as well as what the District's net/total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (3.0 percent) or one percentage point higher (5.0 percent) than the current healthcare cost trend rate:

	1% Decrease (3.0%)	Valuation Trend Rate (4.0%)	1% Increase (5.0%)
Net OPEB liability	$ 534,284	$ 548,679	$ 562,681

L. OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the Jefferson School District recognized OPEB expense of $61,888. At June 30, 2019, the Jefferson School District reported deferred outflows of resources related to OPEB and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 4,291
District contributions subsequent to the measurement date	44,683	-
	$ 44,683	$ 4,291

The $44,683 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Inflows of Resources
2020	$ 1,073
2021	1,073
2022	1,073
2023	1,072
	$ 4,291

NOTE 10 – PENSION PLANS

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS). The District reported its proportionate share of the net pension liabilities, pension expense, deferred outflow of resources, and deferred inflow of resources for each of the above plans as follows:

	Net pension liability	Deferred outflows related to pensions	Deferred inflows related to pensions	Pension expense
STRS Pension	$ 17,342,828	$ 4,874,652	$ 1,867,358	$ 1,932,569
PERS Pension	5,351,213	1,461,487	119,142	960,406
Total	$ 22,694,041	$ 6,336,139	$ 1,986,500	$ 2,892,975

A. California State Teachers' Retirement System (CalSTRS)

Plan Description
The District contributes to the California State Teachers' Retirement System (CalSTRS); a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, CA 95826.

Benefits Provided
The CalSTRS defined benefit plan has two benefit formulas:

1. CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS. CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.

2. CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS. CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

NOTE 10 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS) (continued)

Contributions
Active plan CalSTRS 2% at 60 and 2% at 62 members are required to contribute 10.25% and 10.205% of their salary for fiscal year 2019, respectively, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2019 was 16.28% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were $1,676,466 for the year ended June 30, 2019.

On-Behalf Payments
The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately $1,583,064 to CalSTRS, which included a supplemental contribution for fiscal year 2019 due to California Senate Bill No. 90.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
At June 30, 2019, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	$	17,342,828
State's proportionate share of the net pension liability associated with the District		9,929,629
Total	$	27,272,457

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2017 and rolling forward the total pension liability to June 30, 2018. 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, 2018, the District's proportion was 0.019 percent, which was did not change from its proportion measured as of June 30, 2017.

NOTE 10 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS) (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)
For the year ended June 30, 2019, the District recognized pension expense of $1,932,569. In addition, the District recognized pension expense and revenue of $338,597 for support provided by the State. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual earnings on plan investments	$ -	$ 667,808
Differences between expected and actual experience	53,779	251,914
Changes in assumptions	2,694,161	
Changes in proportion and differences between District contributions and proportionate share of contributions	450,246	947,636
District contributions subsequent to the measurement date	1,676,466	-
	$ 4,874,652	$ 1,867,358

The $1,676,466 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2020	$ 639,637	$ 120,773
2021	639,637	371,470
2022	639,637	827,015
2023	639,637	316,741
2024	639,638	188,016
2025	-	43,343
	$ 3,198,186	$ 1,867,358

NOTE 10 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS) (continued)

Actuarial Assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	2.75%
Investment Rate of Return*	7.10%
Wage Inflation	3.50%

* Net of investment expenses, but gross of administrative expenses.

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on MP-2016 series tables adjusted to fit CalSTRS experience.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2010−June 30, 2015.

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. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2018, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return*
Global Equity	47%	6.30%
Fixed Income	12%	0.30%
Real Estate	13%	5.20%
Private Equity	13%	9.30%
Risk Mitigating Strategies	9%	2.90%
Inflation Sensitive	4%	3.80%
Cash/Liquidity	2%	-1.00%
	100%	

*20-year geometric average

NOTE 10 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS) (continued)

Discount Rate

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

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 discount rate of 7.10 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's proportionate share of the net pension liability	$ 25,405,213	$ 17,342,828	$ 10,658,328

Pension Plan Fiduciary Net Position

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

NOTE 10 – PENSION PLANS (continued)

B. California Public Employees' Retirement System (CalPERS)

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

Benefits Provided

The benefits for the defined benefit plan are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years of credited service.

