

**JEFFERSON ELEMENTARY  
SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT  
JUNE 30, 2008**



**JEFFERSON ELEMENTARY SCHOOL DISTRICT**  
**OF SAN JOAQUIN COUNTY**  
**TRACY, CALIFORNIA**  
**JUNE 30, 2008**

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**GOVERNING BOARD**

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Pete Carlson	President	2008
Todd Wetherell	Vice President	2010
Dan Wells	Clerk	2010
Brian Jackman	Member	2010
Debbie Wingo	Member	2008

**ADMINISTRATION**

Ed Quinn	Superintendent
Mindy Maxedon	Chief Business Officer



# JEFFERSON ELEMENTARY SCHOOL DISTRICT

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*FINANCIAL SECTION*

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Vavrinek, Trine, Day & Co., LLP

Certified Public Accountants

VALUE THE DIFFERENCE

## INDEPENDENT AUDITORS' REPORT

Governing Board  
Jefferson Elementary School District  
Tracy, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jefferson Elementary School District (the "District") as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2007-08* issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Jefferson Elementary School District, as of June 30, 2008, 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 7, 2008, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.



The required supplementary information, such as management's discussion and budgetary comparison information as listed in the table of contents, is not a required part of the basic financial statements, but is 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/are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The unaudited supplementary information listed in the table of contents, including the Combining Statements - Non-Major Governmental Funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Vavrinek, Trinc, Day & Co. LLP.

Pleasanton, California  
December 7, 2008



# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

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This section of Jefferson Elementary School District's 2007-2008 annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2008. Please read it in conjunction with the District's financial statements, which immediately follow this section. A comparative analysis has been included in this financial statement in accordance with the Governmental Accounting Standards Board Statement (GASB) No. 34.

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

#### **The Financial Statements**

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

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the District as well as all liabilities (including long-term debt).

The *Fund Financial Statements* include statements for each of 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.

*Reconciliations of the Fund Financial Statements to the Government-Wide Financial Statements* are provided on Pages 16 and 18 to explain the differences created by the integrated approach.

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

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

Total revenue and income received for 2007-08 was \$19.2 million (comparable to 2006-07). Jefferson School District receives 69% of its revenue from the State based on the Revenue Limit. The remaining 31% comes from Lottery, State and Federal grants, and interest income.

Jefferson School District surpassed its goal and reported a final ADA of 2,346.5. Budget adoption ADA was 2,336, an increase of 10.5 ADA.

All Certificated, Classified, and Administrative employees received a one time, off schedule payment of 4.53% of their base salary. No ongoing compensation changes were made in 2007-08.

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2008

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

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

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

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

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

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

**Governmental activities** - 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.

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

#### **Fund Financial Statements**

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

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

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

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**Proprietary funds** - When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the *Statement of Net Assets* and the *Statement of Revenues, Expenses and Changes in Fund Net Assets*. We use internal service funds (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 TRUSTEE**

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

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

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

#### **Net Assets**

The District's net assets were \$45.1 million and \$44.9 million for the fiscal years ended June 30, 2008 and 2007, respectively. Of this amount, \$5.3 million and \$4.1 million were unrestricted for 2008 and 2007. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School Board's ability to use those net assets for day-to-day operations. Our analysis below focuses on the net assets (Table A-1); and change in net assets (Table A-2); of the District's governmental activities.

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

**Table A-1**

	Governmental Activities	
	2008	2007
Current and other assets	\$ 14.1	\$ 12.9
Capital assets	36.0	36.7
<b>Total Assets</b>	<b>50.1</b>	<b>49.6</b>
Current liabilities	1.2	0.7
Long-term debt	3.8	4.0
<b>Total Liabilities</b>	<b>5.0</b>	<b>4.7</b>
Net assets		
Invested in capital assets, net of related debt	32.1	32.4
Restricted	7.7	8.4
Unrestricted	5.3	4.1
<b>Total Net Assets</b>	<b>\$ 45.1</b>	<b>\$ 44.9</b>

The \$5.3 million in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations. It means that if we had to pay off all of our bills *today* including all of our non-capital liabilities (compensated absences as an example); we would have \$5.3 million left.

### Changes in Net Assets

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 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.



# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2008

Table A-2

	Governmental Activities	
	2008	2007
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 0.5	\$ 0.6
Operating grants and contributions	2.4	2.4
General revenues:		
Federal and state aid not restricted	10.9	10.3
Property taxes	3.9	3.7
Other general revenues	1.5	2.1
<b>Total Revenues</b>	<b>19.2</b>	<b>19.1</b>
<b>Expenses</b>		
Instruction related	14.4	13.5
Pupil services	1.4	1.4
Administration	1.2	1.2
Maintenance and operations	1.6	1.7
Other	0.4	0.3
<b>Total Expenses</b>	<b>19.0</b>	<b>18.1</b>
<b>Change in Net Assets</b>	<b>\$ 0.2</b>	<b>\$ 1.0</b>

### 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, 2008 and 2007 were \$19.0 million and \$18.1 million, respectively. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$3.9 million and \$3.7 million, respectively, because the cost was paid by those who benefited from the programs (\$0.5 million and \$0.6 million, respectively) or by other governments and organizations who subsidized certain programs with grants and contributions (\$2.4 million and \$2.4 million, respectively). We paid for the remaining "public benefit" portion of our governmental activities with \$10.9 million and \$10.3 million, respectively, in other federal and state sources, and \$1.5 million and \$2.1 million, respectively, in other revenues, like interest and general entitlements.

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

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2008

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Table A-3

	Net Cost	
	2008	2007
Instruction	\$ 12.7	\$ 11.7
Pupil services	0.4	0.3
Administration	1.2	1.2
Maintenance and operations	1.5	1.6
Other	0.3	0.3
<b>Totals</b>	<b>\$ 16.1</b>	<b>\$ 15.1</b>

The change in the net cost of instruction from \$11.7 million in 2007, to \$12.7 million in 2008, was a result of the effect of one time monies awarded at the end of 2006-07 being spent in 2007-08.

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

As the District completed this year, our governmental funds reported a combined fund balance of \$13.1 million, which is an increase of \$0.7 million from last year.

The primary reasons for these changes are:

- a. Our General Fund is our principal operating fund. The fund balance in the General Fund increased \$1.2 million to \$6.4 million. This increase is due to:
  - Increased State revenue
- b. Our Fund 25 – Developer Fees experienced a 55% decrease in revenue. 2006-07 revenue was \$0.6 million compared with 2007-08 revenue of \$0.3 million. This decrease in revenue was a result of limited new housing construction in our district.

### ***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 17, 2008. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 46.

The District originally projected revenues of approximately \$16.9 million. The revised budget projected revenues of \$17.8 million, an increase of approximately \$0.9 million.

- State revenue increased \$0.4 million due to increased revenue limit and State grants that exceeded amounts originally budgeted.
- Local revenue increased \$.5 million due to increased local revenue that exceeded amounts originally budgeted. Much of our local revenue is budgeted on a 'cash received' basis; the budgeted revenue is not increased until the cash is deposited.
- The revised budget included adjustments for the one time, off schedule payment of 4.53% of each employee's base salary that was not in the original budget.

