

**JEFFERSON ELEMENTARY  
SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT  
JUNE 30, 2004**



**JEFFERSON ELEMENTARY SCHOOL DISTRICT**  
**OF SAN JOAQUIN COUNTY**  
**TRACY, CALIFORNIA**  
**JUNE 30, 2004**

---

**GOVERNING BOARD**

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Pete Carlson	President	2004
Todd Wetherell	Vice President	2004
Michelle Mercer	Clerk	2006
Dan Wells	Member	2006
Debbie Wingo	Member	2006

**ADMINISTRATION**

Ed Quinn	Superintendent
Dana Taylor	Business Manager



# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## TABLE OF CONTENTS

JUNE 30, 2004

---

### **FINANCIAL SECTION**

Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets	12
Statement of Activities	13
Fund Financial Statements	
Governmental Funds - Balance Sheet	15
Governmental Funds - Reconciliation of the Governmental Funds Balance Sheet to the	
Statement of Net Assets	16
Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balance	17
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and	
Changes in Fund Balances to the District-Wide Statement of Activities	18
Proprietary Funds - Statement of Net Assets	19
Proprietary Funds - Statement of Revenues, Expenses, and Changes in Fund Net Assets	20
Proprietary Funds - Statement of Cash Flows	21
Fiduciary Funds - Statement of Net Assets	22
Notes to Financial Statements	23

### **REQUIRED SUPPLEMENTARY INFORMATION**

General Fund - Budgetary Comparison Schedule	42
--	----

### **SUPPLEMENTARY INFORMATION**

Schedule of Expenditures of Federal Awards	43
Schedule of Average Daily Attendance	44
Schedule of Instructional Time	45
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements	46
Schedule of Financial Trends and Analysis	47
Combining Statements - Non-Major Governmental Funds	
Combining Balance Sheet (Unaudited)	48
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance (Unaudited)	50
Note to Supplementary Information	52

### **INDEPENDENT AUDITORS' REPORTS**

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an	
Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	53
Report on State Compliance	55

### **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Summary of Auditors' Results	57
Financial Statement Findings	58
Federal Award Findings and Questioned Costs	59
State Award Findings and Questioned Costs	60
Summary Schedule of Prior Audit Findings	61



---

---

***FINANCIAL SECTION***

---

---

***This page left blank intentionally.***





## INDEPENDENT AUDITORS' REPORT

Governing Board  
Jefferson Elementary School District  
Tracy, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Standards and Procedures for Audits of California K-12 Local Educational Agencies*, prescribed by the State Controller. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Jefferson Elementary School District, as of June 30, 2004, and the respective changes in financial positions and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2004, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

As discussed in the Notes to the basic financial statements, the accompanying financial statements reflect certain changes required as a result of the implementation of GASB Statement No. 34 for the year ended June 30, 2004. This results in a change to the format and content of the basic financial statements.

The required supplementary information, such as management's discussion and analysis on pages 3 through 11 and budgetary comparison information on page 42, are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information listed in the table of contents, including the Schedule of Expenditures of Federal awards which is required by U.S. Office of Management and Budget Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The non-major governmental balance sheet and statement of revenues, expenditures and changes in fund balance have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Vavrinek, Tieme, Day & Co LLP*

Pleasanton, California  
September 17, 2004



## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2004

This section of Jefferson Elementary School District's 2003-2004 annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2004. Please read it in conjunction with the District's financial statements, which immediately follow this section.

This is the first year that Jefferson Elementary School District is presenting financial statements in accordance with the Governmental Accounting Standards Board (GASB) No. 34. Therefore, certain data is not available for fiscal year ended June 30, 2003 for comparative analysis. Comparative analysis will be presented in future years.

### ***OVERVIEW OF THE FINANCIAL STATEMENTS***

#### ***The Financial Statements***

The financial statements presented herein include all of the activities of the Jefferson Elementary School District (the District) and its component units using the integrated approach as prescribed by GASB Statement Number 34.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the District as well as all liabilities (including long-term debt). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables and receivables.

The *Fund Financial Statements* include statements for each of the three categories of activities: governmental, business-type, and fiduciary. The District only has governmental and fiduciary fund types.

The *Governmental Activities* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

The *Fiduciary Activities* are agency funds, which only report a balance sheet and do not have a measurement focus.

A *Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements* is provided on Page 16 to explain the differences created by the integrated approach.

The Primary unit of the government is the Jefferson Elementary School District. The District does not have any component units.

---

## **FINANCIAL HIGHLIGHTS OF THE PAST YEAR**

### **REPORTING THE DISTRICT AS A WHOLE**

#### **The Statement of Net Assets and the Statement of Activities and Changes in Net Assets**

The *Statement of Net Assets* and the *Statement of Activities and Changes in Net Assets* report information about the District as a whole and about its activities. These statements include *all* assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in them. Net assets are the difference between assets and liabilities, one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net assets are one indicator of whether its *financial health* is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is the District's *operating results*. Since the Board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the *overall health* of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

In the *Statement of Net Assets* and the *Statement of Activities and Changes in Net Assets*, we include the District activities as follows:

**Governmental activities** - Most of the District's services are reported in this category. This includes the education of kindergarten through grade eight students, the operation of child development activities, and the ongoing effort to improve and maintain buildings and sites. Property taxes, state income taxes, user fees, interest income, federal, state and local grants, as well as certificates of participation, finance these activities.

### **REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS**

#### **Fund Financial Statements**

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

**Governmental funds** - Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

---

***Proprietary funds*** - When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the *Statement of Net Assets* and the *Statement of Revenues, Expenses and Changes in Fund Net Assets*. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the District's other programs and activities - such as the District's Self-Insurance Fund. The internal service funds are reported with governmental activities in the government-wide financial statements.

## ***THE DISTRICT AS TRUSTEE***

### **Reporting the District's Fiduciary Responsibilities**

The District is the trustee, or *fiduciary*, for funds held on behalf of others, like our funds for associated student body activities. The District's fiduciary activities are reported in separate *Statements of Fiduciary Net Assets*. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

## ***THE DISTRICT AS A WHOLE***

### **Net Assets**

The District's net assets were \$28.1 million for the fiscal year ended June 30, 2004. Of this amount, \$1.9 million was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School Board's ability to use those net assets for day-to-day operations. Our analysis below focuses on the net assets (Table A-1) and change in net assets (Table A-2) of the District's governmental activities.

**Table A-1**

(Amounts in millions)

	Governmental Activities
Current and other assets	\$ 14.4
Capital assets	20.1
<b>Total Assets</b>	<b>34.5</b>
Current liabilities	1.0
Long-term debt	5.4
<b>Total Liabilities</b>	<b>6.4</b>
Net assets	
Invested in capital assets, net of related debt	15.0
Restricted	11.2
Unrestricted	1.9
<b>Total Net Assets</b>	<b>\$ 28.1</b>

The \$1.9 million in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations. It means that if we had to pay off all of our bills *today* including all of our non-capital liabilities (compensated absences as an example), we would have \$1.9 million left.

**Changes in Net Assets**

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on pages 13 and 14. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

**Table A-2**

(Amounts in millions)

**Governmental  
Activities****Revenues**

Program revenues

Charges for services

Operating grants and contributions

Capital grants and contributions

General revenues:

State revenue limit sources

Property taxes

Other general revenues

**Total Revenues**

\$ 0.4

1.2

0.1

6.4

3.1

3.2

**14.4****Expenses**

Instruction related

Pupil services

Administration

Maintenance and operations

Other

**Total Expenses****Change in Net Assets**

8.7

1.0

0.8

1.4

0.1

**12.0**\$ **2.4****Governmental Activities**

As reported in the Statement of Activities on pages 13 and 14, the cost of all of our governmental activities this year was \$12.0 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$3.1 million because the cost was paid by those who benefited from the programs (\$0.4 million) or by other governments and organizations who subsidized certain programs with grants and contributions (\$1.2 million). We paid for the remaining "public benefit" portion of our governmental activities with \$6.4 million in state revenue limit sources, and \$0.9 million in State funds and with other revenues, like interest and general entitlements.

