

Governing Board
Nevada County Superintendent of Schools
Nevada City, California

Professional standards require that we communicate certain matters to keep you adequately informed about matters related to the financial statement audit that are, in our professional judgment, significant and relevant to your responsibilities in overseeing the financial reporting process. We communicate such matters in this report.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA

Our responsibility is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. The audit of the financial statements does not relieve you of your responsibilities and does not relieve management of their responsibilities. Refer to our engagement letter with the County Office for further information on the responsibilities of management and of Crowe Horwath LLP.

AUDITOR'S RESPONSIBILITY UNDER GOVERNMENT AUDITING STANDARDS

As part of obtaining reasonable assurance about whether the County Office's financial statements are free of material misstatement, we performed tests of the County Office's 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 or disclosures. 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.

PLANNED SCOPE AND TIMING OF THE AUDIT

We are to communicate an overview of the planned scope and timing of the audit. Accordingly, the following matters will be discussed during our meeting with you.

- How we addressed the significant risks of material misstatement, whether due to fraud or error.
- Our approach to internal control relevant to the audit.
- The concept of materiality in planning and executing the audit, focusing on the factors considered rather than on specific thresholds or amounts.
- Where the entity has an internal audit function, the extent to which the auditor used the work of internal audit, and how the external and internal auditors best work together.

- Your views and knowledge about matters you consider warrant our attention during the audit, as well as your views on:
 - The allocation of responsibilities between you and management.
 - The entity's objectives and strategies, and the related business risks that may result in material misstatements.
 - Significant communications with regulators.
 - Other matters you believe are relevant to the audit of the financial statements.

SIGNIFICANT ACCOUNTING POLICIES AND MANAGEMENT JUDGMENTS AND ACCOUNTING ESTIMATES

Significant Accounting Policies: The Board of Trustees should be informed of the initial selection of and changes in significant accounting policies or their application. Also, the Board of Trustees should be aware of methods used to account for significant unusual transactions and the effect of significant accounting policies in controversial or emerging areas where there is a lack of authoritative consensus. We believe management has the primary responsibility to inform the Board of Trustees about such matters. To assist the Board of Trustees in its oversight role, we also provide the following.

Accounting Standard	Impact of Adoption
GASB No. 66, Technical Corrections – 2013, an amendment of GASB Statements No. 10 and No. 61. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 64, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre- November 30, 1989 FASB and AICPA Pronouncements.	Adoption of this GASB did not have a material impact on the County Office’s financial position or results of operations.
GASB No. 67- Financial Reporting for Pension Plans. This Statement replaces the requirements of Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans and Statement No. 50 as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. The Statement builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position.	Adoption of this GASB did not have a material impact on the County Office’s financial position or results of operations.
Significant Unusual Transactions.	No such matters noted.
Significant Accounting Policies in Controversial or Emerging Areas.	No such matters noted.

Management Judgments and Accounting Estimates: Further, accounting estimates are an integral part of the financial statements prepared by management and are based upon management’s current judgments. These judgments are based upon knowledge and experience about past and current events and assumptions about future events. Certain estimates are particularly sensitive because of their significance and because of the possibility that future events affecting them may differ markedly from management’s current judgments and may be subject to significant change in the near term.

The following describes the significant accounting estimates reflected in the County Office's year end financial statements, the process used by management in formulating these particularly sensitive accounting estimates and the primary basis for our conclusions regarding the reasonableness of those estimates.

Significant Accounting Estimate	Process Used by Management	Basis for Our Conclusions
Local Control Funding Formula	Management calculates a LCFF Target and LCFF Floor to determine their funding amount. The LCFF Target is calculated using a Base Grant Funding, Supplemental Grant Funding, Concentration Grant Funding, and Add-On Funding. The LFCC Floor is calculated using a Floor Entitlement, Current Year Gap Funding, Economic Recovery Target, and Additional LCFF State Aid to Meet the Minimum. The LCFF calculation also assumes a cost-of-living adjustment.	We tested the propriety of information underlying management's estimates.
Useful Lives of Fixed Assets	Management has determined the economic useful lives of fixed assets based on past history of similar types of assets, future plans as to their use, and other factors that impact their economic value to the County Office.	We tested the propriety of information underlying management's estimates.

