



Jefferson Elementary School District

Annual Financial Report
June 30, 2011



Cichella & Tokunaga, LLP
Certified Public Accountants

JEFFERSON ELEMENTARY SCHOOL DISTRICT
OF SAN JOAQUIN COUNTY
TRACY, CALIFORNIA
JUNE 30, 2011

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Pete Carlson	President	2012
Dan Wells	Vice President	2014
Brian Jackman	Member	2014
Jacqueline Thomas	Member	2014
Debbi Wingo	Member	2012

ADMINISTRATION

Dana Eaton	Superintendent
Mindy Maxedon	Chief Business Officer

JEFFERSON ELEMENTARY SCHOOL DISTRICT

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I - Financial Section

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Cichella & Tokunaga, LLP

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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 Jefferson Elementary School District, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Jefferson Elementary School 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 and 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 2010-2011*, prescribed in the California Code of Regulations, Title V, Section 19810 and following. 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 the 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, 2011, 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 5, 2011, on our consideration of the Jefferson Elementary School District internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The required supplementary information, such as management's discussion and analysis, budgetary comparison and other postemployment information, are not a required part of the basic financial statements, but are supplementary information required by the 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*, is presented for purposes of additional analysis and is 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, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Michelle + M Kenya UP

El Dorado Hills, California
December 5, 2011



This section of Jefferson Elementary School District's (the "District") 2010-2011 annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2011. 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 District and its component units using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 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, proprietary and fiduciary.

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

The *Proprietary Activities* are prepared using the economic resources measurement focus and the accrual basis of accounting.

The *Fiduciary Activities* include the retiree benefits trust fund and agency funds. The agency funds report a balance sheet and do not have a measurement focus. The retiree benefit trust uses the current financial resources measurement focus.

Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

The Primary unit of government is the Jefferson Elementary School District. The District does have a Mello Roos Capital Facilities District Component Unit.

JEFFERSON ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2011

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

Total revenue and income received for 2010-11 was \$18.4 million, up \$1.0 million from 2009-10. Jefferson School District receives 70% of its revenue from the State based on the Revenue Limit. The remaining 30% comes from Lottery, State and Federal grants and interest income. Increased revenue due to \$600K in one time federal monies as well as higher ADA.

Jefferson School District reported a final ADA of 2473.

District negotiated an increase to the health care cap from \$8,800 to \$10,000 per full time employee effective July 1, 2010. The 2010-11 increase was paid to employees as a one-time payment in November, 2011.

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 governing 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 separate the District activities as follows:

Governmental Activities – All 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 on-going 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.

JEFFERSON ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2011

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 – 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. Government 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 difference of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

Proprietary Funds – When the District charges users for the service 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 Revenue, Expenses and Changes in Fund Net Assets*. We use internal service funds (a type of proprietary fund) 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 A 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 a separate Statement 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.

JEFFERSON ELEMENTARY SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011**

FINANCIAL HIGHLIGHTS

THE DISTRICT AS A WHOLE

Net Assets

The District's net assets were \$45.3 million and \$45.4 million for the fiscal years ended June 30, 2011 and 2010, respectively. Of this amount, \$8.6 million and \$7.3 million were unrestricted for 2011 and 2010. 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 1); and the change in net assets (Table 2); of the District's governmental activities.

Table 1

(Amounts in millions)	Governmental Activities	
	2011	2010
Assets		
Current and other assets	\$ 18.3	\$ 11.2
Capital assets	33.8	34.5
Total Assets	52.1	45.7
Liabilities		
Current liabilities	0.2	0.2
Long-term liabilities	6.6	0.1
Total Liabilities	6.8	0.3
Net Assets		
Invested in capital assets, net of related debt	27.3	34.5
Restricted	9.4	3.6
Unrestricted	8.6	7.3
Total Net Assets	\$ 45.3	\$ 45.4

The \$8.6 million in unrestricted net assets of governmental activities represent the accumulated results of all past years' operations.

JEFFERSON ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2011

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 14. 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 2

(Amounts in millions)

	Governmental Activities	
	2011	2010
Revenues		
Program revenues:		
Charges for services	\$ 0.5	\$ 0.4
Operating grants and contributions	2.8	2.8
General revenues:		
Federal and State aid not restricted	11.6	10.5
Property taxes	3.0	3.1
Other general revenues	0.5	0.6
Total Revenues	18.4	17.4
Expenses		
Instruction-related	14.0	13.5
Pupil services	1.5	1.4
Administration	1.2	1.2
Maintenance and operations	1.6	1.5
Other	0.2	0.2
Total Expenses	18.5	17.8
Change in Net Assets	\$ (0.1)	\$ (0.4)

Governmental Activities

As reported in the *Statement of Activities* on page 14, the cost of all of our governmental activities for the years ended June 30, 2011 and 2010 were \$18.5 million and \$17.8 million, respectively. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$3.0 million and \$3.1 million, respectively, because the cost was paid by those who benefited from the programs (\$0.5 and \$0.4 million, respectively) or by other governments and organizations who subsidized certain programs with grants and contributions (\$2.8 million and \$2.8 million respectively). We paid for the remaining "public benefit" portions of our governmental activities with \$11.6 and \$10.5 million, respectively, in other Federal and State sources, and \$0.5 million and \$0.6 million, respectively, in other revenues, like interest and general entitlements.

JEFFERSON ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2011

In Table 3, we have presented the net cost of each of the District's five largest functions – instruction, administration, pupil services, maintenance and operations, and other services. 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 3

(Amounts in millions)

	Net Cost of Services	
	2011	2010
Instruction	\$ 12.0	\$ 11.7
Pupil Services	0.4	0.2
Administration	1.2	1.1
Maintenance and Operations	1.6	1.5
Other	-	0.1
Total	\$ 15.2	\$ 14.6

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$17.7 million, which is an increase of \$6.7 million from last year.

Table 4

	Balances and Activity			
	July 1, 2010	Revenues	Expenditures	June 30, 2011
General	\$ 8,315,109	\$ 17,428,030	\$ 16,694,482	\$ 9,048,657
Building Fund	-	6,402,117	438,924	5,963,193
Cafeteria	142,851	796,914	789,917	149,848
Deferred Maintenance	667,405	88,506	131,134	624,777
Pupil Transportation	191,917	20,976	-	212,893
Capital Projects Blended Component Unit	50,864	284	-	51,148
County School Facilities	5,528	41	-	5,569
Bond Interest and Redemption Fund	-	71,864	-	71,864
Capital Facilities	1,594,117	82,570	101,403	1,575,284
Total	\$ 10,967,791	\$ 24,891,302	\$ 18,155,860	\$ 17,703,233

JEFFERSON ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2011

The primary reasons for these changes are:

- The Jefferson School District voters passed a general obligation bond in November, 2010. This \$35.4 million will provide funds needed to complete a variety of modernization and facilities improvement at all four school sites. The first bond sales resulted in \$6.4 million in building fund proceeds which increased our overall governmental funds.
- Our general fund is our principal operating fund. The fund balance in the General Fund increased \$0.5 million. This increase is due to:
 - Utilized \$600K in one time federal funds in 2010-11 to offset general fund expenses.Additionally, district continues to review expenditures carefully to preserve general fund dollars.

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 June 21, 2011. 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 48.

