

**JEFFERSON ELEMENTARY  
SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT  
JUNE 30, 2006**



**JEFFERSON ELEMENTARY SCHOOL DISTRICT**  
**OF SAN JOAQUIN COUNTY**  
**TRACY, CALIFORNIA**  
**JUNE 30, 2006**

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**GOVERNING BOARD**

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Michelle Mercer	President	2006
Debbie Wingo	Vice President	2008
Pete Carlson	Clerk	2008
Todd Wetherell	Member	2006
Dan Wells	Member	2006

**ADMINISTRATION**

Ed Quinn	Superintendent
Dana Taylor	Business Manager



# JEFFERSON ELEMENTARY SCHOOL DISTRICT

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JUNE 30, 2006

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*FINANCIAL SECTION*

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## 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 Jefferson Elementary School District (the "District") as of and for the year ended June 30, 2006, 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 2005-06*, issued by the California Education Audit Appeals Panel as regulations. 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Jefferson Elementary School District, as of June 30, 2006, and the respective changes in financial position 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 December 8, 2006, 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 conjunction with this report in considering the results of our audit.

The required supplementary information, such as management's discussion and analysis on pages 4 through 11 and budgetary comparison information on page 46, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. 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 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 unaudited supplementary information listed in the table of contents, including the Combining Statements - Non-Major Governmental Funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has 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, Trine, Day & Co LLP  
Pleasanton, California  
December 8, 2006

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2006

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This section of Jefferson Elementary School District's 2005-2006 annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2006. Please read it in conjunction with the District's financial statements, which immediately follow this section. A comparative analysis has been included in this financial statement in accordance with the Governmental Accounting Standards Board Statement (GASB) No. 34.

### **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).

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 have a Mello Roos Capital Facilities District Component Unit.

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

Total revenue and income received for 2005-06 was \$23.9 million (13.4% more than 2004-05). Jefferson School District receives 76% of its revenue from the State based on the Revenue Limit. The remaining 24% comes from Lottery, State and Federal grants, and interest income.

Jefferson School District surpassed its goal and reported a final ADA of 2,217.60. Budget adoption ADA was 2,157, an increase of 60 ADA.

All Certificated, Classified, and Administrative employees received a two year agreement during school year 04-05, which was 4% increase to salaries for 04-05, and 2% effective July 2005 for school year 2005-06.

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2006

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

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

The *Statement of Net Assets* and the *Statement of Activities* 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*, 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** - All 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.

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2006

**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 \$44 million and \$35.4 million for the fiscal years ended June 30, 2006 and 2005, respectively. Of this amount, \$3.9 million and \$2.9 million were unrestricted for 2006 and 2005. 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	
	2006	2005
Current and other assets	\$ 12.3	\$ 14.8
Capital assets	36.6	27.8
<b>Total Assets</b>	<b>48.9</b>	<b>42.6</b>
Current liabilities	0.7	3.1
Long-term debt	4.2	4.1
<b>Total Liabilities</b>	<b>4.9</b>	<b>7.2</b>
Net assets		
Invested in capital assets, net of related debt	32.1	22.8
Restricted	8.0	9.7
Unrestricted	3.9	2.9
<b>Total Net Assets</b>	<b>\$ 44.0</b>	<b>\$ 35.4</b>

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2006

The \$3.9 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 \$3.9 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 page 13. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues and expenses for the year.

Table A-2

	Governmental Activities	
	2006	2005
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 0.5	\$ 0.5
Operating grants and contributions	1.8	1.7
Capital grants and contributions	6.4	4.1
General revenues:		
Federal and state aid not restricted	9.4	8.2
Property taxes	3.2	2.9
Other general revenues	2.9	3.9
<b>Total Revenues</b>	<b>24.2</b>	<b>21.3</b>
<b>Expenses</b>		
Instruction related	11.1	10.3
Pupil services	1.2	1.1
Administration	1.5	1.1
Maintenance and operations	1.6	1.2
Other	0.3	0.3
<b>Total Expenses</b>	<b>15.7</b>	<b>14.0</b>
<b>Change in Net Assets</b>	<b>\$ 8.5</b>	<b>\$ 7.3</b>

### Governmental Activities

As reported in the Statement of Activities on page 13, the cost of all of our governmental activities for the years ended June 30, 2006 and 2005 were \$15.7 million and \$14.0 million, respectively. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$3.2 million and \$2.9 million, respectively, because the cost was paid by those who benefited from the programs (\$0.5 million for both years) or by other governments and organizations who subsidized certain programs with grants and contributions (\$1.8 million and \$1.7 million, respectively). We paid for the remaining "public benefit" portion of our governmental activities with \$9.4 million and \$8.2 million, respectively, in other federal and state sources, and \$2.9 million and \$3.9 million, respectively, in other revenues, like interest and general entitlements.

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2006

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**

	Governmental Activities	
	2006	2005
Instruction	\$ 3.4	\$ 5.0
Pupil services	0.3	0.2
Administration	1.5	1.1
Maintenance and operations	1.5	1.1
Other	0.3	0.3
<b>Totals</b>	<b>\$ 7.0</b>	<b>\$ 7.7</b>

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

As the District completed this year, our governmental funds reported a combined fund balance of \$11.7 million, which is a decrease of \$0.7 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 \$1.34 million to \$4.4 million. This increase is due to:
  1. Increased enrollment
  2. Increased State revenue
- b. Our special revenue funds remained stable from the prior year.

### **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 12, 2006. (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 46).

The District originally projected revenues of approximately \$13.9 million. The revised budget projected revenues of \$14.7 million, an increase of approximately \$0.8 million.

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

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2006

### *CAPITAL ASSET & DEBT ADMINISTRATION*

#### Capital Assets

At June 30, 2006, the District had \$36.6 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 0.94 million dollars

Table A-4

(Amounts in millions)

	Governmental Activities	
	2006	2005
Land	\$ 5.8	\$ 5.8
Construction in Progress	14.2	6.9
Buildings and improvements	15.7	13.7
Equipment	0.9	0.8
<b>Totals</b>	<b>\$ 36.6</b>	<b>\$ 27.2</b>

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

Traina School Phase II - Construction in Progress	\$ 8.5	\$ 3.9
Hawkins School Classroom Wings	0.6	\$ 1.3

This years additions of \$9.4 million included classroom equipment and building improvements as noted above. We issued \$12.9 million in Guaranteed Maximum Price Lease Agreement to pay for Phase II of the Traina construction costs.

There was one major capital projects completed during the 2005-06 year, which is the expansion of the 7<sup>th</sup> & 8<sup>th</sup> grade classroom wings at Tom Hawkins School. There was one other on-going major capital project remaining, which is the Anthony Traina Phase II construction. More detailed information about our capital assets is presented in Note 4 to the financial statements.



# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2006

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### Long-Term Obligations

As of June 30, 2006, the District had \$4.2 million in certificates of participation outstanding. The Certificates of Participation were issued during the prior year. The District's long term obligations consisted of the following:

**Table A-5**

(Amounts in millions)

	<u>Governmental Activities</u>	
	<u>2006</u>	<u>2005</u>
Certificates of participation	\$ 4.2	\$ 4.3
Capital leases	0.2	0.1
Other	(0.1)	(0.1)
<b>Totals</b>	<b>\$ 4.3</b>	<b>\$ 4.3</b>

Other obligations include compensated absences payable, and bond discounts. We present more detailed information regarding our long-term liabilities in Note 8 of the financial statements.

### ***SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2005-06 ARE NOTED BELOW:***

- Construction of Anthony Traina Elementary School Phase II continued with completion anticipated in August 2006.
- Construction of Tom Hawkins School 7<sup>th</sup> & 8<sup>th</sup> grade wings began in April 2005 and was completed in September, 2005.
- Academic Performance Index (API) Scores:

<u>School</u>	<u>2006 API</u>	<u>2005 API</u>
Tom Hawkins Elementary School	813	817
Monticello Elementary School	834	821
Jefferson Elementary School	795	810
Anthony Traina Elementary School	820	813
<b>Overall</b>	<b>812</b>	<b>813</b>

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2006

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

In considering the District Budget for the 2006-07 year, the District Board and management used the following criteria:

The key assumptions in our revenue forecast are:

1. Revenue limit income.
2. Federal income will decrease slightly due to the elimination of prior year carryover funds.
3. State income will increase by 5.92 percent cost of living adjustments.
4. Charges to other funds are projected to be positive
5. Expenditures are based on the following forecasts:

	<u>Staffing Ratio</u>	<u>Enrollment</u>
Grades kindergarten through third	20:1	1107
Grades four through eight	28:1	1310

The key assumptions in our expenditure forecasts are:

1. Additional certificated and classified staff for 3.9% growth.
2. Step and column movement projected at 2.0%.
3. Decreases for unemployment and workers compensation rates.
4. Health and welfare budgeted at \$8,600 cap.
5. Increase supplies and services for growth.
6. Utilities increased due to opening of the new wings at Hawkins and anticipated opening of Traina Phase II.

### *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

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## STATEMENT OF NET ASSETS

JUNE 30, 2006

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Deposits and investments	\$ 10,935,144
Receivables	1,204,713
Deferred charges	126,141
Stores inventories	2,671
Capital assets not depreciated	19,980,055
Capital assets, net of accumulated depreciation	16,618,917
<b>Total Assets</b>	<b>48,867,641</b>
<b>LIABILITIES</b>	
Accounts payable	353,308
Interest payable	177,359
Deferred revenue	35,625
Current portion of long-term obligations	159,081
Noncurrent portion of long-term obligations	4,179,079
<b>Total Liabilities</b>	<b>4,904,452</b>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	32,119,895
Restricted for:	
Capital projects	6,670,525
Educational programs	603,324
Other activities	655,934
Unrestricted	3,913,511
<b>Total Net Assets</b>	<b>\$ 43,963,189</b>

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

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>					
Instruction	\$ 9,530,685	\$ 18,780	\$ 1,060,921	\$ 6,406,893	\$ (2,044,091)
Instruction-related activities:					
Supervision of instruction	113,045	-	11,480	-	(101,565)
Instructional library, media, and technology	184,714	-	33,842	-	(150,872)
School site administration	1,232,512	494	123,783	-	(1,108,235)
Pupil services:					
Home-to-school transportation	296,917	39,813	153,809	-	(103,295)
Food services	660,700	436,727	210,621	-	(13,352)
All other pupil services	266,106	239	63,990	-	(201,877)
General administration:					
Data processing	69,796	-	-	-	(69,796)
All other general administration	1,408,717	-	21,120	-	(1,387,597)
Plant services	1,580,882	-	57,484	-	(1,523,398)
Ancillary services	14,552	-	-	-	(14,552)
Enterprise services	14,404	-	-	-	(14,404)
Interest on long-term obligations	216,618	-	-	-	(216,618)
Other outgo	78,685	235	58,953	-	(19,497)
<b>Total Governmental-Type Activities</b>	<b>\$ 15,668,333</b>	<b>\$ 496,288</b>	<b>\$ 1,796,003</b>	<b>\$ 6,406,893</b>	<b>(6,969,149)</b>
General revenues and subventions:					
Property taxes, levied for general purposes					3,228,129
Federal and State aid not restricted to specific purposes					9,367,120
Interest and investment earnings					491,529
Miscellaneous					2,405,380
<b>Subtotal, General Revenues</b>					<b>15,492,158</b>
<b>Change in Net Assets</b>					<b>8,523,009</b>
Net Assets - Beginning					35,440,180
Net Assets - Ending					<b>\$ 43,963,189</b>

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

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# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2006

	General Fund	Capital Facilities Fund	County School Facilities Fund
<b>ASSETS</b>			
Deposits and investments	\$ 3,614,611	\$ 6,586,534	\$ 48,040
Receivables	1,086,280	57,720	776
Due from other funds	26,544	-	-
Stores inventories	-	-	-
<b>Total Assets</b>	<b>\$ 4,727,435</b>	<b>\$ 6,644,254</b>	<b>\$ 48,816</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 291,626	\$ 45,464	\$ 3,384
Due to other funds	-	-	-
Deferred revenue	35,625	-	-
<b>Total Liabilities</b>	<b>327,251</b>	<b>45,464</b>	<b>3,384</b>
<b>Fund Balances:</b>			
Reserved for:			
Stores inventories	-	-	-
Other reservations	1,008,324	-	-
Unreserved:			
Designated	1,775,775	6,598,790	-
Undesignated, reported in:			
General fund	1,616,085	-	-
Special revenue funds	-	-	-
Capital projects funds	-	-	45,432
<b>Total Fund Balance</b>	<b>4,400,184</b>	<b>6,598,790</b>	<b>45,432</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 4,727,435</b>	<b>\$ 6,644,254</b>	<b>\$ 48,816</b>

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

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<b>Non Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 625,287	\$ 10,874,472
36,948	1,181,724
-	26,544
2,671	2,671
<u>\$ 664,906</u>	<u>\$ 12,085,411</u>

\$ 17,522	\$ 357,996
26,544	26,544
-	35,625
<u>44,066</u>	<u>420,165</u>

2,671	2,671
30	1,008,354
-	
425,915	8,800,480
-	
-	1,616,085
192,224	192,224
-	45,432
<u>620,840</u>	<u>11,665,246</u>
<u>\$ 664,906</u>	<u>\$ 12,085,411</u>

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS JUNE 30, 2006

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**Total Fund Balance - Governmental Funds** **\$ 11,665,246**

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

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

40,349,237

Accumulated depreciation is

(3,750,265)

36,598,972

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

22,264

Discount relating to issuance of debt are expensed in the governmental funds, but they are capitalized and amortized to operations in the government-wide financial statements.

126,141

In governmental funds, unmatured interest on long-term obligations 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.