AUDITOR'S JUDGMENTS ABOUT QUALITATIVE ASPECTS OF SIGNIFICANT ACCOUNTING PRACTICES

We are to discuss with you our comments about the following matters related to the County Office's accounting policies and financial statement disclosures. Accordingly, these matters will be discussed during our meeting with you.

- The appropriateness of the accounting policies to the particular circumstances of the entity, considering the need to balance the cost of providing information with the likely benefit to users of the entity's financial statements.
- The overall neutrality, consistency, and clarity of the disclosures in the financial statements.
- The effect of the timing of transactions in relation to the period in which they are recorded.
- The potential effect on the financial statements of significant risks and exposures, and uncertainties that are disclosed in the financial statements.
- The extent to which the financial statements are affected by unusual transactions including nonrecurring amounts recognized during the period, and the extent to which such transactions are separately disclosed in the financial statements.
- The issues involved, and related judgments made, in formulating particularly sensitive financial statement disclosures.
- The factors affecting asset and liability carrying values, including the entity's basis for determining useful lives assigned to tangible and intangible assets.
- The selective correction of misstatements, for example, correcting misstatements with the effect of increasing reported earnings, but not those that have the effect of decreasing reported earnings.

CORRECTED AND UNCORRECTED MISSTATEMENTS

Corrected Misstatements: We are to inform you of material corrected misstatements that were brought to the attention of management as a result of our audit procedures.

There were no such misstatements.

Uncorrected Misstatements: We are to inform you of uncorrected misstatements that were aggregated by us during the current engagement and pertaining to the latest and prior period(s) presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. For your consideration, we have distinguished misstatements between known misstatements and likely misstatements.

There were no such misstatements.

OTHER COMMUNICATIONS

Communication Item	Results
<p>Other Information In Documents Containing Audited Financial Statements</p> <p>Information may be prepared by management that accompanies the financial statements. To assist your consideration of this information, you should know that we are required by audit standards to read such information and consider whether such information, or the manner of its presentation, is materially inconsistent with information in the financial statements. If we consider the information materially inconsistent based on this reading, we are to seek a resolution of the matter.</p>	<p>We understand that management has not prepared such information to accompany the audited financial statements.</p>
<p>Significant Difficulties Encountered During the Audit</p> <p>We are to inform you of any significant difficulties encountered in dealing with management related to the performance of the audit.</p>	<p>There were no significant difficulties encountered in dealing with management related to the performance of the audit.</p>
<p>Disagreements With Management</p> <p>We are to discuss with you any disagreements with management, whether or not satisfactorily resolved, about matters that individually or in the aggregate could be significant to the County Office's financial statements or the auditor's report.</p>	<p>During our audit, there were no such disagreements with management.</p>
<p>Consultations With Other Accountants</p> <p>If management consulted with other accountants about auditing and accounting matters, we are to inform you of such consultation, if we are aware of it, and provide our views on the significant matters that were the subject of such consultation.</p>	<p>We are not aware of any instances where management consulted with other accountants about auditing or accounting matters since no other accountants contacted us, which they are required to do by Statement on Auditing Standards No. 50, before they provide written or oral advice.</p>

Communication Item	Results
<p>Representations The Auditor Is Requesting From Management</p> <p>We are to provide you with a copy of management's requested written representations to us.</p>	<p>We direct your attention to a copy of the letter of management's representation to us provided separately.</p>
<p>Significant Issues Discussed, or Subject to Correspondence, With Management</p> <p>We are to communicate to you any significant issues that were discussed or were the subject of correspondence with management.</p>	<p>There were no such significant issues discussed, or subject to correspondence, with management.</p>
<p>Significant Related Party Findings and Issues</p> <p>We are to communicate to you significant findings and issues arising during the audit in connection with the County Office's related parties.</p>	<p>There were no such findings or issues that are, in our judgment, significant and relevant to you regarding your oversight of the financial reporting process.</p>
<p>Other Findings or Issues We Find Relevant or Significant</p> <p>We are to communicate to you other findings or issues, if any, arising from the audit that are, in our professional judgment, significant and relevant to you regarding your oversight of the financial reporting process.</p>	<p>There were no such other findings or issues that are, in our judgment, significant and relevant to you regarding your oversight of the financial reporting process.</p>