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 7.0% 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.

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 2019 was 18.062% of annual payroll. Contributions to the plan from the District were $513,001 for the year ended June 30, 2019.

On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to CalPERS for K-12 education. These payments consisted of state general fund contributions of approximately $181,433 to CalPERS for fiscal year 2019 due to California Senate Bill No. 90.

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

At June 30, 2019, the District reported a liability of $5,351,213 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2017 and rolling forward the total pension liability to June 30, 2018. 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, 2018, the District's proportion was 0.020 percent, which did not change from its proportion measured as of June 30, 2017.

NOTE 10 – PENSION PLANS (continued)

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)
For the year ended June 30, 2019, the District recognized pension expense of $960,406. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual earnings on plan investments	$ 43,892	$ -
Differences between expected and actual experience	350,806	-
Changes in assumptions	534,295	-
Changes in proportion and differences between District contributions and proportionate share of contributions	19,493	119,142
District contributions subsequent to the measurement date	513,001	-
	$ 1,461,487	$ 119,142

The $513,001 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2020	$ 573,179	$ 70,764
2021	413,689	25,462
2022	(6,796)	22,916
2023	(31,586)	-
	$ 948,486	$ 119,142

NOTE 10 – PENSION PLANS (continued)

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

Actuarial Assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Discount Rate	7.15%
Salary Increases	Varies by Entry Age and Service

CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are derived using CalPERS' membership data for all funds. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016.

The actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the period from 1997 to 2015.

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, both short-term and long-term market return expectations as well as the expected pension fund cash flows were taken into account. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. 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 for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

NOTE 10 – PENSION PLANS (continued)

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

Actuarial Assumptions (continued)
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.

Asset Class	Assumed Asset Allocation	Real Return Years 1 – 10*	Real Return Years 11+**
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.0%	-0.92%
	100.0%		

*An expected inflation of 2.00% used for this period.
**An expected inflation of 2.92% used for this period.

Discount Rate
The discount rate used to measure the total pension liability was 7.15 percent. A projection of the expected benefit payments and contributions was performed to determine if 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 the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS' website.

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 discount rate of 7.15 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15 percent) or 1-percentage-point higher (8.15 percent) than the current rate:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
District's proportionate share of the net pension liability	$ 7,791,110	$ 5,351,213	$ 3,326,969

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

NOTE 11 – COMMITMENTS AND CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2019.

B. Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2019.

C. Construction Commitments

As of June 30, 2019, the District had no commitments with respect to unfinished capital projects.

NOTE 12 – PARTICIPATION IN JOINT POWERS AUTHORITIES

The District participates in four joint ventures under joint powers authorities (JPAs), the Self-Insured Schools of California (SISC), the San Joaquin County School Workers' Compensation Group, San Joaquin County Schools Property and Liability Group and Norcal ReLief. The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes.

The JPAs have budgeting and financial reporting requirements independent of member units, and their financial statements are not presented in these financial statements. However, fund transactions between the JPAs and the District are included in these statements. The audited financial statements are generally available from the respective entities.

NOTE 13 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

A. Pension Plans

Pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* the District recognized deferred outflows of resources related to pensions and deferred inflows of resources related to pensions in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 10. At June 30, 2019, total deferred outflows related to pensions was $6,336,139 and total deferred inflows related to pensions was $1,986,500.

B. Other Postemployment Benefits

Pursuant to GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* the District recognized deferred outflows of resources related to other postemployment benefits and deferred inflows of resources related to other postemployment benefits in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 9. At June 30, 2019, total deferred outflows related to other postemployment benefits was $92,369 and total deferred inflows related to other postemployment benefits was $4,291.