In Table A-3, we have presented the cost of each of the District's five largest functions - instruction, school administration, pupil services, maintenance and operations, and other services as well as each program's *net* cost (total cost less revenues generated by the activities). As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

**Table A-3**

(Dollar amounts in millions)

	Total Cost of Services
Instruction	\$ 7.8
Pupil services	0.3
Administration	0.8
Maintenance and operations	1.4
Other	0.1
<b>Totals</b>	<b>\$ 10.4</b>

### ***THE DISTRICT'S FUNDS***

As the District completed this year, our governmental funds reported a combined fund balance of \$13.3 million, which is an increase of \$4.7 million from last year.

The primary reasons for these changes are:

- a. Our General Fund is our principal operating fund. The fund balance in the General Fund increased \$0.3 million to \$2.4 million. This increase is due to:
  1. Increased enrollment
  2. Increased State revenue
- b. Our special revenue funds remained fairly stable from the prior year.
- c. Our capital project funds increased by approximately \$4.4 million due to the issuance of certificates of participation.

### **General Fund Budgetary Highlights**

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on September 14, 2004. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 42).

The District originally projected revenues of approximately \$9.8 million. The revised budget projected revenues of \$11.1 million, an increase of approximately \$1.3 million. Although revenues projections increased by \$1.3 million, expenditures projections also increased by \$1.3 million.

- Approximately \$0.6 million of the increase in revenue is from revenue limit sources due to updated enrollment data. In addition, the other state sources increased \$0.3 million due to prior year carryover of categorical funds.
- Salaries and fringe benefit expenditures were increased \$1.3 million in order to accommodate additional student enrollment.



---

## ***CAPITAL ASSET & DEBT ADMINISTRATION***

### **Capital Assets**

At June 30, 2004, the District had \$20.1 million in a broad range of capital assets, including land, buildings, and furniture and equipment. This amount represents a net increase (including additions, deductions and depreciation) of just under \$2.8, or 16 percent, from last year.

**Table A-4**

(Amounts in millions)		Governmental Activities
Land		\$ 5.8
Construction in Progress		2.9
Buildings and improvements		10.5
Equipment		0.9
<b>Totals</b>		<b>\$ 20.1</b>

This year's major additions included (in millions):

Traina School Phase I	\$ 2.9
Additions of new classrooms at all sites	0.3
	<b>\$ 3.2</b>

This years additions of \$2.8 million included classroom equipment and building improvements as noted above. We issued \$4.3 million in Certificates of Participation to pay for the Traina construction costs and for future projects.

Several capital projects are planned for the 2004-05 year. We anticipate capital additions to be \$1.6 million for the 2004-05 year. We present more detailed information about our capital assets in Note 5 to the financial statements.

### **Long-Term Debt**

As of June 30, 2004, the District had \$4.3 million in certificates of participation outstanding. The Certificates of Participation were issued during the current year. The District's long term debt consisted of the following:

**Table A-5**

(Amounts in millions)		Governmental Activities
Certificates of participation		\$ 4.3
Capitalized lease obligations		0.1
Other		1.1
<b>Totals</b>		<b>\$ 5.5</b>

Other obligations include compensated absences payable, and other long-term debt, which are the Guaranteed Maximum Price (GMP) contracts for the construction of Traina Phase I. We present more detailed information regarding our long-term liabilities in Note 9 of the financial statements.

***SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2003-04 ARE NOTED BELOW:***

- Jefferson School District received donations of a fueling station and a school bus and van for the district.
- Construction of Anthony Traina Elementary School began June 2004
- District received Certificates of Participation for a portion of Anthony
- Traina Elementary School construction and for the construction of additional wings at Tom Hawkins Elementary School
- Jefferson School District launched its District website
- Academic Performance Index (API) Scores:

<u>School</u>	<u>2003 API</u>	<u>2004 API</u>
Tom Hawkins Elementary School	817	815
Monticello Elementary School	826	812
Jefferson Elementary School	784	784
<b>Overall</b>	<b>805</b>	<b>802</b>

***ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES***

In considering the District Budget for the 2004/2005 year, the District Board and management used the following criteria:

---

The key assumptions in our revenue forecast are:

1. Revenue limit income.
2. Developer fee collections are based on approximately 330 new housing units to be constructed.
3. Federal income will decrease slightly due to the elimination of prior year carryover funds.
4. State income will increase by 2.41 percent cost of living adjustments.
5. Charges to other funds are projected to be positive with the exceptions of food services.

Expenditures are based on the following forecasts:

	Staffing Ratio	Enrollment
Grades kindergarten through third	20:1	997
Grades four through eight	28:1	1125

The key assumptions in our expenditure forecasts are:

1. Additional certificated and classified staff for 13% growth.
2. Step and column movement projected at 3.18%.
3. Increases for unemployment and workers compensation rates.
4. Health and welfare budgeted at \$8,100 cap.
5. Increase supplies and services for growth.
6. Utilities increased due to opening of a new school.
7. Primary special day class opened.

### ***CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT***

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Business Manager, Business Services, at Jefferson Elementary School District, 7500 W. Linne Road, Tracy, California, 95304, or e-mail at [dataylor@sjcoe.net](mailto:dataylor@sjcoe.net).

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## STATEMENT OF NET ASSETS JUNE 30, 2004

	<b>Governmental Activities</b>
<b>Assets</b>	
Deposits and investments	\$ 13,160,753
Receivables	1,089,023
Prepaid expenses	137,109
Stores inventories	3,015
Capital assets	22,941,597
Less: Accumulated depreciation	(2,811,160)
<b>Total assets</b>	<b>34,520,337</b>
<b>Liabilities</b>	
Accounts payable	\$ 879,788
Interest payable	11,975
Deferred revenue	29,504
Current portion of long-term obligations	42,726
Noncurrent portion of long-term obligations	5,420,671
<b>Total liabilities</b>	<b>6,384,664</b>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	15,040,628
Restricted for:	
Debt service	22,877
Capital projects	10,453,197
Educational programs	340,285
Other activities	383,062
Unrestricted	1,895,624
<b>Total net assets</b>	<b>\$ 28,135,673</b>

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

***This page left blank intentionally.***

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2004

Functions/Programs	Expenses	Program Revenues	
		Charges for Services and Sales	Operating Grants and Contributions
<b>Governmental activities:</b>			
Instruction	\$ 7,759,942	\$ 14,760	\$ 635,064
Instruction related activities:			
Supervision of instruction	28,172	-	-
Instructional library, media and technology	142,916	-	6,990
School site administration	763,243	-	132,588
Pupil services:			
Home-to-school transportation	263,800	45,416	162,027
Food services	575,402	340,103	145,908
All other pupil services	152,144	-	38,225
General administration:			
Data processing	46,945	-	-
All other general administration	761,905	-	16,172
Plant services	1,437,516	-	18,362
Ancillary services	10,218	-	-
Interest on long-term debt	11,975	-	-
Other (outgo)	46,645	-	21,539
Depreciation (unallocated)	1,235	-	-
<b>Total government-type activities</b>	<b>\$ 12,002,058</b>	<b>\$ 400,279</b>	<b>\$ 1,176,875</b>

### General revenues and subventions:

Property taxes, levied for general purposes  
Federal and State aid not restricted to specific purposes  
Interest and investment earnings  
Miscellaneous

### Subtotal, general revenues

### Change in net assets

Net assets - beginning  
Net assets - ending

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

---

		Net (Expenses) Changes in Net Assets	
Capital Grants and Contributions		Governmental Activities	
\$	68,396	\$	(7,041,722)
	-		(28,172)
	-		(135,926)
	-		(630,655)
	-		(56,357)
	-		(89,391)
	-		(113,919)
	-		(46,945)
	-		(745,733)
	-		(1,419,154)
	-		(10,218)
	-		(11,975)
	-		(25,106)
	-		(1,235)
\$	68,396		(10,356,508)

3,140,947
6,396,097
99,844
3,075,112
12,712,000
2,355,492
25,780,181
\$ 28,135,673

