

NEVADA COUNTY SUPERINTENDENT OF SCHOOLS
Nevada City, California

FINANCIAL STATEMENTS
June 30, 2014

NEVADA COUNTY SUPERINTENDENT OF SCHOOLS

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2014

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NEVADA COUNTY SUPERINTENDENT OF SCHOOLS

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2014

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INDEPENDENT AUDITOR'S REPORT

Governing Board
Nevada County Superintendent of Schools
Nevada City, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Nevada County Superintendent of Schools, as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise Nevada County Superintendent of Schools' 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 Nevada County Superintendent of Schools, as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 3 to 9 and the General Fund Budgetary Comparison Schedule and Charter School Budgetary Comparison Schedule on pages 31 and 32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise Nevada County Superintendent of Schools' basic financial statements. The accompanying schedule of expenditure of federal awards as required by *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* and the supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditure of federal awards and supplementary information as listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information, except for the Schedule of Financial Trends and Analysis, 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 schedule of expenditure of federal awards and supplementary information as listed in the table of contents, except for the Schedule of Financial Trends and Analysis, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Financial Trends and Analysis has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2014 on our consideration of Nevada County Superintendent of Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Nevada County Superintendent of Schools' internal control over financial reporting and compliance.


Crowe Horwath LLP



Nevada County

Superintendent of Schools

Management Discussion & Analysis For the Year Ended June 30, 2014

Holly Hermansen, Superintendent

Nevada County Superintendent of Schools (NCSOS) is located in the gold-rich Sierra Nevada region in Nevada City, California. NCSOS provides leadership, technical assistance, curriculum and instructional support, financial and legal advice and oversight to improve the success of the 10 school districts within Nevada County. In addition, NCSOS provides supervisory oversight for charter schools sponsored by the county board of education.

Our mission is “through exemplary countywide leadership, facilitation and support, the Nevada County Superintendent of Schools programs and staff will create, sustain and encourage high quality educational programs for all students. High academic standards, safe and engaging learning environments and the development of community partnerships will help in our mission to prepare students for the future.”

The Management’s Discussion and Analysis is management’s view of our financial condition and provides an opportunity to provide important fiscal information to the County Board of Education and the public.

Program Highlights

NCSOS provides direct instruction to students through three programs:

1. Special Education: NCSOS provides special education services to students with severe disabilities and those with emotional disturbance. In addition, itinerant services for adaptive P.E., occupational therapy, vision services and deaf and hard of hearing services are provided. The county office offers these regionalized programs and services at the request of the ten elementary districts in order to maximize costs through program consolidation. Special day classes are located at a variety of school sites, to allow opportunities for interaction and involvement in general education programs and with peers without disabilities.
2. Earle Jamieson Educational Options: In 2012-2013 NCSOS formed a school-wide program to provide alternative educational programs for grades seven through twelve

students at-risk of not graduating. A principal/teacher, two teachers, an instructional assistant and an administrative assistant serve the students both programs. In 2013-14, NCSOS closed the Inspire Community Day School which was originally part of the school-wide program. Students previously referred to Inspire remain at the district or may be referred by the district into one of the programs listed below.

- a. Launch County Community School: Students in this structured program may have been expelled, referred by SARB, on probation or placed by parent request. Previously, this school was operated in cooperation with Nevada Joint Union High School as Earle Jamieson High School. This county community school focuses mainly on the older at-risk students.
 - b. Edge County Community School: Students in this program may have been expelled, referred by SARB, on probation or placed by parent request. This program is an independent study program focusing on blended learning, offering on-line options for the students.
3. Sugarloaf Mountain Juvenile Hall Program: NCSOS operates the County Juvenile Court School. Classes are maintained within juvenile detention facilities. The program has two dedicated teachers and the principal of the Earle Jamieson Educational Options program also oversees the juvenile hall program.

NCSOS provides instructional support and ancillary services through the following programs:

1. Independent Living Program (ILP): This program receives funding through the state and then subsequently through the County of Nevada. The intent of the program is to provide support in preparing foster students for emancipation by providing life skills mentoring.
2. Foster Youth Services (FYS): NCSOS provides tutoring for foster youth in all schools in Nevada County. NCSOS tutors travel to individual school sites throughout Nevada County; these tutors work in cooperation with each student's school. In addition, under this program NCSOS works collaboratively with the Foster Kinship Care Education program to provide informational workshops for parents and guardians of foster youth in our county.
3. Indian Education: NCSOS provides tutoring for identified students of Indian decent who perform below 40% of national norms. NCSOS tutors travel to individual school sites throughout Nevada County; these tutors work in cooperation with each student's school. In addition, this program supports the native families with cultural events and family nights.
4. Sierra College Child Care Development Center: NCSOS operates a Toddler Program for children ages 18-36 months and a Preschool Program for children 3-5 years. Enrollment is free to income eligible families. NCSOS provides an exemplary learning environment for the children of students, staff, and community members. The CDC also provides a demonstration laboratory setting for enrolled Sierra College students, while collaborating with community agencies and is a valuable resource to provide an exemplary early childhood education model. We partner with Placer County Action Council (PCAC) who provides wrap-around funding for an all-day program.

5. District Services: In FY2013-14, NCSOS increased services to districts in the areas of Curriculum and Instruction and School Safety. Since Nevada County consists mainly of smaller districts, these services allow for economies of scale while providing for more effective oversight.

NCSOS sponsors seven charter schools and also provides business services for each:

1. John Muir Charter School: We provide charter oversight and fiscal services to this statewide charter school which serves hundreds of CCC (California Conservation Corps), LCC (Local Conservation Corps), Youth-build and Job Corps youth throughout the State of California. NCSOS oversees special education services for the charter school.
2. Nevada County Charter Business Services: NCSOS is sponsoring six local charter schools. NCSOS provides charter oversight and business services.

NCSOS is the administrative unit for the following programs:

1. SELPA: The Nevada County Special Education Local Plan Area (SELPA) has been under the administration of NCSOS since July 2004. The SELPA Director is employed by the county superintendent and state and federal special education funds flow through the county office and are allocated out to the school districts and county special education program for the provision of special education services.
2. Child Care Coordinating Council: This local agency uses our business services to help them assist local child care providers in Nevada County. Their small budget provides them an executive director and leased offices.
3. First Five Commission: This non-profit is apportioned cigarette tax funds to assist infants and toddlers in Nevada County. The First Five staff is located at the Sierra College Child Care Development Center facility.
4. Milhous Boys Ranch and Charis Youth Center: These two non-public schools serve middle and high school students with emotional disturbance and have been placed in a Licensed Children's Institution by probation, social services or schools. We provide some fiscal and programmatic oversight on behalf of the state.

In addition to the above mentioned services and programs, NCSOS administers many additional special programs, services and grants that serve all the public and private school students in the county. A brief listing includes: Peer Court, High School Student Suspension Program, CPR classes, Nursing coordination, Art Docent Program, Student Countywide Tournaments, School Attendance Review Board (SARB), Special Multi-Agency Resource Team (SMART), Al Jennings Science Fair and Beginning Teacher Support and Assistance (BTSA).

During fiscal year 2009-2010, NCSOS was awarded a four-year Federal grant, Safe Schools Healthy Students (SSHS). NCSOS was awarded a fifth year extension and grant funding ended June 30, 2014. The Safe Schools Healthy Students collaborative funded many evidence-based services, programs, and curriculum to support local children and families in Nevada County. Three Family Resource Centers have been established. Each of the Family Resource Centers offers the following core services: Parenting Classes and Workshops; Lending Libraries with parenting and employment resources; GED Assistance; Family Fun Nights; Child Development

Information; Drop-In Play Space; Clothes Closet; Computer Lab; and more. Spanish speaking staff is available at two of the sites. The Nevada County SSHS collaborative includes: the Nevada County Superintendent of Schools Office and all 10 school districts within Western Nevada County; Nevada County First 5 Commission; Community Recovery Resources (CORR); the Coalition for a Drug-Free Nevada County; Nevada County Probation; Grass Valley Police Department; NEO; Nevada County Health and Human Services, The Friendship Club, Big Brothers/Big Sisters and DVSAAC.

Government-Wide Statement of Net Position

The NCSOS’ Government-Wide Statement of Net Position differs from the Governmental Funds Balance Sheet in the following ways: Amounts due to or from a non-governmental fund are reclassified as Accounts Receivable or Accounts Payable and amounts due to or from another governmental fund are eliminated. Capital assets, net of accumulated depreciation and long-term liabilities are included on the statement with detail provided in the supporting footnotes. The following table summarizes Governmental activity for the year:

	Governmental Activities		
	6/30/13	6/30/14	%
<u>Assets</u>			
Non-Capital Assets	12,608,957	13,915,436	10.36%
Capital Assets (Net)	4,143,200	4,130,561	-0.31%
Total Assets:	16,752,157	18,045,997	7.72%
<u>Liabilities</u>			
Current Liabilities	1,730,863	1,506,717	-12.95%
Long-term Liabilities	81,774	93,820	14.73%
Total Liabilities:	1,812,637	1,600,537	-11.70%
Invested in capital assets, net of related debt	4,143,200	4,130,561	-0.31%
Restricted	7,298,545	7,604,539	4.19%
Unrestricted	3,497,775	4,710,360	34.67%
Total Net Assets:	14,939,520	16,445,460	10.08%

Assets overall increased due to several factors. Cash increased mainly due to the Local Control Funding Formula approved by the governor in June 2013. In addition to the increased funding to NCSOS and Charters, the state’s economic growth resulted in the elimination of many of the state deferrals we have seen in the past. Capital assets decreased overall for the removal of Charter-related abandoned assets. Common Core revenues recognized in FY2013-14 decreased the unearned revenue current liability from FY2012-13.

The NCSOS' Government-Wide Statement of Activities reports all expenses of the county office by their function rather than by their expense category. The function represents the general operational area within the NCSOS and groups related activities together.