The District originally projected revenues of approximately \$15.6 million. The revised budget projected revenues of \$17.2 million, an increase of approximately \$1.6 million.

- Changes in State and Federal revenue

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had \$33.7 million (net of accumulated depreciation) in a broad range of capital assets, including land, buildings, and furniture and equipment. This amount is consistent with prior years.

Table 5

(Amounts in millions)

	Capital Assets	
	2011	2010
Land	\$ 5.8	\$ 5.8
Construction in progress	0.3	0.2
Building and improvements	27.3	28.1
Equipment	0.3	0.4
Totals	\$ 33.7	\$ 34.5

JEFFERSON ELEMENTARY SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011**

Long-Term Obligations

At June 30, 2011, the District had \$6,614,054 in long-term liabilities. The District's overall long-term obligations are summarized in Table 6.

Table 6

	Long-Term Obligations	
	2011	2010
General Obligation Bonds	\$ 6,397,194	\$ -
Premiums, net of Amortization	71,464	-
Capitalized lease obligations	102,303	124,275
Other	43,093	43,646
Totals	\$ 6,614,054	\$ 167,921

We present more detailed information regarding our long-term obligations in Note 8 of the financial statements.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2010-2011 ARE NOTED BELOW:

- The passage of Measure J in November, 2010, providing \$35.4 million in general obligation bonds to be used for modernization and facilities project at all four school sites. Updates about planned and in process projects can be found on our website: www.jeffersonschooldistrict.com.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

In considering the District Budget for the 2011-2012 year, the governing board and management used the following criteria:

The key assumptions in our revenue forecast at budget were:

- Incorporated a \$330 per ADA reduction in revenue limit recommended to guard against possible further reductions to revenue limit income due to the State's fiscal crisis.
- Deficit factor of 19.75%. This change in deficit offset the 2.4% COLA, resulting in the statutorily calculated increase being unfunded for 2010-11.
- State income (categoricals) moved to unrestricted as per Categorical Flexibility allowed.

Expenditures are based on the following forecasts:

	<u>Staffing Ratio</u>	<u>Enrollment</u>
Grades kindergarten through third	1:20	980
Grades four through eight	1:30	1407

JEFFERSON ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2011

The key assumptions in our expenditure forecast are:

- Step & column movement projected at 2.4% for certificated staff and 1.1% for classified staff.
- Health and welfare budgeted at \$8,800 cap at budget (June, 2010). Per the negotiated change in the cap to \$10,000, a one-time payment was made for the 2010-11 year in November, 2011. Budget increased to \$10,000 going forward.

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 Mindy Maxedon, Chief Business Officer, Business Services, at Jefferson Elementary School District, 1219 Whispering Wind Road, Tracy, California, 95377, mmaxedon@sjcoe.net.

JEFFERSON ELEMENTARY SCHOOL DISTRICT

**STATEMENT OF NET ASSETS
JUNE 30, 2011**

	Governmental Activities
ASSETS	
Deposits and investments	\$ 13,669,046
Receivables	4,251,248
Deferred Charges	313,208
Stores inventories	16,412
Other Assets	11,498
Capital assets	42,279,316
Less: Accumulated depreciation	(8,508,756)
Total Assets	52,031,972
LIABILITIES	
Accounts payable	151,545
Deferred revenue	5,996
Current portion of long-term obligations	21,972
Noncurrent portion of long-term obligations	6,592,082
Total Liabilities	6,771,595
NET ASSETS	
Invested in capital assets, net of related debt	27,301,902
Restricted for:	
Debt service	71,864
Educational programs	742,653
Capital projects	7,595,194
Other activities	987,518
Unrestricted	8,561,246
Total Net Assets	\$ 45,260,377

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

JEFFERSON ELEMENTARY SCHOOL DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011**

Functions/Programs	Expenses	Program Revenues			Net (Expenses)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes in Net Assets
Governmental Activities:					
Instruction	\$ 12,314,784	\$ 9,295	\$ 1,904,320	\$ 41	\$ (10,401,128)
Instruction-related activities:					
Supervision of instruction	173,767	1,098	35,847	-	(136,822)
Instructional library, media, and technology	245,582	2,815	4,968	-	(237,799)
School site administration	1,291,097	582	107,510	-	(1,183,005)
Pupil services:					
Home-to-school transportation	224,074	25,690	122,226	-	(76,158)
Food services	789,917	445,852	351,062	-	6,997
All other pupil services	439,368	200	117,951	-	(321,217)
Administration:					
All other administration	1,122,746	1,439	57,289	-	(1,064,018)
Data processing services	102,158	-	-	-	(102,158)
Plant services	1,643,681	7,785	12,740	-	(1,623,156)
Ancillary services	28,560	-	-	-	(28,560)
Enterprise Activities	10,000	-	-	-	(10,000)
Interest on long-term obligations	-	-	-	-	-
Other outgo	165,499	35,057	134,653	-	4,211
Total Governmental Activities	\$ 18,551,233	\$ 529,813	\$ 2,848,566	\$ 41	(15,172,813)
General revenues and subventions:					
Property taxes, levied for general purposes					2,973,579
Federal and State aid not restricted to specific purposes					11,570,748
Interest and investment earnings					50,826
Miscellaneous					441,008
Subtotal, General Revenues					15,036,161
Change in Net Assets					(136,652)
Net Assets - Beginning					45,397,029
Net Assets - Ending					\$ 45,260,377

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

JEFFERSON ELEMENTARY SCHOOL DISTRICT

**GOVERNMENTAL FUNDS – BALANCE SHEET
JUNE 30, 2011**

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Deposits and investments	\$ 4,963,061	\$ 5,958,270	\$ 2,676,339	\$ 13,597,670
Receivables	4,238,064	4,923	3,705	4,246,692
Stores inventories	-	-	16,412	16,412
Total Assets	9,201,125	5,963,193	2,696,456	17,860,774
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	146,472	-	5,073	151,545
Due to Grantor	-	-	-	-
Deferred revenue	5,996	-	-	5,996
Total Liabilities	152,468	-	5,073	157,541
Fund Balances:				
Nonspendable	5,000	-	16,412	21,412
Restricted	737,653	5,963,193	2,050,194	8,751,040
Committed	-	-	624,777	624,777
Assigned	1,865,053	-	-	1,865,053
Unassigned	6,440,951	-	-	6,440,951
Total Fund Balance	9,048,657	5,963,193	2,691,383	17,703,233
Total Liabilities and Fund Balances	\$ 9,201,125	\$ 5,963,193	\$ 2,696,456	\$ 17,860,774

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

JEFFERSON ELEMENTARY SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011**

Total Fund Balance - Governmental Funds		\$ 17,703,233
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	\$ 42,279,316	
Accumulated depreciation is	<u>(8,508,756)</u>	
Net Capital Assets		33,770,560
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 receivable and payments received in the current year reduce the receivable.		4,452
Expenditures related to issuance of debt were recognized in the year of issuance in the governmental funds but are recorded as deferred charges on the statement of net assets and amortized over the life of the bond on the government-wide financial statements.		313,208
OPEB costs are recognized as expenditures in the fund statements, but are deferred in the government-wide statement.		11,498
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.		71,480
Long-term obligations are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term obligations at year-end consist of:		
Bonds payable	6,397,194	
Bond premium, net of amortization	71,464	
Compensated absences (vacations)	43,093	
Capital lease payments	<u>102,303</u>	
Total Long-Term Obligations		<u>(6,614,054)</u>
Total Net Assets - Governmental Activities		<u>\$ 45,260,377</u>