NOTE 14 – RESTATEMENT OF NET POSITION

The beginning net position of Governmental Activities has been restated in order to remove the Medicare Premium Payment Program from the other postemployment benefits liability due to the program not being materially applicable to the District. The effect of beginning net position is presented as follows:

	Governmental Activities
Net Position - Beginning, as Previously Reported	$ 18,806,439
Restatement	128,778
Net Position - Beginning, as Restated	$ 18,935,217

REQUIRED SUPPLEMENTARY INFORMATION

JEFFERSON SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual	Variances -
	Original	Final	(Budgetary Basis)	Final to Actual
REVENUES				
LCFF sources	$ 19,276,321	$ 20,098,979	$ 19,593,612	$ (505,367)
Federal sources	599,068	691,365	510,044	(181,321)
Other state sources	1,479,741	2,948,658	2,939,618	(9,040)
Other local sources	447,843	1,038,609	971,939	(66,670)
Total Revenues	21,802,973	24,777,611	24,015,213	(762,398)
EXPENDITURES				
Certificated salaries	10,816,878	11,097,829	10,588,833	508,996
Classified salaries	2,727,931	2,798,896	2,710,591	88,305
Employee benefits	5,360,887	6,212,391	6,212,391	-
Books and supplies	1,509,649	1,886,603	1,020,680	865,923
Services and other operating expenditures	2,557,964	2,768,865	2,361,521	407,344
Capital outlay	250,240	553,307	116,795	436,512
Other outgo				
Excluding transfers of indirect costs	361,728	513,105	509,604	3,501
Transfers of indirect costs	(40,000)	(39,154)	(37,889)	(1,265)
Total Expenditures	23,545,277	25,791,842	23,482,526	2,309,316
Excess (Deficiency) of Revenues Over Expenditures	(1,742,304)	(1,014,231)	532,687	1,546,918
Other Financing Sources (Uses)				
Contributions	(3)	-	-	-
Transfers out	(104,407)	(104,407)	(104,407)	-
Net Financing Sources (Uses)	(104,410)	(104,407)	(104,407)	-
NET CHANGE IN FUND BALANCE	(1,846,714)	(1,118,638)	428,280	1,546,918
Fund Balance - Beginning	9,932,820	10,035,898	10,035,898	-
Fund Balance - Ending	$ 8,086,106	$ 8,917,260	$ 10,464,178	$ 1,546,918

See accompanying note to required supplementary information.

JEFFERSON SCHOOL DISTRICT
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2019

	June 30, 2019	June 30, 2018
Total OPEB Liability		
Service Cost	$ 2,526	$ 2,458
Interest on total OPEB liability	27,703	31,008
Benefits payments	(99,370)	(156,512)
Net change in total OPEB liability	(69,141)	(123,046)
Total OPEB liability - beginning	839,950	962,996
Total OPEB liability - ending (a)	$ 770,809	$ 839,950
Plan fiduciary net position		
Contributions - employer	$ 47,686	$ 171,908
Net investment income	3,203	1,939
Benefit payments	(99,370)	(156,512)
Net change in plan fiduciary net position	(48,481)	17,335
Plan fiduciary net position - beginning	270,611	253,276
Plan fiduciary net position - ending (b)	$ 222,130	$ 270,611
District's net OPEB liability - ending (a) - (b)	$ 548,679	$ 569,339
Plan fiduciary net position as a percentage of the total OPEB liability	28.8%	32.2%
Covered-employee payroll	$ 13,375,324	$ 13,254,742
District's net OPEB liability as a percentage of covered-employee payroll	4.1%	4.3%

See accompanying note to required supplementary information.

JEFFERSON SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2019

	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
District's proportion of the net pension liability	0.019%	0.019%	0.019%	0.020%	0.020%
District's proportionate share of the net pension liability	$ 17,342,828	$ 17,785,897	$ 15,005,729	$ 13,273,922	$ 11,837,897
State's proportionate share of the net pension liability associated with the District	9,929,629	10,521,986	8,542,494	7,020,441	7,150,090
Total	$ 27,272,457	$ 28,307,883	$ 23,548,223	$ 20,294,363	$ 18,987,987
District's covered payroll	$ 10,115,118	$ 9,252,124	$ 9,252,124	$ 10,973,002	$ 9,097,770
District's proportionate share of the net pension liability as a percentage of its covered payroll	171.5%	192.2%	162.2%	121.0%	130.1%
Plan fiduciary net position as a percentage of the total pension liability	71.0%	69.5%	70.0%	74.0%	76.5%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

See accompanying note to required supplementary information.