(172,671)

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

61,397

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

4,180,000

Discounts on certificates of participation

(136,058)

Capital leases payable

31,754

Compensated absences (vacations)

262,464

(4,338,160)

**Total Net Assets - Governmental Activities**

**\$ 43,963,189**

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



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# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED JUNE 30, 2006

	General Fund	Capital Facilities Fund	County School Facilities Fund
<b>REVENUES</b>			
Revenue limit sources	\$ 11,241,300	\$ -	\$ -
Federal sources	332,944	-	-
Other state sources	2,313,255	-	6,365,314
Other local sources	1,117,799	1,634,993	41,579
<b>Total Revenues</b>	<b>15,005,298</b>	<b>1,634,993</b>	<b>6,406,893</b>
<b>EXPENDITURES</b>			
Current			
Instruction	9,169,112	-	-
Instruction-related activities:			
Supervision of instruction	113,045	-	-
Instructional library, media and technology	184,714	-	-
School site administration	1,181,707	-	-
Pupil services:			
Home-to-school transportation	238,059	-	-
Food services	16,980	-	-
All other pupil services	266,106	-	-
General administration:			
Data processing	69,796	-	-
All other general administration	1,217,247	-	-
Plant services	1,189,968	66,721	-
Facility acquisition and construction	35,786	9,293,662	543,433
Ancillary services	13,904	-	-
Other outgo	78,685	-	-
Enterprise services	-	-	-
Debt service			
Principal	149,740	105,000	-
Interest and other	444	192,963	-
<b>Total Expenditures</b>	<b>13,925,293</b>	<b>9,658,346</b>	<b>543,433</b>
<b>Excess (Deficiency) of</b>			
<b>Revenues Over Expenditures</b>	<b>1,080,005</b>	<b>(8,023,353)</b>	<b>5,863,460</b>
<b>Other Financing Sources (Uses):</b>			
Transfers in	-	6,420,806	500,000
Other sources	337,765	-	-
Transfers out	(80,000)	(500,000)	(6,420,806)
<b>Net Financing Sources (Uses)</b>	<b>257,765</b>	<b>5,920,806</b>	<b>(5,920,806)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>1,337,770</b>	<b>(2,102,547)</b>	<b>(57,346)</b>
<b>Fund Balance - Beginning</b>	<b>3,062,414</b>	<b>8,701,337</b>	<b>102,778</b>
<b>Fund Balance - Ending</b>	<b>\$ 4,400,184</b>	<b>\$ 6,598,790</b>	<b>\$ 45,432</b>

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

<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ 11,241,300
147,225	480,169
80,118	8,758,687
583,503	3,377,874
810,846	23,858,030
-	9,169,112
-	113,045
-	184,714
-	1,181,707
-	238,059
643,720	660,700
-	266,106
-	69,796
-	1,217,247
77,589	1,334,278
52,524	9,925,405
-	13,904
-	78,685
14,404	14,404
-	254,740
-	193,407
788,237	24,915,309
22,609	(1,057,279)
80,000	7,000,806
-	337,765
-	(7,000,806)
80,000	337,765
102,609	(719,514)
518,231	12,384,760
\$ 620,840	\$ 11,665,246

## 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, 2006

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Total Net Change in Fund Balances - Governmental Funds \$ (719,514)

**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

This is the amount by which capital outlays exceeds depreciation in the period.

Depreciation expense

\$ (614,580)

Capital outlay

10,138,289

9,523,709

Loss on disposal of capital assets is reported in the government-wide statement of net assets, but is not recorded in the governmental funds.

(173,196)

Some of the capital assets acquired this year were financed with capital leases.

The amount financed by the leases is reported in the governmental funds as a source of financing. On the other hand, the capital leases are not revenues in the statement of activities, but rather constitute long-term liabilities in the statement of net assets.

(337,765)

In the statement of activities, certain operating expenses - compensated absences (vacations) 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). At year-end, compensated absences earned was less than amounts used.

281

Amortization of issue costs and discounts of certificates of participation is an expenditure in the governmental funds, but it should be amortized on the statement of net assets.

(11,400)

Repayment of debt 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.

254,740

Special Education mandate settlement received in the current fiscal year in the governmental funds was accrued in prior years in the statement of net asset, therefore it is excluded in the statement of activities.

(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.

(11,811)

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 net revenue of the internal service fund is not reported with governmental activities.

2,418

**Change in Net Assets of Governmental Activities**

\$ 8,523,009

**JEFFERSON ELEMENTARY SCHOOL DISTRICT**

**PROPRIETARY FUND  
STATEMENT OF NET ASSETS  
JUNE 30, 2006**

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	<b>Governmental Activities - Internal Service Fund</b>
<b>ASSETS</b>	
<b>Current Assets</b>	
Deposits and investments	\$ 60,672
Receivables	725
<b>Total Current Assets</b>	<u>61,397</u>
<b>NET ASSETS</b>	
Unrestricted	61,397
<b>Total Net Assets</b>	<u><u>\$ 61,397</u></u>

**JEFFERSON ELEMENTARY SCHOOL DISTRICT**

**PROPRIETARY FUND  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2006**

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	<b>Governmental Activities - Internal Service Fund</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest income	\$ 2,418
<b>Total Nonoperating Revenues (Expenses)</b>	<b>2,418</b>
<b>Change in Net Assets</b>	<b>2,418</b>
<b>Total Net Assets - Beginning</b>	<b>58,979</b>
<b>Total Net Assets - Ending</b>	<b>\$ 61,397</b>

**JEFFERSON ELEMENTARY SCHOOL DISTRICT**

**PROPRIETARY FUND**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED JUNE 30, 2006**

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	<b>Governmental Activities - Internal Service Fund</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	\$ 2,098
Net Cash Provided from Investing Activities	<u>2,098</u>
Net Increase in Cash and Cash Equivalents	2,098
Cash and Cash Equivalents - Beginning	58,574
Cash and Cash Equivalents - Ending	<u><u>\$ 60,672</u></u>

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

**JEFFERSON ELEMENTARY SCHOOL DISTRICT**

**FIDUCIARY FUND  
STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2006**

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	<u>Agency Funds (ASB)</u>
<b>ASSETS</b>	
Deposits and investments	\$ 67,908
<b>Total Assets</b>	<u><u>\$ 67,908</u></u>
 <b>LIABILITIES</b>	
Due to student groups	\$ 67,908
<b>Total Liabilities</b>	<u><u>\$ 67,908</u></u>

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



# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

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### 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 five-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 three elementary, and one middle school.

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.

#### Component Units

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

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

**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. Additional information regarding these organizations is presented in Note 14 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.

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

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**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 and non-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).

**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).

### 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]).

**Retiree Benefits Fund** The Retiree Benefits Fund is used for accumulating general fund monies for retiree benefits purposes.

**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:

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

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

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**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.

**Fiduciary Funds** Fiduciary fund reporting focuses on net assets and changes in net assets. The District has only one Fiduciary fund, which is an agency fund.

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student body activities (ASB) and scholarship activities.

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

**Government-Wide Financial Statements** The government-wide financial 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.

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

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**Governmental Funds** All governmental funds are accounted for using the 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 financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

**Proprietary Funds** Proprietary funds are accounted for using the 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. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

**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 restrictions. 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 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.