We are pleased to serve your County Office as its independent auditors and look forward to our continued relationship. We provide the above information to assist you in performing your oversight responsibilities, and would be pleased to discuss this letter or any matters further, should you desire. This letter is intended solely for the information and use of the Board of Trustees and, if appropriate, management, and is not intended to be and should not be used by anyone other than these specified parties.



Crowe Horwath LLP

Sacramento, California
December 12, 2014



Nevada County
Superintendent of Schools

HOLLY A. HERMANSEN, SUPERINTENDENT

112 Nevada City Highway
Nevada City, CA 95959
530-478-6400 · fax 530-478-6410

December 12, 2014

Crowe Horwath LLP
400 Capital Mall, Suite 1400
Sacramento, California 95814

Ladies and Gentlemen:

We are providing this letter in connection with your audit of the financial statements of Nevada County Superintendent of Schools as of June 30, 2014 and for the year then ended for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Nevada County Superintendent of Schools and the respective changes in financial position in conformity with accounting principles generally accepted in the United States of America.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Except where otherwise stated below, immaterial matters less than \$54,180 for the governmental activities, \$21,285 for the General Fund, \$20,205 for the Charter fund and \$9,180 for the aggregate remaining fund information collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to or disclosure in the financial statements.

We confirm, to the best of our knowledge and belief, as of the date of this letter, the following representations made to you during your audit:

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated April 4, 2014 for the preparation and fair presentation of the previously mentioned financial statements in conformity with accounting principles generally accepted in the United States, and we believe the financial statements are fairly presented and include all properly classified funds and other financial information of the primary government to be included in the financial reporting entity.
2. We are responsible for designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to error or fraud. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
3. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts. and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial

statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.

4. We have provided you --
 - a. Access to all financial records, documentation and other information that is relevant to the preparation and fair presentation of the financial statements.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - d. All minutes of governing board or summaries of actions of recent meetings for which minutes have not yet been prepared.
 - e. Audit or relevant monitoring reports, if any, received from funding sources.
 - f. Results of the assessment of risk that the financial statements may be materially misstated as a result of fraud.
5. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
6. There are no transactions that have not been properly recorded in the accounting records underlying the financial statements or the schedule of expenditure of federal awards.
7. We have no plans or intentions that might materially affect the carrying value or classification of assets, deferred outflows, liabilities, and deferred inflows.
8. We have identified all accounting estimates that materially affect recorded amounts and disclosures in the financial statements, and the key factors and significant assumptions underlying those estimates. We believe the estimates are reasonable in the circumstances.

These estimates include:

- a. Local Control Funding Formula recorded revenue and association receivable.
 - b. Useful life of capital assets.
9. Adequate consideration and provision has been made, when necessary, for any material losses likely to be sustained from:
 - a. Sales commitments.
 - b. Sale of inventory, including excess or obsolete inventories on hand.
 - c. Purchase commitments for inventory quantities in excess of normal requirements or at a price in excess of market.
 - d. Impairment of long-lived assets when the carrying amount may not be recoverable.
 - e. Collection of receivables.
 - f. Environmental remediation liabilities.