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

JEFFERSON ELEMENTARY SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2011**

	General Fund	Building Fund	Non Major Governmental Funds	Total Governmental Funds
REVENUES				
Revenue limit sources	\$ 12,502,861	\$ -	\$ -	\$ 12,502,861
Federal sources	1,338,863	-	324,764	1,663,627
Other State sources	2,357,447	-	110,467	2,467,914
Other local sources	1,228,859	4,923	534,060	1,767,842
Total Revenues	17,428,030	4,923	969,291	18,402,244
EXPENDITURES				
Current				
Instruction	11,434,552	-	-	11,434,552
Instruction-related activities:				
Supervision of instruction	173,767	-	-	173,767
Instructional library, media and technology	245,582	-	-	245,582
School site administration	1,291,097	-	-	1,291,097
Pupil services:				
Home-to-school transportation	224,074	-	-	224,074
Food services	-	-	789,917	789,917
All other pupil services	439,368	-	-	439,368
Administration:				
All other administration	1,128,569	-	-	1,128,569
Data processing services	102,158	-	-	102,158
Plant services	1,442,606	-	201,075	1,643,681
Facility acquisition and construction	-	123,966	31,462	155,428
Ancillary services	28,560	-	-	28,560
Other outgo	164,149	314,958	-	479,107
Debt service				
Principal	-	-	-	-
Interest and other	-	-	-	-
Total Expenditures	16,674,482	438,924	1,022,454	18,135,860
Excess (Deficiency) of Revenues				
Over Expenditures	753,548	(434,001)	(53,163)	266,384
Other Financing Sources (Uses)				
Transfers in	-	-	20,000	20,000
Other Sources	-	6,397,194	71,864	6,469,058
Transfers out	(20,000)	-	-	(20,000)
Net Financing Sources (Uses)	(20,000)	6,397,194	91,864	6,469,058
NET CHANGE IN FUND BALANCES	733,548	5,963,193	38,701	6,735,442
Fund Balance - Beginning	8,315,109	-	2,652,682	10,967,791
Fund Balance - Ending	\$ 9,048,657	\$ 5,963,193	\$ 2,691,383	\$ 17,703,233

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

JEFFERSON ELEMENTARY SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2011**

Total Changes in the Fund Balance - Governmental Funds **\$ 6,735,442**
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.

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

Depreciation expense	\$ (914,255)	
Capital outlays	161,251	
Net Expense Adjustment		(753,004)

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 great than amounts used.

553

Bond premiums are revenue in the governmental funds in the year bonds are issued, but are recorded as a long-term liability and amortized over the term of the bonds in the statement of net assets.

(71,864)

Capital lease payments are expenditures in the governmental funds. However, the capital lease payments are not expenses in the statement of activities, but instead reduce the long-term liabilities in government wide financial statements.

21,972

Payment of the cost of issuance of bonds are expenditures in the governmental funds, however, they are reported as a deferred charge and amortized over the life of the bond in the government wide financial statement

313,608

Proceeds from debt provided current financial resources to governmental funds. However, issuing debt increases long-term liabilities in the statement of net assets. This amount is the net effect of proceeds and issuance costs.

(6,397,194)

OPEB costs are recognized as expenditures in the fund statements, but are deferred in the government-wide statement.

11,498

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.

2,337

Change in Net Assets of Governmental Activities		<u>\$ (136,652)</u>
--------------------------------------------------------	--	----------------------------

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

JEFFERSON ELEMENTARY SCHOOL DISTRICT

**PROPRIETARY FUND
STATEMENT OF NET ASSETS
JUNE 30, 2011**

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets	
Deposits and investments	\$ 71,376
Receivables	104
Total Current Assets	<u>71,480</u>
NET ASSETS	
Unrestricted	71,480
Total Net Assets	<u>\$ 71,480</u>

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

JEFFERSON ELEMENTARY SCHOOL DISTRICT

**PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011**

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Local and intermediate sources	\$ -
Total Operating Revenues	<u>-</u>
OPERATING EXPENSES	
Services and other operating cost	10,000
Total Operating Expenses	<u>10,000</u>
Operating Income (Loss)	<u>(10,000)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	\$ 556
Other Local Revenues	11,781
Total Nonoperating Revenues (Expenses)	<u>12,337</u>
Income (Loss) Before Capital Contributions	<u>2,337</u>
Change in Net Assets	<u>2,337</u>
Total Net Assets - Beginning	69,143
Total Net Assets - Ending	<u>\$ 71,480</u>

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

JEFFERSON ELEMENTARY SCHOOL DISTRICT

**PROPRIETARY FUND
STATEMENT OF CASH FLOWS
JUNE 30, 2011**

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	\$ 2,333
Net Cash Provided (Used) from Investing Activities	<u>2,333</u>
Net Increase in Cash and Cash Equivalents	2,333
Cash and Cash Equivalents - Beginning	69,043
Cash and Cash Equivalents - Ending	<u>\$ 71,376</u>

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

JEFFERSON ELEMENTARY SCHOOL DISTRICT

**FIDUCIARY FUND
STATEMENT OF NET ASSETS
JUNE 30, 2011**

	<u>Retiree Benefits Trust</u>	<u>Scholarship Trust</u>	<u>Agency Funds (ASB)</u>
ASSETS			
Deposits and investments	\$ 329,617	\$ 1,311	\$ 64,067
Receivables	497	-	-
Total Assets	<u>330,114</u>	<u>1,311</u>	<u>64,067</u>
LIABILITIES			
Accounts payable	-	-	-
Due to student groups	-	-	64,067
Total Liabilities	<u>-</u>	<u>-</u>	<u>\$ 64,067</u>
NET ASSETS			
Unreserved	330,114	1,311	
Total Net Assets	<u>\$ 330,114</u>	<u>\$ 1,311</u>	

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

JEFFERSON ELEMENTARY SCHOOL DISTRICT

**FIDUCIARY FUND
STATEMENT OF CHANGES IN NET ASSETS
JUNE 30, 2011**

	Retiree Benefits Trust	Scholarship Trust
ADDITIONS		
Private donations	\$ -	\$ 565
District contributions	77,616	-
Interest and investment earnings	2,530	1
Total Additions	<u>80,146</u>	<u>566</u>
DEDUCTIONS		
Other expenditures	66,165	750
Total Deductions	<u>66,165</u>	<u>750</u>
Change in Net Assets	13,981	(184)
Net Assets - Beginning	316,133	1,495
Net Assets - Ending	<u>\$ 330,114</u>	<u>\$ 1,311</u>

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

JEFFERSON ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

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 responsible. 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.

Other Related Entities

Public Entity Risk Pools and Joint Powers Authorities The District is associated with public entity risk pools and two joint powers authorities. These organizations do not meet the criteria for inclusion as component units of the District. Additional information 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
Tracy Area Public Facilities Financing Agency

JEFFERSON ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

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 range fund categories: governmental, proprietary, and fiduciary.

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

Major Governmental Funds

General Fund The General Fund is the chief operating fund for all Districts. It is used to account for the ordinary operations of a District. All transactions except those required or permitted by law to be in another fund are accounted for in this fund.