# **JEFFERSON ELEMENTARY SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006**

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**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. Principal and interest on long-term obligations, 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, 2006, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county is determined by the program sponsor.

### **Restricted Assets**

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets in the Capital Facilities Fund represent cash and cash equivalents required by the Certificates of Participation to be set aside by the District for the purpose of satisfying certain requirements of the repayment reserves.

### **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. The District does not have any prepaid expenditures as of June 30, 2006.

### **Stores Inventories**

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.

# **JEFFERSON ELEMENTARY SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2006**

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When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide statement of net assets. The valuation basis for capital assets is 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.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets is the same as those used for the capital assets of governmental funds.

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 and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

### **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 statement of net assets. 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.

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 and proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the governmental 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 governmental fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and other long-term obligations are recognized as liabilities in the governmental fund financial statements when due.

# **JEFFERSON ELEMENTARY SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2006**

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### **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 first 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<sup>st</sup> 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.

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

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

### 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 Pronouncements

In July 2004, GASB issued GASBS No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement will require local governmental employers who provide other postemployment benefits (OPEB) as part of the total compensation offered to employees to recognize the expense and related liabilities (assets) in the government-wide financial statements of net assets and activities. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of State and local governmental employers.

Current financial reporting practices for OPEB generally are based on pay-as-you-go financing approaches. They fail to measure or recognize the cost of OPEB during the periods when employees render the services or to provide relevant information about OPEB obligations and the extent to which progress is being made in funding those obligations.

This Statement generally provides for prospective implementation - that is, that employers set the beginning net OPEB obligation at zero as of the beginning of the initial year. The District will be required to implement the provisions of this Statement for the fiscal year ended June 30, 2008. The District is in the process of determining the impact the implementation of this Statement will have on the government-wide statement of net assets and activities.

In June 2005, the GASB issued GASBS No. 47, *Accounting for Termination Benefits*. GASBS No. 47 addresses accounting for both voluntary and involuntary termination benefits. For termination benefits that affect an employer's obligations for defined benefit OPEB, the provisions of GASBS No. 47 should be applied simultaneously with the requirements of GASBS No. 45. For all other termination benefits, including those that affect an employer's obligations for defined benefit pension benefits, GASBS No. 47 is effective for financial statements for periods beginning after June 15, 2005. Earlier application of GASBS No. 47 is encouraged. The District implemented this statement during the year, however, there was no impact on the financial statements since the District did not have any such benefits.



# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

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### NOTE 2 – DEPOSITS AND INVESTMENTS

#### Summary of Deposits and Investments

Deposits and investments as of June 30, 2006, are classified in the accompanying financial statements as follows:

Governmental funds	\$ 10,874,472
Proprietary fund	60,672
Fiduciary funds	67,908
Total Deposits and Investments	<u>\$ 11,003,052</u>

Deposits and investments as of June 30, 2006, consist of the following:

Cash on hand and in banks	\$ 3,461,635
Cash in revolving	5,030
Investments	7,536,387
Total Deposits and Investments	<u>\$ 11,003,052</u>

#### Policies and Practices

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

**Investment in County Treasury** - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

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### General Authorizations

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

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

### Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the county pool. The fair value of the county cash pool was \$7,535,633 and the weighted average maturity was 90 days.

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

### Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2006, the District's bank balance of \$3,391,985 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

### NOTE 3 - RECEIVABLES

Receivables at June 30, 2006, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Capital Facilities	County School Facilities Fund	Non-Major Governmental Funds	Total	Proprietary Funds
Federal Government						
Categorical aid	\$ 82,082	\$ -	\$ -	\$ 19,647	\$ 101,729	\$ -
State Government						
Apportionment	560,689	-	-	-	560,689	-
Categorical aid	222,549	-	-	1,054	223,603	-
Lottery	58,882	-	-	-	58,882	-
Other State	66,723	-	-	-	66,723	-
Local Government						
Interest	66,625	39,400	776	7,267	114,068	725
Other Local Sources	28,730	18,320	-	8,980	56,030	-
Total	<u>\$1,086,280</u>	<u>\$ 57,720</u>	<u>\$ 776</u>	<u>\$ 36,948</u>	<u>\$ 1,181,724</u>	<u>\$ 725</u>

Long-Term receivables of \$22,264 consist of the special education mandated settlement which will be received at a rate of approximately \$4,400 each year for the next (5) years.

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

### NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 5,825,263	\$ -	\$ -	\$ 5,825,263
Construction in Progress	6,871,193	8,559,912	1,276,313	14,154,792
Total Capital Assets Not Being Depreciated	12,696,456	8,559,912	1,276,313	19,980,055
Capital Assets Being Depreciated:				
Buildings and Improvements	16,482,765	2,442,696	-	18,925,461
Furniture and Equipment	1,276,238	411,995	244,512	1,443,721
Total Capital Assets Being Depreciated	17,759,003	2,854,691	244,512	20,369,182
Total Capital Assets	30,455,459	11,414,603	1,520,825	40,349,237
Less Accumulated Depreciation:				
Buildings and Improvements	2,736,759	489,502	-	3,226,261
Furniture and Equipment	470,242	125,078	71,316	524,004
Total Accumulated Depreciation	3,207,001	614,580	71,316	3,750,265
Governmental Activities Capital Assets, Net	<u>\$27,248,458</u>	<u>\$ 10,800,023</u>	<u>\$ 1,449,509</u>	<u>\$ 36,598,972</u>

Depreciation expense was charged as a direct expense to governmental and functions as follows:

<b>Governmental Activities</b>	
Instruction	\$ 395,903
School site administration	50,805
Home-to-school transportation	58,858
Ancillary services	648
All other general administration	51,901
Plant services	56,465
Total Depreciation Expenses Governmental Activities	<u>\$ 614,580</u>

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

### NOTE 5 – INTERFUND TRANSACTIONS

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

Interfund receivable and payable balances consist of amounts \$26,544 due to general fund from Cafeteria fund at June 30, 2006.

#### Operating Transfers

Interfund transfers for the year ended June 30, 2006, consisted of the following:

Transfer To	Transfer From			
	General Fund	Capital Facilities	County School Facilities	Total
Capital Facilities	\$ -	\$ -	\$ 6,420,806	\$ 6,420,806
County School Facilities	-	500,000	-	500,000
Non-Major Governmental funds	80,000	-	-	80,000
Total	<u>\$ 80,000</u>	<u>\$ 500,000</u>	<u>\$ 6,420,806</u>	<u>\$ 7,000,806</u>

The General fund transferred to the Deferred Maintenance fund contribution.	\$ 60,000
The General fund transferred to the Pupil Transportation fund to set aside for future transportation equipment purchase.	20,000
The Capital Facilities fund transferred to the County School Facilities fund to support Hawkins construction and legal expenses.	500,000
The County Schools Facilities transferred to Capital Facilities fund for State funding regarding Traina construction.	6,420,806
Total	<u>\$ 7,000,806</u>

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.