JEFFERSON SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALPERS
FOR THE YEAR ENDED JUNE 30, 2019

	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
District's proportion of the net pension liability	0.020%	0.021%	0.020%	0.022%	0.022%
District's proportionate share of the net pension liability	$ 5,351,213	$ 4,907,900	$ 4,008,282	$ 3,165,934	$ 2,532,294
District's covered payroll	$ 2,646,852	$ 2,487,913	$ 2,487,913	$ 2,350,997	$ 2,344,826
District's proportionate share of the net pension liability as a percentage of its covered payroll	202.2%	197.3%	161.1%	134.7%	108.0%
Plan fiduciary net position as a percentage of the total pension liability	70.8%	71.9%	73.9%	79.4%	83.4%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

See accompanying note to required supplementary information.

JEFFERSON SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2019

	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution	$ 1,676,466	$ 1,458,168	$ 1,306,101	$ 989,684	$ 810,993
Contributions in relation to the contractually required contribution*	(1,676,466)	(1,458,168)	(1,306,101)	(989,684)	(810,993)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 10,487,903	$ 10,115,118	$ 10,429,835	$ 9,252,124	$ 10,973,002
Contributions as a percentage of covered payroll	15.98%	14.42%	12.52%	10.70%	7.39%

*Amounts do not include on-behalf contributions

See accompanying note to required supplementary information.

JEFFERSON SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALPERS
FOR THE YEAR ENDED JUNE 30, 2019

	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution	$ 513,001	$ 411,089	$ 374,325	$ 293,227	$ 274,762
Contributions in relation to the contractually required contribution	(513,001)	(411,089)	(374,325)	(293,227)	(274,762)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 2,887,421	$ 2,646,852	$ 2,707,950	$ 2,487,913	$ 2,350,997
Contributions as a percentage of covered payroll	17.77%	15.53%	13.82%	11.79%	11.69%

See accompanying note to required supplementary information.

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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

Schedule of Changes in Net OPEB Liability and Related Ratios

This 10-year schedule is required by GASB Statement No. 75 for all sole and agent employers that provide other postemployment benefits (OPEB). Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 75 was applicable. The schedule presents the sources of change in the to net OPEB liability, and the components of the net OPEB liability and related ratios, including the OPEB plan's fiduciary net position as a percentage of the total OPEB liability, and the net OPEB liability as a percentage of covered-employee payroll.

Changes in Benefit Terms

There were no changes in benefit terms since the previous valuations for OPEB.

Changes in Assumptions

The discount rate was changed from 3.13% to 2.98%.

Schedule of the District's Proportionate Share of the Net Pension Liability

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

Changes in Benefit Terms

There were no changes in benefit terms since the previous valuations for CalSTRS and CalPERS.

Changes in Assumptions

There were no changes in economic assumptions since the previous valuations for CalSTRS and CalPERS.

Schedule of District Contributions

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

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2019, the District did not incur an excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code.

SUPPLEMENTARY INFORMATION

JEFFERSON SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION:			
Passed through California Department of Education:			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	$ 114,592
Title II, Part A, Supporting Effective Instruction Local Grants	84.367	14341	44,768
Title III, English Learner Student Program	84.365	14346	29,632
Special Education Cluster			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	253,458
IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	6,631
Subtotal Special Education Cluster			260,089
Total U. S. Department of Education			449,081
U. S. DEPARTMENT OF AGRICULTURE:			
Passed through California Department of Education:			
Child Nutrition Cluster			
School Breakfast Program - Needy	10.553	13526	103,526
National School Lunch Program	10.555	13391	347,231
USDA Commodities	10.555	*	56,686
Subtotal Child Nutrition Cluster			507,443
Total U. S. Department of Agriculture			507,443
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Passed through California Department of Health Services:			
Medicaid			
Medi-Cal Billing Option	93.778	10013	8,905
Medi-Cal Administrative Activities	93.778	10060	30,564
Subtotal Medicaid			39,469
Total U. S. Department of Health & Human Services			39,469
Total Federal Expenditures			$ 995,993

* - Pass-Through Entity Identifying Number not available or not applicable

See accompanying note to supplementary information.