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2008

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### *CAPITAL ASSET & DEBT ADMINISTRATION*

#### Capital Assets

At June 30, 2008, the District had \$36.0 million in a broad range of capital assets, including land, buildings, and furniture and equipment. This amount is consistent with prior years.

**Table A-4**

	Governmental Activities	
	2008	2007
Land	\$ 5.8	\$ 5.8
Construction in Progress	0.1	-
Buildings and improvements	29.4	30.0
Equipment	0.7	0.9
<b>Totals</b>	<b>\$ 36.0</b>	<b>\$ 36.7</b>

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

Traina School Phase II	\$ -	\$ 0.6
Hawkins School Classroom Wings	-	0.2
District Office Move	-	0.3
Hawkins Playground Equipment	0.1	

This year's decrease of \$ 0.7 million was due to fewer capital projects combined with annual depreciation of equipment and facilities.

There was one Capital Project completed in 2007-08. At Hawkins School, a new playground structure was installed.

Additional information on Capital Assets can be found in Note 4 of the financial statements.

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2008

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### Long-Term Obligations

As of June 30, 2008, the District had \$4.0 million in certificates of participation outstanding. The District's long term obligations consisted of the following:

**Table A-5**

	Governmental Activities	
	2008	2007
Certificates of participation	\$ 4.0	\$ 4.1
Capital leases	0.1	0.2
Other	(0.1)	(0.1)
<b>Totals</b>	<b>\$ 4.0</b>	<b>\$ 4.2</b>

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

### ***SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2007-08 ARE NOTED BELOW:***

- Completion of installation of new playground equipment at Hawkins School.
- Academic Performance Index (API) Scores:

<u>School</u>	<u>2008 API</u>	<u>2007 API</u>
Tom Hawkins Elementary School	800	806
Monticello Elementary School	839	839
Jefferson Elementary School	803	789
Anthony Traina Elementary School	823	814
<b>Overall</b>	<b>813</b>	<b>807</b>

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2008

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

In considering the District Budget for the 2008-09 year, the District Board and management used the following criteria:

The key assumptions in our revenue forecast at budget were:

1. Revenue limit income increased by 0.68 percent at the time the budget was presented.
2. State income (categoricals) was increased by 6.5% at the time the budget was presented.
3. The State budget is currently under review and mid-year reductions are highly likely.
4. Expenditures are based on the following forecasts:

	<u>Staffing Ratio</u>	<u>Enrollment</u>
Grades kindergarten through third	20:1	1047
Grades four through eight	28:1	1357

The key assumptions in our expenditure forecasts are:

1. Step and column movement projected at 2.5%.
2. Health and welfare budgeted at \$8,800 cap.
3. Increase supplies and services for growth and adjustments for increased costs based on CPI.

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

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Chief Business Officer, Business Services, at Jefferson Elementary School District, 1219 Whispering Wind Road, Tracy, California, 95377.

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## STATEMENT OF NET ASSETS

JUNE 30, 2008

	Governmental Activities
<b>ASSETS</b>	
Deposits and investments	\$ 12,565,503
Receivables	1,439,633
Deferred charges	115,169
Stores inventories	492
Capital assets not depreciated	5,928,328
Capital assets, net of accumulated depreciation	30,088,597
<b>Total Assets</b>	<b>50,137,722</b>
<b>LIABILITIES</b>	
Accounts payable	837,327
Interest payable	160,498
Deferred revenue	28,983
Current portion of long-term obligations	201,764
Noncurrent portion of long-term obligations	3,828,123
<b>Total Liabilities</b>	<b>5,056,695</b>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	32,065,974
Restricted for:	
Capital projects	5,714,989
Educational programs	1,257,724
Other activities	777,036
Unrestricted	5,265,304
<b>Total Net Assets</b>	<b>\$ 45,081,027</b>

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

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental Activities:</b>					
Instruction	\$ 12,626,741	\$ 8,537	\$ 1,524,980	\$ 222	\$ (11,093,002)
Instruction-related activities:					
Supervision of instruction	192,352	3,039	30,726	-	(158,587)
Instructional library, media, and technology	201,329	5,285	25,927	-	(170,117)
School site administration	1,352,008	379	96,132	-	(1,255,497)
Pupil services:					
Home-to-school transportation	256,018	35,507	156,190	-	(64,321)
Food services	778,265	478,574	280,398	-	(19,293)
All other pupil services	405,284	-	98,719	-	(306,565)
General administration:					
Data processing	112,200	-	-	-	(112,200)
All other general administration	1,088,410	-	30,197	-	(1,058,213)
Plant services	1,627,363	-	112,868	-	(1,514,495)
Ancillary services	25,396	-	4,666	-	(20,730)
Interest on long-term obligations	214,377	-	-	-	(214,377)
Other outgo	132,544	-	65,150	-	(67,394)
<b>Total Governmental-Type Activities</b>	<b>\$ 19,012,287</b>	<b>\$ 531,321</b>	<b>\$ 2,425,953</b>	<b>\$ 222</b>	<b>(16,054,791)</b>
General revenues and subventions:					
Property taxes, levied for general purposes					3,932,550
Federal and State aid not restricted to specific purposes					10,892,898
Interest and investment earnings					503,592
Miscellaneous					930,505
<b>Subtotal, General Revenues</b>					<b>16,259,545</b>
<b>Change in Net Assets</b>					<b>204,754</b>
Net Assets - Beginning					44,876,273
Net Assets - Ending					<b>\$ 45,081,027</b>

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

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2008

	General Fund	Capital Facilities Fund	Non Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Deposits and investments	\$ 5,997,241	\$ 5,671,925	\$ 829,366	\$ 12,498,532
Receivables	1,346,746	40,899	38,148	1,425,793
Due from other funds	-	-	108,042	108,042
Stores inventories	-	-	492	492
<b>Total Assets</b>	<b>\$ 7,343,987</b>	<b>\$ 5,712,824</b>	<b>\$ 976,048</b>	<b>\$ 14,032,859</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 817,537	\$ 3,437	\$ 16,353	\$ 837,327
Due to other funds	108,042	-	-	108,042
Deferred revenue	28,983	-	-	28,983
<b>Total Liabilities</b>	<b>954,562</b>	<b>3,437</b>	<b>16,353</b>	<b>974,352</b>
<b>Fund Balances:</b>				
Reserved for:				
Legally restricted balances	1,257,724	-	-	1,257,724
Other reservations	505,000	-	522	505,522
Unreserved:				
Designated	1,257,644	-	-	1,257,644
Undesignated, reported in:				
General Fund	3,369,057	-	-	3,369,057
Special revenue funds	-	-	924,882	924,882
Capital projects funds	-	5,709,387	34,291	5,743,678
<b>Total Fund Balance</b>	<b>6,389,425</b>	<b>5,709,387</b>	<b>959,695</b>	<b>13,058,507</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 7,343,987</b>	<b>\$ 5,712,824</b>	<b>\$ 976,048</b>	<b>\$ 14,032,859</b>