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2004

	General Fund	Capital Facilities Fund	Non Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Deposits and investments	\$ 1,972,643	\$ 10,192,881	\$ 937,592	\$ 13,103,116
Receivables	860,574	180,319	16,796	1,057,689
Due from other funds	31,381	-	85,000	116,381
Stores inventories	-	-	3,015	3,015
<b>Total assets</b>	<b>\$ 2,864,598</b>	<b>\$ 10,373,200</b>	<b>\$ 1,042,403</b>	<b>\$ 14,280,201</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 354,702	\$ 518,589	\$ 6,497	\$ 879,788
Due to other funds	85,000	-	31,381	116,381
Deferred revenue	29,504	-	-	29,504
<b>Total liabilities</b>	<b>469,206</b>	<b>518,589</b>	<b>37,878</b>	<b>1,025,673</b>
<b>Fund Balances:</b>				
Reserved for:				
Stores inventories	-	-	3,015	3,015
Other reservations	345,235	-	30	345,265
Unreserved:				
Designated	806,490	9,854,611	1,001,480	11,662,581
Undesignated, reported in:				
General fund	1,243,667	-	-	1,243,667
Capital projects funds	-	-	-	-
<b>Total fund balance</b>	<b>2,395,392</b>	<b>9,854,611</b>	<b>1,004,525</b>	<b>13,254,528</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,864,598</b>	<b>\$ 10,373,200</b>	<b>\$ 1,042,403</b>	<b>\$ 14,280,201</b>

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



# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## GOVERNMENTAL FUNDS

### RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS

JUNE 30, 2004

---

#### Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:

<b>Total Fund Balance - Governmental Funds</b>		<b>\$ 13,254,528</b>
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	\$22,941,597	
Accumulated depreciation is	<u>(2,811,160)</u>	20,130,437
In the governmental funds, the receipt of the special education mandated settlement is reported as revenue in the year received. On the statement of net assets, the settlement amount is recorded as a receivable and payments received in the current year reduce the receivable amount.		31,170
Expenditures relating to issuance of debt of next fiscal year were recognized in modified accrual basis, but should not be recognized in accrual basis.		137,109
In governmental funds, unmatured interest on long-term debt is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term debt is recognized when it is incurred.		(11,975)
An internal service fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.		57,801
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term liabilities at year end consist of:		
Certificates of Participation	4,285,000	
Discounts on certificates of participation	(147,891)	
Capital leases payable	123,081	
Contracts payable	1,190,933	
Compensated absences (vacations)	<u>12,274</u>	<u>(5,463,397)</u>
<b>Total Net Assets - Governmental Activities</b>		<b><u>\$ 28,135,673</u></b>

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

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## GOVERNMENTAL FUNDS

### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED JUNE 30, 2004

	General Fund	Capital Facilities Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Revenue limit sources	\$ 8,412,265	\$ -	\$ -	\$ 8,412,265
Federal sources	202,792	-	134,202	336,994
Other state sources	1,618,277	-	77,616	1,695,893
Other local sources	812,729	2,542,330	405,537	3,760,596
<b>Total Revenues</b>	<b>11,046,063</b>	<b>2,542,330</b>	<b>617,355</b>	<b>14,205,748</b>
<b>EXPENDITURES</b>				
<b>Current</b>				
Instruction	7,549,162	-	-	7,549,162
Instruction related activities:				
Supervision of instruction	28,172	-	-	28,172
Instructional library, media and technology	142,916	-	-	142,916
School site administration	736,092	-	-	736,092
Pupil Services:				
Home-to school transportation	259,260	-	-	259,260
Food services	-	-	570,863	570,863
All other pupil services	147,605	-	-	147,605
General administration:				
Data processing	46,945	-	-	46,945
All other general administration	762,270	-	-	762,270
Plant services	826,422	100,806	34,836	962,064
Facility acquisition and construction	97,057	3,217,583	111,004	3,425,644
Ancillary services	9,887	-	-	9,887
Other uses	36,912	-	-	36,912
Debt service				
Principal	-	1,096,067	-	1,096,067
Interest and other	-	285,000	-	285,000
<b>Total Expenditures</b>	<b>10,642,700</b>	<b>4,699,456</b>	<b>730,889</b>	<b>16,073,045</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>403,363</b>	<b>(2,157,126)</b>	<b>(113,534)</b>	<b>(1,867,297)</b>
<b>Other Financing Sources (Uses):</b>				
Transfers in	33,615	68,680	215,634	317,929
Other sources	22,120	6,572,000	-	6,594,120
Transfers out	(124,616)	(73,127)	(120,186)	(317,929)
<b>Net Financing Sources (Uses)</b>	<b>(68,881)</b>	<b>6,567,553</b>	<b>95,448</b>	<b>6,594,120</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>334,482</b>	<b>4,410,427</b>	<b>(18,086)</b>	<b>4,726,823</b>
<b>Fund Balance - Beginning</b>	<b>2,060,910</b>	<b>5,444,184</b>	<b>1,022,611</b>	<b>8,527,705</b>
<b>Fund Balance - Ending</b>	<b>\$ 2,395,392</b>	<b>\$ 9,854,611</b>	<b>\$ 1,004,525</b>	<b>\$ 13,254,528</b>

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

## JEFFERSON ELEMENTARY SCHOOL DISTRICT

### RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE DISTRICT-WIDE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2004

---

Total Net Change in Fund Balances - Governmental Funds		\$ 4,726,823
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures, however, for governmental activities, those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statements of activities.		
This is the amount by which depreciation exceeds capital outlays in the period.		
Depreciation expense	\$(351,668)	
Capital outlays	<u>3,003,620</u>	2,651,952
The donation of capital assets is not recognized in the governmental funds, however, for governmental activities these assets are reported at market value on the date of the donation.		160,708
In the statement of activities, certain operating expenses - compensated absences (vacations) and special termination benefits (early retirement) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, there are no special termination benefits. Vacation used was less than the amounts earned by \$398.		(398)
Proceeds received from Certificates of Participation is a revenue in the governmental funds, but it increases long-term liabilities in the statement of net assets and does not affect the statement of activities.		(4,285,000)
Proceeds received from capital leases/buyback is a revenue in the governmental funds, but it increases long-term liabilities in the statement of net assets and does not affect the statement of activities.		(2,309,121)
Repayment of issue costs of certificates of participation is an expenditure in the governmental funds, but it should be recorded as prepaid expense and amortized on the statement of net assets.		285,000
Repayment of capital lease is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities.		45,889
Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities.		1,096,067
Revenue related to the Special Education settlement is reported in the governmental funds, but is a reduction in receivable on the statement of net assets.		(4,453)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is the net result of two factors.		(11,975)
Change in Net Assets of Governmental Activities		<u>\$ 2,355,492</u>

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

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## PROPRIETARY FUNDS STATEMENT OF NET ASSETS JUNE 30, 2004

---

	<u>Governmental Activities - Internal Service Fund</u>
<b>ASSETS</b>	
<b>Current Assets</b>	
Deposits and investments	\$ 57,637
Receivables	164
<b>Total Assets</b>	<u>\$ 57,801</u>
<b>NET ASSETS</b>	
Unrestricted	57,801
<b>Total Net Assets</b>	<u><u>\$ 57,801</u></u>

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

**JEFFERSON ELEMENTARY SCHOOL DISTRICT**

**PROPRIETARY FUNDS  
STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN FUND NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2004**

---

	<b>Governmental Activities - Internal Service Fund</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest income	\$ 612
<b>Total Nonoperating Revenues (Expenses)</b>	<u>612</u>
Change in net assets	612
<b>Total Net Assets - Beginning</b>	<u>57,189</u>
<b>Total Net Assets - Ending</b>	<u><u>\$ 57,801</u></u>

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

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## PROPRIETARY FUNDS STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2004

---

	Governmental Activities - Internal Service Fund
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	\$ 612
Net Cash Provided from Investing Activities	612
Net increase in cash and cash equivalents	612
Cash and cash equivalents - Beginning	57,025
Cash and cash equivalents - Ending	<u>\$ 57,637</u>

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

**JEFFERSON ELEMENTARY SCHOOL DISTRICT**

**FIDICIARY FUNDS  
STATEMENT OF NET ASSETS  
JUNE 30, 2004**

---

	<u>Agency Funds</u>
<b>ASSETS</b>	
Deposits and investments	\$ 51,854
<b>Total assets</b>	<u>\$ 51,854</u>
<b>LIABILITIES</b>	
Due to student groups	51,854
<b>Total liabilities</b>	<u>\$ 51,854</u>

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

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

---

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Financial Reporting Entity

The Jefferson Elementary School District was organized in June 1870 under the laws of the State of California. The District operates under a locally-elected 5-member Board form of government and provides educational services to grades K - 8 as mandated by the State and/or Federal agencies. The District operates 3 elementary and 1 middle schools.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Jefferson Elementary School District, this includes general operations, food service, and student related activities of the District.