JEFFERSON SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
FOR THE YEAR ENDED JUNE 30, 2019

	Second Period Report Certificate No. 4881D78F	Annual Report Certificate No. 4CDB6113
SCHOOL DISTRICT		
TK/K through Third		
Regular ADA	943.13	943.70
Extended Year Special Education	0.59	0.59
Total TK/K through Third	943.72	944.29
Fourth through Sixth		
Regular ADA	735.05	733.87
Extended Year Special Education	0.20	0.20
Total Fourth through Sixth	735.25	734.07
Seventh through Eighth		
Regular ADA	585.67	586.08
Extended Year Special Education	1.18	1.18
Total Seventh through Eighth	586.85	587.26
TOTAL SCHOOL DISTRICT	2,265.82	2,265.62

See accompanying note to supplementary information.

JEFFERSON SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2019

Grade Level	Minutes Requirement	2018-19 Actual Minutes	Number of Days	Status
Kindergarten	36,000	50,460	180	Complied
Grade 1	50,400	50,460	180	Complied
Grade 2	50,400	50,460	180	Complied
Grade 3	50,400	50,460	180	Complied
Grade 4	54,000	58,980	180	Complied
Grade 5	54,000	58,980	180	Complied
Grade 6	54,000	56,874	180	Complied
Grade 7	54,000	56,874	180	Complied
Grade 8	54,000	56,874	180	Complied

See accompanying note to supplementary information.

JEFFERSON SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

	2020 (Budget)	2019	2018	2017
General Fund - Budgetary Basis				
Revenues And Other Financing Sources	$ 22,929,458	$ 24,015,213	$ 21,680,628	$ 21,452,968
Expenditures And Other Financing Uses	23,687,565	23,586,933	22,204,086	21,744,337
Net change in Fund Balance	$ (758,107)	$ 428,280	$ (523,458)	$ (291,369)
Ending Fund Balance	$ 9,706,071	$ 10,464,178	$ 10,035,898	$ 10,559,356
Available Reserves*	$ 8,235,263	$ 5,387,635	$ 5,699,395	$ 5,598,418
Available Reserves As A Percentage Of Outgo	34.77%	22.84%	25.67%	25.75%
Long-term Liabilities	$ 64,040,885	$ 64,273,929	$ 63,296,714	$ 58,572,329
Average Daily Attendance At P-2	2,176	2,266	2,260	2,250

The General Fund ending fund balance has decreased by $92,432 over the past two years. The fiscal year 2019-20 budget projects a further decrease of $758,107. For a District this size, the State recommends available reserves of at least 3% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years and anticipates incurring an operating deficit during the 2019-20 fiscal year. Total long-term obligations have increased by $5,701,600 over the past two years.

Average daily attendance has increased by 16 ADA over the past two years. A decrease of 90 ADA is anticipated during the 2019-20 fiscal year.

*Available reserves consist of all unassigned fund balance within the General Fund.

See accompanying note to supplementary information.

JEFFERSON SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

There were no differences between the annual financial and budget report with audited financial statements.

See accompanying note to supplementary information.

JEFFERSON SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2019

The District does not sponsor any charter schools.

See accompanying note to supplementary information.