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

### NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2006, consisted of the following:

	General Fund	Capital Facilities	County School Facilities Fund	Non-Major Governmental Funds	Total
Vendor payables	\$ 192,131	\$ 45,464	\$ 3,384	\$ 17,047	\$ 258,026
Salaries and benefits	99,495	-	-	475	99,970
Total	<u>\$ 291,626</u>	<u>\$ 45,464</u>	<u>\$ 3,384</u>	<u>\$ 17,522</u>	<u>\$ 357,996</u>

### NOTE 7 - DEFERRED REVENUE

Deferred revenue at June 30, 2006, consists of the following:

	General Fund
Federal financial assistance	\$ 24,772
State categorical aid	10,853
Total	<u>\$ 35,625</u>

### NOTE 8 - LONG-TERM OBLIGATIONS

#### Summary

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

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006	Due in One Year
Certificates of participation	\$4,285,000	\$ -	\$ 105,000	\$ 4,180,000	\$ 105,000
Accumulated vacation - net	32,035	-	281	31,754	-
Capital leases	74,439	337,765	149,740	262,464	59,997
	4,391,474	337,765	255,021	4,474,218	164,997
Premiums/(discounts), net of amortization	(141,975)	-	5,917	(136,058)	(5,916)
	<u>\$4,249,499</u>	<u>\$337,765</u>	<u>\$ 260,938</u>	<u>\$ 4,338,160</u>	<u>\$ 159,081</u>

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

Payments on the Certificates of Participation will be made by the Capital Facilities Fund. The General Fund pays the capital lease payments and the accrued vacation will be paid by the fund for which the employee worked.

### 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, 2006, the principal balance outstanding was \$4,180,000. The certificates mature through September 1, 2029 as follows:

Year Ending June 30,	Principal	Interest	Total
2007	\$ 105,000	\$ 189,883	\$ 294,883
2008	110,000	186,733	296,733
2009	115,000	183,433	298,433
2010	115,000	179,983	294,983
2011	120,000	176,245	296,245
2012-2016	675,000	808,188	1,483,188
2017-2021	840,000	646,908	1,486,908
2022-2026	1,050,000	424,810	1,474,810
2027-2029	1,050,000	134,250	1,184,250
Total	<u>\$ 4,180,000</u>	<u>\$ 2,930,430</u>	<u>\$ 7,110,430</u>

### Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2006, amounted to \$31,754.

### Capital Leases

The District has entered into various capital lease arrangements and has recorded capital assets in the amount of \$337,765 with corresponding accumulated depreciation of \$67,553 at June 30, 2006. The District's liability on lease agreements with options to purchase are summarized below:

	Copier Leases
Balance, July 1, 2005	\$ 74,439
Additions	337,765
Payments	149,740
Balance, July 1, 2006	<u>\$ 262,464</u>

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2007	\$ 75,745
2008	75,745
2009	75,745
2010	75,745
Total	302,980
Less: Amount Representing Interest	40,516
Present Value of Minimum Lease Payments	<u>\$ 262,464</u>

### NOTE 9 - FUND BALANCES

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

	General Fund	Capital Facilities Fund	County School Facilities Fund	Non Major Governmental Funds	Total
<b>Reserved</b>					
Revolving cash	\$ 5,000	\$ -	\$ -	\$ 30	\$ 5,030
Stores inventory	-	-	-	2,671	2,671
General reserve	400,000	-	-	-	400,000
Restricted programs	603,324	-	-	-	603,324
Total Reserved	<u>1,008,324</u>	<u>-</u>	<u>-</u>	<u>2,701</u>	<u>1,011,025</u>
<b>Unreserved</b>					
Designated					
Economic uncertainties	401,206	-	-	-	401,206
Other designation	1,374,569	6,598,790	-	520,341	8,493,700
Total Designated	<u>1,775,775</u>	<u>6,598,790</u>	<u>-</u>	<u>520,341</u>	<u>8,894,906</u>
Undesignated	1,616,085	-	45,432	97,798	1,759,315
Total Unreserved	<u>3,391,860</u>	<u>6,598,790</u>	<u>45,432</u>	<u>618,139</u>	<u>10,654,221</u>
Total	<u>\$ 4,400,184</u>	<u>\$ 6,598,790</u>	<u>\$ 45,432</u>	<u>\$ 620,840</u>	<u>\$ 11,665,246</u>



# **JEFFERSON ELEMENTARY SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2006**

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### **NOTE 10 - POSTEMPLOYMENT BENEFITS**

For employees eligible between April 10, 1973 to October 10, 1989, 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, 13 employees meet those eligibility requirements, 2 are retired and 11 are actively employed by the District. The District contributes based on the individual contractually determined percentage of the amount of premiums incurred by retirees and their dependents and the retiree contributes the remainder. Expenditures for postemployment benefits are recognized on a pay-as-you-go basis, as premiums are paid. During the year, expenditures of \$15,271 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 11 - 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, 2006, 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 2006, 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, 2006

Coverage provided by San Joaquin County Schools Workers' Compensation Group and San Joaquin County Schools Property & Liability Group 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 Group	Workers' Compensation	State Statutory Limits
<u>Property and Liability Program</u>		
San Joaquin County Schools Property & Liability Group	Property and Liability	\$ 5,000 per incident

### NOTE 12 - 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 2005-2006 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, 2006, 2005, and 2004, were \$544,831, \$484,740, and \$414,251, respectively, and equal 100 percent of the required contributions for each year.

# **JEFFERSON ELEMENTARY SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006**

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### **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 2005-2006 was 9.116 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, 2006, 2005, and 2004, were \$160,109, \$156,692, and \$18,615, respectively, and equal 100 percent of the required contributions for each year.

#### **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 \$294,011 (4.517 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. On behalf payments have been excluded from the calculation of available reserves.

### **NOTE 13 - 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, 2006.

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

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### Litigation

The District is not currently a party to any legal proceeding.

### Operating Leases

The District has entered into various operating leases for buildings and equipment with lease terms in excess of one year. None of these agreements contain purchase options. All agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors, but it is unlikely that the District will cancel any of the agreements prior to the expiration date. Future minimum lease payments under these agreements are as follows:

Year Ending June 30,	Lease Payment
2007	\$ 95,174
2008	11,400
Total	<u>\$ 106,574</u>

### Construction Commitments

As of June 30, 2006, the District had the following commitments with respect to the unfinished capital projects:

Capital Project	Remaining Construction Commitment	Expected Date of Completion
Completion of Traina School	<u>\$ 600,000</u>	August-06

# **JEFFERSON ELEMENTARY SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006**

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### **NOTE 14 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS, JOINT POWER AUTHORITIES AND OTHER RELATED PARTY TRANSACTIONS**

The District is a member of the San Joaquin County Schools Workers' Compensation Group (SJCSWCIG), San Joaquin County Schools Property and Liability Insurance Group (SJCSPLIG) public entity risk pools, Tracy Area Public Facilities Financing Agency (TAPFFA) joint powers agency, and the San Joaquin County Schools Data Processing Group (SJCSDPG). 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.