**Joint Powers Agencies and Public Entity Risk Pools** The District is associated with 2 joint powers agencies and 2 public entity risk pools. These organizations do not meet the criteria for inclusion as component units of the District. Summarized audited financial information is presented in Note 15 to the financial statements. These organizations are: San Joaquin County Schools Workers' Compensation Insurance Group, San Joaquin County Schools Property and Liability Insurance Group, San Joaquin County Schools Data Processing Group and Tracy Area Public Facilities Financing Agency.

#### Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into three broad fund categories: governmental, proprietary, and fiduciary.

**Governmental Funds** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

#### Major Governmental Funds

**General Fund** The General Fund accounts for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of California.

**Capital Facilities Fund** The Capital Facilities Fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act (CEQA).



# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

---

### Other Non-Major Governmental Funds

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

**Cafeteria Fund** The Cafeteria Fund is used to account for the financial transactions related to the food service operations of the District.

**Deferred Maintenance Fund** The Deferred Maintenance Fund is used for the purpose of major repair or replacement of District property.

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

**Capital Project Funds** The Capital Projects Funds are used to account for the acquisition and/or construction of all major governmental general fixed assets. The district maintains the following capital project funds:

**State School Building Lease-Purchase Fund** The State School Building Lease-Purchase Fund is used primarily to account for State apportionments provided for construction and reconstruction of school facilities (*Education Code* Sections 17070-17080).

**County School Facilities Fund** The County School Facilities Fund is used primarily to account separately for State apportionments provided for construction and reconstruction of school facilities (*Education Code* Sections 17010.10-17076.10).

**Special Reserve Fund for Capital Outlay Projects** The Special Reserve Fund is used to account for funds set aside for Board designated construction projects.

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

**Proprietary Funds** Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. The District applies all GASB pronouncements, as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Proprietary funds are classified as enterprise or internal service. The District has the following proprietary funds:

**Internal Service Fund** Internal service funds may be used to account for any activity for which goods or services are provided to other funds of the District in return for a fee to cover the cost of operations. The District operates a Self Insurance fund that is accounted for in an internal service fund.

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

---

### **Basis of Accounting - Measurement Focus**

**Government-Wide Financial Statements** The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared.

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

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net assets restricted for other activities result from special revenue funds and the restrictions on their net asset use.

**Fund Financial Statements** Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements.

**Governmental Funds** All governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds on a modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

**Proprietary Funds** Proprietary funds are accounted for using a flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the statement of net assets. The statement of changes in fund net assets presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.

**Fiduciary Funds** Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting.

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

---

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

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

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

**Expenses/Expenditures** On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as part of stores inventory. Principal and interest on general long-term debt, which has not matured, are recognized when paid in the governmental funds. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

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

**Investments** Investments held at June 30, 2004, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost.

**Prepaid Expenditures** Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures when paid.

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

---

**Stores Inventory** Inventories consist of expendable food and supplies held for consumption and unused donated commodities. Inventories are stated at cost, on last-in, first out basis. The costs of inventory items are recorded as expenditures in the governmental type funds when used.

**Capital Assets and Depreciation** The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the District as a whole. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements/infrastructure, 5 to 50 years; equipment, 2 to 15 years.

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

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

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave.

**Accrued Liabilities and Long-Term Obligations** All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

---

statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and long-term loans are recognized as a liability on the fund financial statements when due.

**Fund Balance Reserves and Designations** The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for revolving cash accounts, stores inventories, prepaid expenditures (expenses), and legally restricted grants and entitlements.

Designations of fund balances consist of that portion of the fund balance that has been designated (set aside) by the governing board to provide for specific purposes or uses. Fund equity designations have been established for economic uncertainties and other purposes.

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

**Operating Revenues and Expenses** Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

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

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

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

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

---

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

**New Accounting Pronouncement** For the fiscal year ended June 30, 2004, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 39, "Determining Whether Certain Organizations Are Component Units", an amendment of GASB Statement No. 14. This statement provides additional guidance to determine whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationship with the primary government.

### NOTE 2 – CHANGES IN ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2004, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments," GASB Statement No. 36, "Receipt Reporting for Certain Shared Nonexchange Revenues", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", and GASB Statement No. 38, "Certain Financial Statement Note Disclosures", and GASB Statement No. 41, "Budgetary Comparison Schedules - Perspective Difference". As a result, the financial statements for the first time include 1) a Management Discussion and Analysis (MD&A) section providing an analysis of the District's overall financial position and results of operations, 2) financial statements prepared using full accrual accounting for all of the District's activities, and 3) a change in the fund financial statements to focus on the major funds. These and other changes are reflected in the accompanying financial statements, including notes to financial statements.

### NOTE 3 – DEPOSITS AND INVESTMENTS

#### Policies and Practices

The District is considered to be an involuntary participant in an external investment pool since the District is required to deposit all receipts and collections of monies with their county treasurer (Education Code Section 41001). In addition, the District is authorized to maintain deposits with certain financial institutions that are federally insured up to \$100,000.

The District is also authorized to make direct investments in local agency bonds, notes, or warrants within the state; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

### Cash

Cash at June 30, 2004, is presented below and categorized separately to give an indication of the level of risk assessment with each deposit:

	Bank Balance - Category *		
	1	3	Total
Cash on hand and in banks	\$ 545	\$ -	\$ 545
Cash in revolving fund	4,086	-	4,086
Cash with fiscal agent	-	4,000,000	4,000,000
Total	<u>\$ 4,631</u>	<u>\$ 4,000,000</u>	<u>\$ 4,004,631</u>

	Governmental Carrying Amount	Proprietary Carrying Amount	Fiduciary Carrying Amount	Total
Cash on hand and in banks	\$ 1,405	\$ -	\$ -	\$ 1,405
Cash in revolving fund	5,030	-	-	5,030
Cash with fiscal agent	4,000,000	-	-	4,000,000
	<u>\$ 4,006,435</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,006,435</u>

\*These categories are as follows:

- Category 1: Insured or collateralized with securities held by the District or by its agent in the District's name.
- Category 3: Uncollateralized. This includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the District's name.

### Investments

Deposits with the County Treasury are not categorized because they do not represent securities, which exist in physical or book entry form. The deposits with the county treasury are valued using the amortized cost method (which approximates fair value). The fair values were provided by the county treasury for its pool. The investments balance as of June 30, 2004 consisted of \$9,096,681 in governmental funds with a fair market value of \$9,083,946, and \$57,637 in fiduciary funds with a fair market value of \$57,556.

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

### As Reported

The following summarizes the combination of cash and investments:

	Fair Value	Reported in Governmental Funds	Reported in Proprietary Fund	Total Reported Amount
Uncategorized:				
U.S. Treasury	\$ 4,000,000	\$ 4,000,000	\$ -	\$ 4,000,000
Deposits with county treasurer	9,141,502	9,096,681	57,637	9,154,318
	<u>\$ 13,141,502</u>	<u>\$ 13,096,681</u>	<u>\$ 57,637</u>	<u>\$13,154,318</u>
		Reported in Governmental Funds	Reported in Proprietary Fund	Total Reported Amount
Deposits		\$ 6,435	\$ -	\$ 6,435
Investments		13,096,681	57,637	13,154,318
		<u>\$ 13,103,116</u>	<u>\$ 57,637</u>	<u>\$13,160,753</u>

### NOTE 4 - RECEIVABLES

Receivables at June 30, 2004, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General	Capital Facilities	Nonmajor Funds	Total	Proprietary
Federal Government					
Categorical aid	\$ 50,592	\$ -	\$ 11,770	\$ 62,362	\$ -
State Government					
Apportionment	329,552	-	-	329,552	-
Categorical aid	81,804	-	566	82,370	-
Lottery	44,612	-	-	44,612	-
Other state	292,623	-	-	292,623	-
Local Government					
Interest	9,011	18,080	2,796	29,887	-
Other Local Sources	52,380	162,239	1,664	216,283	164
Total	<u>\$ 860,574</u>	<u>\$ 180,319</u>	<u>\$ 16,796</u>	<u>\$ 1,057,689</u>	<u>\$ 164</u>

Additional long term receivables include \$31,170 for a special education settlement with payments expected to be received annually over the next seven years.



# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

### NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
<b>Governmental Activities</b>				
Capital Assets not being depreciated:				
Land	\$ 5,813,261	\$ 12,002	\$ -	\$ 5,825,263
Construction in Progress	-	2,870,455	-	2,870,455
Total Capital Assets not being depreciated	5,813,261	2,882,457	-	8,695,718
Capital Assets being depreciated:				
Buildings and Improvements	12,763,105	83,749	-	12,846,854
Furniture and Equipment	1,200,903	198,122	-	1,399,025
Total Capital Assets being depreciated	13,964,008	281,871	-	14,245,879
Total Capital Assets	19,777,269	3,164,328	-	22,941,597
Less Accumulated Depreciation:				
Buildings and Improvements	2,009,403	297,366	-	2,306,769
Furniture and Equipment	450,089	54,302	-	504,391
Total Accumulated Depreciation	2,459,492	351,668	-	2,811,160
Governmental Activities Capital Assets, Net	\$ 17,317,777	\$ 2,812,660	\$ -	\$ 20,130,437

Assets consisting of land and building in the amount of \$4,285,000 have been pledged as collateral for the certificates of participation described in Note 9.

Depreciation expense was charged to governmental functions as follows:

<b>Governmental Activities</b>	
Instruction	\$ 245,081
School site administration	29,901
Home-to-school transportation	8,803
Food services	5,490
All other pupil services	4,469
All other general administration	25,943
Plant services	30,438
Ancillary Services	326
Unallocated	1,217
Total Depreciation Expenses Governmental Activities	\$ 351,668

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

### NOTE 6 – INTERFUND TRANSACTIONS

#### Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances at June 30, 2004, between major and nonmajor governmental funds are as follows:

	Due From		
	Nonmajor		
Due To General	\$ 85,000	\$ 31,381	\$ 116,381
Total	<u>\$ 85,000</u>	<u>\$ 31,381</u>	<u>\$ 116,381</u>

All remaining balances resulted from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transaction are recorded in the accounting system, and (3) payments between funds are made.

#### Operating Transfers

Interfund transfers for the year ended June 30, 2004, consisted of the following:

Transfer To	Transfer from			Total
	General	Capital Facilities	Nonmajor Governmental	
General	\$ -	\$ -	\$ 124,616	\$ 124,616
Capital Facilities	-	-	73,127	73,127
Nonmajor governmental	33,615	68,680	17,891	120,186
Total	<u>\$ 33,615</u>	<u>\$ 68,680</u>	<u>\$ 215,634</u>	<u>\$ 317,929</u>

The General Fund transferred to the Cafeteria Fund to cover operating expenses.	\$ 39,616
The General Fund transferred to the Deferred Maintenance Fund for District contribution.	45,000
The General Fund transferred to the Pupil Transportation fund for the future purchase of a Bus.	40,000
The Special Reserve Fund for Capital Outlay Projects transferred to the Deferred Maintenance Fund for the reconciliation of the Federal Renovation Grant	17,891
The Special Reserve Fund for Capital Outlay Projects transferred to the General Fund for the reconciliation of the Federal Renovation Grant	33,615
The State School Building/Lease Fund transferred to the Capital Facilities fund to close out the State School Building Projects.	68,680
The Capital Facilities fund transferred to the Special Reserve fund for Capital Outlay Projects for the reconciliation of the Federal Renovation Grant.	73,127
Total	<u>\$ 317,929</u>

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

### NOTE 7 – ACCOUNTS PAYABLE

Accounts payable at June 30, 2004, consisted of the following:

	General	Capital Facilities	Nonmajor Governmental	Total
Vendor payables	\$ 274,841	\$ 518,589	\$ 6,190	\$ 799,620
Salaries and benefits	68,893	-	307	69,200
Other significant payables	10,968	-	-	10,968
Total	<u>\$ 354,702</u>	<u>\$ 518,589</u>	<u>\$ 6,497</u>	<u>\$ 879,788</u>

### NOTE 8 – DEFERRED REVENUE

Deferred revenue at June 30, 2004, consists of the following:

	General	Capital Facilities	Nonmajor Governmental	Total
Federal financial assistance	\$ 22,624	\$ -	\$ -	\$ 22,624
State categorical aid	6,880	-	-	6,880
Total	<u>\$ 29,504</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,504</u>

### NOTE 9 – LONG-TERM LIABILITIES

#### Long-Term Debt Summary

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

	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004	Due in One Year
Certificates of participation	\$ -	\$ 4,285,000	\$ -	\$ 4,285,000	\$ -
Accumulated vacation - net	11,876	398	-	12,274	-
Capital leases	146,849	22,121	45,889	123,081	48,642
Other general long-term	-	2,287,000	1,096,067	1,190,933	-
	<u>158,725</u>	<u>6,594,519</u>	<u>1,141,956</u>	<u>5,611,288</u>	<u>48,642</u>
Premiums/(discounts), net of amortization	-	(147,891)	-	(147,891)	(5,916)
	<u>\$ 158,725</u>	<u>\$ 6,446,628</u>	<u>\$ 1,141,956</u>	<u>\$ 5,463,397</u>	<u>\$ 42,726</u>

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

### Certificates of Participation

In May 2004, the District issued certificates of participation in the amount of \$4,285,000 with interest rates ranging from 3 to 5 percent. As of June 30, 2004, the principal balance outstanding was \$4,285,000. The certificates mature through September 1, 2029 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2005	\$ -	\$ 35,925	\$ 35,925
2006	105,000	193,033	298,033
2007	105,000	189,883	294,883
2008	110,000	186,733	296,733
2009	115,000	183,433	298,433
2010-2014	625,000	857,428	1,482,428
2015-2019	765,000	718,203	1,483,203
2020-2024	960,000	521,503	1,481,503
2025-2029	1,220,000	259,250	1,479,250
2030	280,000	14,000	294,000
Total	<u>\$ 4,285,000</u>	<u>\$ 3,159,388</u>	<u>\$ 7,444,388</u>

### Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2004, amounted to \$12,275.

### Capital Leases

The District has entered into various capital lease arrangements and has recorded capital assets in the amount of \$229,623 with corresponding accumulated depreciation of \$48,435 at June 30, 2004. The District's liability on lease agreements with options to purchase are summarized below:

Balance, July 1, 2003	\$ 146,849
Additions	22,121
Payments	45,889
Balance, June 30, 2004	<u>\$ 123,081</u>

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2005	\$ 56,027
2006	56,027
2007	23,345
Total	135,399
Less: Amount Representing Interest	12,318
Present Value of Minimum Lease Payments	<u>\$ 123,081</u>

### Guaranteed Minimum Contract

The District entered into a guaranteed minimum contract with Edge Construction to finance a portion of the construction of a new school for \$2,287,000. The District leased the Traina school site to Edge Construction for \$1. The developer then leases the site back to the school for a maximum of \$80,000 per month for 28 months with a final payment of \$47,000. The developer only bills the District for the amount of the progress payments due on the construction. As of June 30, 2004 the amount payable to the contractor that was owed under this contract was \$1,190,933.

### NOTE 10 – FUND BALANCES

Fund balances reservations/designations are composed of the following elements:

	General	Capital Facilities Fund	Nonmajor Governmental	Total
Reserved				
Revolving cash	\$ 5,000	\$ -	\$ 30	\$ 5,030
Stores inventory	-	-	3,015	3,015
Prepaid expenditures	-	-	-	-
Restricted programs	340,235	-	-	340,235
Total Reserved	<u>345,235</u>	<u>-</u>	<u>3,045</u>	<u>348,280</u>
Unreserved				
Designated				
Economic uncertainties	318,951	-	-	318,951
Other designation	487,539	9,854,611	1,001,480	11,343,630
Total Designated	<u>806,490</u>	<u>9,854,611</u>	<u>1,001,480</u>	<u>11,662,581</u>
Undesignated	1,243,667	-	-	1,243,667
Total Unreserved	<u>2,050,157</u>	<u>9,854,611</u>	<u>1,001,480</u>	<u>12,906,248</u>
Total	<u>\$ 2,395,392</u>	<u>\$ 9,854,611</u>	<u>\$ 1,004,525</u>	<u>\$ 13,254,528</u>

# **JEFFERSON ELEMENTARY SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004**

---

### **NOTE 11 – POSTEMPLOYMENT BENEFITS**

The District provides postemployment health care benefits, in accordance with District employment contracts, to all employees who retire from the District on or after attaining age 62 to 70 depending on agreement with at least 25 years of service. Currently, 3 employees meet those eligibility requirements. The District contributes based on the individual contractually determined percentage of the amount of premiums incurred by retirees and their dependents. Expenditures for postemployment benefits are recognized on a pay-as-you-go basis, as premiums are paid. During the year, expenditures of \$19,076 were recognized for retirees' health care benefits.