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, 2008

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<b>Total Fund Balance - Governmental Funds</b>		<b>\$ 13,058,507</b>
<b>Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:</b>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	\$41,652,019	
Accumulated depreciation is	<u>(5,635,094)</u>	
		36,016,925
In the governmental funds, the receipt of the special education mandated settlement is reported as revenue in the year received. On the statement of net assets, the settlement amount is recorded as a receivable and payments received in the current year reduce the receivable.		13,358
Expenses relating to issuance of debt are expensed in the governmental funds, but they are capitalized and amortized to operations in the government-wide financial statements.		115,169
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term debt is recognized when it is incurred.		(160,498)
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.		67,453
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term liabilities at year end consist of:		
Certificates of participation	3,965,000	
Discounts on certificates of participation	(124,230)	
Compensated absences (vacations)	50,247	
Capital leases payable	<u>138,870</u>	
		(4,029,887)
<b>Total Net Assets - Governmental Activities</b>		<b><u>\$ 45,081,027</u></b>

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

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## GOVERNMENTAL FUNDS

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED JUNE 30, 2008

	General Fund	Capital Facilities Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Revenue limit sources	\$ 13,180,149	\$ -	\$ -	\$ 13,180,149
Federal sources	375,088	-	201,353	576,441
Other state sources	2,968,736	-	104,919	3,073,655
Other local sources	1,542,567	273,565	572,318	2,388,450
<b>Total Revenues</b>	<b>18,066,540</b>	<b>273,565</b>	<b>878,590</b>	<b>19,218,695</b>
<b>EXPENDITURES</b>				
Current				
Instruction	11,689,598	-	-	11,689,598
Instruction-related activities:				
Supervision of instruction	192,352	-	-	192,352
Instructional library, media and technology	201,329	-	-	201,329
School site administration	1,359,760	-	-	1,359,760
Pupil services:				
Home-to-school transportation	256,642	-	-	256,642
Food services	-	-	778,265	778,265
All other pupil services	405,284	-	-	405,284
General administration:				
Data processing	112,200	-	-	112,200
All other general administration	1,069,374	-	-	1,069,374
Plant services	1,409,194	121,441	39,018	1,569,653
Facility acquisition and construction	243,524	82,973	(3,384)	323,113
Ancillary services	25,396	-	-	25,396
Other outgo	132,544	-	-	132,544
Debt service				
Principal	63,597	110,000	-	173,597
Interest and other	12,148	185,941	-	198,089
<b>Total Expenditures</b>	<b>17,172,942</b>	<b>500,355</b>	<b>813,899</b>	<b>18,487,196</b>
<b>Excess (Deficiency) of</b>				
<b>Revenues Over Expenditures</b>	<b>893,598</b>	<b>(226,790)</b>	<b>64,691</b>	<b>731,499</b>
<b>Other Financing Sources (Uses):</b>				
Transfers in	365,677	-	110,857	476,534
Transfers out	(110,857)	(365,677)	-	(476,534)
<b>Net Financing Sources (Uses)</b>	<b>254,820</b>	<b>(365,677)</b>	<b>110,857</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>1,148,418</b>	<b>(592,467)</b>	<b>175,548</b>	<b>731,499</b>
<b>Fund Balance - Beginning</b>	<b>5,241,007</b>	<b>6,301,854</b>	<b>784,147</b>	<b>12,327,008</b>
<b>Fund Balance - Ending</b>	<b>\$ 6,389,425</b>	<b>\$ 5,709,387</b>	<b>\$ 959,695</b>	<b>\$ 13,058,507</b>

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

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2008

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Total Net Change in Fund Balances - Governmental Funds \$ 731,499  
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 expense.

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

Depreciation expense	\$ (959,050)	
Capital outlay	<u>280,219</u>	
		(678,831)

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 greater than amounts used. (3,569)

Amortization of issue costs and discounts of certificates of participation is an expenditure in the governmental funds, but it is amortized on the statement of net assets. (11,400)

Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities. 173,597

Special Education mandate settlement received in the current fiscal year in the governmental funds was accrued in prior years in the statement of net asset, therefore it is excluded in the statement of activities. (4,453)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. (4,888)

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.

	<u>2,799</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 204,754</u></u>

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

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## PROPRIETARY FUND STATEMENT OF NET ASSETS JUNE 30, 2008

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	<u>Governmental Activities - Internal Service Fund</u>
<b>ASSETS</b>	
<b>Current Assets</b>	
Deposits and investments	\$ 66,971
Receivables	482
<b>Total Current Assets</b>	<u>67,453</u>
<b>NET ASSETS</b>	
Unrestricted	67,453
<b>Total Net Assets</b>	<u>\$ 67,453</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, 2008**

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	<u><b>Governmental Activities - Internal Service Fund</b></u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest income	<u>\$ 2,799</u>
Total Nonoperating Revenues (Expenses)	<u>2,799</u>
Change in Net Assets	2,799
Total Net Assets - Beginning	<u>64,654</u>
Total Net Assets - Ending	<u><u>\$ 67,453</u></u>

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

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## PROPRIETARY FUND STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2008

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	<b>Governmental Activities - Internal Service Fund</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	\$ 3,151
Net Cash Provided from Investing Activities	<u>3,151</u>
Net Increase in Cash and Cash Equivalents	3,151
Cash and Cash Equivalents - Beginning	63,820
Cash and Cash Equivalents - Ending	<u><u>\$ 66,971</u></u>

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

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## FIDUCIARY FUND STATEMENT OF NET ASSETS JUNE 30, 2008

	Retiree Benefits Trust	Scholarship Trust	Agency Funds (ASB)
<b>ASSETS</b>			
Deposits and investments	\$ 215,769	\$ 3,924	\$ 59,806
Receivables	1,482	-	-
<b>Total Assets</b>	<u>217,251</u>	<u>3,924</u>	<u>\$ 59,806</u>
<b>LIABILITIES</b>			
Accounts payable	483	-	\$ -
Due to student groups	-	-	59,806
<b>Total Liabilities</b>	<u>483</u>	<u>-</u>	<u>\$ 59,806</u>
<b>NET ASSETS</b>			
Unreserved	216,768	3,924	
<b>Total Net Assets</b>	<u>\$ 216,768</u>	<u>\$ 3,924</u>	

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

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## FIDUCIARY FUND STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2008

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	<b>Retiree Benefits Trust</b>	<b>Scholarship Trust</b>
<b>ADDITIONS</b>		
Private donations	\$ -	\$ 1,963
District contributions	71,493	-
Interest and investment earnings	6,505	-
<b>Total Additions</b>	<b>77,998</b>	<b>1,963</b>
<b>DEDUCTIONS</b>		
Other expenditures	14,609	750
<b>Total Deductions</b>	<b>14,609</b>	<b>750</b>
<b>Change in Net Assets</b>	<b>63,389</b>	<b>1,213</b>
<b>Net Assets - Beginning</b>	<b>153,379</b>	<b>2,711</b>
<b>Net Assets - Ending</b>	<b>\$ 216,768</b>	<b>\$ 3,924</b>

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



# **JEFFERSON ELEMENTARY SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2008**

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Financial Reporting Entity**

The Jefferson Elementary School District was organized on 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 schools.