Governmental Activities			
	2012/2013	2013/2014	Change
<u>REVENUES</u>			
Program Revenues:			
Charges for Services	\$ 678,323	\$ 876,548	29%
Operating Grants & Contributions	8,751,194	7,568,303	-14%
Capital Grants & Contributions	103,898	124,025	19%
General Revenues:			
Taxes & Subventions	1,246,330	1,247,075	0%
Federal & State Aid - Unrestricted	11,274,406	12,611,455	12%
Other General Revenues	3,635,756	2,774,628	-24%
Total Revenues:	25,689,907	25,202,034	-2%
<u>EXPENSES</u>			
Instruction	11,892,839	12,373,580	4%
Instruction Related	3,443,970	3,848,878	12%
Pupil Services	1,380,802	1,426,340	3%
General Administration	2,708,869	2,675,289	-1%
Other	4,125,268	3,372,007	-18%
Total Expenses:	23,551,748	23,696,094	1%
Change in Net Position:	\$ 2,138,159	\$ 1,505,940	-30%

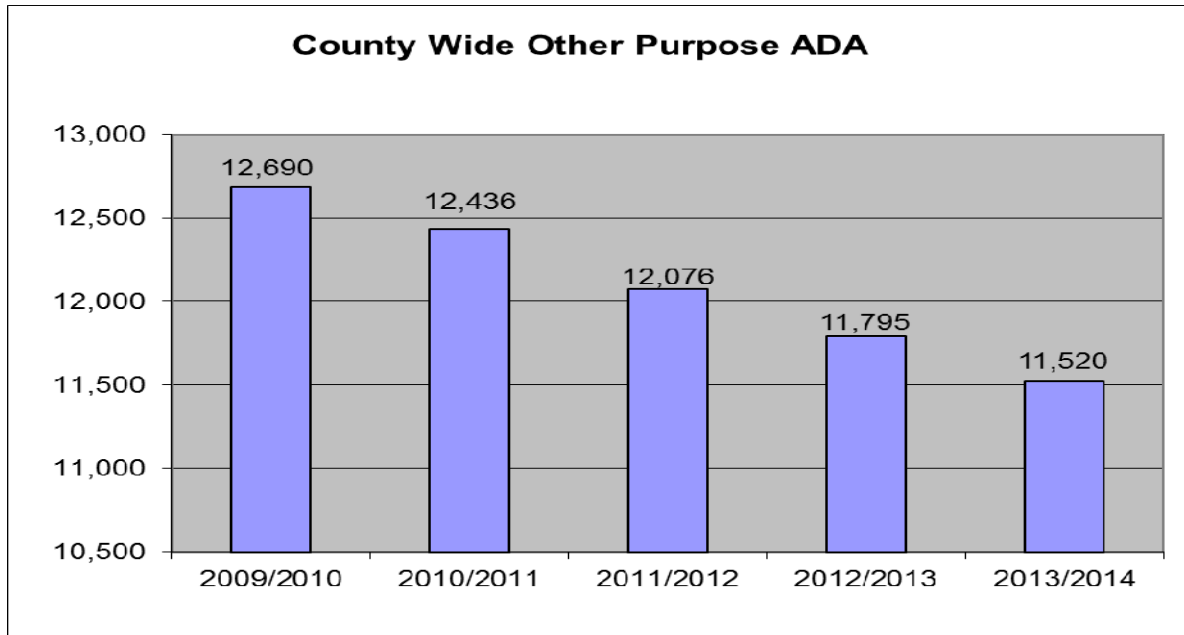
The decrease in revenues is mainly due to the reduction of the Federal SSHS grant (\$1.2M) and the one-time settlement received in FY2012-13, (\$874K), offset by the increase to revenues for LCFE implementation, \$1.3M and Charter in-lieu property taxes, \$277K. The rise in expenses is primarily due to increased Charter program expenditures.

Facts, Decisions or Conditions affecting the future of the County School Services Fund

The NCSOS continues to operate the Nevada SELPA which began during the 2003-04 fiscal year and the Nevada County Charter Business Services, which began in 2007-08. The districts in Nevada County will not receive full funding under the new LCFE for a number of years. This creates uncertainty concerning the level of need NCSOS may need to provide to the districts. Therefore, NCSOS is maintaining an unrestricted fund balance in anticipation of potential district needs.

Enrollment

A primary source of revenue for the NCSOS is generated by the average daily attendance (ADA) of students served by NCSOS and our districts. The enrollment in the ten school districts within the county has been declining for several years. In 2013-2014 there continues to be a 2.3% decline in ADA. The following table summarizes ADA activity for the last five years:



Budget Highlights

The budget revision process adds corresponding revenues and expenditures to the budget. Other budget revisions include carry-over amounts from grants received but not fully expended in the previous year.

	Adopted Budget	Year-End Budget	Year- End Actuals
TOTAL REVENUE:	10,794,814	12,023,908	12,082,734
TOTAL EXPENDITURES:	10,998,187	11,878,503	10,736,480
TOTAL OTHER SOURCES/USES:	(17,215)	(2,050)	10,146

The budget was adjusted during the year due to the enactment of the Local Control Funding Formula (LCFF), increasing Revenues and offsetting Expenses. The LCFF was not in effect when the original Adopted Budget was developed. A delay to the implementation of budgeted expenditures resulted in lower than anticipated expenses for the year.

Capital Assets

As part of GASB 34 requirements, NCSOS accounts for the value of capital assets and including these values as part of the financial statements. The total value of all assets, including land, is shown net of accumulated depreciation. When determining the depreciable cost of our buildings and other assets acquired many years ago, we used various sources such as replacement value adjusted for inflation and third-party appraisals.

	Governmental Activities		
	2012/2013	2013/2014	Change
(Net of Depreciation)			
Land	\$ 1,074,399	\$ 1,074,399	0
Land Improvements	40,927	32,354	-8,573
Buildings & Improvements	2,055,376	1,928,129	-127,247
Equipment	38,341	37,497	-844
Work-in-Progress	934,157	1,058,182	124,025
Total Assets:	\$ 4,143,200	\$ 4,130,561	-12,639

Land and Building & Improvements decreased due to removal of Charter assets related to an abandoned site. Work-in-Progress continues to increase for the construction of Yuba River Charter School.

Long-Term Liabilities

As of June 30, 2014, the NCSOS has no long-term liabilities for capital assets. The balance remaining for long-term liabilities consists of \$93,820 in compensated absences.

Contacting the NCSOS' Financial Management

If you have questions regarding this report or need additional financial information, contact the Associate Superintendent for Business Services at (530) 478-6400, ext. 219.

BASIC FINANCIAL STATEMENTS

NEVADA COUNTY SUPERINTENDENT OF SCHOOLS

STATEMENT OF NET POSITION

June 30, 2014

	Governmental Activities
ASSETS	
Cash and investments (Note 2)	\$ 8,352,871
Receivables	5,408,953
Prepaid expenses	47,751
Other current assets	105,861
Non-depreciable capital assets (Note 4)	2,132,581
Capital assets, net of accumulated depreciation (Note 4)	<u>1,997,980</u>
Total assets	<u>18,045,997</u>
LIABILITIES	
Accounts payable	1,504,625
Unearned revenue	2,092
Long-term liabilities (Note 5):	
Due within one year	<u>93,820</u>
Total liabilities	<u>1,600,537</u>
NET POSITION	
Net investment in capital assets	4,130,561
Restricted (Note 6)	7,604,539
Unrestricted	<u>4,710,360</u>
Total net position	<u>\$ 16,445,460</u>

See accompanying notes to financial statements.

NEVADA COUNTY SUPERINTENDENT OF SCHOOLS

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2014

		<u>Program Revenues</u>			<u>Net (Expense)</u> <u>Revenues and</u> <u>Changes in</u> <u>Net Position</u>
	<u>Expenses</u>	<u>Charges</u> <u>for</u> <u>Services</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Capital</u> <u>Grants and</u> <u>Contributions</u>	<u>Governmental</u> <u>Activities</u>
Governmental activities:					
Instruction	\$ 12,373,580	\$ 401,435	\$ 4,903,467	\$ 124,025	\$ (6,944,653)
Instruction-related services:					
Supervision of instruction	638,311	31,307	305,688	-	(301,316)
Instructional library, media and technology	37,572	-	18,881	-	(18,691)
School site administration	3,172,995	16,725	283,830	-	(2,872,440)
Pupil services:					
Home-to-school transportation	468,441			-	(468,441)
Food services	57,636	10,002	31,621	-	(16,013)
All other pupil services	900,263	91,420	422,806	-	(386,037)
General administration:					
Data processing	165,906	-	-	-	(165,906)
All other general administration	2,509,383	54,206	555,865	-	(1,899,312)
Plant services	1,839,758	23,455	359,371	-	(1,456,932)
Ancillary services	235,653	29,196	123,364	-	(83,093)
Community services	1,137,409	218,802	563,410	-	(355,197)
Enterprise activities	28,417	-	-	-	(28,417)
Other outgo	130,770	-	-	-	(130,770)
	<u>\$ 23,696,094</u>	<u>\$ 876,548</u>	<u>\$ 7,568,303</u>	<u>\$ 124,025</u>	<u>(15,127,218)</u>
Total governmental activities					
General revenues:					
Taxes levied for general purposes					1,247,075
Federal and state aid not restricted to specific purposes					12,611,455
Interest and investment earnings					39,126
Interagency revenues					465,394
Miscellaneous					<u>2,270,108</u>
					<u>16,633,158</u>
					1,505,940
					<u>14,939,520</u>
					<u>\$ 16,445,460</u>

See accompanying notes to financial statements.

NEVADA COUNTY SUPERINTENDENT OF SCHOOLS

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2014

	<u>General Fund</u>	<u>Charter School Fund</u>	<u>All Non-Major Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and investments:				
Cash in County Treasury	\$ 4,776,975	\$ 3,516,263	\$ 43,033	\$ 8,336,271
Cash in revolving fund	3,000	13,600	-	16,600
Receivables	3,396,725	1,760,543	251,685	5,408,953
Prepaid expenditures	7,979	39,772	-	47,751
Other current assets	400	105,461	-	105,861
Due from other funds	<u>4,618</u>	<u>231,675</u>	<u>40,676</u>	<u>276,969</u>
 Total assets	 <u>\$ 8,189,697</u>	 <u>\$ 5,667,314</u>	 <u>\$ 335,394</u>	 <u>\$ 14,192,405</u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 950,025	\$ 550,545	\$ 4,055	\$ 1,504,625
Unearned revenue	2,092	-	-	2,092
Due to other funds	<u>35,034</u>	<u>5,642</u>	<u>236,293</u>	<u>276,969</u>
 Total liabilities	 <u>987,151</u>	 <u>556,187</u>	 <u>240,348</u>	 <u>1,783,686</u>
 Fund balances:				
Nonspendable	10,979	53,372	-	64,351
Restricted	2,398,366	5,057,755	95,046	7,551,167
Assigned	407,867	-	-	407,867
Unassigned	<u>4,385,334</u>	<u>-</u>	<u>-</u>	<u>4,385,334</u>
 Total fund balances	 <u>7,202,546</u>	 <u>5,111,127</u>	 <u>95,046</u>	 <u>12,408,719</u>
 Total liabilities and fund balances	 <u>\$ 8,189,697</u>	 <u>\$ 5,667,314</u>	 <u>\$ 335,394</u>	 <u>\$ 14,192,405</u>

See accompanying notes to financial statements.

NEVADA COUNTY SUPERINTENDENT OF SCHOOLS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

June 30, 2014

Total fund balances - Governmental Funds	\$ 12,408,719
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used for governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$6,513,188 and the accumulated depreciation is \$2,382,627 (Note 4).	4,130,561
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Compensated absences at June 30, 2014 are (Note 5):	<u>(93,820)</u>
Total net position - governmental activities	<u>\$ 16,445,460</u>

See accompanying notes to financial statements.