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 generally available from the respective entities.

The District has appointed 5 board members to the governing board of Jefferson Elementary School District. During the year ended, the District made payments of \$279,637, \$78,078, and \$69,796 to San Joaquin County Schools Workers' Compensation Insurance Group, San Joaquin County Schools Property and Liability Insurance Group, and San Joaquin County Schools Data Processing, respectively, for the workers' compensation insurance, property and liability insurance, and data processing.

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*REQUIRED SUPPLEMENTARY INFORMATION*

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# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2006

	Budgeted Amounts (GAAP Basis)		Actual (GAAP Basis)	Variances - Positive (Negative) Final to Actual
	Original	Final		
<b>REVENUES</b>				
Revenue limit sources	\$ 10,902,046	\$ 11,241,302	\$ 11,241,300	\$ (2)
Federal sources	286,030	332,937	332,944	7
Other State sources	1,920,775	2,019,244	2,313,255	294,011
Other local sources	741,789	1,117,806	1,117,799	(7)
<b>Total Revenues<sup>1</sup></b>	<b>13,850,640</b>	<b>14,711,289</b>	<b>15,005,298</b>	<b>294,009</b>
<b>EXPENDITURES</b>				
Current				
Instruction	9,664,066	9,021,070	9,169,112	(148,042)
Instruction-related activities:				
Supervision of instruction	111,545	113,045	113,045	-
Instructional library, media, and technology	174,554	184,714	184,714	-
School site administration	1,245,450	1,185,922	1,181,707	4,215
Pupil services:				
Home-to-school transportation	286,834	238,059	238,059	-
Food services	19,000	16,981	16,980	1
All other pupil services	291,216	279,991	266,106	13,885
General administration:				
Data processing	69,796	69,796	69,796	-
All other general administration	921,002	879,482	1,217,247	(337,765)
Plant services	1,239,230	1,135,248	1,189,968	(54,720)
Facility acquisition and construction	3,185	35,786	35,786	-
Ancillary services	54,720	54,720	13,904	40,816
Other outgo	-	-	78,685	(78,685)
Debt service				
Principal	-	-	149,740	(149,740)
Interest	-	-	444	(444)
<b>Total Expenditures<sup>1</sup></b>	<b>14,080,598</b>	<b>13,214,814</b>	<b>13,925,293</b>	<b>(710,479)</b>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures</b>	<b>(229,958)</b>	<b>1,496,475</b>	<b>1,080,005</b>	<b>(416,470)</b>
<b>Other Financing Sources (Uses):</b>				
Other sources	-	-	337,765	337,765
Transfers out	(235,177)	(158,685)	(80,000)	78,685
<b>Net Financing Sources (Uses)</b>	<b>(235,177)</b>	<b>(158,685)</b>	<b>257,765</b>	<b>416,450</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(465,135)</b>	<b>1,337,790</b>	<b>1,337,770</b>	<b>(20)</b>
<b>Fund Balance - Beginning</b>	<b>3,062,414</b>	<b>3,062,414</b>	<b>3,062,414</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 2,597,279</b>	<b>\$ 4,400,204</b>	<b>\$ 4,400,184</b>	<b>\$ (20)</b>

<sup>1</sup> On behalf payments of \$294,011 are included in the actual revenues and expenditures, but have not been included in the budget amounts.

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*SUPPLEMENTARY INFORMATION*

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# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2006

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	84.186	14347	\$ 5,974
Title II - Teacher Quality	84.367	14341	13,364
Title III - Part D Enhancing Through Technology	84.318	14335	2,126
Title I - Basic	84.010	14329	29,492
Title VI	84.151	13340	20,846
Title V - Innovative Education Strategies	84.298A	14354	2,905
Migrant Education			
Regular and Summer Program	84.011	13174	2,953
Special Education - State Grants <sup>1</sup>			
Local Assistance	84.027	13379	216,874
Low Incidence	84.027A	13459	320
Preschool Grant	84.173	13430	11,209
Preschool Local Entitlement	84.027A	13682	26,473
Personnel Development	84.027A	13613	408
Total U.S. Department of Education	84.027	13379	<u>332,944</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through CDE:			
Child Nutrition: School Program <sup>1</sup>			
School Breakfast Program	10.553	14198	14,605
National School Lunch Program	10.555	14198	132,620
Fair Market Value of Commodities <sup>3</sup>	10.550	<sup>2</sup>	48,909
Total U.S. Department of Agriculture			<u>196,134</u>
Total Expenditures of Federal Awards			<u>\$ 529,078</u>

[1] Catalog number not available

<sup>1</sup> Tested as a major program

<sup>2</sup> Pass-through entity identifying number not available

<sup>3</sup> Amount not included in the financial statement

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## SCHEDULE OF AVERAGE DAILY ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2006

		Second Period Report	Annual Report
ELEMENTARY			
Kindergarten		236	238
First through third		759	765
Fourth through sixth		726	727
Seventh through eighth		460	459
Home and hospital		1	1
Special education		28	28
Total Elementary		2,210	2,218
SUMMER SCHOOL			Hours of Attendance
Elementary			35,868
Total Hours			35,868

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2006

Grade Level	1982-83	1986-87	2005-06	Number of Days		Status
	Actual Minutes	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	31,500	36,000	42,525	180	-	In Compliance
Grades 1 - 3	41,780	50,400	50,400	180	-	In Compliance
Grades 4 - 6	54,000	54,000	60,600	180	-	In Compliance
Grades 7 - 8	54,000	54,000	61,500	180	-	In Compliance

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## RECONCILIATION AND ANNUAL FINANCIAL BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2006

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

### FORM DEBT

Total Liabilities, June 30, 2006, Unaudited Actuals	\$ 4,514,758
Decrease in:	
Premium/Discount on certificate of participation	(136,058)
Capital lease payable	(40,540)
Total Liabilities, June 30, 2006, Audited Financial Statement	<u>\$ 4,338,160</u>

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2006

	(Budget) 2007 <sup>1</sup>	2006	2005	2004
<b>GENERAL FUND</b>				
Revenues	\$ 15,769,166	\$ 15,005,298	\$ 13,202,458	\$ 10,932,571
Other sources	-	337,765	-	55,735
Total Revenues and Other Sources	15,769,166	15,343,063	13,202,458	10,988,306
Expenditures	16,566,067	13,925,293	12,396,750	10,529,208
Other uses and transfers out	146,661	80,000	138,686	124,616
Total Expenditures and Other Uses	16,712,728	14,005,293	12,535,436	10,653,824
INCREASE (DECREASE) IN FUND BALANCE	\$ (943,562)	\$ 1,337,770	\$ 667,022	\$ 334,482
ENDING FUND BALANCE	\$ 3,456,622	\$ 4,400,184	\$ 3,062,414	\$ 2,395,392
AVAILABLE RESERVES <sup>2</sup>	\$ 2,335,977	\$ 2,017,291	\$ 1,761,824	\$ 1,562,618
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO <sup>3</sup>	13.98%	14.71%	14.05%	14.67%
LONG-TERM DEBT	\$ 4,179,079	\$ 4,338,160	\$ 4,249,499	\$ 5,463,397
K-12 AVERAGE DAILY ATTENDANCE AT P-2	2,296	2,210	2,045	1,808

The General Fund balance has increased by \$2,004,792 over the past two years. The fiscal year 2006-2007 budget projects a decrease of \$943,562 (21 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 of the past three years and anticipates incurring an operating deficit during the 2006-2007 fiscal year. Total long-term obligations have decreased by \$1,125,238 over the past two years.