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

#### **Component Units**

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

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

#### **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, 2008

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### Basis of Presentation - Fund Accounting

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

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

**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).

### 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:

**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 (*Education Code* Section 41852[b]).

**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).

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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

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

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

**Fiduciary Funds** Fiduciary fund reporting focuses on net assets and changes in net assets. The 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 are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each governmental function, and excludes fiduciary activity. 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, except for depreciation. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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

**Fund Financial Statements** Fund financial statements report detailed information about the District. The focus of governmental and 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 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.

**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 grants, and other local sources.

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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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 a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

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

**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, 2008, with original maturities greater than one year are stated at fair value. Fair value is estimated based on prorata share of amortized cost which approximates fair value. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in the county investment pool is determined by the program sponsor.

### Restricted Assets

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation.

# **JEFFERSON ELEMENTARY SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2008**

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### **Stores Inventories**

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the weighted average basis. The costs of inventory items are recorded as expenditures in the governmental funds and expenses in the proprietary funds when used.

### **Capital Assets and Depreciation**

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. 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 costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized 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**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental 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, 2008**

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

### **Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide and proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the governmental funds.

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the governmental fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and other long-term obligations are recognized as liabilities in the governmental fund financial statements when due.

### **Fund Balance Reserves and Designations**

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

Designations of fund balances consist of that portion of the fund balance that has been designated (set aside) by the governing board to provide for specific purposes or uses. Fund balance designations have been established for economic uncertainties, unrealized gains of investments and cash in county treasury, and other purposes.

### **Net Assets**

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

# **JEFFERSON ELEMENTARY SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2008**

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### **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 good 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. Interfund transfers are eliminated in the governmental and business-type activities columns of the statement 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 1<sup>st</sup> of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

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

### **Property Tax**

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of 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, 2008

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### New Accounting Pronouncements

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

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

This Statement generally provides for prospective implementation - that is, that employers set the beginning net OPEB obligation at zero as of the beginning of the initial year. The District will be required to implement the provisions of this Statement for the fiscal year ended June 30, 2009. The District is in the process of determining the impact the implementation of this Statement will have on the government-wide statement of net assets and activities.

In May 2007, GASB issued Statement No. 50, *Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27*. This Statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 27, *Accounting for Pensions by State and Local Governmental Employers*, to conform with requirements of Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement is effective for periods beginning after June 15, 2007, except for requirements related to the use of the entry age actuarial cost method for the purpose of reporting a surrogate funded status and funding progress of plans that use the aggregate actuarial cost method, which are effective for periods for which the financial statements and RSI contain information resulting from actuarial valuations as of June 15, 2007, or later. Early implementation is encouraged. The District will make the necessary disclosures upon implementation.

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This Statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009. The provisions of this Statement generally are required to be applied retroactively. For governments that were classified as phase 1 or phase 2 governments for the purpose of implementing Statement No. 34, retroactive reporting is required for intangible assets acquired in fiscal years ending after June 30, 1980, except for those considered to have indefinite useful lives as of the effective date of this Statement and those that would be considered internally generated. The

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

District does not expect implementation of this pronouncement to have a material effect on the financial statements in the year of implementation as the District does not have any intangible assets.

In November 2007, GASB issued Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. This Statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value. The guidance in this Statement is effective for financial statements for reporting periods beginning after June 15, 2008, with earlier application encouraged. The District does not expect implementation of this pronouncement to have a material effect on the financial statements in the year of implementation as the District does not have any land or other real estate held as investments.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This Statement is intended to improve how State and local governments report information about derivative instruments - financial arrangements used by governments to manage specific risks or make investments - in their financial statements. The Statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The guidance in this Statement also addresses hedge accounting requirements and is effective for financial statements for reporting periods beginning after June 15, 2009, with earlier application encouraged. The District does not expect implementation of this pronouncement to have a material effect on the financial statements in the year of implementation as the District does not have any derivative instruments.

### NOTE 2 – DEPOSITS AND INVESTMENTS

#### Summary of Deposits and Investments

Deposits and investments as of June 30, 2008, are classified in the accompanying financial statements as follows:

Governmental funds	\$ 12,498,532
Proprietary fund	66,971
Fiduciary funds	279,499
Total Deposits and Investments	<u>\$ 12,845,002</u>

Deposits and investments as of June 30, 2008, consist of the following:

Cash on hand and in banks	\$ 64,880
Cash in revolving	5,030
Investments	12,775,092
Total Deposits and Investments	<u>\$ 12,845,002</u>

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

### Policies and Practices

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

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

### General Authorizations

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

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

# **JEFFERSON ELEMENTARY SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2008**

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### **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 \$12,730,379 and the weighted average maturity was 165 days.

### **Custodial Credit Risk - Deposits**

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2008, the District's bank balance of \$66,566 with a carrying amount of \$64,880, was under \$100,000 and therefore covered under Federal Deposit Insurance Corporation (FDIC).

### **Custodial Credit Risk - 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.

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

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### NOTE 3 - RECEIVABLES

Receivables at June 30, 2008, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Capital Facilities	Non-Major Governmental Funds	Total	Proprietary Funds	Fiduciary Funds
Federal Government						
Categorical aid	\$ 77,702	\$ -	\$ 21,248	\$ 98,950	\$ -	\$ -
State Government						
Apportionment	836,755	-	-	836,755	-	-
Categorical aid	168,007	-	1,763	169,770	-	-
Lottery	155,800	-	-	155,800	-	-
Local Government						-
Interest	58,308	40,899	6,379	105,586	482	1,482
Other Local Sources	9,414	-	8,758	18,172	-	-
Total	<u>\$ 1,346,746</u>	<u>\$ 40,899</u>	<u>\$ 38,148</u>	<u>\$ 1,425,793</u>	<u>\$ 482</u>	<u>\$ 1,482</u>

Long-Term receivables of \$13,358 consist of the special education mandated settlement which will be received at a rate of approximately \$4,453 each year for the next four years.

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

### NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 5,825,263	\$ -	\$ -	\$ 5,825,263
Construction in Progress	26,860	76,205	-	103,065
Total Capital Assets				
Not Being Depreciated	5,852,123	76,205	-	5,928,328
Capital Assets Being Depreciated:				
Buildings and Improvements	34,039,523	161,330	-	34,200,853
Furniture and Equipment	1,480,154	42,684	-	1,522,838
Total Capital Assets Being				
Depreciated	35,519,677	204,014	-	35,723,691
Total Capital Assets	41,371,800	280,219	-	41,652,019
Less Accumulated Depreciation:				
Land Improvements	-	-	-	-
Buildings and Improvements	4,024,995	803,047	-	4,828,042
Furniture and Equipment	651,049	156,003	-	807,052
Total Accumulated Depreciation	4,676,044	959,050	-	5,635,094
Governmental Activities Capital				
Assets, Net	<u>\$36,695,756</u>	<u>\$ (678,831)</u>	<u>\$ -</u>	<u>\$ 36,016,925</u>

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

<b>Governmental Activities</b>	
Instruction	\$ 944,370
All other general administration	14,680
Total Depreciation Expenses Governmental Activities	<u>\$ 959,050</u>

### NOTE 5 - INTERFUND TRANSACTIONS

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

Interfund receivable and payable balances at June 30, 2008, consist of an amount of \$108,042 due from the General Fund to non-major funds for advances made.