NEVADA COUNTY SUPERINTENDENT OF SCHOOLS

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES**

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2014

	<u>General Fund</u>	<u>Charter School Fund</u>	<u>All Non-Major Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Local Control Funding Formula (LCFF):				
State apportionment	\$ 2,084,225	\$ 7,984,762	\$ -	\$ 10,068,987
Local sources	<u>1,247,076</u>	<u>1,897,305</u>	<u>-</u>	<u>3,144,381</u>
Total LCFF	<u>3,331,301</u>	<u>9,882,067</u>	<u>-</u>	<u>13,213,368</u>
Federal sources	1,713,941	217,541	140,734	2,072,216
Other state sources	243,424	1,654,143	268,480	2,166,047
Other local sources	<u>6,794,068</u>	<u>754,170</u>	<u>202,169</u>	<u>7,750,407</u>
Total revenues	<u>12,082,734</u>	<u>12,507,921</u>	<u>611,383</u>	<u>25,202,038</u>
Expenditures:				
Certificated salaries	2,185,124	4,587,983	4,222	6,777,329
Classified salaries	3,003,558	2,071,209	286,920	5,361,687
Employee benefits	1,466,701	1,497,282	125,768	3,089,751
Books and supplies	298,313	632,281	33,003	963,597
Contract services and operating expenditures	3,643,112	3,533,240	38,637	7,214,989
Capital outlay	9,265	-	124,025	133,290
Other outgo	<u>130,407</u>	<u>363</u>	<u>-</u>	<u>130,770</u>
Total expenditures	<u>10,736,480</u>	<u>12,322,358</u>	<u>612,575</u>	<u>23,671,413</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,346,254</u>	<u>185,563</u>	<u>(1,192)</u>	<u>1,530,625</u>
Other financing sources (uses):				
Operating transfers in	41,815	-	31,669	73,484
Operating transfers out	<u>(31,669)</u>	<u>-</u>	<u>(41,815)</u>	<u>(73,484)</u>
Total other financing sources (uses)	<u>10,146</u>	<u>-</u>	<u>(10,146)</u>	<u>-</u>
Net change in fund balances	1,356,400	185,563	(11,338)	1,530,625
Fund balances, July 1, 2013	<u>5,846,146</u>	<u>4,925,564</u>	<u>106,384</u>	<u>10,878,094</u>
Fund balances, June 30, 2014	<u>\$ 7,202,546</u>	<u>\$ 5,111,127</u>	<u>\$ 95,046</u>	<u>\$ 12,408,719</u>

See accompanying notes to financial statements.

NEVADA COUNTY SUPERINTENDENT OF SCHOOLS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS -
TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2014

Net change in fund balances - Total Governmental Funds		\$	1,530,625
Amounts reported for governmental activities in the statement of activities are different because:			
Acquisition of capital assets is an expenditure in the governmental funds, but increases capital assets in the statement of net position (Note 4).	\$	133,290	
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).		(112,665)	
Proceeds from the sale of assets are recorded as revenue in governmental funds, but the difference between the proceeds and the disposal of the asset are recorded as gains or losses in the statement of net position (Note 4).		(33,264)	
In the statement of activities, expenses related to compensated absences are measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used (Note 5).		<u>(12,046)</u>	<u>(24,685)</u>
Change in net position of governmental activities			<u>\$ 1,505,940</u>

See accompanying notes to financial statements.

**NEVADA COUNTY SUPERINTENDENT OF SCHOOLS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**

AGENCY FUND

June 30, 2014

	Special Education Pass-through Fund
ASSETS	
Cash in County Treasury	\$ 112,226
Receivables	<u>797,980</u>
Total assets	<u><u>\$ 910,206</u></u>
LIABILITIES	
Accounts payable	<u><u>\$ 910,206</u></u>

See accompanying notes to financial statements.

NEVADA COUNTY SUPERINTENDENT OF SCHOOLS

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nevada County Superintendent of Schools (the "County Office") accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual*. The accounting policies of the County Office conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The following is a summary of the more significant policies:

Reporting Entity

The Governing Board is the level of government which has approval responsibilities over the budget as prepared by the County Office (Education Code Section 1240). The Board is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board since Board members have approval authority and the responsibility or primary accountability for fiscal matters.

Muir Charter School (the "Charter School") is a private non-profit Corporation which began operations during the 1999-2000 fiscal year. The Charter School is sponsored by the County Office which acts as an oversight agency. Funding is received by the County Office and is passed through to the Charter School. The County Office is the fiscal agent for the Charter School. The financial statements of the Charter School are presented in a separate report.

On July 1, 2007, the County Office assumed fiscal oversight of six charter schools from another school district. The financial statements of Bitney College Prep High School, Forest Charter School, Nevada City School of the Arts, Sierra Montessori Academy, Twin Ridges Home Study and Yuba River Charter School are presented in the Charter School Fund of the County Office's financial statements.

Basis of Presentation - Financial Statements

The basic financial statements include a Management's Discussion and Analysis (MD & A) section providing an analysis of the County Office's overall financial position and results of operations, financial statements prepared using full accrual accounting for all of the County Office's activities, including infrastructure, and a focus on the major funds.

Basis of Presentation - Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the reporting government as a whole. Fiduciary funds are not included in the government-wide financial statements. Fiduciary funds are reported only in the Statement of Fiduciary Net Position at the fund financial statement level.

NEVADA COUNTY SUPERINTENDENT OF SCHOOLS

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Government-Wide Financial Statements (Continued)

The Statement of Net Position and the Statement of Activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of Governmental Accounting Standards Board Codification Section (GASB Cod. Sec.) N50.118-.121.

Program revenues: Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the County Office's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the County Office's general revenues.

Allocation of indirect expenses: The County Office reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Depreciation expense is specifically identified by function and is included in the direct expense of each function.

Basis of Presentation - Fund Accounting

The accounts of the County Office are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures. County Office resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled

A - Major Funds

1 - General Fund:

The General Fund is the general operating fund of the County Office and accounts for all revenues and expenditures of the County Office not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and capital improvement costs that are not paid through other funds are paid from the General Fund.

2 - Charter School Fund:

The Charter School Fund is a special revenue fund used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for the Charter Schools.

NEVADA COUNTY SUPERINTENDENT OF SCHOOLS

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Fund Accounting (Continued)

B - Other Funds

The Child Development Fund is a special revenue fund used to account for all revenues and expenditures related to the operation of the Child Care Coordinating Council.

The County School Facilities Fund is a capital projects fund used to account for resources used for the acquisition or construction of major capital facilities by the County Office.

The Special Education Pass-Through Fund is an agency fund used to account for the funds that the SELPA Administrative Unit passes from the Office of Education to member LEAs.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the basic financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Accrual

Governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term liabilities, if any, is recognized when due.

Budgets and Budgetary Accounting

By state law, the Board must adopt a final budget by July 1. A public hearing is conducted to receive comments prior to adoption. The Board satisfied these requirements.

NEVADA COUNTY SUPERINTENDENT OF SCHOOLS

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables

Receivables are made up principally of amounts due from the State of California for the Local Control Funding Formula and Categorical programs. The County Office has determined that no allowance for doubtful accounts was needed as of June 30, 2014.

Capital Assets

Capital assets purchased or acquired, with an original cost of \$5,000 or more, are recorded at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlay that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are depreciated using the straight-line method over 4 - 30 years depending on asset types.

Compensated Absences

Compensated absences in the amount of \$93,820 are recorded as a long-term liability of the County Office. The liability is for the earned but unused benefits.

Accumulated Sick Leave

Accumulated sick leave benefits are not recognized as liabilities of the County Office. The County Office's policy is to record sick leave as operating expenditures in the period taken since such benefits do not vest nor is payment probable.

Unearned Revenue

Revenue from federal, state, and local special projects and programs is recognized when qualified expenditures have been incurred. Funds received but not earned are recorded as unearned revenue until earned.

Net Investment in Capital Assets

Net investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by outstanding related debt and adjusted for unspent cash related to debt issuances and deferred outflows/inflows resulting from refunding debt instruments.

Restricted Net Position

Restrictions of the ending net position indicate the portions of net position not appropriate for expenditure or amounts legally segregated for a specific future use. The restriction for unspent categorical program revenues represents the portion of net position restricted to specific program expenditures. The restriction for special revenue represents the portion of net position restricted for special revenue programs. It is the County Office's policy to use restricted net position first when allowable expenditures are incurred.

NEVADA COUNTY SUPERINTENDENT OF SCHOOLS

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Fund Balance Classifications

Governmental Accounting Standards Board Codification Sections 1300 and 1800, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB Cod. Sec. 1300 and 1800) implements a five-tier fund balance classification hierarchy that depicts the extent to which a government is bound by spending constraints imposed on the use of its resources. The five classifications, discussed in more detail below, are nonspendable, restricted, committed, assigned and unassigned.

A - Nonspendable Fund Balance:

The nonspendable fund balance classification reflects amounts that are not in spendable form, such as revolving fund cash, prepaid expenditures and stores inventory.

B - Restricted Fund Balance:

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. These are the same restrictions used to determine restricted net position as reported in the government-wide statements.

C - Committed Fund Balance:

The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Governing Board and the County Superintendent. 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. Formal action by the Governing Board is required to remove any commitment from any fund balances. At June 30, 2014, the County Office had no committed fund balances.

D - Assigned Fund Balance:

The assigned fund balance classification reflects amounts that the County Office's Governing Board has approved to be used for specific purposes, based on the County Office's intent related to those specific purposes. The Governing Board has designated the Associate Superintendent of Business Services with the authority to assign fund balances as of June 30, 2014.

NEVADA COUNTY SUPERINTENDENT OF SCHOOLS

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classifications (Continued)

E - Unassigned Fund Balance:

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.

In any fund other than the General Fund, a positive unassigned fund balance is never reported because amounts in any other fund are assumed to have been assigned, at least, to the purpose of that fund. 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.

Fund Balance Policy

The County Office has an expenditure policy relating to fund balances. For purposes of fund balance classifications, expenditures are to be spent from restricted fund balances first, followed in order by committed fund balances (if any), assigned fund balances and lastly unassigned fund balances.

While GASB Cod. Sec. 1300 and 1800 do not require county offices to establish a minimum fund balance policy or a stabilization arrangement, GASB Cod. Sec. 1300 and 1800 do require the disclosure of a minimum fund balance policy and stabilization arrangements, if they have been adopted by the Governing Board. During the fiscal year ended June 30, 2011, the County Office established a minimum fund balance policy requiring a minimum reserve of 3 percent of total General Fund expenditures and other financing sources. As of June 30, 2014, the County Office maintained a reserve of \$4,385,334 or 41%.