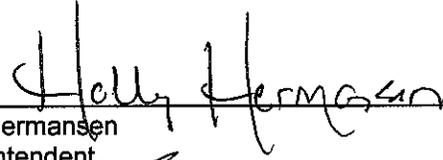
10. Except as disclosed in the financial statements, or directly to you, there are or have been no material:
 - a. Arrangements, either written or oral, with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements.
 - b. Oral or written guarantees under which the entity is contingently liable.
 - c. Other financial instruments with significant "off-balance-sheet" risk of accounting loss to which the entity is a party.
 - d. Concentrations that make the entity vulnerable to the risk of a severe impact within one year from the balance sheet date (including, for example, individual or group concentrations of customers, suppliers, lenders, products, services, sources of labor or materials, licenses or other rights, operating areas or markets).
 - e. Significant accounting estimates that are susceptible to changing materially as a result of an event or change in conditions that is reasonably possible of occurrence within one year from the balance sheet date.
 - f. Liens, encumbrances or other title impairments, such as pledges as collateral, on entity assets at the balance sheet date.
 - g. Restrictions under borrowing agreements.
 - h. Unrecorded transactions.
 - i. Significant events that have occurred subsequent to the balance sheet date through the date of this letter that would require adjustment to, or disclosure in, the financial statements.
 - j. Declines in market value of investments that are not temporary.
11. We have disclosed to you all known actual or possible litigation, claims and assessments whose effects should be considered by management when preparing the financial statements. These matters have been accounted for and disclosed in conformity with accounting principles generally accepted in the United States and GASB 62.
12. Related parties and all related party relationships and transactions, and related amounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangements and guarantees, have been disclosed to you, and have been appropriately accounted for and disclosed in the financial statements in accordance with the requirements of accounting principles generally accepted in the United States.
13. Except as disclosed to you, we have no knowledge of any fraud or suspected fraud affecting the entity involving:
 - a. Management, whether material or not.
 - b. Employees who have significant roles in internal control, whether material or not.
 - c. Others when the fraud could have a material effect on the financial statements.

14. Except as disclosed to you, we have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements received in communications from employees, former employees, analysts, regulators, or others.
15. Except as disclosed to you, there have been no:
 - a. Instances of non-compliance or suspected non-compliance with budget ordinances, laws or regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered when preparing the financial statements.
 - b. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB 62.
 - c. Communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices that could have a material effect on the financial statements.
 - d. Reservations or designations of fund equity that were not properly authorized and approved.
16. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
17. We are responsible for the presentation of the supplementary information in accordance with the applicable criteria and believe the supplementary information, including its form and content, is fairly presented in accordance with these criteria. The methods of measurement and presentation have not changed from those used in the prior period. All significant assumptions or interpretations underlying the measurement and presentation of the supplementary information have been identified and disclosed to you. If the supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and the auditor's report thereon.
18. We are responsible for the required supplementary information, including that such information is measured and presented in accordance with prescribed guidelines. The methods of measurement or presentation have not changed from those used in the prior period. All significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information have been disclosed to you.
19. During the course of your audit, we have provided to you physical or electronic copies of various original documents. We understand that you are relying on such copies as audit evidence in your audit and represent that copies provide an accurate and completed representation of the original documentation and that the copies have not been modified from their original version.
20. The financial statements include all component units that meet the criteria of financial accountability or which are otherwise considered misleading to exclude, the classification of these component units as discretely presented or blended is appropriate, and the relationships and criteria for inclusion are properly disclosed.
21. The financial statements include all joint ventures with an equity interests and properly disclose these joint ventures and other related organizations.

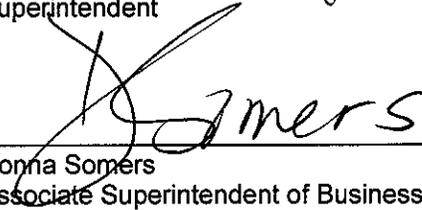
22. The financial statements properly classify all funds and activities.
23. All funds that meet the quantitative criteria in GASB Statements Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to the financial statement users.
24. Net position components (net investment in capital assets, restricted, and unrestricted) are properly classified and fund balance types (including minimum fund balance policies and/or stabilization agreements, if applicable) are properly presented and disclosed pursuant to GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.
25. Expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
26. Revenues are properly classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
27. Interfund, internal, and intra-entity activity and balances have been properly classified and reported.
28. Special and extraordinary items are properly classified and reported.
29. Deposits and investment securities are properly classified in category of custodial credit risk.
30. Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
31. All suggested adjusting journal entries, as discussed and approved, will be recorded in the accounting records.
32. With respect to the audit in accordance with *Government Auditing Standards*:
 - a. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to the Entity.
 - b. We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of noncompliance with provisions of laws and regulations that have a material effect on the determination of financial statement amounts, and that warrant the attention of those charged with governance.
 - c. We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that have a material effect on the determination of financial statement amounts.
 - d. We have identified and disclosed to you all instances that have occurred or are likely to have occurred of abuse that could be quantitatively or qualitatively material to the financial statements.
 - e. We have a process to track the status of audit findings and recommendations.
 - f. If applicable, we have identified for you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