The accumulated future liability as of April 1, 2003, the date of the most recent actuarial study, amounts to approximately \$1,250,000 for both retired and active employees.

### **NOTE 12 - RISK MANAGEMENT**

#### **Property and Liability**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2004, the District contracted with San Joaquin County Schools Insurance Group for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

#### **Workers' Compensation**

For fiscal year 2004, the District participated in the San Joaquin County Schools Workers' Compensation (SJCSWC), an insurance purchasing pool. The intent of the SJCSWC is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the SJCSWC. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the SJCSWC. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of each participated school districts. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the SJCSWC.

#### **Employee Medical Benefits**

The District has contracted with the Self Insured Schools of California Health Benefits Trust to provide employee medical and surgical benefits. The Self Insured Schools of California Health Benefits Trust is a shared risk pool comprised of Districts within California. Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating Districts. Claims are paid for all participants regardless of claims flow. The Board of Directors has a right to return monies to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool.

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

Coverage provided by San Joaquin County Schools Worker's Compensation and San Joaquin County Schools Property & Liability for property and liability and workers' compensation is as follows:

Insurance Program / Company Name	Type of Coverage	Limits
<u>Workers' Compensation Program</u> San Joaquin County Schools Workers' Compensation	Workers' Compensation	State Statutory Limits
<u>Property and Liability Program</u> San Joaquin County Schools Property & Liability	Property and Liability	\$ 1,000 per incident

### NOTE 13 – EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer contributory retirement 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 Public Employees' Retirement System (PERS).

#### STRS

##### Plan Description

The District contributes to the California 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 and disability benefits 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 STRS, 7667 Folsom Blvd., Sacramento, CA 95826.

##### Funding Policy

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2003-2004 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to STRS for the fiscal years ending June 30, 2004, 2003, and 2002, were \$414,251, \$356,826, and \$323,305, respectively, and equal 100 percent of the required contributions for each year.

# **JEFFERSON ELEMENTARY SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004**

---

### **PERS**

#### **Plan Description**

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

#### **Funding Policy**

Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2003-2004 was 10.42 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2004 and 2003, were \$18,615 and \$32,042, respectively, and equal 100 percent of the required contributions for each year. The district was not required to make a contribution for the fiscal year ending June 30, 2002.

#### **On Behalf Payments**

The State of California makes contributions to STRS and PERS on behalf of the District. These payments consist of State General Fund contributions to STRS in the amount of \$113,492 (2.280 percent of salaries subject to STRS) and during the current fiscal year mandated costs were reduced to zero, therefore, there was no on-behalf rate to report and no on-behalf PERS benefit mandated costs to report. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures, however, guidance received from the California Department of Education advises local educational agencies not to record these amounts in the Annual Financial and Budget Report. These amounts have been recorded in these financial statements.

### **NOTE 14 - COMMITMENTS AND CONTINGENCIES**

#### **Grants**

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2004.



# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

---

### Construction Commitments

As of June 30, 2004, the District had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECT	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Modernization at Thomas Hawkins and Construction of Traina Elementary	<u>\$ 1,110,943</u>	09/30/04

### NOTE 15 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWER AUTHORITIES

The District is a member of the San Joaquin County Schools Workers' Compensation Group, San Joaquin County Schools Property and Liability Insurance Group public entity risk pools, Tracy Area Public Facilities Financing Agency (TAPFFA) joint powers agency, and the San Joaquin County Schools Data Processing Group. The District pays an annual premium to the applicable entity for its health, workers' compensation, legal services, data processing, and property liability coverage. The relationships between the District, and the JPA's are such that they are not component units of the District for financial reporting purposes.

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are available from the respective entities.

<b>A. <u>Entity</u></b>	San Joaquin County Schools Workers' Compensation Insurance Group  (SJCSWCIG)	San Joaquin County Schools Property and Liability Insurance Group  (SJCSPLIG)	San Joaquin County Schools Data Processing  (SJCSDDPC)	Tracy Area Public Facilities Financing Agency  (TAPFFA)
<b>B. <u>Purpose</u></b>	Provide workers' compensation insurance	Provide property and liability insurance	Contract for data processing	Forming a Community Facilities District
<b>C. <u>Participants</u></b>	School districts/ county office in San Joaquin County	School districts/ county office in San Joaquin County	School districts/ county office in San Joaquin County	School districts/ county office in San Joaquin County
<b>D. <u>Governing Board</u></b>	One member from each participating districts	One member from each participating districts	One member from each participating districts	One member from each participating districts
<b>E. <u>Condensed Audited Financial Information Follows</u></b>				
	June 30, 2003*	June 30, 2003*	June 30, 2003*	June 30, 2003*
Assets	\$ 3,515,885	\$ 424,640	\$ 2,409,333	\$ 96,951,720
Liabilities	177,005	234,149	403,133	53,533,722
Fund Equity	\$ 3,338,880	\$ 190,491	\$ 2,006,200	\$ 43,417,998
Revenues	6,739,772	751,537	2,522,184	5,245,741
Expenses	6,468,896	716,909	2,426,942	4,998,864
Net Increase in Fund Equity	\$ 270,876	\$ 34,628	\$ 95,242	\$ 246,877
<b>F. <u>Payments for the Current Year</u></b>	\$ 195,504	\$ 55,258	\$ 46,945	Not Applicable

\*Most recent information available.

---

*REQUIRED SUPPLEMENTARY INFORMATION*

---

*This page left blank intentionally.*

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2004

	Budgeted Amounts (GAAP Basis)		Actual (GAAP Basis)	Variances - Positive (Negative)
	Original Unaudited	Final Unaudited		Final to Actual
<b>REVENUES</b>				
Revenue limit sources	\$7,761,157	\$ 8,412,282	\$ 8,412,265	\$ (17)
Federal sources	174,117	202,809	202,792	(17)
Other state sources	1,242,902	1,618,288	1,618,277	(11)
Other local sources	583,398	812,723	812,729	6
<b>Total Revenues</b>	<u>9,761,574</u>	<u>11,046,102</u>	<u>11,046,063</u>	<u>(39)</u>
<b>EXPENDITURES</b>				
Current				
Instruction	6,451,883	7,549,473	7,549,162	311
Instruction related activities:				
Supervision of instruction	17,690	28,182	28,172	10
Instructional library, media, and technology	99,496	142,937	142,916	21
School site administration	722,269	736,148	736,092	56
Pupil services:				
Home-to-school transportation	210,063	259,275	259,260	15
All other pupil services	96,942	147,634	147,605	29
General administration:				
Data processing	46,945	46,945	46,945	-
All other general administration	733,467	762,308	762,270	38
Plant services	802,997	826,464	826,422	42
Facility acquisition and construction	97,057	97,057	97,057	-
Ancillary services	9,902	9,895	9,887	8
Other uses	138,661	36,912	36,912	-
<b>Total Expenditures</b>	<u>9,427,372</u>	<u>10,643,230</u>	<u>10,642,700</u>	<u>530</u>
<b>Excess (Deficiency) of Revenues</b>	<u>334,202</u>	<u>402,872</u>	<u>403,363</u>	<u>491</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	33,615	33,615	-
Other sources	-	22,120	22,120	-
Transfers out	(152,789)	(124,616)	(124,616)	-
<b>Net Financing Sources (Uses)</b>	<u>(152,789)</u>	<u>(68,881)</u>	<u>(68,881)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>181,413</u>	<u>333,991</u>	<u>334,482</u>	<u>491</u>
<b>Fund Balance - Beginning</b>	<u>2,060,910</u>	<u>2,060,910</u>	<u>2,060,910</u>	<u>-</u>
<b>Fund Balance - Ending</b>	<u>\$2,242,323</u>	<u>\$ 2,394,901</u>	<u>\$ 2,395,392</u>	<u>\$ 491</u>

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

***This page left blank intentionally.***

---

*SUPPLEMENTARY INFORMATION*

---

***This page left blank intentionally.***



**JEFFERSON ELEMENTARY SCHOOL DISTRICT****SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2004**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed through California Department of Education (CDE):			
Title IV- Drug Free Schools	84.184	[1]	\$ 6,854
Title II- Eisenhower Elementary and Secondary Education Act	84.164	03207	17,478
Title I - Basic	84.010	03797	36,040
Title VI	84.151	03340	3,929
Title III			11,234
Special Education - State Grants			
Local Assistance	84.027	03379	110,288
Low Incidence	84.027	03459	170
Preschool Local Entitlement	84.027	03682	10,646
Personnel Development	84.027	03613	255
Federal Preschool	84.027	03430	5,898
Total U.S. Department of Education	84.027	03379	<u>202,792</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through CDE:			
Basic School Breakfast Program	10.553	03525	8,639
National School Lunch	10.555	03755	78,944
Fair Market Value of Commodities	10.550	[1]	46,619
Total U.S. Department of Agriculture			<u>134,202</u>
Total Expenditures of Federal Awards			<u>\$ 336,994</u>

See accompanying note to supplementary information.