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

### Operating Transfers

Interfund transfers for the year ended June 30, 2008, consisted of the following:

Transfer From	Transfer To		
	General Fund	Non-Major Governmental Funds	Total
General Fund	\$ -	\$ 110,857	\$ 110,857
Capital Facilities	365,677	-	365,677
Total	<u>\$ 365,677</u>	<u>\$ 110,857</u>	<u>\$ 476,534</u>

The General fund transferred to the Deferred Maintenance fund for the state match.	\$ 90,857
The General fund transferred to the Pupil Transportation fund to set aside funds for future transportation equipment purchases.	20,000
The Capital Facilities fund transferred to General fund to cover costs associated with the District Office relocation.	365,677
Total	<u>\$ 476,534</u>

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

### NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2008, consisted of the following:

	General Fund	Capital Facilities	Non-Major Governmental Funds	Total
Vendor payables	\$ 195,503	\$ 3,437	\$ 2,246	\$ 201,186
Salaries and benefits	622,034	-	14,107	636,141
Total	<u>\$ 817,537</u>	<u>\$ 3,437</u>	<u>\$ 16,353</u>	<u>\$ 837,327</u>

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

### NOTE 7 - DEFERRED REVENUE

Deferred revenue at June 30, 2008, consists of the following:

	General Fund
Federal financial assistance	\$ 28,383
State categorical aid	600
Total	<u>\$ 28,983</u>

### NOTE 8 - LONG-TERM OBLIGATIONS

#### Summary

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

	Balance July 01, 2007	Additions	Deductions	Balance June 30, 2008	Due in One Year
Certificates of participation	\$ 4,075,000	\$ -	\$ 110,000	\$ 3,965,000	\$ 110,000
Accumulated vacation - net	46,678	3,569	-	50,247	30,267
Capital leases	202,467	-	63,597	138,870	67,413
	<u>4,324,145</u>	<u>3,569</u>	<u>173,597</u>	<u>4,154,117</u>	<u>207,680</u>
Premiums/(discounts), net of amortization	(130,144)	-	5,914	(124,230)	(5,916)
	<u>\$ 4,194,001</u>	<u>\$ 3,569</u>	<u>\$ 167,683</u>	<u>\$ 4,029,887</u>	<u>\$ 201,764</u>

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

#### Certificates of Participation

In May 2004, the District issued certificates of participation in the amount of \$4,285,000 with interest rates ranging from 3 to 5 percent and mature through September 1, 2029. As of June 30, 2008, the principal balance outstanding was \$3,965,000.



# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2008**

The certificates had maturities through September 1, 2029 as follows:

Year Ending June 30,	Principal	Interest	Total
2009	\$ 115,000	\$ 183,433	\$ 298,433
2010	115,000	179,982	294,982
2011	120,000	176,245	296,245
2012	125,000	171,925	296,925
2013	130,000	167,238	297,238
2014-2018	735,000	750,400	1,485,400
2019-2023	915,000	565,842	1,480,842
2024-2028	1,160,000	317,250	1,477,250
2027-2029	550,000	41,500	591,500
Total	<u>\$ 3,965,000</u>	<u>\$ 2,553,815</u>	<u>\$ 6,518,815</u>

The certificates were redeemed in full in August 2008. See Note 15 – Subsequent Events.

### Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2008, amounted to \$50,247.

### Capital Leases

The District has entered into various capital lease arrangements and has recorded capital assets in the amount of \$337,765 with corresponding accumulated depreciation of \$202,659 at June 30, 2008. The District's liability on lease agreements with options to purchase are summarized below:

	Copier Leases
Balance, July 1, 2007	\$ 202,467
Payments	63,597
Balance, July 1, 2008	<u>\$ 138,870</u>

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2009	\$ 75,745
2010	75,745
Total	151,490
Less: Amount Representing Interest	12,620
Present Value of Minimum Lease Payments	<u>\$ 138,870</u>

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

### NOTE 9 - FUND BALANCES

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

	General Fund	Capital Facilities Fund	Non Major Governmental Funds	Total
Reserved				
Revolving cash	\$ 5,000	\$ -	\$ 30	\$ 5,030
Stores inventory	-	-	492	492
General reserve	500,000	-	-	500,000
Restricted programs	1,257,724	-	-	1,257,724
Total Reserved	1,762,724	-	522	1,763,246
Unreserved				
Designated				
Economic uncertainties	507,072	-	-	507,072
Mandated costs	130,462	-	-	130,462
Lottery	384,856	-	-	384,856
Other Board designations	235,254	-	-	235,254
Total Designated	1,257,644	-	-	1,257,644
Undesignated	3,369,057	5,709,387	959,173	10,037,617
Total Unreserved	4,626,701	5,709,387	959,173	11,295,261
Total	\$ 6,389,425	\$ 5,709,387	\$ 959,695	\$ 13,058,507

### NOTE 10 - POSTEMPLOYMENT BENEFITS

For employees eligible between April 10, 1973 to October 10, 1989, the District provides postemployment health care benefits, in accordance with District employment contracts, to all employees who retire from the District on or after attaining age 62 to 70 depending on agreement with at least 25 years of service. Currently, 13 employees meet those eligibility requirements, 4 are retired and 9 are actively employed by the District. The District contributions are based on the individual contractually determined percentage of the amount of premiums incurred by retirees and their dependents and the retiree contributes the remainder. Expenditures for postemployment benefits are recognized on a pay-as-you-go basis, as premiums are paid. During the year, expenditures of \$14,609 were recognized for retirees' health care benefits.

### NOTE 11 - RISK MANAGEMENT

#### Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2008, the District contracted with San Joaquin County Schools Property and Liability Insurance Group for property and liability insurance coverage. Settled claims have not exceeded this coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

### Workers' Compensation

For fiscal year 2007-08, 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 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.

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

<u>Insurance Program / Company Name</u>	<u>Type of Coverage</u>	<u>Limits</u>
<u>Workers' Compensation Program</u>		
San Joaquin County Schools Workers' Compensation Group	Workers' Compensation	State Statutory Limits
<u>Other Insurance</u>		
The Fidelity and Deposit Company of Maryland	Crime	\$5,000,000
Hartford Steam Boiler	Equipment Breakdown	\$100,000
Chubb	EDP	\$8,036,719
<u>Property and Liability Program</u>		<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

# **JEFFERSON ELEMENTARY SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2008**

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### **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 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, California 95826.

##### **Funding Policy**

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2007-2008 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, 2008, 2007, and 2006, were \$689,404, \$644,849, and \$544,831, 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, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95811.

# **JEFFERSON ELEMENTARY SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2008**

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### **Funding Policy**

Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2007-2008 was 9.306 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, 2008, 2007, and 2006, were \$216,958, \$190,153, and \$160,109, respectively, and equal 100 percent of the required contributions for each year.

### **Social Security**

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. The District uses Social Security. Contributions made by the District and an employee vest immediately. The District contributes 6.2 percent of an employee's gross earnings. An employee is required to contribute 6.2 percent of his or her gross earnings to the plan.

### **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 \$382,300 (4.517 percent of salaries subject to CalSTRS). No contributions were made for CalPERS for the year ended June 30, 2008. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budget amounts reported in the General Fund Budgetary Schedule.