JEFFERSON SCHOOL DISTRICT
COMBINING BALANCE SHEET
JUNE 30, 2019

	Cafeteria Fund	Deferred Maintenance Fund	Pupil Transportation Equipment Fund	Building Fund	County School Facilities Fund	Capital Projects Fund for Blended Component Units	Bond Interest & Redemption Fund	Non-Major Governmental Funds
ASSETS								
Cash and investments	$ 319,758	$ 313,380	$ 313,827	$ 475,866	$ 5,839	$ 60,781	$ 572,981	$ 2,062,432
Stores inventory	3,001	-	-	-	-	-	-	3,001
Total Assets	$ 322,759	$ 313,380	$ 313,827	$ 475,866	$ 5,839	$ 60,781	$ 572,981	$ 2,065,433
LIABILITIES								
Accrued liabilities	$ 2,368	$ 285	$ -	$ 700	$ -	$ -	$ -	$ 3,353
Due to other funds	37,065	-	-	-	-	-	-	37,065
Total Liabilities	39,433	285	-	700	-	-	-	40,418
FUND BALANCES								
Non-spendable	3,001	-	-	-	-	-	-	3,001
Restricted	280,325	-	313,827	475,166	5,839	60,781	572,981	1,708,919
Committed	-	313,095	-	-	-	-	-	313,095
Total Fund Balances	283,326	313,095	313,827	475,166	5,839	60,781	572,981	2,025,015
Total Liabilities and Fund Balance	$ 322,759	$ 313,380	$ 313,827	$ 475,866	$ 5,839	$ 60,781	$ 572,981	$ 2,065,433

See accompanying note to supplementary information.

JEFFERSON SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019

	Cafeteria Fund	Deferred Maintenance Fund	Pupil Transportation Equipment Fund	Building Fund	County School Facilities Fund	Capital Projects Fund for Blended Component Units	Bond Interest & Redemption Fund	Non-Major Governmental Funds
REVENUES								
LCFF sources	$ -	$ 84,407	$ -	$ -	$ -	$ -	$ -	$ 84,407
Federal sources	507,443	-	-	-	-	-	-	507,443
Other state sources	50,366	-	-	-	-	-	4,065	54,431
Other local sources	341,714	2,939	4,218	8,863	81	860	692,823	1,051,498
Total Revenues	899,523	87,346	4,218	8,863	81	860	696,888	1,697,779
EXPENDITURES								
Current								
Pupil services								
Food services	815,711	-	-	-	-	-	-	815,711
General administration								
All other general administration	37,889	-	-	-	-	-	-	37,889
Plant services	-	166,235	-	-	-	-	-	166,235
Facilities acquisition and maintenance	-	-	-	150,752	-	-	-	150,752
Debt service								
Principal	-	-	-	-	-	-	175,000	175,000
Interest and other	-	-	-	-	-	-	422,444	422,444
Total Expenditures	853,600	166,235	-	150,752	-	-	597,444	1,768,031
Excess (Deficiency) of Revenues Over Expenditures	45,923	(78,889)	4,218	(141,889)	81	860	99,444	(70,252)
Other Financing Sources (Uses)								
Transfers in	-	84,407	20,000	-	-	-	-	104,407
Net Financing Sources (Uses)	-	84,407	20,000	-	-	-	-	104,407
NET CHANGE IN FUND BALANCE	45,923	5,518	24,218	(141,889)	81	860	99,444	34,155
Fund Balance - Beginning	237,403	307,577	289,609	617,055	5,758	59,921	473,537	1,990,860
Fund Balance - Ending	$ 283,326	$ 313,095	$ 313,827	$ 475,166	$ 5,839	$ 60,781	$ 572,981	$ 2,025,015

See accompanying note to supplementary information.

The Jefferson School District is located in San Joaquin County. There were no changes in the boundaries of the District during the current year. The District is operating three elementary schools and one middle school.

GOVERNING BOARD

Member	Office	Term Expires
Pete Carlson	President	2020
Debbie Wingo	Vice President	2020
Phil Raya	Clerk	2022
Dan Wells	Member	2022
Brian Jackman	Member	2022

DISTRICT ADMINISTRATORS

James Bridges, Ed.D
Superintendent

Dena Whittington, CFE
Chief Business Official

See accompanying note to supplementary information.

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

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

The following schedule provides reconciliation between revenues reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues in a prior year that have been expended by June 30, 2019 or Federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2019.

	CFDA Number	Amount
Total Federal Revenues reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance		$ 1,017,487
Medi-Cal Billing Option	93.778	(21,494)
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		$ 995,993

The District has not elected to use the 10 percent de minimis indirect cost rate.