Encumbrances

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

Property Taxes

Secured property taxes are attached as an enforceable lien on property as of March 1. Taxes are due in two installments on or before December 10 and April 10. Unsecured property taxes are due in one installment on or before August 31. The County of Nevada bills and collects taxes for the County Office. Tax revenues are recognized by the County Office when received.

NEVADA COUNTY SUPERINTENDENT OF SCHOOLS

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Eliminations and Reclassifications

In the process of aggregating data for the Statement of Net Position and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results may differ from those estimates.

New Accounting Pronouncements

In March 2012, the GASB issued Statement 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, 2009 FASB and AICPA Pronouncements. This Statement amends Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. As a result, County Offices should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement No. 54 and Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments. This Statement also amends Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, Accounting for Operating Leases with Scheduled Rent Increases, and result in guidance that is consistent with the requirements in Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues, respectively. This statement was adopted for the County Office's fiscal year ended June 30, 2014, with no material impact in the County Office.

NEVADA COUNTY SUPERINTENDENT OF SCHOOLS

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements (Continued)

In June 2012, the GASB issued Statement 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. Statement No. 67 enhances note disclosures and RSI for both defined benefit and defined contribution pension plans. Statement No. 67 also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules. This statement was adopted for the County Office's fiscal year ended June 30, 2014, with no material impact in the County Office.

In June 2012, the GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions. This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers and Statement No. 50, Pension Disclosures, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI). This Statement is effective for the County Office's fiscal year ending June 30, 2015. Management has not determined what impact this GASB statement will have on its financial statements, however it is expected to be significant.

In November 2013, GASB issued Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68 and are effective for the County Office's fiscal year ending June 30, 2015. Management has not determined what impact this GASB statement will have on its financial statements.

NEVADA COUNTY SUPERINTENDENT OF SCHOOLS

NOTES TO FINANCIAL STATEMENTS

(Continued)

2. CASH AND INVESTMENTS

Cash and investments at June 30, 2014 consisted of the following:

	<u>Governmental Activities</u>	<u>Fiduciary Activities</u>
Cash in County Treasury	\$ 8,336,271	\$ 112,226
Revolving cash	<u>16,600</u>	<u>-</u>
Total	<u>\$ 8,352,871</u>	<u>\$ 112,226</u>

Cash in County Treasury

In accordance with Education Code Section 41001, the County Office maintains substantially all of its cash in the Nevada County Treasury. Cash in Nevada County Treasury consists of cash deposited in the interest-bearing Nevada County Treasurer's Pooled Surplus Investment Fund. Investments are recorded at cost which approximates fair value.

Because the County Office's deposits are maintained in a recognized pooled investment fund under the care of a third party and the County Office's share of the pool does not consist of specific, identifiable investment securities owned by the County Office, no disclosure of the individual deposits and investments or related custodial risk classifications is required.

The County Office's deposits in the Fund are considered to be highly liquid. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool. The Nevada County Treasurer has indicated that there are no derivatives in the pool as of June 30, 2014.

Custodial Credit Risk

The County Office limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2014, the carrying amount of the County Office's accounts was \$16,600 and the bank balance was \$18,835, all of which was insured.

Interest Rate Risk

The County Office does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2014, the County Office had no significant interest rate risk related to cash and investments held.

NEVADA COUNTY SUPERINTENDENT OF SCHOOLS

NOTES TO FINANCIAL STATEMENTS

(Continued)

2. CASH AND INVESTMENTS (Continued)

Credit Risk

The County Office does not have a formal investment policy that limits its investment choices other than the limitations of state law.

Concentration of Credit Risk

The County Office does not place limits on the amount it may invest in any one issuer. At June 30, 2014, the County Office had no concentration of credit risk.

3. INTERFUND TRANSACTIONS

Interfund Activity

Transactions between funds of the County Office are recorded as Interfund Transfers. The unpaid balances at year end resulting from such transactions are shown as due to and due from other funds.

Interfund Receivables/Payables

Interfund receivable and payable balances at June 30, 2014 were as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Major Funds:		
General	\$ 4,618	\$ 35,034
Charter School	231,675	5,642
Non-Major Funds:		
Child Development	35,034	4,618
County School Facilities	<u>5,642</u>	<u>231,675</u>
	<u>\$ 276,969</u>	<u>\$ 276,969</u>

Interfund Transfers

Interfund transfers for the year ended June 30, 2014 were as follows:

Transfer from the Child Development Fund to the General Fund for allocation of indirect costs.	\$ 41,815
Transfer from the General Fund to the Child Development Fund for preschool contributions.	<u>31,669</u>
Total	<u>\$ 73,484</u>

NEVADA COUNTY SUPERINTENDENT OF SCHOOLS

NOTES TO FINANCIAL STATEMENTS

(Continued)

4. CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2014 is shown below:

	Balance July 1, <u>2013</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2014</u>
Non-depreciable:				
Land	\$ 1,074,399	\$ -	\$ -	\$ 1,074,399
Work in progress	934,157	124,025	-	1,058,182
Depreciable:				
Improvement of sites	158,231	-	9,470	148,761
Buildings	3,987,444	-	35,600	3,951,844
Equipment	<u>270,737</u>	<u>9,265</u>	<u>-</u>	<u>280,002</u>
Totals, at cost	<u>6,424,968</u>	<u>133,290</u>	<u>45,070</u>	<u>6,513,188</u>
Less accumulated depreciation:				
Improvement of sites	(117,304)	(1,994)	(2,891)	(116,407)
Buildings	(1,932,068)	(100,562)	(8,915)	(2,023,715)
Equipment	<u>(232,396)</u>	<u>(10,109)</u>	<u>-</u>	<u>(242,505)</u>
Total accumulated depreciation	<u>(2,281,768)</u>	<u>(112,665)</u>	<u>(11,806)</u>	<u>(2,382,627)</u>
Capital assets, net	<u>\$ 4,143,200</u>	<u>\$ 20,625</u>	<u>\$ 33,264</u>	<u>\$ 4,130,561</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 28,516
School site administration	23,590
Ancillary services	17,548
Community services	30,302
All other general administration	<u>12,709</u>
Total depreciation expense	<u>\$ 112,665</u>

5. LONG-TERM LIABILITIES

Schedule of Changes in Long-Term Liabilities

A schedule of changes in long-term liabilities for the fiscal year ended June 30, 2014 is as follows:

	Balance July 1, <u>2013</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2014</u>	Amounts Due Within <u>One Year</u>
Compensated absences	<u>\$ 81,774</u>	<u>\$ 12,046</u>	<u>\$ -</u>	<u>\$ 93,820</u>	<u>\$ 93,820</u>

Payments on compensated absences are made from the Fund for which the related employee worked.

NEVADA COUNTY SUPERINTENDENT OF SCHOOLS

NOTES TO FINANCIAL STATEMENTS

(Continued)

6. NET POSITION/ FUND BALANCES

The restricted net position consisted of the following at June 30, 2014:

	<u>Governmental Activities</u>
Restricted for:	
Unspent categorical program revenues	\$ 2,836,412
Special revenue	<u>4,768,127</u>
Totals	<u><u>\$ 7,604,539</u></u>

Fund balances, by category, at June 30, 2014 consisted of the following:

	<u>General Fund</u>	<u>Charter Schools Fund</u>	<u>All Non-Major Funds</u>	<u>Total</u>
Nonspendable:				
Revolving cash	\$ 3,000	\$ 13,600	\$ -	\$ 16,600
Prepaid expenses	<u>7,979</u>	<u>39,772</u>	<u>-</u>	<u>47,751</u>
Subtotal nonspendable	<u>10,979</u>	<u>53,372</u>	<u>-</u>	<u>64,351</u>
Restricted:				
Unspent categorical revenues	2,398,366	438,046	-	2,836,412
Special revenue programs	-	4,619,709	-	4,619,709
Child development	<u>-</u>	<u>-</u>	<u>95,046</u>	<u>95,046</u>
Subtotal restricted	<u>2,398,366</u>	<u>5,057,755</u>	<u>95,046</u>	<u>7,551,167</u>
Assigned:				
General reserve	407,547	-	-	407,547
Lottery	<u>320</u>	<u>-</u>	<u>-</u>	<u>320</u>
Subtotal assigned	<u>407,867</u>	<u>-</u>	<u>-</u>	<u>407,867</u>
Unassigned:				
Designated for economic uncertainty	604,540	-	-	604,540
Undesignated	<u>3,780,794</u>	<u>-</u>	<u>-</u>	<u>3,780,794</u>
Subtotal unassigned	<u>4,385,334</u>	<u>-</u>	<u>-</u>	<u>4,385,334</u>
Total fund balances	<u><u>\$ 7,202,546</u></u>	<u><u>\$ 5,111,127</u></u>	<u><u>\$ 95,046</u></u>	<u><u>\$ 12,408,719</u></u>

NEVADA COUNTY SUPERINTENDENT OF SCHOOLS

NOTES TO FINANCIAL STATEMENTS

(Continued)

7. EMPLOYEE RETIREMENT SYSTEMS

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

Plan Description and Provisions

California Public Employees' Retirement System (CalPERS)

Plan Description

The County Office 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 Law. 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 Q Street, Sacramento, California 95811.

Funding Policy

Active plan members are required to contribute 7% of their salary, and the County Office 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 2013-14 was 11.442% of annual payroll. The contribution requirements of the plan members are established by state statute. The County Office's contributions to CalPERS for the fiscal years ending June 30, 2012, 2013 and 2014 were \$484,278, \$542,866 and \$550,948, respectively, and equal 100% of the required contributions for each year.

State Teachers' Retirement System (STRS)

Plan Description

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

NEVADA COUNTY SUPERINTENDENT OF SCHOOLS

NOTES TO FINANCIAL STATEMENTS

(Continued)

7. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Plan Description and Provisions (Continued)

State Teachers' Retirement System (STRS) (Continued)

Funding Policy

Active plan members are required to contribute 8% of their salary. The required employer contribution rate for fiscal year 2013-14 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The County Office's contributions to STRS for the fiscal years ending June 30, 2012, 2013 and 2014 were \$483,447, \$525,284 and \$544,909, respectively, and equal 100% of the required contributions for each year. On June 24, 2014, the Governor signed Assembly Bill 1469 which will increase the member contribution to 19.1% over the next seven years.

8. JOINT POWERS AGREEMENT

The County Office is a member of a Joint Powers Authority, Schools Insurance Group (SIG), for the operation of a common risk management and insurance program. The program covers workers' compensation, property liability, and health and welfare insurance. The membership includes the school districts in Placer and Nevada Counties and their respective County Offices. SIG is governed by an Executive Board consisting of representatives from member districts. The Executive Board controls the daily operations of SIG including selection of management and approval of operating budgets. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The following is a summary of financial information for SIG at June 30, 2014 (latest information available):

Total assets	\$ 86,315,315
Total liabilities	\$ 31,253,582
Total net position	\$ 55,061,733
Total revenues	\$ 82,124,047
Total expenditures	\$ 80,784,567
Change in net position	\$ 1,339,480

9. CONTINGENCIES

The County Office is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the County Office.