Average daily attendance has increased by 402 over the past two years. Additional growth of 86 ADA is anticipated during fiscal year 2006-2007.

<sup>1</sup> Budget 2007 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> On-behalf payments of \$294,011, \$265,402, and \$113,492 have been excluded from the calculation of available reserves for fiscal years ending June 30, 2006, 2005, and 2004.

# **JEFFERSON ELEMENTARY SCHOOL DISTRICT**

## **NOTE TO SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2006**

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

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

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

#### **Reconciliation of Annual Financial and Budget Report with Audited Financial Statements**

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

#### **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.

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***SUPPLEMENTARY INFORMATION - UNAUDITED***

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# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## NON-MAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET - UNAUDITED FOR THE YEAR ENDED JUNE 30, 2006

	Cafeteria Fund	Deferred Maintenance Fund	Pupil Transportation Fund
<b>ASSETS</b>			
Deposits and investments	\$ 2,074	\$ 406,931	\$ 96,877
Receivables	30,403	4,300	921
Stores inventories	2,671	-	-
<b>Total Assets</b>	<b>\$ 35,148</b>	<b>\$ 411,231</b>	<b>\$ 97,798</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 1,369	\$ 16,153	\$ -
Due to other funds	26,544	-	-
<b>Total Liabilities</b>	<b>27,913</b>	<b>16,153</b>	<b>-</b>
<b>Fund Balances:</b>			
Reserved for:			
Stores inventories	2,671	-	-
Other reservations	30	-	-
Unreserved:			
Designated	4,534	395,078	-
Undesignated, reported in:			
Special revenue funds	-	-	97,798
<b>Total Fund Balance</b>	<b>7,235</b>	<b>395,078</b>	<b>97,798</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 35,148</b>	<b>\$ 411,231</b>	<b>\$ 97,798</b>

See accompanying note to supplementary information – unaudited.



<b>Capital Projects Blended Component Fund</b>	<b>Retiree Benefits Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ 25,984	\$ 93,421	\$ 625,287
319	1,005	36,948
-	-	2,671
<u>\$ 26,303</u>	<u>\$ 94,426</u>	<u>\$ 664,906</u>
\$ -	\$ -	\$ 17,522
-	-	26,544
<u>-</u>	<u>-</u>	<u>44,066</u>
-	-	2,671
-	-	30
26,303	94,426	520,341
-	-	97,798
<u>26,303</u>	<u>94,426</u>	<u>620,840</u>
<u>\$ 26,303</u>	<u>\$ 94,426</u>	<u>\$ 664,906</u>

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## NON-MAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - UNAUDITED FOR THE YEAR ENDED JUNE 30, 2006

	Cafeteria Fund	Deferred Maintenance Fund	Pupil Transportation Fund
<b>REVENUES</b>			
Federal sources	\$ 147,225	\$ -	\$ -
Other state sources	7,676	72,442	-
Other local sources	492,447	14,232	3,065
<b>Total Revenues</b>	<b>647,348</b>	<b>86,674</b>	<b>3,065</b>
<b>EXPENDITURES</b>			
Current			
Pupil services:			
Food services	643,720	-	-
General administration:			
Plant services	-	77,589	-
Facility acquisition and construction	-	39,400	-
Enterprise services	-	-	-
<b>Total Expenditures</b>	<b>643,720</b>	<b>116,989</b>	<b>-</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>3,628</b>	<b>(30,315)</b>	<b>3,065</b>
<b>Other Financing Sources (Uses):</b>			
Transfers in	-	60,000	20,000
<b>Net Financing Sources (Uses)</b>	<b>-</b>	<b>60,000</b>	<b>20,000</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>3,628</b>	<b>29,685</b>	<b>23,065</b>
<b>Fund Balance - Beginning</b>	<b>3,607</b>	<b>365,393</b>	<b>74,733</b>
<b>Fund Balance - Ending</b>	<b>\$ 7,235</b>	<b>\$ 395,078</b>	<b>\$ 97,798</b>

See accompanying note to supplementary information – unaudited.

<b>Capital Project Blended Component Fund</b>	<b>Retiree Benefits Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ -	\$ -	\$ 147,225
-	-	80,118
16,085	57,674	583,503
<u>16,085</u>	<u>57,674</u>	<u>810,846</u>
-	-	643,720
-	-	77,589
13,124	-	52,524
-	14,404	14,404
<u>13,124</u>	<u>14,404</u>	<u>788,237</u>
<u>2,961</u>	<u>43,270</u>	<u>22,609</u>
-	-	80,000
-	-	80,000
2,961	43,270	102,609
23,342	51,156	518,231
<u>\$ 26,303</u>	<u>\$ 94,426</u>	<u>\$ 620,840</u>

# **JEFFERSON ELEMENTARY SCHOOL DISTRICT**

## **NOTE TO SUPPLEMENTARY INFORMATION - UNAUDITED FOR THE YEAR ENDED JUNE 30, 2006**

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

#### **Non-Major Governmental Funds - Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance - Unaudited**

The Non-Major Governmental Funds Combining Balance Sheet and Combining 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.

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***INDEPENDENT AUDITORS' REPORTS***

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**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 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, 2006, which collectively comprise the Jefferson Elementary School District's basic financial statements and have issued our report thereon dated December 8, 2006. 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of Jefferson Elementary School District in a separate letter dated December 8, 2006.

**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, Trine, Day & Co LLP

Pleasanton, California

December 8, 2006





**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Governing Board  
Jefferson Elementary School District  
Tracy, California

**Compliance**

We have audited the compliance of Jefferson Elementary School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2006. Jefferson Elementary School District's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of Jefferson Elementary School District's management. Our responsibility is to express an opinion on Jefferson Elementary School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Jefferson Elementary School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Jefferson Elementary School District's compliance with those requirements.

As described in item 2006-1 in the accompanying Schedule of Federal Award Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs, Jefferson Elementary School District did not comply with requirements regarding salary allocation that are applicable to its Special Education Federal program. Compliance with such requirements is necessary, in our opinion, for Jefferson Elementary School District to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Jefferson Elementary School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2006.

### **Internal Control Over Compliance**

The management of Jefferson Elementary School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered Jefferson Elementary School District's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. 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 noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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, Trine, Day & Co LLP*

Pleasanton, California  
December 8, 2006



## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Governing board  
Jefferson Elementary School District  
Tracy, California

We have audited the 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, 2006, and have issued our report thereon dated December 8, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2005-06*, issued by the California Education Audit Appeals Panel as regulations. 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 opinions.