- g. We have provided views on the reported findings, conclusions, and recommendations, as well as management's planned corrective actions, for the report.
 - h. We acknowledge our responsibilities related to the non-audit services such as, assistance with preparing financial statements and assistance with the Schedule of Expenditure of Federal Awards were performed by you as follows:
 - a. we assume all management responsibilities for these services;
 - b. we oversaw these services by designating an individual within senior management who possessed suitable skill, knowledge, or experience;
 - c. we have evaluated the adequacy and results of the services performed;
 - i. We accept responsibility for the results of these services.
33. With respect to the requirements of the Office of Management and Budget Circular A-133 related to federal awards:
- a. We are responsible for complying, and have complied, with the requirements of Circular A-133.
 - b. We are responsible for the presentation of the Schedule of Expenditures of Federal Awards (SEFA) in accordance with OMB Circular A-133 and believe the SEFA, including its form and content, is fairly presented in accordance with these criteria. The methods of measurement and presentation have not changed from those used in the prior period. All significant assumptions or interpretations underlying the measurement and presentation of the SEFA have been identified and disclosed to you. If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and the auditor's report thereon.
 - c. We are responsible for understanding complying with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of its federal programs.
 - d. We are responsible for establishing and maintaining effective internal control over compliance for federal programs that provides reasonable assurance that the organization is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on its federal programs.
 - e. We have identified and disclosed to you the requirements of laws, regulations and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major program.
 - f. We have made available all contracts and grant agreements (including amendments, if any) and any other correspondences that have taken place with federal agencies or pass-through entities and are related to federal programs.
 - g. We have complied, in all material respects, with the direct and material compliance requirements of federal award programs, except as disclosed to you.
 - h. We have identified and disclosed to you all amounts questioned and any known noncompliance with the direct and material requirements of federal awards.
 - i. We have made available to you all documentation related to the compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
 - j. If applicable, we have provided our interpretations of any compliance requirements that are subject to varying interpretations.

- k. If applicable, we have disclosed communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
 - l. If applicable, we have disclosed the findings received and the related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including the findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
 - m. We are responsible for taking corrective action on audit findings reported in connection with the compliance audit.
 - n. If applicable, we have disclosed the nature of any subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period that affect noncompliance during the reporting period.
 - o. We have disclosed any known noncompliance occurring subsequent to the period for which compliance is audited.
 - p. We have disclosed whether any changes in internal control over compliance or other factors that might significantly affect internal control, including any corrective action taken by management with regard to deficiencies, significant deficiencies, and material weaknesses have occurred subsequent to the date as of which compliance is audited.
 - q. We have complied with reporting requirements in connection with federal awards, and information presented in federal financial reports and claims for advances and reimbursements is supported by the accounting records from which the financial statements prepared.
 - r. The copies of federal program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the federal agency or pass-through entity, as applicable.
 - s. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by Circular A-133.
 - t. We have accurately completed the appropriate sections of the data collection form, or have reviewed those sections as prepared by you.
 - u. If applicable, we have disclosed all contracts or other agreements with the service organizations.
 - v. If applicable, we have disclosed to you all communications from the service organization relating to noncompliance at the service organization.
 - w. Costs charged to federal awards are in accordance with applicable cost principles.
34. We understand that you have assisted us with the preparation of our financial statements and footnotes and we have reviewed and approved the financial statements and footnotes and take full responsibility for them.

A handwritten signature in cursive script that reads "Holly Hermansen". The signature is written over a horizontal line.

Holly Hermansen
Superintendent

A handwritten signature in cursive script that reads "Somers". The signature is written over a horizontal line.

Donna Somers
Associate Superintendent of Business Services