Also, the County Office has received federal and state funds for specific purposes that are subject to review or audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

REQUIRED SUPPLEMENTARY INFORMATION

NEVADA COUNTY SUPERINTENDENT OF SCHOOLS

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended June 30, 2014

	Budget		Actual	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues:				
LCFF:				
State apportionment	\$ 1,182,498	\$ 2,396,504	\$ 2,084,225	\$ (312,279)
Local sources	<u>1,225,044</u>	<u>1,246,331</u>	<u>1,247,076</u>	<u>745</u>
Total LCFF	<u>2,407,542</u>	<u>3,642,835</u>	<u>3,331,301</u>	<u>(311,534)</u>
Federal sources	1,529,669	1,807,024	1,713,941	(93,083)
Other state sources	393,489	259,203	243,424	(15,779)
Other local sources	<u>6,464,114</u>	<u>6,325,566</u>	<u>6,794,068</u>	<u>468,502</u>
Total revenues	<u>10,794,814</u>	<u>12,034,628</u>	<u>12,082,734</u>	<u>48,106</u>
Expenditures:				
Certificated salaries	2,122,242	2,328,024	2,185,124	142,900
Classified salaries	2,888,363	3,058,925	3,003,558	55,367
Employee benefits	1,551,709	1,612,948	1,466,701	146,247
Books and supplies	263,409	302,514	298,313	4,201
Contract services and operating expenditures	3,931,827	4,295,811	3,643,112	652,699
Capital outlay	155,000	170,000	9,265	160,735
Other outgo	<u>130,407</u>	<u>130,407</u>	<u>130,407</u>	<u>-</u>
Total expenditures	<u>11,042,957</u>	<u>11,898,629</u>	<u>10,736,480</u>	<u>1,162,149</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(248,143)</u>	<u>135,999</u>	<u>1,346,254</u>	<u>1,210,255</u>
Other financing sources (uses):				
Operating transfers in	44,770	44,372	41,815	(2,557)
Operating transfers out	<u>(17,215)</u>	<u>(37,016)</u>	<u>(31,669)</u>	<u>5,347</u>
Total other financing sources (uses)	<u>27,555</u>	<u>7,356</u>	<u>10,146</u>	<u>2,790</u>
Net change in fund balance	(220,588)	143,355	1,356,400	1,213,045
Fund balance, July 1, 2013	<u>5,846,146</u>	<u>5,846,146</u>	<u>5,846,146</u>	<u>-</u>
Fund balance, June 30, 2014	<u>\$ 5,625,558</u>	<u>\$ 5,989,501</u>	<u>\$ 7,202,546</u>	<u>\$ 1,213,045</u>

See notes to required supplementary information.

NEVADA COUNTY SUPERINTENDENT OF SCHOOLS

CHARTER SCHOOLS FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended June 30, 2014

	<u>Budget</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
LCFF:				
State apportionment	\$ 7,387,060	\$ 8,354,507	\$ 7,984,762	\$ (369,745)
Local sources	<u>1,561,764</u>	<u>1,629,862</u>	<u>1,897,305</u>	<u>267,443</u>
Total LCFF	<u>8,948,824</u>	<u>9,984,369</u>	<u>9,882,067</u>	<u>(102,302)</u>
Federal sources	203,868	210,949	217,541	6,592
Other state sources	2,209,025	1,706,648	1,654,143	(52,505)
Other local sources	<u>666,281</u>	<u>685,156</u>	<u>754,170</u>	<u>69,014</u>
Total revenues	<u>12,027,998</u>	<u>12,587,122</u>	<u>12,507,921</u>	<u>(79,201)</u>
Expenditures:				
Certificated salaries	4,540,506	4,588,252	4,587,983	269
Classified salaries	1,939,999	2,071,209	2,071,209	-
Employee benefits	1,546,644	1,548,208	1,497,282	50,926
Books and supplies	562,959	801,445	632,281	169,164
Contract services and operating expenditures	3,322,068	3,773,226	3,533,240	239,986
Other outgo	<u>100</u>	<u>363</u>	<u>363</u>	<u>-</u>
Total expenditures	<u>11,912,276</u>	<u>12,782,703</u>	<u>12,322,358</u>	<u>460,345</u>
Net change in fund balance	115,722	(195,581)	185,563	381,144
Fund balance, July 1, 2013	<u>4,925,564</u>	<u>4,925,564</u>	<u>4,925,564</u>	<u>-</u>
Fund balance, June 30, 2014	<u>\$ 5,041,286</u>	<u>\$ 4,729,983</u>	<u>\$ 5,111,127</u>	<u>\$ 381,144</u>

See notes to required supplementary information.

NEVADA COUNTY SUPERINTENDENT OF SCHOOLS
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

1. PURPOSE OF SCHEDULE

A - Budgetary Comparison Schedule

The County Office employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The budgets are revised during the year by the Governing Board to provide for revised priorities. Expenditures cannot legally exceed appropriations by major object code. The originally adopted and final revised budgets for the General Fund and the Charter Schools Fund are presented as Required Supplementary Information. The basis of budgeting is the same as GAAP.

SUPPLEMENTARY INFORMATION

NEVADA COUNTY SUPERINTENDENT OF SCHOOLS

COMBINING BALANCE SHEET

ALL NON-MAJOR FUNDS

June 30, 2014

	Child Development <u>Fund</u>	County School Facilities <u>Fund</u>	<u>Total</u>
ASSETS			
Cash in County Treasury	\$ 43,033	\$ -	\$ 43,033
Receivables	23,762	227,923	251,685
Due from other funds	<u>35,034</u>	<u>5,642</u>	<u>40,676</u>
Total assets	<u>\$ 101,829</u>	<u>\$ 233,565</u>	<u>\$ 335,394</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 2,165	\$ 1,890	\$ 4,055
Due to other funds	<u>4,618</u>	<u>231,675</u>	<u>236,293</u>
Total liabilities	<u>6,783</u>	<u>233,565</u>	<u>240,348</u>
Fund balance:			
Restricted	<u>95,046</u>	<u>-</u>	<u>95,046</u>
Total liabilities and fund balance	<u>\$ 101,829</u>	<u>\$ 233,565</u>	<u>\$ 335,394</u>

NEVADA COUNTY SUPERINTENDENT OF SCHOOLS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE

ALL NON-MAJOR FUNDS

For the Year Ended June 30, 2014

	Child Development Fund	County School Facilities Fund	Total
Revenues:			
Federal sources	\$ 140,734	\$ -	\$ 140,734
Other state sources	144,455	124,025	268,480
Other local sources	<u>202,169</u>	<u>-</u>	<u>202,169</u>
 Total revenues	 <u>487,358</u>	 <u>124,025</u>	 <u>611,383</u>
Expenditures:			
Certificated salaries	4,222	-	4,222
Classified salaries	286,920	-	286,920
Employee benefits	125,768	-	125,768
Books and supplies	33,003	-	33,003
Contract services and operating expenditures	38,637	-	38,637
Capital outlay	<u>-</u>	<u>124,025</u>	<u>124,025</u>
 Total expenditures	 <u>488,550</u>	 <u>124,025</u>	 <u>612,575</u>
 Deficiency of revenues under expenditures	 <u>(1,192)</u>	 <u>-</u>	 <u>(1,192)</u>
Other financing sources (uses):			
Operating transfers in	31,669	-	31,669
Operating transfers out	<u>(41,815)</u>	<u>-</u>	<u>(41,815)</u>
 Total other financing sources (uses)	 <u>(10,146)</u>	 <u>-</u>	 <u>(10,146)</u>
 Net change in fund balances	 (11,338)	 -	 (11,338)
 Fund balance, July 1, 2013	 <u>106,384</u>	 <u>-</u>	 <u>106,384</u>
 Fund balance, June 30, 2014	 <u>\$ 95,046</u>	 <u>\$ -</u>	 <u>\$ 95,046</u>

NEVADA COUNTY SUPERINTENDENT OF SCHOOLS

BALANCE SHEET

BITNEY COLLEGE PREP HIGH SCHOOL

June 30, 2014

ASSETS

Cash and investments:		
Cash in County Treasury	\$	55,207
Cash in revolving fund		1,100
Receivables		110,231
Prepaid expenditures		5,728
Other current assets		<u>6,830</u>
 Total assets	\$	<u>179,096</u>

**LIABILITIES AND
FUND BALANCES**

Liabilities:		
Accounts payable	\$	<u>27,170</u>
 Fund balances:		
Nonspendable		6,828
Restricted		<u>145,098</u>
 Total fund balance		<u>151,926</u>
 Total liabilities and fund balances	\$	<u>179,096</u>

NEVADA COUNTY SUPERINTENDENT OF SCHOOLS

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES

BITNEY COLLEGE PREP HIGH SCHOOL

For the Year Ended June 30, 2014

Revenues:		
LCFF: State apportionment	\$	667,310
Federal sources		12,935
Other state sources		128,713
Other local sources		<u>23,042</u>
Total revenues		<u>832,000</u>
Expenditures:		
Certificated salaries		408,837
Classified salaries		49,972
Employee benefits		91,621
Books and supplies		19,498
Contract services and operating expenditures		<u>231,578</u>
Total expenditures		<u>801,506</u>
Net change in fund balances		30,494
Fund balances, July 1, 2013		<u>121,432</u>
Fund balances, June 30, 2014	\$	<u>151,926</u>

NEVADA COUNTY SUPERINTENDENT OF SCHOOLS

BALANCE SHEET

FOREST CHARTER SCHOOL

June 30, 2014

ASSETS

Cash and investments:	
Cash in County Treasury	\$ 1,922,947
Cash in revolving fund	2,600
Receivables	630,134
Prepaid expenditures	14,316
Other current assets	<u>53,739</u>
 Total assets	 <u>\$ 2,623,736</u>

**LIABILITIES AND
FUND BALANCES**

Liabilities:	
Accounts payable	\$ <u>125,798</u>
 Fund balances	
Nonspendable	16,916
Restricted	<u>2,481,022</u>
 Total fund balances	 <u>2,497,938</u>
 Total liabilities and fund balances	 <u>\$ 2,623,736</u>

NEVADA COUNTY SUPERINTENDENT OF SCHOOLS

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES

FOREST CHARTER SCHOOL

For the Year Ended June 30, 2014

Revenues:		
LCFF sources:		
State apportionment	\$	3,778,162
Local sources		<u>408,043</u>
Total LCFF		<u>4,186,205</u>
Federal sources		63,642
Other state sources		607,180
Other local sources		<u>33,185</u>
Total revenues		<u>4,890,212</u>
Expenditures:		
Certificated salaries		2,274,430
Classified salaries		446,690
Employee benefits		559,401
Books and supplies		278,417
Contract services and operating expenditures		<u>1,379,433</u>
Total expenditures		<u>4,938,371</u>
Net change in fund balances		(48,159)
Fund balances, July 1, 2013		<u>2,546,097</u>
Fund balances, June 30, 2014	\$	<u>2,497,938</u>