Compliance with the requirements of laws, regulations, contracts, and grants listed below is the responsibility of Jefferson Elementary School District's management. 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 Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance reporting	8	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:		
School districts	4	Yes
County offices of education	3	Not applicable
Community day schools	9	None
Morgan-Hart Class Size Reduction	7	Not applicable
Instructional Materials:		
General requirements	12	Yes
K-8 only	1	Yes
9-12 only	1	Not applicable
Ratios of Administrative Employees to Teachers	1	Yes

	Procedures in Audit Guide	Procedures Performed
Early retirement incentive	4	Not applicable
Gann limit calculation	1	Yes
School Construction Funds:		
School District bonds	3	Not applicable
State school facilities funds	1	Yes
Alternative pension plans	2	Yes
Proposition 20 Lottery Funds (Cardenas Textbook Act of 2000)	2	Yes
State Lottery Funds (California State Lottery Act of 1984)	2	Yes
California School Age Families Education (Cal-SAFE) Program	3	Not applicable
School Accountability Report Card	3	Yes
Class Size Reduction Program (including in Charter Schools):		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	Not applicable
District or charter schools with only one school serving K-3	4	Not applicable
Charter Schools:		
Contemporaneous records of attendance	1	Not applicable
Non classroom-based instruction/independent study	15	Not applicable
Additional Non classroom-based instruction	1	Not applicable
Determination of funding for non classroom-based instruction	3	Not applicable
Annual instruction minutes classroom based	3	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 *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2005-2006*, issued by the California Education Audit Appeals Panel as regulations. With respect to the Alternative Pension Plan compliance requirement, the District has represented to us that they have not entered into any such arrangement.

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. 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. Our audit does not provide a legal determination on Jefferson Elementary School District's compliance with the State laws and regulations referred to above.

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, the California Department of Finance, 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, Trine, Day, & Co LLP*

Pleasanton, California  
December 8, 2006

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

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# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## SUMMARY OF AUDITORS' RESULTS FOR THE YEAR ENDED JUNE 30, 2006

### FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Reporting conditions identified not considered to be material weaknesses?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

### FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	<u>None reported</u>
Reporting conditions identified not considered to be material weaknesses?	<u>Yes</u>
Type of auditors' report issued on compliance for major programs:	<u>Qualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	
Identification of major programs:	<u>Yes</u>

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.027/84.173</u>	<u>Special Education</u>
<u>10.556</u>	<u>National School Lunch Program</u>
<u> </u>	<u> </u>
<u> </u>	<u> </u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u>N/A</u>

### STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	<u>No</u>
Reporting conditions identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for State programs:	<u>Unqualified</u>

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2006

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### FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

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None reported.

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### FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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**2006-1**     **Code 50000 U.S. Department of Education, Passed Through California Department of Education, Special Education Cluster CFDA 84.027 & 84.173**

**Criteria or Specific Requirements** In accordance with state and federal regulations, if an employee is funded solely (100%) from a single federal categorical program or cost objective, the minimum requirement for documenting salary or wages in a semi-annual certification by the employee that he/she worked solely on that federal categorical program or cost objective. The certification must be signed by the employee and the supervisor having firsthand knowledge of the work performed

In addition, employees funded by more than one source should prepare personnel activity reports or use other methods to document the allocation of an employees salary and benefits. These personnel activity reports should be prepared on a monthly basis unless the District elects to use the approved substitute system beginning July 1, 1998. Under this substitute system, the personnel activity reports are required to be completed every fourth month (three times per year).

**Condition** Payroll charges to the Special Education cluster, during fiscal year 2005-06, were not supported by semi-annual certifications or monthly personnel activity reports where applicable.

**Questioned Costs** \$255,284 for Special Education cluster program employees during fiscal year 2005-06.

**Context** Semi-annual certifications were not prepared for the Special Education cluster program employees during fiscal year 2005/06.

**Effect** There was improper documentation of federal program expenditures. In addition, the costs allocated to the Special Education cluster programs could be disallowed due to lack of adequate documentation.

**Cause** The District was unable to locate certifications or personnel activity reports for two multi-funded employees.

## JEFFERSON ELEMENTARY SCHOOL DISTRICT

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2006

**Recommendation** The District should implement procedures to ensure that the required certifications are prepared on a semi-annual basis for those individuals charged 100% to a federal program, and that personnel activity reports are prepared on a monthly basis for those individuals whose time is partially allocated to a federal program. The certifications or reports should be signed by the employee and the supervisor having firsthand knowledge of the work performed.

**District Response** The district will follow current procedures and obtain certification from ALL federally funded personnel.

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#### STATE AWARD FINDINGS AND QUESTIONED COSTS

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None reported.



# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2006

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### SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

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Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of financial statement findings.

#### 2005-1      60000 – Vacation Accrual

##### Criteria or Specific Requirements

Strong internal controls include consideration of establishing a board policy on a maximum allowable vacation hour carryover balances.

##### Condition

In our review of the compensated absences, we noted that there is no policy in place on a maximum allowable vacation carryover. Lack of policy on maximum vacation carryovers could subject the District to an uncontrolled liability that may accumulate should a long term employee build up vacation balances and then retire.

##### Questioned costs

Not applicable

##### Context

We noted that employee carryover vacation hours at June 30, 2005 ranged from 12 to 230 hours per employee.

##### Effect

Without a policy on allowable maximum carryover vacation hours, the District has no control over the potential amount of vacation liability that will be paid out upon termination of an employee.

##### Cause

The District has not implemented a policy to manage earned vacation carryover balances.

##### Recommendation

In order to manage the District's potential future liability, the District should consider establishing a policy on the maximum vacation carryover. If a carryover policy is implemented, the District will also need to assign a designated employee to keep track vacation hours earned and verify that employees do not exceed the maximum allowable carryover amounts.

##### Current Status

Implemented

#### 2005-2      60000 - Inventory

##### Criteria or Specific Requirements

Internal control policies and procedures designed to manage and safeguard assets of the District, typically include a policy over the receiving of and recording of inventory.

## JEFFERSON ELEMENTARY SCHOOL DISTRICT

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2006

#### Condition

During our audit, we noted that the District does not have a written procedure documenting the appropriate receiving procedures and recording procedures to be used for inventory items.

#### Questioned costs

Not applicable

#### Context

An inventory of cafeteria food and supplies received and on hand is regularly performed, however, the process is not documented in a written procedure.

#### Effect

Without having any formal procedure in place, there is a potential for mishandling of inventory should an individual unfamiliar with the inventory process need to perform the tasks.

#### Cause

The lack of a written procedure over the handling and counting of inventory, results in the District relying on existing personnel to perform undocumented tasks appropriately.

#### Recommendation

In order to prevent confusion on the procedures for receipt of or counting of inventory, we recommend that the District develop a formal written procedure for tasks involved in the receipt and use of inventory. By having a written policy, the District may limit potential miscommunication problems or uncertainty on the part of new personnel as to what procedures are to be performed.

#### Current Status

Implemented