Building Fund The Building Fund exists primarily to account separately for proceeds from the sale of bonds (Education Code Section 15146) and may not be used for any purpose other than those for which the bonds were issued.

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue Funds are established to account for the proceeds from specific revenue sources (other than trusts or for major capital projects) that are restricted to the financing of particular activities. The District maintains the following special revenue funds:

Cafeteria Fund The Cafeteria Fund is used to account separately for Federal, State and local resources to operate the food service program (Education Code Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (Education Code Sections 38091 and 38100).

Deferred Maintenance Fund The Deferred Maintenance Fund is used to account separately for state apportionments and the District's contributions for deferred maintenance purposes (Education Code Sections 17582-17587) and for items of maintenance approved by the State Allocation Board.

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

JEFFERSON ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

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

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

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

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).

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.

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds.

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore, not available to support the District's own programs. The District's trust funds are the Scholarship Trust and the Retiree Benefits Trust funds. Agency funds are custodial in nature (assets equal liabilities). The District's agency fund accounts for student body activities (ASB).

Basis of Accounting – Measurement Focus

Government-Wide Financial Statements The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the District and its component units.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the fiduciary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

JEFFERSON ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. 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 goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identified the extent to which each governmental function is self-financing or draws from the general revenues of the District.

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

Governmental Funds All governmental funds are accounted for using 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 The Fiduciary activities are reflected in the retiree benefits trust fund and agency funds. The agency funds report a balance sheet and do not have a measurement focus. The retiree benefit trust used the current financial resources measurement focus.

JEFFERSON ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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. Generally, available is defined as collectible within 45 or 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain gains, and other local sources.

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.

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 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.

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, 2011, 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 investment pool are determined by the program sponsor.

JEFFERSON ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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.

Stores Inventories

Inventories are recorded using the consumption method, in that inventory acquisitions are initially recorded in inventory (asset) accounts, and are charged as expenditures when used. Reported inventories are equally offset by nonspendable fund balance which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets. The District's cafeteria inventory valuation is First-in-First-out (FIFO).

Capital Assets and Depreciation

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

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized 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 is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements, 5 to 50 years; equipment, 2 to 15 years.

Interfund Balances

In the financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental column of the statement of net assets, 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.

JEFFERSON ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

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 government funds are reported as a liability in the governmental fund financial statements only to the extent that they are due for repayment during the current year. Bonds, capital leases, and other long-term obligations are recognized as liabilities in the governmental fund financial statements when due.

Use of Restricted/Unrestricted Net Assets

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the District's policy is to apply restricted net assets first.

Fund Balance Reporting

The District reports fund balance within one of the following categories:

Nonspendable such as fund balance associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned),

Restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resources providers, or through enabling legislation,

Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School District Board of Directors (the district's highest level of decision-making authority),

Assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed, and

Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

JEFFERSON ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

Committed Fund Balance Policy For funds that are determined to fall within the “Committed Fund Balance” classification, the Governing Board, as the District’s highest level of decision-making authority, may commit fund balance for specific purposes pursuant to constraints imposed by formal actions taken, such as a majority vote or resolution. These committed amounts cannot be used for any other purpose unless the Governing Board removes or changes the specific use through the same type of formal action taken to establish the commitment. Governing Board action to commit fund balance needs to occur within the fiscal reporting period, no later than June 30th; however, the amount can be determined with the release of the financial statements.

Assigned Fund Balance Policy Amounts that are constrained by the District’s intent to be used for specific purposes, but are neither restricted nor committed, should be reported as assigned fund balance. The District delegates the authority to assign amounts to be used for specific purposes to the Chief Business Official for the purpose of reporting these amounts in the financial statements.

Minimum Fund Balance Policy The purpose of the District’s fund balance policy is to maintain a prudent level of financial resources to protect against reducing service levels because of temporary revenue shortfalls or unpredicted one-time expenditures.

The District has adopted a policy to achieve and maintain unrestricted fund balance in the General Fund of 3 percent of total General Fund expenditures, other uses and transfers out at the close of each fiscal year, consistent with the recommended level promulgated by the State of California.

Order of Fund Balance Spending Policy For which amounts in any of the unrestricted fund balance classifications could be used, the District’s policy is to apply expenditures in the following order: committed, assigned, and then unassigned.

First, non-spendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including non-spendable amounts). Then any remaining fund balances amounts for the non-general funds are classified as restricted fund balance.

It is possible for the non-general funds to have negative unassigned fund balance when non-spendable amounts plus the restricted fund balances for specific purposes amounts exceed the positive fund balances for the non-general fund.

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.

JEFFERSON ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are for in-district charges for the self-insurance. Operating expenses are necessary costs incurred to provide the goods or service that are the primary activity of the fund. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Interfund Activity

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

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 1st of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all 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 Alameda bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

JEFFERSON ELEMENTARY SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

New Accounting Pronouncements

In March, 2009, the Governmental Accounting Standards Board (GASB) issued GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions in an effort to improve the consistency in reporting fund balance components, enhance fund balance presentation, improve the usefulness of fund balance information, and clarify the definitions of the governmental fund types. The classification requirements in GASB 54 improve financial reporting by providing fund balance categories and classifications that are more easily understood. The requirements of GASB 54 are effective for financial statements for periods beginning after June 15, 2010. The District has adopted the requirements of GASB 54 for the year ending June 30, 2011.

NOTE 2 – DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2011, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 13,597,657
Proprietary fund	71,218
Fiduciary funds	394,396
Total Deposits and Investments	\$ 14,063,271

Deposits and investments as of June 30, 2011, consist of the following:

Cash on hand and in banks	\$ 65,378
Cash in revolving accounts	5,000
Investments	13,992,893
Total Deposits and Investments	\$ 14,063,271

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.

JEFFERSON ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

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.

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 Fund	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 \$13,709,882, and the weighted average maturity was 172 days.

JEFFERSON ELEMENTARY SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

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 government 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, 2011, the District's bank balance of \$76,408 with a carrying amount of \$70,378, was under \$250,000 and therefore covered under Federal Deposit Insurance Corporation (FDIC).

Custodial Credit Risks – Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The California Government Code does not contain legal or policy requirements that would limit the custodial credit risk for investments.

NOTE 3 – RECEIVABLES

Receivables at June 30, 2011, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Non-Major Governmental Funds	Total	Proprietary Fund
Federal Government					
Categorical aid	\$ 352,264	\$ -	\$ -	\$ 352,264	\$ -
State Government					
Apportionment	2,843,704	-	-	2,843,704	-
State Categorical	488,646	-	-	488,646	-
Other State	442,866	-	-	442,866	-
Interest	11,746	4,923	3,705	20,374	104
Other Local Sources	98,838	-	-	98,838	-
Total	<u>\$ 4,238,064</u>	<u>\$ 4,923</u>	<u>\$ 3,705</u>	<u>\$ 4,246,692</u>	<u>\$ 104</u>