NEVADA COUNTY SUPERINTENDENT OF SCHOOLS

BALANCE SHEET

NEVADA CITY SCHOOL OF THE ARTS

June 30, 2014

ASSETS

Cash and investments:	
Cash in County Treasury	\$ 480,789
Cash in revolving fund	5,100
Receivables	502,109
Prepaid expenditures	3,878
Other current assets	<u>13,786</u>
 Total assets	 <u>\$ 1,005,662</u>

**LIABILITIES AND
FUND BALANCES**

Liabilities:	
Accounts payable	\$ <u>125,065</u>
 Fund balances	
Nonspendable	8,978
Restricted	<u>871,619</u>
 Total fund balances	 <u>880,597</u>
 Total liabilities and fund balances	 <u>\$ 1,005,662</u>

NEVADA COUNTY SUPERINTENDENT OF SCHOOLS

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES

NEVADA CITY SCHOOL OF THE ARTS

For the Year Ended June 30, 2014

Revenues:		
LCFF sources:		
State apportionment	\$	1,393,276
Local sources		<u>665,579</u>
Total LCFF		<u>2,058,855</u>
Federal sources		47,317
Other state sources		473,865
Other local sources		<u>426,209</u>
Total revenues		<u>3,006,246</u>
Expenditures:		
Certificated salaries		858,292
Classified salaries		724,038
Employee benefits		392,185
Books and supplies		128,425
Contract services and operating expenditures		<u>854,807</u>
Total expenditures		<u>2,957,747</u>
Net change in fund balances		48,499
Fund balances, July 1, 2013		<u>832,098</u>
Fund balances, June 30, 2014	\$	<u>880,597</u>

NEVADA COUNTY SUPERINTENDENT OF SCHOOLS

BALANCE SHEET

SIERRA MONTESSORI ACADEMY

June 30, 2014

ASSETS

Cash and investments:		
Cash in County Treasury	\$	50,672
Cash in revolving fund		1,100
Receivables		94,131
Other current assets		<u>5,001</u>
 Total assets	\$	<u>150,904</u>

**LIABILITIES AND
FUND BALANCES**

Liabilities:		
Accounts payable	\$	<u>61,168</u>
 Fund balances		
Nonspendable		1,100
Restricted		<u>88,636</u>
 Total fund balances		<u>89,736</u>
 Total liabilities and fund balances	\$	<u>150,904</u>

NEVADA COUNTY SUPERINTENDENT OF SCHOOLS

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES

SIERRA MONTESSORI ACADEMY

For the Year Ended June 30, 2014

Revenues:		
LCFF sources:		
State apportionment	\$	615,010
Local sources		<u>5,240</u>
Total LCFF		<u>620,250</u>
Federal sources		37,301
Other state sources		69,367
Other local sources		<u>34,718</u>
Total revenues		<u>761,636</u>
Expenditures:		
Certificated salaries		308,935
Classified salaries		126,864
Employee benefits		63,424
Books and supplies		34,034
Contract services and operating expenditures		191,352
Other outgo		<u>363</u>
Total expenditures		<u>724,972</u>
Net change in fund balances		36,664
Fund balances, July 1, 2013		<u>53,072</u>
Fund balances, June 30, 2014	\$	<u>89,736</u>

NEVADA COUNTY SUPERINTENDENT OF SCHOOLS

BALANCE SHEET

TWIN RIDGES HOME STUDY

June 30, 2014

ASSETS

Cash and investments:	
Cash in County Treasury	\$ 54,099
Cash in revolving fund	1,100
Receivables	92,929
Other current assets	<u>4,651</u>
Total assets	<u>\$ 152,779</u>

**LIABILITIES AND
FUND BALANCES**

Liabilities:	
Accounts payable	<u>\$ 82,899</u>
Fund balances	
Nonspendable	1,100
Restricted	<u>68,780</u>
Total fund balances	<u>69,880</u>
Total liabilities and fund balances	<u>\$ 152,779</u>

NEVADA COUNTY SUPERINTENDENT OF SCHOOLS

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES

TWIN RIDGES HOME STUDY

For the Year Ended June 30, 2014

Revenues:		
LCFF sources:		
State apportionment	\$	503,061
Local sources		<u>59,119</u>
Total LCFF		<u>562,180</u>
Federal sources		16,547
Other state sources		101,652
Other local sources		<u>3,864</u>
Total revenues		<u>684,243</u>
Expenditures:		
Certificated salaries		218,049
Classified salaries		168,875
Employee benefits		69,260
Books and supplies		66,822
Contract services and operating expenditures		<u>265,684</u>
Total expenditures		<u>788,690</u>
Net change in fund balances		(104,447)
Fund balances, July 1, 2013		<u>174,327</u>
Fund balances, June 30, 2014	\$	<u>69,880</u>

NEVADA COUNTY SUPERINTENDENT OF SCHOOLS

BALANCE SHEET

YUBA RIVER CHARTER SCHOOL

June 30, 2014

ASSETS

Cash and investments:	
Cash in County Treasury	\$ 952,549
Cash in revolving fund	2,600
Receivables	331,009
Prepaid expenditures	15,850
Other current assets	21,454
Due from other funds	<u>231,675</u>
 Total assets	 <u>\$ 1,555,137</u>

**LIABILITIES AND
FUND BALANCES**

Liabilities:	
Accounts payable	\$ 128,445
Due to other funds	<u>5,642</u>
 Total liabilities	 <u>134,087</u>
 Fund balances	
Nonspendable	18,450
Restricted	<u>1,402,600</u>
 Total fund balances	 <u>1,421,050</u>
 Total liabilities and fund balances	 <u>\$ 1,555,137</u>

NEVADA COUNTY SUPERINTENDENT OF SCHOOLS

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES

YUBA RIVER CHARTER SCHOOL

For the Year Ended June 30, 2014

Revenues:		
LCFF sources:		
State apportionment	\$	1,027,943
Local sources		<u>759,324</u>
Total LCFF		<u>1,787,267</u>
Federal sources		39,799
Other state sources		273,366
Other local sources		<u>233,152</u>
Total revenues		<u>2,333,584</u>
Expenditures:		
Certificated salaries		519,440
Classified salaries		554,770
Employee benefits		321,391
Books and supplies		105,085
Contract services and operating expenditures		<u>610,386</u>
Total expenditures		<u>2,111,072</u>
Net change in fund balances		222,512
Fund balances, July 1, 2013		<u>1,198,538</u>
Fund balances, June 30, 2014	\$	<u>1,421,050</u>

NEVADA COUNTY SUPERINTENDENT OF SCHOOLS

ORGANIZATION

June 30, 2014

Nevada County Superintendent of Schools provides support services to one high school district, nine elementary school districts and six charter schools within Nevada County and one out of county charter school. There were no changes in the boundaries of the County during the current year. In addition, the County Office operates Special Education, Juvenile Hall and Community School programs countywide.

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Trevor Michael	President	2016
Bob Altieri	Vice-President	2014
Marianne Slade-Troutman	Member	2014
John V. "Jack" Meeks	Member	2014
Tracy Lynn Lapierre	Member	2016

ADMINISTRATION

Holly Hermansen
County Superintendent

Shar Johns
Associate Superintendent,
Educational Services

Donna (Fitting) Somers
Associate Superintendent,
Business Services

Monty L. Martin
Assistant Superintendent - Special Education

Eli Gallup
Assistant Superintendent - SELPA Director

NEVADA COUNTY SUPERINTENDENT OF SCHOOLS

SCHEDULE OF AVERAGE DAILY ATTENDANCE

For the Year Ended June 30, 2014

	<u>Second Period Report</u>	<u>Annual Report</u>
COUNTY-OPERATED PROGRAMS		
Elementary:		
Probation Referred, on Probation or Parole, or Mandatory Expelled	<u>1</u>	<u>2</u>
Secondary:		
Juvenile Hall	17	19
Probation Referred, on Probation or Parole, or Mandatory Expelled	<u>9</u>	<u>9</u>
Total County-operated programs	<u>27</u>	<u>30</u>
COUNTY-OPERATED PROGRAMS ON BEHALF OF THE DISTRICTS		
Elementary:		
Special Education -Special Day Class	37	37
Special Education - NPS/LCI	<u>11</u>	<u>13</u>
	<u>48</u>	<u>50</u>
Secondary:		
County Community School - district referred	3	3
Special Education NPS/LCI	<u>38</u>	<u>40</u>
Total County-operated programs on behalf of the districts	<u>41</u>	<u>43</u>
ADA totals - County Operated Programs	<u><u>116</u></u>	<u><u>123</u></u>
CHARTER SCHOOLS		
Bitney College Prep High School:		
Classroom-Based:		
Grades TK through 3	-	-
Grades 4 through 6	-	-
Grades 7 through 8	-	-
Grades 9 through 12	<u>94</u>	<u>92</u>
Nonclassroom-Based:		
Grades TK through 3	-	-
Grades 4 through 6	-	-
Grades 7 through 8	-	-
Grades 9 though 12	<u>1</u>	<u>1</u>
ADA totals - Bitney College Prep High School	<u>95</u>	<u>93</u>

(Continued)

NEVADA COUNTY SUPERINTENDENT OF SCHOOLS

SCHEDULE OF AVERAGE DAILY ATTENDANCE

(Continued)

For the Year Ended June 30, 2014

	<u>Second Period Report</u>	<u>Annual Report</u>
CHARTER SCHOOLS (Continued)		
Forest Charter School:		
Classroom-Based:		
Grades TK though 3	-	-
Grades 4 through 6	-	-
Grades 7 through 8	-	-
Grades 9 through 12	-	-
Nonclassroom-Based:		
Grades TK through 3	84	84
Grades 4 through 6	111	110
Grades 7 through 8	114	114
Grades 9 through 12	<u>327</u>	<u>329</u>
ADA totals - Forest Charter School	<u>636</u>	<u>637</u>
Nevada City School of Arts:		
Classroom-Based:		
Grades TK though 3	121	122
Grades 4 through 6	122	123
Grades 7 through 8	80	79
Grades 9 through 12	-	-
Nonclassroom-Based:		
Grades TK though 3	4	3
Grades 4 through 6	2	2
Grades 7 through 8	1	1
Grades 9 through 12	<u>-</u>	<u>-</u>
ADA totals - Nevada City School of Arts	<u>330</u>	<u>330</u>
Sierra Montessori Academy:		
Classroom-Based		
Grades TK though 3	55	55
Grades 4 through 6	28	28
Grades 7 through 8	10	10
Grades 9 through 12	-	-

(Continued)

NEVADA COUNTY SUPERINTENDENT OF SCHOOLS

SCHEDULE OF AVERAGE DAILY ATTENDANCE

(Continued)

For the Year Ended June 30, 2014

	<u>Second Period Report</u>	<u>Annual Report</u>
CHARTER SCHOOLS (Continued)		
Sierra Montessori Academy (Continued):		
Nonclassroom-Based:		
Grades TK through 3	2	2
Grades 4 through 6	2	1
Grades 7 through 8	1	2
Grades 9 through 12	<u>-</u>	<u>-</u>
ADA totals - Sierra Montessori Academy	<u>98</u>	<u>98</u>
Twin Ridges Home Study:		
Classroom-Based:		
Grades TK through 3	-	-
Grades 4 through 6	-	-
Grades 7 through 8	-	-
Grades 9 through 12	-	-
Nonclassroom-Based:		
Grades TK through 3	44	46
Grades 4 through 6	31	30
Grades 7 through 8	<u>17</u>	<u>19</u>
ADA totals - Twin Ridges Home Study	<u>92</u>	<u>95</u>
Yuba River Charter School:		
Classroom-Based:		
Grades TK through 3	120	120
Grades 4 through 6	83	82
Grades 7 through 8	46	46
Nonclassroom-Based:		
Grades TK through 3	34	34
Grades 4 through 6	5	5
Grades 7 through 8	<u>-</u>	<u>-</u>
ADA totals - Yuba River Charter School	<u>288</u>	<u>287</u>
ADA totals - Charter Schools	<u><u>1,539</u></u>	<u><u>1,540</u></u>

See accompanying notes to supplementary information.