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code Sections* 46200 through 46208. During the year ended June 30, 2019, the District participated in the Longer Day incentive funding program. As of June 30, 2019, the District had met its target funding.

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.

NOTE 1 – PURPOSE OF SCHEDULES (continued)

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.

Schedule of Charter Schools
This schedule lists 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.

Combining Statements – Non-Major Funds
These statements provide information on the District's non-major funds.

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

OTHER INDEPENDENT AUDITORS' REPORTS

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 Auditors' Report

Governing Board
Jefferson School District
Tracy, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jefferson School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Jefferson School District's basic financial statements, and have issued our report thereon dated December 12, 2019.

Internal Control over Financial Reporting

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

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

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.

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Compliance and Other Matters

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

Purpose of this Report

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

Christy White, Inc

San Diego, California
December 12, 2019

CHRISTY WHITE
Certified Public Accountants serving
K-12 School Districts and Charter
Schools throughout California

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditors' Report

Governing Board
Jefferson School District
Tracy, California

Report on Compliance for Each Major Federal Program

We have audited Jefferson 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 School District's major federal programs for the year ended June 30, 2019. Jefferson 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 School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Jefferson 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 School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Jefferson 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, 2019.

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Report on Internal Control Over Compliance

Management of Jefferson 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 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 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.

Christy White, Inc

San Diego, California
December 12, 2019

REPORT ON STATE COMPLIANCE

Independent Auditors' Report

Governing Board
Jefferson School District
Tracy, California

Report on State Compliance

We have audited Jefferson School District's compliance with the types of compliance requirements described in the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, California Code of Regulations, section 19810, that could have a direct and material effect on each of Jefferson School District's state programs for the fiscal year ended June 30, 2019, as identified below.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Jefferson School District's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, California Code of Regulations, section 19810. Those standards 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 state programs noted below occurred. An audit includes examining, on a test basis, evidence about Jefferson 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 with the requirements referred to above. However, our audit does not provide a legal determination of Jefferson School District's compliance with those requirements.

Opinion on State Compliance

In our opinion, Jefferson School District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2019.

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Procedures Performed

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

PROGRAM NAME	PROCEDURES PERFORMED
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No
Continuation Education	Not Applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
Attendance; for charter schools	Not Applicable
Mode of Instruction; for charter schools	Not Applicable
Nonclassroom-Based Instruction/Independent Study; for charter schools	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	Not Applicable
Annual Instructional Minutes – Classroom Based; for charter schools	Not Applicable
Charter School Facility Grant Program	Not Applicable

We did not perform testing for Independent Study because ADA was not material.

Christy White, Inc

San Diego, California
December 12, 2019

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JEFFERSON SCHOOL DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2019

FINANCIAL STATEMENTS	
Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Non-compliance material to financial statements noted?	No
FEDERAL AWARDS	
Internal control over major program:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Type of auditors' report issued:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)?	No
Identification of major programs:	

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

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000
Auditee qualified as low-risk auditee?	Yes
STATE AWARDS	
Internal control over state programs:	
Material weaknesses identified?	No
Significant deficiency(ies) identified?	None Reported
Type of auditors' report issued on compliance for state programs:	Unmodified

FIVE DIGIT CODE	AB 3627 FINDING TYPE
20000	Inventory of Equipment
30000	Internal Control

There were no financial statement findings for the year ended June 30, 2019.

JEFFERSON SCHOOL DISTRICT
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

FIVE DIGIT CODE	AB 3627 FINDING TYPE
50000	Federal Compliance

There were no federal award findings and questioned costs for the year ended June 30, 2019.

FIVE DIGIT CODE	AB 3627 FINDING TYPE
10000	Attendance
40000	State Compliance
42000	Charter School Facilities Programs
43000	Apprenticeship: Related and Supplemental Instruction
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

There were no state award findings and questioned costs for the year ended June 30, 2019.

JEFFERSON SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

There were no findings reported for the fiscal year ended June 30, 2018.