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## SCHEDULE OF AVERAGE DAILY ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2004

	Second Period Report	Annual Report
ELEMENTARY		
Kindergarten	215	217
First through third	609	615
Fourth through sixth	608	612
Seventh and eighth	367	368
Home and hospital	1	1
Special education	9	10
Total Elementary	1,808	1,823
		Hours of Attendance
SUMMER SCHOOL		
Elementary		29,698
Total Hours		29,698

See accompanying note to supplementary information.

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2004

---

Grade Level	1982-83	1986-87	2003-04	Number of Days		Status
	Actual Minutes	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	35,670	36,000	42,525	180	-	In Compliance
Grades 1 - 3	45,490	50,400	50,400	180	-	In Compliance
Grades 4 - 8	60,030	54,000	60,960	180	-	In Compliance

See accompanying note to supplementary information.

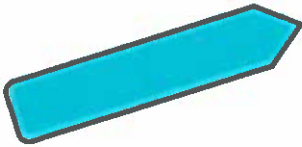
# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2004

---

The following adjustments were made to the Annual Financial and Budget Report Unaudited Actuals, which required reconciliation to the audited financial statements at June 30, 2004.

	<u>Capital Facilities</u>
FUND BALANCE	
Balance, June 30, 2004, Unaudited Actuals	\$ 5,854,611
Increase in:	
Cash with fiscal agent	<u>4,000,000</u>
Balance, June 30, 2004, Audited Financial Statement	<u>\$ 9,854,611</u>



See accompanying note to supplementary information.

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2004

	(Budget) 2005 <sup>1</sup>	2004	2003	2002
<b>GENERAL FUND</b>				
Revenues <sup>4</sup>	\$ 12,484,415	\$ 10,932,571	\$ 9,498,336	\$ 8,235,938
Other sources	-	55,735	-	217,686
Total Revenues and Other Sources	12,484,415	10,988,306	9,498,336	8,453,624
Expenditures <sup>4</sup>	12,175,610	10,529,208	8,873,701	8,321,854
Other uses and transfers out	176,425	124,616	144,169	110,000
Total Expenditures and Other Uses	12,352,035	10,653,824	9,017,870	8,431,854
INCREASE (DECREASE) IN FUND BALANCE	\$ 132,380	\$ 334,482	\$ 480,466	\$ 21,770
ENDING FUND BALANCE	\$ 2,527,772	\$ 2,395,392	\$ 2,060,910	\$ 1,580,444
AVAILABLE RESERVES <sup>2</sup>	\$ 1,685,856	\$ 1,562,618	\$ 735,993	\$ 779,373
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	13.65%	14.67%	8.16%	9.24%
LONG-TERM DEBT	\$ 5,506,268	\$ 5,463,397	\$ 231,227	\$ 293,468
AVERAGE DAILY ATTENDANCE AT P-2 <sup>3</sup>	2,047	1,808	1,504	1,320

The General Fund balance has increased by \$814,948 over the past two years. The fiscal year 2004-05 budget projects a further increase/decrease of \$132,380 (6 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in all three of the past three years and anticipates incurring an operating surplus during the 2004-05 fiscal year. Total long-term debt has increased by \$5,169,929 over the past two years, primarily due to the issuance of \$4,285,000 of certificates of participation in 2003-2004.

Average daily attendance has increased by 488 over the past two years. Additional growth of 239 ADA is anticipated during fiscal year 2004-05.

<sup>1</sup> Budget 2005 is included for analytical purposes only and has not been subjected to audit.

<sup>2</sup> Available reserves consist of all undesignated fund balances and all funds designated for economic uncertainty contained within the General Fund.

<sup>3</sup> Excludes Adult Education ADA.

<sup>4</sup> Excludes on behalf STRS payment of \$113,492 for 2004 calculation of reserves.

See accompanying note to supplementary information.

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## NON-MAJOR GOVERNMENTAL FUNDS

### BALANCE SHEET (UNAUDITED)

JUNE 30, 2004

	Cafeteria Fund	Deferred Maintenance Fund	Pupil Transportation Fund	County School Facilities Fund
<b>ASSETS</b>				
Deposits and investments	\$ 18,082	\$ 255,742	\$ 42,510	\$ 471,006
Receivables	14,113	717	121	1,352
Due from other funds	-	45,000	40,000	-
Stores inventories	3,015	-	-	-
<b>Total assets</b>	<b>\$ 35,210</b>	<b>\$ 301,459</b>	<b>\$ 82,631</b>	<b>\$ 472,358</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 784	\$ 4,073	\$ -	\$ 1,640
Due to other funds	31,381	-	-	-
<b>Total liabilities</b>	<b>32,165</b>	<b>4,073</b>	<b>-</b>	<b>1,640</b>
<b>Fund Balances:</b>				
Reserved for:				
Stores inventories	3,015	-	-	-
Other reservations	30	-	-	-
Unreserved:				
Designated	-	297,386	82,631	470,718
<b>Total fund balance</b>	<b>3,045</b>	<b>297,386</b>	<b>82,631</b>	<b>470,718</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 35,210</b>	<b>\$ 301,459</b>	<b>\$ 82,631</b>	<b>\$ 472,358</b>

See accompanying note to supplementary information.

---

Special Reserve Capital Outlay Fund	Capital Project Blended Component Unit	Non Major Governmental Funds
\$ 127,440	\$ 22,812	\$ 937,592
428	65	16,796
-	-	85,000
-	-	3,015
<u>\$ 127,868</u>	<u>\$ 22,877</u>	<u>\$ 1,042,403</u>
\$ -	-	\$ 6,497
-	-	31,381
<u>-</u>	<u>-</u>	<u>37,878</u>
-	-	3,015
-	-	30
127,868	22,877	1,001,480
<u>127,868</u>	<u>22,877</u>	<u>1,004,525</u>
<u>\$ 127,868</u>	<u>\$ 22,877</u>	<u>\$ 1,042,403</u>

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## NON-MAJOR GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (UNAUDITED) FOR THE YEAR ENDED JUNE 30, 2004

	Cafeteria Fund	Deferred Maintenance Fund	Pupil Transpiration Fund	State School Building Fund
<b>REVENUES</b>				
Federal sources	\$ 134,202	\$ -	\$ -	\$ -
Other state sources	4,032	16,038	-	57,546
Other local sources	394,396	2,324	369	1,356
<b>Total Revenues</b>	<b>532,630</b>	<b>18,362</b>	<b>369</b>	<b>58,902</b>
<b>EXPENDITURES</b>				
Current				
Pupil Services:				
Food services	570,863	-	-	-
Plant services	-	14,202	-	-
Facility acquisition and construction	-	-	-	-
<b>Total Expenditures</b>	<b>570,863</b>	<b>14,202</b>	<b>-</b>	<b>-</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(38,233)</b>	<b>4,160</b>	<b>369</b>	<b>58,902</b>
<b>Other Financing Sources (Uses):</b>				
Transfers in	39,616	62,891	40,000	-
Transfers out	-	-	-	(68,680)
<b>Net Financing Sources (Uses)</b>	<b>39,616</b>	<b>62,891</b>	<b>40,000</b>	<b>(68,680)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>1,383</b>	<b>67,051</b>	<b>40,369</b>	<b>(9,778)</b>
<b>Fund Balance - Beginning</b>	<b>1,662</b>	<b>230,335</b>	<b>42,262</b>	<b>9,778</b>
<b>Fund Balance - Ending</b>	<b>\$ 3,045</b>	<b>\$ 297,386</b>	<b>\$ 82,631</b>	<b>\$ -</b>

See accompanying note to supplementary information.