JEFFERSON ELEMENTARY SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 5,825,263	\$ -	\$ -	\$ 5,825,263
Construction in Progress	175,149	155,428	1,058	329,519
Total Capital Assets Not Being Depreciated	<u>6,000,412</u>	<u>155,428</u>	<u>1,058</u>	<u>6,154,782</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	34,594,815	1,058	-	34,595,873
Furniture and Equipment	1,522,838	5,823	-	1,528,661
Total Capital Assets Being Depreciated	<u>36,117,653</u>	<u>6,881</u>	<u>-</u>	<u>36,124,534</u>
Total Capital Assets	<u>42,118,065</u>	<u>162,309</u>	<u>1,058</u>	<u>42,279,316</u>
Less Accumulated Depreciation:				
Buildings and Improvements	6,469,703	823,412		7,293,115
Furniture and Equipment	1,124,798	90,843		1,215,641
Total Accumulated Depreciation	<u>7,594,501</u>	<u>914,255</u>	<u>-</u>	<u>8,508,756</u>
Governmental Activities Capital Assets, Net	<u>\$ 34,523,564</u>	<u>\$ (751,946)</u>	<u>\$ 1,058</u>	<u>\$ 33,770,560</u>

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

Governmental Activities		
Instruction		\$ 914,255
Total Depreciation Expenses Governmental Activities		<u>\$ 914,255</u>

JEFFERSON ELEMENTARY SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 5 – INTERFUND TRANSACTIONS

Operating Transfers

Interfund transfers for the year ended June 30, 2011, consisted of the following:

The General fund transferred to the Pupil Transportation fund for contributions to the Bus allowance. \$ 20,000

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

NOTE 6 – ACCOUNTS PAYABLE

Accounts payable at June 30, 2011, consisted of the following:

	Governmental Funds		
	General Fund	Non-Major General Fund	Total
Salaries and Benefits	\$ 46,404	\$ -	\$ 46,404
All other payables	100,068	5,073	105,141
Total	<u>\$ 146,472</u>	<u>\$ 5,073</u>	<u>\$ 151,545</u>

NOTE 7 – DEFERRED REVENUE

Deferred revenue at June 30, 2011, consists of the following:

Federal financial assistance	<u>\$ 5,996</u>
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JEFFERSON ELEMENTARY SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

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, 2010	Additions	Deductions	Balance June 30, 2011	Due in One Year
General Obligation Bonds	\$ -	\$ 6,397,194	\$ -	\$ 6,397,194	\$ -
Accumulated vacation - net	43,646	-	553	43,093	-
Capital leases	124,275	-	21,972	102,303	21,972
	<u>\$ 167,921</u>	<u>\$ 6,397,194</u>	<u>\$ 22,525</u>	<u>\$ 6,542,590</u>	<u>\$ 21,972</u>
Premiums, net of amortization	-	71,864	400	71,464	
	<u>167,921</u>	<u>6,469,058</u>	<u>22,925</u>	<u>6,614,054</u>	<u>21,972</u>

Bonded Debt

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

The outstanding general obligation bonded debt of the District at June 30, 2011 is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds Outstanding June 30, 2011
				Outstanding July 1, 2010	Issued	Redeemed	
4/27/2011	2041	2.0% - 5.5%	\$ 6,397,194	\$ -	\$ 6,397,194	\$ -	\$ 6,397,194

JEFFERSON ELEMENTARY SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

Debt Service Requirements to Maturity

The bonds mature through 2041 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2012	\$ -	\$ 71,032	\$ 71,032
2013	55,000	319,644	374,644
2014	60,000	318,544	378,544
2015	70,000	316,744	386,744
2016	10,000	314,644	324,644
2017-2021	215,000	1,559,519	1,774,519
2022-2026	554,096	1,561,224	2,115,320
2027-2031	401,565	2,189,903	2,591,468
2032-2036	1,626,533	1,599,547	3,226,080
2037-2041	3,405,000	600,325	4,005,325
Total	<u>\$ 6,397,194</u>	<u>\$ 8,851,126</u>	<u>\$ 15,248,320</u>

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2011, amounted to \$43,093.

Capital Leases

The District's liability on lease agreements at June 30, 2011 with options to purchase is summarized below:

	Copier Leases
Balance, July 1, 2010	\$ 124,275
Additions	-
Payments	(21,972)
Balance, June 30, 2011	<u>\$ 102,303</u>

JEFFERSON ELEMENTARY SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

The capital leases have minimum payments as follows:

Year Ending June 30,	Lease Payments
2012	\$ 28,831
2013	28,831
2014	28,831
2015	28,831
Total	<u>115,324</u>
Less: Amount Representing Interest	(13,021)
Present Value of Minimum Lease Payments	<u>\$ 102,303</u>

NOTE 9 – FUND BALANCES

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

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Fund Balances				
Nonspendable:				
Revolving cash	\$ 5,000	\$ -	\$ -	\$ 5,000
Stores	-	-	16,412	16,412
Restricted for:				
Adult Basic Education	-	-	-	-
Facilities	-	-	1,580,853	1,580,853
Modernization	-	5,963,193	-	5,963,193
Bond refunding	-	-	71,864	71,864
Other fund activities	737,653	-	397,477	1,135,130
Committed to:				
Other commitments	-	-	624,777	624,777
Assigned to:				
Mandated Costs	237,356	-	-	237,356
Instructional Materials	280,166	-	-	280,166
Lottery	525,956	-	-	525,956
ADA Reserve	821,575	-	-	821,575
Unassigned:				
Reserve for Economic Uncertainty	6,440,951	-	-	6,440,951
Total Fund Balance	<u>9,048,657</u>	<u>5,963,193</u>	<u>2,691,383</u>	<u>17,703,233</u>

JEFFERSON ELEMENTARY SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 10 – NET OPEB OBLIGATION

Plan Description

The Postemployment Benefit Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the Jefferson School District. The Plan provides medical, dental and vision insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 5 retirees and beneficiaries currently receiving benefits and 7 active plan members.

<u>Benefit Types Provided</u>	<u>Certificated*</u>
	<u>Medical, dental and vision</u>
Duration of Benefits	To age 70; plus one month for each 3 days of accumulated sick leave beyond 50
Required Service	25 Years
Minimum Age	58
Dependent Coverage	Yes
District Contribution %	100%
District Cap	\$10,000 per year

**Non-bargained employees are entitled to benefits based on their appropriate classification*

Contribution Information

The contribution requirements of the District are established and may be amended by the District and the eligible plan members. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits. For fiscal year 2010-2011, the District contributed \$77,616 to the plan, a portion of which was used for current premiums.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed thirty years. The District's ARC for the current year was \$66,118 which was fully funded through contributions made during the year.

Annual required contribution	\$ 66,118
Contributions made during the year	<u>(77,616)</u>
Increase in net OPEB asset	11,498
Net OPEB asset, beginning of year	<u>273,578</u>
Net OPEB asset, end of year	<u><u>\$ 285,076</u></u>

JEFFERSON ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2011 was as follows:

Year Ended June 30	Annual Required Contribution	Percentage Contributed	Net OPEB Obligation	Net OPEB Asset
2010	\$ 66,118	100%	\$ -	\$ 273,578
2011	\$ 66,118	100%	\$ -	\$ 285,076

Funded Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Since this is the first year of implementation, only the current year information is presented.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 1, 2008, actuarial valuation, the entry age normal actuarial method was used. The actuarial assumptions included a 5.0 percent investment rate of return (net of administrative expenses), based on the plan being funded in an irrevocable employee benefit trust invested in a long-term fixed income portfolio. Additionally, actuarial assumptions include a 4 percent per year trend increase in healthcare costs. The UAAL is being amortized at a level dollar method for a static 30 years. The remaining amortization period at June 1, 2008, was 30 years. The actuarial value of assets was determined at \$285,076.