NEVADA COUNTY SUPERINTENDENT OF SCHOOLS

SCHEDULE OF INSTRUCTIONAL TIME

For the Year Ended June 30, 2014

<u>Grade Level</u>	<u>Statutory Minutes Requirement</u>	<u>Reduced Minutes Requirement</u>	<u>2013-2014 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
<u>Charter Schools</u>					
Bitney College Prep High School:					
Grade 9	64,800	62,949	64,750	175	In Compliance
Grade 10	64,800	62,949	64,750	175	In Compliance
Grade 11	64,800	62,949	64,750	175	In Compliance
Grade 12	64,800	62,949	64,750	175	In Compliance
Nevada City School of Arts:					
Kindergarten	36,000	34,971	39,150	174	In Compliance
Grade 1	50,400	48,960	50,400	174	In Compliance
Grade 2	50,400	48,960	50,400	174	In Compliance
Grade 3	50,400	48,960	50,400	174	In Compliance
Grade 4	54,000	52,457	55,815	174	In Compliance
Grade 5	54,000	52,457	55,815	174	In Compliance
Grade 6	54,000	52,457	57,750	174	In Compliance
Grade 7	54,000	52,457	57,750	174	In Compliance
Grade 8	54,000	52,457	57,750	174	In Compliance
Sierra Montessori Academy:					
Kindergarten	36,000	34,971	54,060	172	In Compliance
Grade 1	50,400	48,960	54,060	172	In Compliance
Grade 2	50,400	48,960	54,060	172	In Compliance
Grade 3	50,400	48,960	54,060	172	In Compliance
Grade 4	54,000	52,457	54,060	172	In Compliance
Grade 5	54,000	52,457	54,060	172	In Compliance
Grade 6	54,000	52,457	54,060	172	In Compliance
Grade 7	54,000	52,457	54,060	172	In Compliance
Grade 8	54,000	52,457	54,060	172	In Compliance
Yuba River Charter School:					
Kindergarten	36,000	34,971	47,250	175	In Compliance
Grade 1	50,400	48,960	50,260	175	In Compliance
Grade 2	50,400	48,960	50,260	175	In Compliance
Grade 3	50,400	48,960	54,495	175	In Compliance
Grade 4	54,000	52,457	54,495	175	In Compliance
Grade 5	54,000	52,457	54,495	175	In Compliance
Grade 6	54,000	52,457	54,495	175	In Compliance
Grade 7	54,000	52,457	54,495	175	In Compliance
Grade 8	54,000	52,457	54,495	175	In Compliance

See accompanying notes to supplementary information.

NEVADA COUNTY SUPERINTENDENT OF SCHOOLS
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
For the Year Ended June 30, 2014

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education - Passed through California Department of Education</u>			
	Special Education Cluster:		
84.027	IDEA Basic Local Assistance Entitlement, Part B, Sec 611	13379	\$ 401,676
84.173	IDEA Preschool Grants, Part B, Section 619 (Ages 3-4-5)	13430	1,477
84.027	IDEA Mental Health Allocation Plan, Part B, Sec 611	14468	66,369
84.027A	IDEA, Part B, Sec 611, Preschool Local Entitlement	13682	2,824
84.173	IDEA Preschool Staff Development, Part B, Sec 619	13431	<u>1,000</u>
	Subtotal Special Education Cluster		<u>473,346</u>
	Title I Cluster:		
84.010	NCLB: Title I, Part A, Basic Grants Low Income and Neglected	14329	469,843
84.010	NCLB: Title I, Part D, Local Delinquent Programs	14357	<u>66,334</u>
	Subtotal Title I Cluster		<u>536,177</u>
84.181	Special Ed: IDEA Early Intervention Grants, Part C	23761	45,669
84.196	NCLB: Title X, McKinney-Vento Homeless Children Assistance Grant	14332	23,693
84.367	NCLB: Title II, Part A, Improving Teacher Quality	14341	5,492
84.060	Indian Education	10011	<u>58,368</u>
	Subtotal U.S. Department of Education - Passed through California Department of Education		<u>1,142,745</u>
	Direct Program:		
84.184L	Safe Schools Healthy Students	-	474,326
84.358	Small Rural School Achievement	-	<u>18,856</u>
	Total U.S. Department of Education		<u>1,635,927</u>

(Continued)

NEVADA COUNTY SUPERINTENDENT OF SCHOOLS
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
(Continued)
For the Year Ended June 30, 2014

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture - Passed through California Department of Education</u>			
10.665	Forest Reserve Funds	10044	\$ 35,163
10.555	Child Nutrition, School Programs	13396	<u>15,321</u>
	Total U.S. Department of Agriculture		<u>50,484</u>
<u>U.S. Department of Health and Human Services - Passed through California Department of Education</u>			
	Medi-Cal Cluster:		
93.778	Medi-Cal Administrative Activities (MAA)	10060	21,920
93.778	Medi-Cal Billing Option	10013	<u>46,562</u>
	Subtotal Medi-Cal Cluster		<u>68,482</u>
	CCDF Cluster:		
93.575	Child Development: Local Planning Councils	13946	53,117
93.575	Child Development: Child Care Initiative Project (CCIP)/ Resource & Referral Contracts (CRRP)	13942	18,433
93.596	Child Development: (CCRD) State Preschool	13609	<u>69,184</u>
	Subtotal CCDF Cluster		<u>140,734</u>
	Subtotal U.S. Department of Health and Human Services - Passed through California Department of Education		<u>209,216</u>
	Direct Program:		
93.767	CHIPRA Connecting Kids to Coverage	-	<u>91,794</u>
	Total U.S. Department of Health and Human Services		<u>301,010</u>
	Total Federal Programs		<u>\$ 1,987,421</u>

See accompanying notes to supplementary information.

NEVADA COUNTY SUPERINTENDENT OF SCHOOLS
RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT
WITH AUDITED FINANCIAL STATEMENTS

For the Year Ended June 30, 2014

There were no audit adjustments proposed to any funds of the County Office.

See accompanying notes to supplementary information.

NEVADA COUNTY SUPERINTENDENT OF SCHOOLS

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

For the Year Ended June 30, 2014

(UNAUDITED)

<u>General Fund</u>	(Budget) <u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Revenues and other financing sources	\$ <u>12,158,565</u>	\$ <u>12,124,549</u>	\$ <u>12,716,485</u>	\$ <u>12,650,912</u>
Expenditures	12,003,630	10,736,480	12,033,568	12,020,143
Other uses and transfers out	<u>37,163</u>	<u>31,669</u>	<u>7,111</u>	<u>-</u>
Total outgo	<u>12,040,793</u>	<u>10,768,149</u>	<u>12,040,679</u>	<u>12,020,143</u>
Change in fund balance	<u>\$ 117,772</u>	<u>\$ 1,356,400</u>	<u>\$ 675,806</u>	<u>\$ 630,769</u>
Ending fund balance	<u>\$ 7,320,318</u>	<u>\$ 7,202,546</u>	<u>\$ 5,846,146</u>	<u>\$ 5,170,340</u>
Available reserves	<u>\$ 4,627,877</u>	<u>\$ 4,385,334</u>	<u>\$ 3,081,428</u>	<u>\$ 2,501,455</u>
Designated for economic uncertainties	<u>\$ 690,459</u>	<u>\$ 604,540</u>	<u>\$ 686,357</u>	<u>\$ 685,516</u>
Undesignated fund balance	<u>\$ 3,937,418</u>	<u>\$ 3,780,794</u>	<u>\$ 2,395,071</u>	<u>\$ 1,815,939</u>
Available reserves as percentages of total outgo	<u>38.4%</u>	<u>40.7%</u>	<u>25.6%</u>	<u>20.8%</u>
<u>All Funds</u>				
Total long-term liabilities	<u>\$ -</u>	<u>\$ 93,820</u>	<u>\$ 81,774</u>	<u>\$ 81,235</u>
Average daily attendance at annual	<u>1,741</u>	<u>1,663</u>	<u>1,664</u>	<u>1,667</u>

The General Fund fund balance has increased by \$2,662,975 over the past three years. The County Office projects an increase of \$117,772 for the fiscal year ending June 30, 2015. For a County Office this size, the State of California recommends available reserves of at least 4 percent of total General Fund expenditures, transfers out, and other uses be maintained. The County Office has met this requirement.

The County Office has incurred operating surpluses in each of the past three years, and anticipates incurring an operating surplus during the fiscal year ending June 30, 2015.

Total long-term liabilities have increased by \$12,585 over the past two years.

Average daily attendance has decreased by 4 over the past two years. ADA is anticipated to increase by 78 ADA during fiscal year ending June 30, 2015.

See accompanying notes to supplementary information.

NEVADA COUNTY SUPERINTENDENT OF SCHOOLS

SCHEDULE OF CHARTER SCHOOLS

For the Year Ended June 30, 2014

Charter Schools Chartered by County Office

**Included in County Office
Financial Statements, or
Separate Report**

Muir Charter School	Separate Report
Bitney College Prep High School	Included as Charter School Fund
Forest Charter School	Included as Charter School Fund
Nevada City School of the Arts	Included as Charter School Fund
Sierra Montessori Academy	Included as Charter School Fund
Twin Ridges Home Study	Included as Charter School Fund
Yuba River Charter School	Included as Charter School Fund

See accompanying notes to supplementary information.