## **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, 2008.

### **Litigation**

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

# **JEFFERSON ELEMENTARY SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008**

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

The District is a member of the San Joaquin County Schools Workers' Compensation 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 (SJCSDDPC). The District pays an annual premium to the applicable entity for its health, workers' compensation, legal services, data processing, and property liability coverage. The relationships between the District, and the JPA's are such that they are not component units of the District for financial reporting purposes.

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

During the year ended, the District made payments of \$387,416, \$102,489 and \$105,552 to the San Joaquin County Schools Workers' Compensation Insurance Group, San Joaquin County Schools Property and Liability Insurance Group, and San Joaquin County Schools Data Processing, respectively, for the workers' compensation insurance, property and liability insurance, and data processing.

### **NOTE 15 – SUBSEQUENT EVENTS**

In August 2008, the District prepaid the Certificates of Participation outstanding as of June 30, 2008. The principal portion of \$3,965,000 along with interest was paid and no further payments were required.

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***REQUIRED SUPPLEMENTARY INFORMATION***

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# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2008

	Budgeted Amounts (GAAP Basis)		Actual (GAAP Basis)	Variances - Positive (Negative) Final to Actual
	Original	Final		
<b>REVENUES</b>				
Revenue limit sources	\$ 13,019,186	\$ 13,183,539	\$ 13,180,149	\$ (3,390)
Federal sources	457,071	496,088	375,088	(121,000)
Other State sources	2,426,676	2,608,398	2,968,736	360,338
Other local sources	1,013,365	1,549,552	1,542,567	(6,985)
<b>Total Revenues<sup>1</sup></b>	<b>16,916,298</b>	<b>17,837,577</b>	<b>18,066,540</b>	<b>228,963</b>
<b>EXPENDITURES</b>				
Current				
Instruction	11,149,136	12,604,609	11,689,598	915,011
Instruction-related activities:	-	-	-	-
Supervision of instruction	160,615	165,685	192,352	(26,667)
Instructional library, media, and technology	202,847	274,954	201,329	73,625
School site administration	1,340,699	1,397,980	1,359,760	38,220
Pupil services:				
Home-to-school transportation	256,460	278,751	256,642	22,109
All other pupil services	376,502	431,447	405,284	26,163
General administration:				
Data processing	130,000	130,000	112,200	17,800
All other general administration	1,064,107	1,133,723	1,069,374	64,349
Plant services	1,432,623	1,450,945	1,409,194	41,751
Facility acquisition and construction	712,019	855,857	243,524	612,333
Ancillary services	21,185	25,909	25,396	513
Other outgo	102,000	130,879	132,544	(1,665)
Debt service				
Principal	54,720	54,720	63,597	(8,877)
Interest	-	-	12,148	(12,148)
<b>Total Expenditures<sup>1</sup></b>	<b>17,002,913</b>	<b>18,935,459</b>	<b>17,172,942</b>	<b>1,762,517</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(86,615)</b>	<b>(1,097,882)</b>	<b>893,598</b>	<b>1,991,480</b>
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	365,677	365,677	-
Transfers out	(205,682)	(210,497)	(110,857)	99,640
<b>Net Financing Sources (Uses)</b>	<b>(205,682)</b>	<b>155,180</b>	<b>254,820</b>	<b>99,640</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(292,297)</b>	<b>(942,702)</b>	<b>1,148,418</b>	<b>2,091,120</b>
<b>Fund Balance - Beginning</b>	<b>5,241,007</b>	<b>5,241,007</b>	<b>5,241,007</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 4,948,710</b>	<b>\$ 4,298,305</b>	<b>\$ 6,389,425</b>	<b>\$ 2,091,120</b>

<sup>1</sup> On behalf payments of \$382,300 are included in the actual revenues and expenditures, but have not been included in the budget amounts.



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*SUPPLEMENTARY INFORMATION*

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# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed through California Department of Education (CDE):			
Title I - Part A, Basic Grants Low Income and Neglected	84.010	14329	\$ 24,174
Title II - Part A, Teacher Quality	84.367	14341	4,850
Title III - Limited English Student Proficient (LEP) Student Program	84.365	10084	35,885
Title IV - Part A, Drug Free Schools	84.186	14347	16
Title V - Part A, Innovative Education Strategies	84.298A	14354	1,760
Special Education - State Grants			
IDEA, Basic Local Assistance, Entitlement Part B, Sec 611	84.027	13379	248,654
IDEA Preschool Grants, Part B, Sec 619	84.173	13430	23,349
IDEA Preschool Local Entitlement	84.027A	13682	31,687
Total U.S. Department of Education			<u>370,375</u>
<b>US DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Medi-Cal Billing Option	93.778	10013	<u>4,713</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through CDE:			
Child Nutrition Cluster			
Basic School Breakfast Program	10.553	13525	15,823
National School Lunch	10.555	13396	185,530
Fair Market Value of Commodities	10.550	<sup>1</sup>	12,392
Total U.S. Department of Agriculture			<u>213,745</u>
Total Expenditures of Federal Awards			<u>\$ 588,833</u>

<sup>1</sup> Pass-Through Entity Identifying Number not available

## JEFFERSON ELEMENTARY SCHOOL DISTRICT

### LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2008

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#### 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>NAME</u>	<u>TITLE</u>	<u>YEAR</u>
Pete Carlson	President	2008
Todd Wetherell	Vice President	2010
Dan Wells	Clerk	2010
Brian Jackman	Member	2010
Debbie Wingo	Member	2008

#### ADMINISTRATION

<u>NAME</u>	<u>TITLE</u>
Ed Quinn	Superintendent
Mindy Maxedon	Chief Business Official

See accompanying note to supplementary information.

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## SCHEDULE OF AVERAGE DAILY ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2008

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	Revised Second Period Report	Revised Annual Report
ELEMENTARY		
Kindergarten	243	243
First through third	765	765
Fourth through sixth	827	824
Seventh through eighth	477	476
Home and hospital	3	3
Special education	35	35
Total Elementary	2,350	2,346
SUMMER SCHOOL		Hours of Attendance
Elementary		56,262

See accompanying note to supplementary information.

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2008

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Grade Level	1982-83	1986-87	2007-08	Number of Days		Status
	Actual Minutes	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	31,500	36,000	42,615	180	-	In Compliance
Grade 1	41,780	50,400	50,520	180	-	In Compliance
Grade 2	41,780	50,400	50,520	180	-	In Compliance
Grade 3	41,780	50,400	50,520	180	-	In Compliance
Grade 4	54,000	54,000	60,438	180	-	In Compliance
Grade 5	54,000	54,000	60,438	180	-	In Compliance
Grade 6	54,000	54,000	60,438	180	-	In Compliance
Grade 7	54,000	54,000	60,540	180	-	In Compliance
Grade 8	54,000	54,000	60,540	180	-	In Compliance

See accompanying note to supplementary information.

## JEFFERSON ELEMENTARY SCHOOL DISTRICT

### RECONCILIATION AND ANNUAL FINANCIAL BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

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

#### FORM ASSET

Total Assets, June 30, 2008, Unaudited Actuals	\$ 36,789,921
Increase (decrease) in:	
Work in process	(14,176,489)
Buildings and improvements	15,275,392
Equipment	12,929
(Increase) decrease in:	
Accumulated depreciation - buildings	(1,601,780)
Accumulated depreciation - equipment	(283,048)
Total Assets, June 30, 2008, Audited Financial Statement	<u>\$ 36,016,925</u>

See accompanying note to supplementary information.