JEFFERSON ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

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 the fiscal year ending June 30, 2011, the District contracted with San Joaquin County Schools 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 2010-2011, 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 (SISC) to provide classified employee medical and surgical benefits. Self Insured Schools of California 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. The District's teachers union independently contracted with the Consolidated Benefit Trust (CBT) to provide certified employee medical and surgical

JEFFERSON ELEMENTARY SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

Coverage provided by San Joaquin County School Workers' Compensation Group and San Joaquin County Schools Property and Liability Group for property and liability and workers' compensation is as follows:

<u>Insurance Program/Company Name</u>	<u>Type of Coverage</u>	<u>Limits</u>	
Workers' Compensation Program			
San Joaquin County Schools Workers' Compensation Group	Workers' Compensation	State Statutory Limits	
Other Insurance			
The Fidelity and Deposit Company of Maryland	Crime	\$	5,000,000
Hartford Steam Boiler	Equipment Breakdown	\$	100,000
Chubb	EDP	\$	8,036,719
Property and Liability		<u>Property Limits</u>	<u>Liability Limits</u>
Northern California Regional Excess of Liability Fund (ReLIEF)	Property and Liability	\$25,000-\$250,000	\$50,000-\$1,000,000
Schools Association for Excess Risk (SAFER)	Property and Liability	\$250,000-\$250,000,000	\$1,000,000-\$24,000,000

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 California State Teachers' Retirement System (CalSTRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS).

CalSTRS

Plan Description

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

JEFFERSON ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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 2010-2011 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalSTRS for the fiscal years ending June 30, 2011, 2010, and 2009, were \$703,744, \$679,559, and \$657,849, respectively, and equal 100 percent of the required contributions for each year.

CalPERS

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, and 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 rates are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2010-2011 was 10.71 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, 2011, 2010, and 2009, were \$244,188, \$228,166, and \$222,054, respectively, and equal 100 percent of the required contributions for each year.

On Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$171,860 (2.017 percent of salaries subject to CalSTRS). No contributions were made for CalPERS for the year ended June 30, 2011. 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 not been included in the budget amounts reported in the General Fund Budgetary Schedule. These amounts have not been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves.

JEFFERSON ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

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, 2011.

Litigation

The District is involved in various legal litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2011.

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 School Workers' Compensation Insurance Group (SJCSWCIG), San Joaquin County Schools Property and Liability Insurance Group (SJCSP&LIG) public entity risk pools, Tracy Area Public Facilities Financing Agency (TAPFFA) joint powers agency, and the San Joaquin County Schools Data Processing Group (SJCSDPC). The District pays an annual premium to the applicable entity for its health, worker's 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.

During the year ended, the District made payments of \$185,238, \$95,956 and \$86,458 to the San Joaquin County School 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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II - Required Supplementary Information

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JEFFERSON ELEMENTARY SCHOOL DISTRICT

**GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual (GAAP Basis)	Variances -
	(GAAP Basis)			Positive
	Original	Final		(Negative) Final to Actual
REVENUES				
Revenue limit sources	\$ 11,601,702	\$ 12,472,963	\$ 12,502,861	\$ 29,898
Federal sources	813,607	1,230,364	1,338,863	108,499
Other State sources	2,192,910	2,373,351	2,357,447	(15,904)
Other local sources	951,238	1,084,146	1,228,859	144,713
Total Revenues	<u>15,559,457</u>	<u>17,160,824</u>	<u>17,428,030</u>	<u>267,206</u>
EXPENDITURES				
Current				
Certificated salaries	8,582,048	8,810,489	8,698,835	111,654
Classified salaries	2,234,653	2,224,183	2,197,409	26,774
Employee benefits	3,021,111	3,135,138	3,105,611	29,527
Books and supplies	1,116,609	1,435,160	737,529	697,631
Services and operating expenditures	1,730,547	2,088,812	1,765,126	323,686
Other outgo	175,195	243,425	164,149	79,276
Capital Outlay	-	-	5,823	(5,823)
Debt services - Principal	-	-	-	-
Debt services - Interest	-	-	-	-
Total Expenditures	<u>16,860,163</u>	<u>17,937,207</u>	<u>16,674,482</u>	<u>1,262,725</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>(1,300,706)</u>	<u>(776,383)</u>	<u>753,548</u>	<u>1,529,931</u>
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Other Sources	-	10,800	-	(10,800)
Transfers out	(37,000)	(37,000)	(20,000)	17,000
Net Financing Sources (Uses)	<u>(37,000)</u>	<u>(26,200)</u>	<u>(20,000)</u>	<u>6,200</u>
NET CHANGE IN FUND BALANCES	<u>(1,337,706)</u>	<u>(802,583)</u>	<u>733,548</u>	<u>1,536,131</u>
Fund Balance - Beginning	<u>8,315,109</u>	<u>8,315,109</u>	<u>8,315,109</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 6,977,403</u>	<u>\$ 7,512,526</u>	<u>\$ 9,048,657</u>	<u>\$ 1,536,131</u>

JEFFERSON ELEMENTARY SCHOOL DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING
 PROGRESS AND EMPLOYER CONTRIBUTION
 FOR THE YEAR ENDED JUNE 30, 2011**

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Level Percent of Payroll (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a / b)	Estimated Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
1-Jun-08	\$ 285,076	\$ 847,395	\$ 562,319	34%	\$ 10,890,000	5%

III - Supplementary Information

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JEFFERSON ELEMENTARY SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education (CDE):			
No Child Left Behind Act (NCLB)			
Title I, Part A - Basic Grants Low Income and Neglected	84.010	14329	\$ 131,553
ARRA: Title I, Part A, Basic Grants Low Income and Neglected	84.389	15005	2,683
Subtotal Title I Grants to Local Educational Agencies Cluster			<u>134,236</u>
Title II, Part A - Teacher Quality	84.367	14341	43,122
Title II, Part A, Principal Training	84.367	14344	1,247
ARRA: Title II, Part D - Enhancing Education Through Technology	84.386A	15019	1,854
Title III - Limited English Proficiency	84.365	14346	79,454
Title IV, Part A, Safe and Drug Free Schools	84.186	14347	2,618
ARRA: State Fiscal Stabilization Fund	84.394	25008	232,900
Education Jobs Fund	84.410	25152	463,683
Individuals with Disabilities Education Act (IDEA) Cluster			
IDEA, Basic Local Assistance, Entitlement Part B, Sec 611	84.027	13379	356,473
ARRA: IDEA Part B, Sec 611, Basic Local Assistance	84.391	15003	1,950
IDEA, Preschool Grants, Part B, Sec 619	84.173	13430	15,242
ARRA: IDEA Part B, Sec 619, Preschool Grants	84.392	15000	16,606
IDEA, Preschool Local Entitlement	84.027A	13682	27,072
ARRA: IDEA Preschool Grant Local Entitlement	84.391	15002	44,607
Subtotal Individuals with Disabilities Education Act (IDEA) Cluster			<u>461,950</u>
Total U.S. Department of Education			<u>1,421,064</u>
US DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Medi-Cal Billing Option	93.778	10013	4,095
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster			
National School Breakfast	10.553	13526	27,263
National School Lunch	10.555	13396	297,501
Total U.S. Department of Agriculture			<u>324,764</u>
Total Expenditures of Federal Awards			<u>\$ 1,749,923</u>

See accompanying note to supplementary information.