<b>County School Facilities Fund</b>	<b>Special Reserve Capital Fund</b>	<b>Capital Project Blended Component Unit</b>	<b>Nonmajor Governmental Funds</b>
\$ -	\$ -	\$ -	\$ 134,202
-	-	-	77,616
5,352	1,498	242	405,537
5,352	1,498	242	617,355
-	-	-	570,863
-	20,634	-	34,836
100,877	10,127	-	111,004
100,877	44,947	-	730,889
(95,525)	(43,449)	242	(113,534)
-	73,127	-	215,634
-	(51,506)	-	(120,186)
-	21,621	-	95,448
(95,525)	(21,828)	242	(18,086)
566,243	149,696	22,635	1,022,611
\$ 470,718	\$ 127,868	\$ 22,877	\$ 1,004,525

# **JEFFERSON ELEMENTARY SCHOOL DISTRICT**

## **NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2004**

---

### **NOTE 1 - PURPOSE OF SCHEDULES**

#### **Schedule of Expenditures of Federal Awards**

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

#### **Schedule of Average Daily Attendance (ADA)**

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

#### **Schedule of Instructional Time**

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirement, whichever is greater, as required by Education Code Section 46201.

#### **Schedule of Financial Trends and Analysis**

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

#### **Non-major Governmental Funds – Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance (Unaudited)**

The Non-major Governmental Funds Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance is included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance.

---

*INDEPENDENT AUDITORS' REPORTS*

---

***This page left blank intentionally.***



**INDEPENDENT AUDITORS' 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  
Jefferson Elementary School District  
Tracy, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jefferson Elementary School District as of and for the year ended June 30, 2004, and have issued our report thereon dated September 17, 2004. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Jefferson Elementary School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Jefferson Elementary School District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Financial Statement Findings as item 2004-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Jefferson Elementary School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those

provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Governing Board, management, the California Department of Education, the State Controller's Office, Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinek, Tiine, Day & Co LLP

Pleasanton, California

September 17, 2004



## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Governing Board  
Jefferson Elementary School District  
Tracy, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jefferson Elementary School District as of and for the year ended June 30, 2004, and have issued our report thereon dated September 17, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Controller'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 the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The management of Jefferson Elementary School District is responsible for the District's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records to determine the Jefferson Elementary School District's compliance with the State laws and regulations applicable to the following items:

	Procedures in Controller's Audit Guide	Procedures Performed
Attendance accounting		
Attendance reporting	6	Yes
Kindergarten continuance	3	Yes
Independent study	22	Not applicable
Continuation education	10	Not applicable
Adult education	9	Not applicable
Regional occupational centers and programs	6	Not applicable
Instructional time and staff development reform program	7	Yes
Instructional Time:		
School districts	4	Yes
County Offices of Education	3	Not applicable
Community day schools	9	None

	Procedures in Controller's Audit Guide	Procedures Performed
Class size reduction program:		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	Not applicable
District or charter schools with only one school servicing K-3	4	Not applicable
Instructional Materials:		
General requirements	9	Yes
K-8 only	1	Yes
9-12 only	1	Not applicable
Ratios of Administrative Employees to Teachers	1	Yes
Early retirement incentive	4	Not applicable
GANN limit calculation	1	Yes
Office of Criminal Justice Planning	-	Not applicable

We did not perform testing for Community Day School because the District's ADA was below the minimum threshold for testing as prescribed by the State Controller's *Standards and procedures for Audits of California K-12 Local Educational Agencies*.

Based on our audit, we found that for the items tested, the Jefferson Elementary School District complied with the State laws and regulations referred to above, except as described in the Schedule of State Award Findings and Questioned costs included in this report. Further, based on our audit, for items not tested, nothing came to our attention to indicate that the Jefferson Elementary School District had not complied with the laws and regulations, except as described in the Schedule of State Award Findings and Questioned Costs included in this report.

This report is intended solely for the information and use of the Governing Board, management, the California Department of Education, the State Controller's Office, Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Vavrinek, Tine, Day & Co LLP*

Pleasanton, California  
September 17, 2004



---

***SCHEDULE OF FINDINGS AND QUESTIONED COSTS***

---

*This page left blank intentionally.*

## SUMMARY OF AUDITORS' RESULTS FOR THE YEAR ENDED JUNE 30, 2004

**Unqualified**

## Material weaknesses identified?

No

**Reporting conditions identified not considered to be material weaknesses?**

**Yes**

**Noncompliance material to financial statements noted?**

No

### Material weaknesses identified?

N/A

**Reporting conditions identified not considered to be material weaknesses?**

N/A

Type of auditors' report issued on compliance for major programs:

N/A

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)

N/A

**Identification of major programs:**

CFDA Number(s)

Name of Federal Program or Cluster

**Not Applicable**

Not Applicable

**Dollar threshold used to distinguish between Type A and Type B programs:**

§

**Auditee qualified as low-risk auditee?**

N/A

**Internal control over State programs:**

### Material weaknesses identified?

No

**Reporting conditions identified not considered to be material weaknesses?**

**Yes**

Type of auditors' report issued on compliance for State programs:

**Qualified**

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2004

---

The following findings represent reportable conditions, material weaknesses, and/or instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. The findings have been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
20000	Inventory of Equipment
30000	Internal Control
60000	Miscellaneous

### 2004-1 Code (60000)

#### Criteria or specific requirements

Strong internal controls over accounting systems include review and approval of all transactions by a person other than the one initiating the entries.

#### Condition

In reviewing the journal entry processing activity we noted that journal entries are not supported by an adjusting entries report that documents the description of the entry and who prepared, approved or posted the entry.

#### Questioned costs

None.

#### Context

We reviewed eleven journal entries prepared throughout the year and were unable to locate any adjusting journal entry reports supporting those entries.

#### Effect

The lack of support for journal entries results in not ensuring that there are adequate segregation of duties and adequate monitoring being performed on all transactions that affect the general ledger.

#### Cause

Small district with limiting District office staff available often results in less opportunities for adequate separate of duties.

#### Recommendation

The District should improve documentation procedures supporting all journal entries posted to the accounting system and ensure that reports are maintained indicating the purpose of each journal entry, who initiated it, who approved it, and who posted it to the general ledger. Due to the small size of the District staff it may be appropriate to have the business manager initiate and post the entries and print a monthly report of all journal entry transactions and have the Superintendent review and document that review by initialing the report on a monthly basis.

#### District Response

Due to the staff size of the Business Office, it is difficult to segregate all financial duties to the level recommended by the auditor. In order to address the adequate monitoring of journal entries, the Business Manager will review with Superintendent on a monthly basis all journal entries posted to the financial system.

**JEFFERSON ELEMENTARY SCHOOL DISTRICT**

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2004**

---

There were no findings that represent reportable conditions, material weaknesses, and instances of noncompliance or questioned costs that are required to be reported by OMB Circular A-133.

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## SUMMARY SCHEDULE OF STATE COMPLIANCE FINDINGS FOR THE YEAR ENDED JUNE 30, 2004

---

The following findings represent instances of noncompliance and questioned costs relating to State program laws and regulations. The findings have been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
10000	Attendance
40000	State Compliance

### 2004-2 Code (40000)

#### Criteria or specific requirements

State regulations over the class size reduction program require submission of an accurate form J-7, CSR to report the pupils enrolled in each class size under this program.

#### Condition

In verifying the class sizes being reported on the form J-7, we noted that the District had reported one second grade student on the wrong line of the form.

#### Questioned costs

None. The total number of students enrolled did not change. The funds received per student are the same if they are in a class of 19 or a class of 20, therefore, there was no change to the program funding.

#### Context

The form J-7 CSR reported 3 classes with 19 students enrolled and 8 classes with 20 students enrolled for a total of 50 students. When comparing the form to the site enrollment summaries, we noted that there were actually 4 classes with 19 students enrolled and 7 classes with 20 students enrolled for a total of 50 students.

#### Effect

The data on the form was too low on one line and too high on another.

#### Cause

Supporting enrollment summaries for grade two do not match information entered on the form J-7 CSR.

#### Recommendation

The District needs to revise and resubmit the form J-7 CSR with the corrections indicated.

#### District Response

The District has revised and resubmitted the form J-7 CSR to the state.

**JEFFERSON ELEMENTARY SCHOOL DISTRICT**

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2004**

---

There were no audit findings reported in the prior year's schedule of financial statement findings.