NEVADA COUNTY SUPERINTENDENT OF SCHOOLS

NOTES TO SUPPLEMENTARY INFORMATION

1. PURPOSE OF SCHEDULES

A - Schedule of Average Daily Attendance

Average daily attendance is a measurement of the number of pupils attending classes of the County Office. 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 and county offices. This schedule provides information regarding the attendance of students at various grade levels and in different programs. It does not include average daily attendance of non-public school pupils reported on Form J-50.

B - Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by the County Office, and whether the County Office complied with the provisions of Education Code Sections 46201 through 46206.

C - Schedule of Expenditure of Federal Awards

OMB Circular A-133 requires a disclosure of the financial activities of all federally funded programs. This schedule was prepared to comply with A133 requirements, and is presented on the modified accrual basis of accounting.

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures and Change in Fund Balances and the related expenditures reported on the Schedule of Expenditure of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2014.

Description	<u>CFDA Number</u>	<u>Amount</u>
Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances		\$ 2,072,216
Add: Medi-Cal Billing Funds spent from prior year awards	93.778	19,910
Less: Medi-Cal Administrative Activity unspent funds	93.778	<u>(104,705)</u>
Total Schedule of Expenditure of Federal Awards		<u>\$ 1,987,421</u>

NEVADA COUNTY SUPERINTENDENT OF SCHOOLS

NOTES TO SUPPLEMENTARY INFORMATION

(Continued)

1. PURPOSE OF SCHEDULES (Continued)

D - Reconciliation of Unaudited Actual Financial Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds as reported on the Unaudited Actual Financial Report to the audited basic financial statements.

E - Schedule of Financial Trends and Analysis - Unaudited

This schedule provides trend information on the County Office's financial condition over the past three years and its anticipated condition for the 2014-2015 fiscal year. The information in this schedule has been derived from audited information.

F - Schedule of Charter Schools

This schedule provides information for the California Department of Education to monitor financial reporting by Charter Schools.

2. EARLY RETIREMENT INCENTIVE PROGRAM

Education Code Section 14502 requires certain disclosure in the financial statements of county offices which adopt Early Retirement Incentive Programs pursuant to Education Code Sections 22714 and 44929. For the fiscal year ended June 30, 2014, the County Office did not adopt this program.

INDEPENDENT AUDITOR'S REPORT
 ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Governing Board
 Nevada County Superintendent of Schools
 Nevada City, California

Report on Compliance with State Laws and Regulations

We have audited Nevada County Superintendent of Schools' compliance with the types of compliance requirements described in the State of California's Standards and Procedures for Audits of California K-12 Local Educational Agencies (the "Audit Guide") to the state laws and regulations listed below for the year ended June 30, 2014.

<u>Description</u>	<u>Audit Guide Procedures</u>	<u>Procedures Performed</u>
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	No, see below
Independent Study	23	No, see below
Continuation Education	10	No, see below
Instructional Time	10	No, see below
Instructional Materials	8	Yes
Ratio of Administrative Employees to Teachers	1	No, see below
Classroom Teacher Salaries	1	No, see below
Early Retirement Incentive Program	4	No, see below
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	Yes
Local Control Funding Formula Certification	1	Yes
California Clean Energy Jobs Act	3	No, see below
After School Education and Safety Program:		
General requirements	4	No, see below
After school	5	No, see below
Before school	6	No, see below
Education Protection Account Funds	1	Yes
Common Core Implementation Funds	3	Yes
Unduplicated Local Control Funding		
Formula Pupil Counts	3	Yes
Contemporaneous Records of Attendance, for charter schools	8	Yes
Mode of Instruction, for charter schools	1	Yes
Nonclassroom-Based Instruction/Independent Study, for charter schools	15	Yes
Determination of Funding for Nonclassroom-Based Instruction, for charter schools	3	Yes
Annual Instructional Minutes - Classroom-Based, for charter schools	4	Yes
Charter School Facility Grant Program	1	Yes

The County Office's reported ADA for Kindergarten Continuance and Independent Study was below the materiality level that requires testing; therefore, we did not perform any testing of Kindergarten Continuance and Independent Study ADA.

The County Office does not operate Continuation Education, therefore, we did not perform any testing of Continuation Education procedures.

The County Office is not a School District; therefore, we did not perform any procedures related to Instructional Time for School Districts.

Ratio of Administrative Employees to Teachers and Classroom Teacher Salaries is not applicable for a county office; therefore, we did not perform any procedures.

The County Office did not offer an Early Retirement Incentive Program; therefore, we did not perform perform procedures.

The County Office did not have any California Clean Energy Jobs Act expenditures; therefore, we did not perform procedures.

The County Office did not operate an After School Education and Safety Program; therefore, we did not perform any procedures for After School Education and Safety Program.

Management's Responsibility

Management is responsible for compliance with the requirements of state laws and regulations, as listed above.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance with state laws and regulations as listed above, of Nevada County Superintendent of Schools. 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 State of California's Standards and Procedures for Audits of California K-12 Local Educational Agencies. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state laws and regulations listed above occurred. An audit includes examining, on a test basis, evidence about Nevada County Superintendent of Schools' 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 state laws and regulations. However, our audit does not provide a legal determination of Nevada County Superintendent of Schools' compliance.

Basis for Qualified Opinion with State Laws and Regulations

As described in Finding 2014-001 in the accompanying Schedule of Audit Findings and Questioned Costs, Nevada County Superintendent of Schools did not comply with the requirements regarding Unduplicated Local Control Funding Formula Pupil Counts. Compliance with such requirement is necessary, in our opinion, for Nevada County Superintendent of Schools to comply with state laws and regulations applicable to that program.

Qualified Opinion with State Laws and Regulations

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Nevada County Superintendent of Schools complied, in all material respects, with the state laws and regulations referred to above for the year ended June 30, 2014. Further, based on our examination, for items not tested, nothing came to our attention to indicate that Nevada County Superintendent of Schools had not complied with the state laws and regulations.

Other Matters

Nevada County Superintendent of Schools' response to the finding identified in our audit is described in the accompanying Schedule of Audit Findings and Questioned Costs. Nevada County Superintendent of Schools' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the *State of California's Standards and Procedures for Audits of California K-12 Local Educational Agencies*. Accordingly, this report is not suitable for any other purpose.


Crowe Horwath LLP

Sacramento, California
December 12, 2014

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

Governing Board
Nevada County Superintendent of Schools
Nevada City, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Nevada County Superintendent of Schools as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Nevada County Superintendent of Schools' basic financial statements, and have issued our report thereon dated December 12, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Nevada County Superintendent of Schools' 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 Nevada County Superintendent of Schools's internal control. Accordingly, we do not express an opinion on the effectiveness of Nevada County Superintendent of Schools'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.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting 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.


Crowe Horwath LLP

Sacramento, California
December 12, 2014

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Governing Board
Nevada County Superintendent of Schools
Nevada City, California

Report on Compliance for Each Major Federal Program

We have audited Nevada County Superintendent of Schools' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Nevada County Superintendent of Schools' major federal programs for the year ended June 30, 2014. Nevada County Superintendent of Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Nevada County Superintendent of Schools' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Nevada County Superintendent of Schools' 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 Nevada County Superintendent of Schools' compliance.

Opinion on Each Major Federal Program

In our opinion, Nevada County Superintendent of Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of Nevada County Superintendent of Schools 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 Nevada County Superintendent of Schools' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Nevada County Superintendent of Schools' internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Crowe Horwath LLP

Sacramento, California
December 12, 2014

FINDINGS AND RECOMMENDATIONS

NEVADA COUNTY SUPERINTENDENT OF SCHOOLS AUDIT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2014

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiencies(ies) identified not considered to be material weakness(es)? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiencies(ies) identified not considered to be material weakness(es)? _____ Yes X None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? _____ Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	NCLB: Title I Cluster
84.027, 84.173	Special Education IDEA Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? X Yes _____ No

STATE AWARDS

Type of auditor's report issued on compliance for state programs: Qualified

NEVADA COUNTY SUPERINTENDENT OF SCHOOLS
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2014

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

NEVADA COUNTY SUPERINTENDENT OF SCHOOLS
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2014

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

NEVADA COUNTY SUPERINTENDENT OF SCHOOLS
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2014

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2014-001 DEFICIENCY – UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000)

Criteria

Any student who meets the federal income eligibility criteria or is deemed to be categorically eligible for FRPM under the National School Lunch Program (NSLP) will be counted as FRPM-eligible. Except for directly certified and foster students identified through a statewide match, LEAs must submit the appropriate student program (SPRG) records to CALPADS in order for the students to be counted as FRPM-eligible. Authority cited: Section 14502.1, Education Code. Reference: Sections 14502.1, 14503, 2574(b)(3)(C), 44238.02(b)(3)(B), and 41020, Education Code.

Condition

At Nevada City School of the Arts, a charter school, one student was improperly included in the Free and Reduced Meal Program. The Charter School was unable to provide any documentation that the student was approved in the current year for FRMP.

Additionally, the County Office performed their own audit of 100% of the unduplicated pupil counts as reported on the 1.17 - FRPM/English Learner/Foster Youth - Count report for the charter school and noted adjustments of 17 unduplicated pupil counts in addition to the one error noted above.

Effect

The effect of this finding is an overstatement of 18 unduplicated pupil counts in the Nevada City School of the Arts as noted below:

	<u>Unduplicated pupil count</u>				
	<u>Free & Reduced Meal Program (FRPM)</u>	<u>English Learners (ELAS)</u>	<u>Both FRPM & ELAS</u>	<u>Total</u>	
<u>Enrollment</u>					
As certified on CalPADS	345	168	-	1	169
Audit adjustments	<u>-</u>	<u>(18)</u>	<u>-</u>	<u>-</u>	<u>(18)</u>
Adjusted counts	<u><u>345</u></u>	<u><u>150</u></u>	<u><u>-</u></u>	<u><u>1</u></u>	<u><u>151</u></u>

Cause

The errors were the result of clerical errors in accounting for unduplicated pupil counts.

NEVADA COUNTY SUPERINTENDENT OF SCHOOLS
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2014

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS
(Continued)

2014-001 DEFICIENCY – LOCAL CONTROL FUNDING FORMULA- PUPIL COUNT (40000)
(Continued)

Fiscal Impact

The Charter School Unduplicated Pupil Percentage for Nevada City School of the Arts was originally reported at 48.99% and the revised Charter School Unduplicated Pupil Percentage should be revised to 43.77%; the fiscal impact is a reduction of LCFF revenues of approximately \$3,040.

Recommendation

The Charter School should ensure that all appropriate documentation is retained and updated for all students receiving Free and Reduced lunches.

Corrective Action Plan

Charter Business Services will review and ensure all eligibility forms are properly completed and retained for students who receive Free and Reduced Meals.

**STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS**

**NEVADA COUNTY SUPERINTENDENT OF SCHOOLS AUDIT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS**

Year Ended June 30, 2014

Finding/Recommendation	Current Status	District Explanation If Not Implemented
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No matters were reported.