JEFFERSON ELEMENTARY SCHOOL DISTRICT

**LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
FOR THE YEAR ENDED JUNE 30, 2011**

ORGANIZATION

The Jefferson Elementary School District was established in June 1870 and consists of an area comprising approximately 130 square miles. The District operates three elementary, and one middle school. There were no boundary changes during the year.

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Pete Carlson	President	2012
Dan Wells	Vice President	2014
Brian Jackman	Member	2014
Jacqueline Thomas	Member	2014
Debbi Wingo	Member	2012

ADMINISTRATION

Dana Eaton	Superintendent
Mindy Maxedon	Chief Business Officer

JEFFERSON ELEMENTARY SCHOOL DISTRICT

**SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Second Period Report</u>	<u>Annual Report</u>
ELEMENTARY		
Kindergarten	241	241
First through third	761	761
Fourth through sixth	842	842
Seventh and eighth	589	590
Home and hospital	1	1
Special education	39	39
Total Elementary	<u>2,473</u>	<u>2,474</u>

See accompanying note to supplementary information.

JEFFERSON ELEMENTARY SCHOOL DISTRICT

**SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2011**

Grade Level	1982-83	1982-83	1986-87	1986-87	2010-2011	Number of Days		Status
	Actual Minutes	Adjusted and Reduced	Minutes Requirement	Adjusted and Reduced	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	31,500	N/A	36,000	N/A	42,660	180	N/A	Complied
Grade 1	41,780	N/A	50,400	N/A	50,820	180	N/A	Complied
Grade 2	41,780	N/A	50,400	N/A	50,820	180	N/A	Complied
Grade 3	41,780	N/A	50,400	N/A	50,820	180	N/A	Complied
Grade 4	54,000	N/A	54,000	N/A	60,900	180	N/A	Complied
Grade 5	54,000	N/A	54,000	N/A	60,900	180	N/A	Complied
Grade 6	54,000	N/A	54,000	N/A	60,900	180	N/A	Complied
Grade 7	54,000	N/A	54,000	N/A	60,900	180	N/A	Complied
Grade 8	54,000	N/A	54,000	N/A	60,900	180	N/A	Complied

See accompanying note to supplementary information.

JEFFERSON ELEMENTARY SCHOOL DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

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

FORM ASSET

Balance, June 30, 2011, Unaudited Actuals	\$ 36,789,921
Increase in:	
Buildings and improvements	15,670,412
Furniture and equipment	18,752
Accumulated Depreciation - Buildings and improvements	(4,066,854)
Accumulated Depreciation - Furniture and equipment	(691,637)
Decrease in:	
Construction in progress	13,950,034
Balance, June 30, 2011, Audited Financial Statements	<u>\$ 33,770,560</u>

FORM DEBT

Total Liabilities, June 30, 2011, Unaudited Actuals	\$ 6,556,954
Increase in:	
Premiums, net of amortization	71,464
Decrease in:	
Accumulated vacation - net	1,343
Capital Leases	13,021
Total Liabilities, June 30, 2011, Audited Financial Statements	<u>\$ 6,614,054</u>

See accompanying note to supplementary information.

JEFFERSON ELEMENTARY SCHOOL DISTRICT

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

	(Budget) 2012 ¹	2011	2010	2009
GENERAL FUND				
Revenues	\$ 16,377,105	\$ 17,428,030	\$ 16,454,418	\$ 17,483,985
Other sources	-	-	760,119	-
Total Revenues and Other Sources	16,377,105	17,428,030	17,214,537	17,483,985
Expenditures	17,609,739	16,674,482	16,065,726	15,959,622
Other uses and transfers out	37,000	20,000	655,844	91,646
Total Expenditures and Other Uses	17,646,739	16,694,482	16,721,570	16,051,268
INCREASE (DECREASE) IN FUND BALANCE	\$ (1,269,634)	\$ 733,548	\$ 492,967	\$ 1,432,717
ENDING FUND BALANCE	\$ 7,779,023	\$ 9,048,657	\$ 8,315,109	\$ 7,822,142
AVAILABLE RESERVES ²	\$ 5,319,940	\$ 6,440,951	\$ 6,224,262	\$ 4,230,699
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	30.15%	38.58%	37.22%	26.36%
LONG-TERM OBLIGATIONS	\$ 6,592,082	\$ 6,614,054	\$ 167,921	\$ 116,570
K-12 AVERAGE DAILY ATTENDANCE AT P-2	2,490	2,473	2,422	2,357

The General Fund balance has increased by \$1,226,515 over the past two years. The fiscal year 2011-2012 budget projects a budget decrease of \$1,269,634. 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 for each of the past three years but anticipates incurring an operating surplus during the 2011-2012 fiscal year. Total long-term obligations have increased by \$6,497,484 over the past two years.

Average daily attendance has increased by 116 over the past two years. Additional growth of 17 ADA is anticipated during fiscal year 2011-2012.

¹ Budget 2012 is included for analytical purposes only and has not been subjected to audit.

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

JEFFERSON ELEMENTARY SCHOOL DISTRICT

**SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2011**

Name of Charter School
The District does not sponsor any charter schools.

Included in Audit Report

JEFFERSON ELEMENTARY SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2011**

	Cafeteria Fund	Deferred Maintenance Fund	Pupil Transportation Fund
ASSETS			
Deposits and investments	\$ 133,851	\$ 628,265	\$ 212,590
Receivables	238	932	303
Stores inventories	16,412	-	-
Total Assets	150,501	629,197	212,893
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	653	4,420	-
Total Liabilities	653	4,420	-
Fund Balances:			
Nonspendable	16,412	-	-
Restricted	133,436	-	212,893
Committed	-	624,777	-
Assigned	-	-	-
Unassigned	-	-	-
Total Fund Balance	149,848	624,777	212,893
Total Liabilities and Fund Balances	\$ 150,501	\$ 629,197	\$ 212,893

See accompanying note to supplementary information.

Capital Facilities Fund	County Schools Facilities Fund	Capital Projects Blended Component Fund	Bond Interest And Redemption Fund	Total Non-Major Governmental Funds
\$ 1,573,131	\$ 5,562	\$ 51,076	\$ 71,864	\$ 2,676,339
2,153	7	72	-	3,705
-	-	-	-	16,412
<u>1,575,284</u>	<u>5,569</u>	<u>51,148</u>	<u>71,864</u>	<u>2,696,456</u>
-	-	-	-	5,073
-	-	-	-	<u>5,073</u>
-	-	-	-	16,412
1,575,284	5,569	51,148	71,864	2,050,194
-	-	-	-	624,777
-	-	-	-	-
-	-	-	-	-
<u>1,575,284</u>	<u>5,569</u>	<u>51,148</u>	<u>71,864</u>	<u>2,691,383</u>
<u>\$ 1,575,284</u>	<u>\$ 5,569</u>	<u>\$ 51,148</u>	<u>\$ 71,864</u>	<u>\$ 2,696,456</u>

JEFFERSON ELEMENTARY SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2011**

	Cafeteria Fund	Deferred Maintenance Fund	Pupil Transportation Fund
REVENUES			
Federal sources	\$ 324,764	\$ -	\$ -
Other State sources	25,557	84,910	-
Other local sources	446,593	3,596	976
Total Revenues	796,914	88,506	976
EXPENDITURES			
Current			
Pupil services:			
Food services	789,917	-	-
Plant services	-	131,134	-
Facility acquisition and construction	-	-	-
Total Expenditures	789,917	131,134	-
Excess (Deficiency) of Revenues			
Over Expenditures	6,997	(42,628)	976
Other Financing Sources (Uses)			
Transfers in	-	-	20,000
Other Financing Sources (Uses)	-	-	-
Net Financing Sources (Uses)	-	-	20,000
NET CHANGE IN FUND BALANCES	6,997	(42,628)	20,976
Fund Balance - Beginning	142,851	667,405	191,917
Fund Balance - Ending	\$ 149,848	\$ 624,777	\$ 212,893

See accompanying note to supplementary information.