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2008

	(Budget) 2009 <sup>1</sup>	2008	2007	2006
<b>GENERAL FUND</b>				
Revenues	\$ 16,985,709	\$ 18,066,540	\$ 17,592,182	\$ 15,005,298
Other sources	-	365,677	-	337,765
Total Revenues and Other Sources	16,985,709	18,432,217	17,592,182	15,343,063
Expenditures	17,305,112	17,172,942	16,583,676	13,925,293
Other uses and transfers out	202,036	110,857	167,683	80,000
Total Expenditures and Other Uses	17,507,148	17,283,799	16,751,359	14,005,293
<b>INCREASE (DECREASE) IN FUND BALANCE</b>	\$ (521,439)	\$ 1,148,418	\$ 840,823	\$ 1,337,770
<b>ENDING FUND BALANCE</b>	\$ 5,867,986	\$ 6,389,425	\$ 5,241,007	\$ 4,400,184
<b>AVAILABLE RESERVES<sup>2</sup></b>	\$ 2,676,083	\$ 3,876,129	\$ 2,989,482	\$ 2,017,291
<b>AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO<sup>3</sup></b>	15.29%	22.93%	18.17%	14.71%
<b>LONG-TERM DEBT</b>	\$ 125,000	\$ 4,026,318	\$ 4,194,001	\$ 4,338,160
<b>K-12 AVERAGE DAILY ATTENDANCE AT P-2</b>	2,350	2,350	2,323	2,210

The General Fund balance has increased by \$1,989,241 over the past two years. The fiscal year 2008-2009 budget projects a decrease of \$521,439 (8 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in each of the past three years and anticipates incurring an operating deficit during the 2008-2009 fiscal year. Total long-term obligations have decreased by \$311,842 over the past two years. In August 2008, the certificates of participation were redeemed in full.

Average daily attendance has increased by 140 over the past two years. No additional growth in ADA is anticipated during fiscal year 2008-2009.

<sup>1</sup> Budget 2009 is included for analytical purposes only and has not been subjected to audit.

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

<sup>3</sup> On-behalf payments of \$382,300, \$348,739, and \$294,011 have been excluded from the calculation of available reserves for fiscal years ending June 30, 2008, 2007, and 2006.

# **JEFFERSON ELEMENTARY SCHOOL DISTRICT**

## **EXCESS SICK LEAVE**

**JUNE 30, 2008**

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### **Section 19833.5 (a)(3) Disclosure**

Jefferson Elementary School District does not provide more than 12 sick leave days in a school year to any CalSTRS member.

See accompanying note to supplementary information.



# **JEFFERSON ELEMENTARY SCHOOL DISTRICT**

## **NOTE TO SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2008**

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

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

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

#### **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.

#### **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.

#### **Excess Sick Leave**

This schedule provides information required by the Audit Guide for California K-12 Local Educational Agencies for excess sick leave authorized or accrued for members of the California State Teachers Retirement System (CalSTRS).

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***SUPPLEMENTARY INFORMATION - UNAUDITED***

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# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## NON-MAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET - UNAUDITED FOR THE YEAR ENDED JUNE 30, 2008

	Cafeteria Fund	Deferred Maintenance Fund	Pupil Transportation Fund
<b>ASSETS</b>			
Deposits and investments	\$ 29,942	\$ 637,927	\$ 127,450
Receivables	32,347	4,639	918
Due from other funds	-	88,042	20,000
Stores inventories	492	-	-
<b>Total Assets</b>	<b>\$ 62,781</b>	<b>\$ 730,608</b>	<b>\$ 148,368</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 14,170	\$ 2,183	\$ -
<b>Total Liabilities</b>	<b>14,170</b>	<b>2,183</b>	<b>-</b>
<b>Fund Balances:</b>			
Reserved for:			
Revolving cash	30	-	-
Stores inventories	492	-	-
Unreserved:			
Undesignated, reported in:			
Special revenue funds	48,089	728,425	148,368
Capital projects funds	-	-	-
<b>Total Fund Balance</b>	<b>48,611</b>	<b>728,425</b>	<b>148,368</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 62,781</b>	<b>\$ 730,608</b>	<b>\$ 148,368</b>

See accompanying note to supplementary information – unaudited.

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County School Facilities Fund	Capital Projects Blended Component Fund	Total Non-Major Governmental Funds
\$ 5,358	\$ 28,689	\$ 829,366
38	206	38,148
-	-	108,042
-	-	492
<u>\$ 5,396</u>	<u>\$ 28,895</u>	<u>\$ 976,048</u>

<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,353</u>
<u>-</u>	<u>-</u>	<u>16,353</u>

-	-	30
-	-	492
-	-	924,882
<u>5,396</u>	<u>28,895</u>	<u>34,291</u>
<u>5,396</u>	<u>28,895</u>	<u>959,695</u>
<u>\$ 5,396</u>	<u>\$ 28,895</u>	<u>\$ 976,048</u>

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## NON-MAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - UNAUDITED FOR THE YEAR ENDED JUNE 30, 2008

	Cafeteria Fund	Deferred Maintenance Fund	Pupil Transportation Fund
<b>REVENUES</b>			
Federal sources	\$ 201,353	\$ -	\$ -
Other state sources	16,877	88,042	-
Other local sources	540,743	24,826	5,329
<b>Total Revenues</b>	<u>758,973</u>	<u>112,868</u>	<u>5,329</u>
<b>EXPENDITURES</b>			
Current			
Instruction-related activities:			
Pupil services:			
Food services	778,265	-	-
General administration:			
Plant services	-	39,018	-
Facility acquisition and construction	-	-	-
<b>Total Expenditures</b>	<u>778,265</u>	<u>39,018</u>	<u>-</u>
<b>Excess (Deficiency) of</b>			
<b>Revenues Over Expenditures</b>	<u>(19,292)</u>	<u>73,850</u>	<u>5,329</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	-	90,857	20,000
<b>Net Financing Sources (Uses)</b>	<u>-</u>	<u>90,857</u>	<u>20,000</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(19,292)</u>	<u>164,707</u>	<u>25,329</u>
<b>Fund Balance - Beginning</b>	67,903	563,718	123,039
<b>Fund Balance - Ending</b>	<u>\$ 48,611</u>	<u>\$ 728,425</u>	<u>\$ 148,368</u>

See accompanying note to supplementary information – unaudited.

<b>County School Facilities Fund</b>	<b>Capital Project Blended Component Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ -	\$ -	\$ 201,353
-	-	104,919
222	1,198	572,318
222	1,198	878,590
-	-	778,265
-	-	39,018
(3,384)	-	(3,384)
(3,384)	-	813,899
3,606	1,198	64,691
-	-	110,857
-	-	110,857
3,606	1,198	175,548
1,790	27,697	784,147
\$ 5,396	\$ 28,895	\$ 959,695

# **JEFFERSON ELEMENTARY SCHOOL DISTRICT**

## **NOTE TO SUPPLEMENTARY INFORMATION - UNAUDITED FOR THE YEAR ENDED JUNE 30, 2008**

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

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

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



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***INDEPENDENT AUDITORS' REPORTS***

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

Governing Board  
Jefferson Elementary School District  
Tracy, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jefferson Elementary School District as of and for the year ended June 30, 2008, which collectively comprise Jefferson Elementary School District's basic financial statements and have issued our report thereon dated December 7, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Jefferson Elementary School District's internal control over financial reporting 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 the Jefferson Elementary School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Jefferson Elementary School District's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.



Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Vavrinek, Trine, Day & Co., L.L.P.

Pleasanton, California  
December 7, 2008





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

Governing Board  
Jefferson Elementary School District  
Tracy, California

**Compliance**

We have audited the compliance of Jefferson Elementary School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2008. Jefferson Elementary School District's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of Jefferson Elementary School District's management. Our responsibility is to express an opinion on Jefferson Elementary School District's compliance based on our audit.

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

In our opinion, Jefferson Elementary School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2008.

**Internal Control Over Compliance**

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





A *control deficiency* in a district's internal control over compliance 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 noncompliance with a type of compliance requirement of a Federal program on a timely basis.

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

Jefferson Elementary School District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Jefferson Elementary School District's response and, accordingly, we express no opinion on it.

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

Varrine K, Trinc, Day & Co. LLP.

Pleasanton, California  
December 7, 2008





## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Governing Board  
Jefferson Elementary School District  
Tracy, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jefferson Elementary School District as of and for the year ended June 30, 2008, and have issued our thereon dated December 7, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2007-08*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Compliance with the requirements of laws, regulations, contracts, and grants listed below is the responsibility of Jefferson Elementary School District's management. In connection with the audit referred to above, we selected and tested transactions and records to determine the Jefferson Elementary School District's compliance with the State laws and regulations applicable to the following items:

	Procedures in Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance reporting	8	Yes
Kindergarten continuance	3	Yes
Independent study	23	Yes
Continuation education	10	Not applicable
Adult education	9	Not applicable
Regional occupational centers and programs	6	Not applicable
Instructional Time:		
School districts	6	Yes
County offices of education	3	Not applicable
Community day schools	9	Not applicable
Morgan-Hart Class Size Reduction	7	Not applicable
Instructional Materials:		
General requirements	12	Yes
K-8 only	1	Yes
9-12 only	1	Not applicable
Ratios of Administrative Employees to Teachers	1	Yes



	Procedures in Audit Guide	Procedures Performed
Classroom Teacher Salaries	1	Yes
Early retirement incentive	4	Not applicable
Gann limit calculation	1	Yes
School Construction Funds:		
School District bonds	3	Not applicable
State school facilities funds	1	Not applicable
Excess sick leave	3	Yes
Notice of right to elect California State Teachers Retirement System (CalSTRS) membership	1	Yes
Proposition 20 Lottery Funds (Cardenas Textbook Act of 2000)	2	Yes
State Lottery Funds (California State Lottery Act of 1984)	2	Yes
California School Age Families Education (Cal-SAFE) Program	3	Not applicable
School Accountability Report Card	3	Yes
Mathematics and Reading Professional Development	4	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

Based on our audit, we found that for the items tested, the Jefferson Elementary School District complied with the State laws and regulations referred to above. Further, based on our audit, for items not tested, nothing came to our attention to indicate that the Jefferson Elementary School District had not complied with the laws and regulations. Our audit does not provide a legal determination on Jefferson Elementary School District's compliance with the State laws and regulations referred to above.

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

*Varrinek, Trine, Day & Co., L.L.P.*

Pleasanton, California  
December 7, 2008

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

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# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## SUMMARY OF AUDITORS' RESULTS FOR THE YEAR ENDED JUNE 30, 2008

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### 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)	
Identification of major programs:	<u>No</u>

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.027-84.173</u>	<u>Special Education Cluster</u>
<u>10.550-10.555</u>	<u>Child Nutrition Cluster</u>
<u> </u>	<u> </u>
<u> </u>	<u> </u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u>No</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**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2008**

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**FINANCIAL STATEMENT FINDINGS**

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None reported.

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**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

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None reported.

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**STATE AWARDS FINDINGS AND QUESTIONED COSTS**

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None reported



# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS JUNE 30, 2008

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### SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

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

#### *Financial Statement Findings*

#### **2007-1 Excess Vacation Accrual (30000)**

##### **Criteria or Specific Requirements**

Management is responsible for establishing and maintaining internal controls, including those related to the prevention and detection of fraud, and monitoring activities of those controls. This responsibility extends to the operations of District policies and procedures.

##### **Condition**

*Control Deficiency* - District policy 4262(a) limits the carryover of vacation time of classified employees to five days or 40 hours as of September 30<sup>th</sup> of each year. We noted that at least two of the approximately 20 individuals with vacation carryover had not reduced their unused vacation time to below 40 hours by September 30.

##### **Questioned costs**

None

##### **Context**

There was a combined reported balance for vacation liability of \$46,678 at June 30, 2007.

##### **Effect**

The District has determined that a 40 hour carryover limit provides for a reasonable level of carryover while managing the liabilities of the district. Allowing employees to exceed the limit specified in the policies causes the District's liability for unpaid vacation time to increase.

##### **Cause**

Allowing employees to carryover more than the 40 hour vacation time limit as specified by the District policies.

##### **Recommendation**

We recommend that policies of the District be followed and that a plan be developed to bring unused vacation leave carryovers for the employees in question into line with the policies of the District.

##### **Current Status**

Substantially implemented. The District made considerable effort during the year to reduce the amount of vacation carryover. Although certain employees exceeded the 40 hour carryover at June 30, 2008, by September 30, 2008, the majority had reduced the carryover amount to a more acceptable level. At September 30, 2008, the total liability associated with the carryover amounts was less than \$2,000.

# JEFFERSON ELEMENTARY SCHOOL DISTRICT

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS JUNE 30, 2008

### *Federal Award Findings*

#### **2007-2     National School Lunch Program CFDA#10.555 (50000)**

##### **Criteria or Specific Requirements**

*Federal Compliance Supplement, Child Nutrition Programs III (3)(b)(1) - General Rule: Annual Certification* A child's eligibility for free or reduced price meals under a Child Nutrition Cluster program may be established by the submission of an annual application or statement which furnishes such information as family income and family size. Eligibility is determined by comparing the data reported by the child's household to published income eligibility guidelines.

##### **Condition**

*Significant deficiency* - We noted five Applications for Free and Reduced Price Meals and Free Milk that were not completed in their entirety. Information such as reviewer's signature, determination, or household size was not indicated on those applications.

##### **Questioned Costs**

None.

##### **Context**

We reviewed 30 National School Lunch applications and noted 5 applications that had one or more missing elements.

##### **Effect**

Completed applications in accordance with requirements of the National School Lunch program are not on file. Incomplete applications cause the district to be out of compliance with the regulations of the program.

##### **Cause**

Insufficient time spent in reviewing National School Lunch applications received from parents.

##### **Recommendation**

We suggest that all National School Lunch applications be reviewed by cafeteria personnel to verify that all required elements are completed.

##### **Current Status**

Implemented