Capital Facilities Fund	County School Facilities Fund	Capital Projects Blended Component Fund	Bond Interest And Redemption Fund	Total Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 324,764
-	-	-	-	110,467
82,570	41	284	-	534,060
<u>82,570</u>	<u>41</u>	<u>284</u>	<u>-</u>	<u>969,291</u>
-	-	-	-	789,917
69,941	-	-	-	201,075
31,462	-	-	-	31,462
<u>101,403</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,022,454</u>
<u>(18,833)</u>	<u>41</u>	<u>284</u>	<u>-</u>	<u>(53,163)</u>
-	-	-	-	20,000
-	-	-	71,864	71,864
-	-	-	<u>71,864</u>	<u>91,864</u>
<u>(18,833)</u>	<u>41</u>	<u>284</u>	<u>71,864</u>	<u>38,701</u>
1,594,117	5,528	50,864	-	2,652,682
<u>\$ 1,575,284</u>	<u>\$ 5,569</u>	<u>\$ 51,148</u>	<u>\$ 71,864</u>	<u>\$ 2,691,383</u>

JEFFERSON ELEMENTARY SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2011

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.

Local Education Agency Organization Structure

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

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. Senate Bill 2 of the 2009-10 Fourth Extraordinary Session (SBX4 2) allows for an equivalent five-day reduction to the required number of instruction minutes for the fiscal years 2009-10 through 2012-12.

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.

Schedule of Charter Schools

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

JEFFERSON ELEMENTARY SCHOOL DISTRICT

**NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2011**

Non-Major Governmental Funds – Balance Sheet and Statement of Revenue, Expenditures and Change in Fund Balance

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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IV - Independent Auditors' Reports

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Cichella & Tokunaga, LLP

Certified Public Accountants

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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, 2011, which collectively comprise the Jefferson Elementary School District basic financial statements and have issued our report thereon dated December 5, 2011. 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

The management of Jefferson Elementary School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Jefferson Elementary School District internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Jefferson Elementary School District internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Jefferson Elementary School District internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jefferson Elementary School District 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 internal control 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, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Achelle + Mangrup

El Dorado Hills, California
December 5, 2011

Cichella & Tokunaga, LLP

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON 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 Jefferson Elementary School District compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Jefferson Elementary School District's major federal programs for the year ended June 30, 2011. Jefferson Elementary School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility 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 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 compliance with those requirements.

- In our opinion, Jefferson Elementary School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

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 internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Jefferson Elementary School District's internal control over compliance.

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

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

This report is intended solely for the information and use of the Governing Board, management, federal and state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



El Dorado Hills, California
December 5, 2011

Cichella & Tokunaga, LLP

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON STATE PROGRAMS

Board of Education
Jefferson Elementary School District
Tracy, California

We have audited Jefferson Elementary School District's compliance with the types of compliance requirements described in the *Standards and Procedures for Audits of California K-12 Local Education Agencies 2010-2011*, published by the Education Audit Appeals Panel, that could have a direct and material effect on each of Jefferson Elementary School District's State programs for the year ended June 30, 2011. Compliance with the applicable requirements is the responsibility of Jefferson Elementary School District's management. Our responsibility is to express an opinion on the District's compliance with the applicable requirements based on our compliance audit.

We conducted our compliance audit in accordance with auditing standards generally accepted in the United States of America; the standards for financial and compliance 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 Education Agencies 2010-2011*, published by the Education Audits Appeals Panel. Those standards require that we plan and perform the compliance 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 State program occurred. The compliance 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 compliance 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.

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

	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Attendance Accounting:		
Attendance reporting	8	Yes
Kindergarten continuance	3	Yes
Independent Study	23	No, see below
Continuing education	10	Not applicable
Instructional Time:		
School districts	6	Yes
County offices of education	3	Not applicable
Instructional Materials:		
General requirements	8	Yes

	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early retirement incentive	4	Not applicable
Gann limit calculation	1	Yes
School Accountability Report Card	3	Yes
Public hearing requirement – Receipt of funds	1	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
After School Education and Safety Program		
General requirements	4	Not applicable
After school	4	Not applicable
Before school	5	Not applicable
Charter Schools:		
Contemporaneous records of attendance	1	Not applicable
Mode of instruction	1	Not applicable
Non classroom-based instruction/independent study	15	Not applicable
Determination of funding for non-classroom-based instruction	3	Not applicable
Annual instruction minutes classroom based	3	Not applicable

The District's reported ADA for Independent Study was below the materiality level that requires testing; therefore, we did not perform any testing on Independent Study ADA.

Based on our compliance 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 compliance audit, for the items not tested, nothing came to our attention to indicate that the Jefferson Elementary School District had not complied with the laws and regulations.

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, and pass-through entities, and is not intended to be and should not be used by anyone other than these specific parties.

Richelle + M. King CPA

El Dorado Hills, California
December 5, 2011

V - Schedule of Findings and Questioned Costs

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JEFFERSON ELEMENTARY SCHOOL DISTRICT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies 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>No</u>
Significant deficiencies identified not considered to be material weaknesses	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	<u>No</u>
Identification of major programs	

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555	Child Nutrition Cluster
84.410	Education Jobs Fund

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

STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies 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

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

None reported.

JEFFERSON ELEMENTARY SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

None reported.

JEFFERSON ELEMENTARY SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

None reported.

JEFFERSON ELEMENTARY SCHOOL DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

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.

	<u>Five Digit Code</u>	<u>Finding Type</u>
	30000	Internal Control
2010-1	Stipend and Professional Growth Allowance – (30000)	
	Criteria or Specific Requirements	
	According to the District Board guidelines "Professional Growth for Classified Employees", stipend and professional growth units must be preapproved, properly verified and not earned during normal work hours.	
	Condition	
	During our testing of payroll internal control procedures, we noted a sample of classified employees who received units that were not preapproved, properly verified and were earned during normal work hours. Supporting documentation lacked verifiable evidence to calculate proper stipend allowance.	
	Questioned Cost	
	Based on stipends reviewed, the questioned cost is approximately \$20,962 for 2009-10. This amount was determined by computing the annualized disallowed monthly allowances.	
	Effect	
	Based upon current internal controls, the District has difficulty ensuring that stipend and professional growth payments are properly paid.	
	Cause	
	District does not have sufficient internal control procedures in place to ensure that professional growth stipends are properly paid.	
	Recommendation	
	The District should implement specific procedures for approval and verification of qualified stipend units to ensure that professional growth stipends are paid according to District guidelines. District employees should be educated and trained on these procedures.	
	Current Status	
	Implemented.	

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