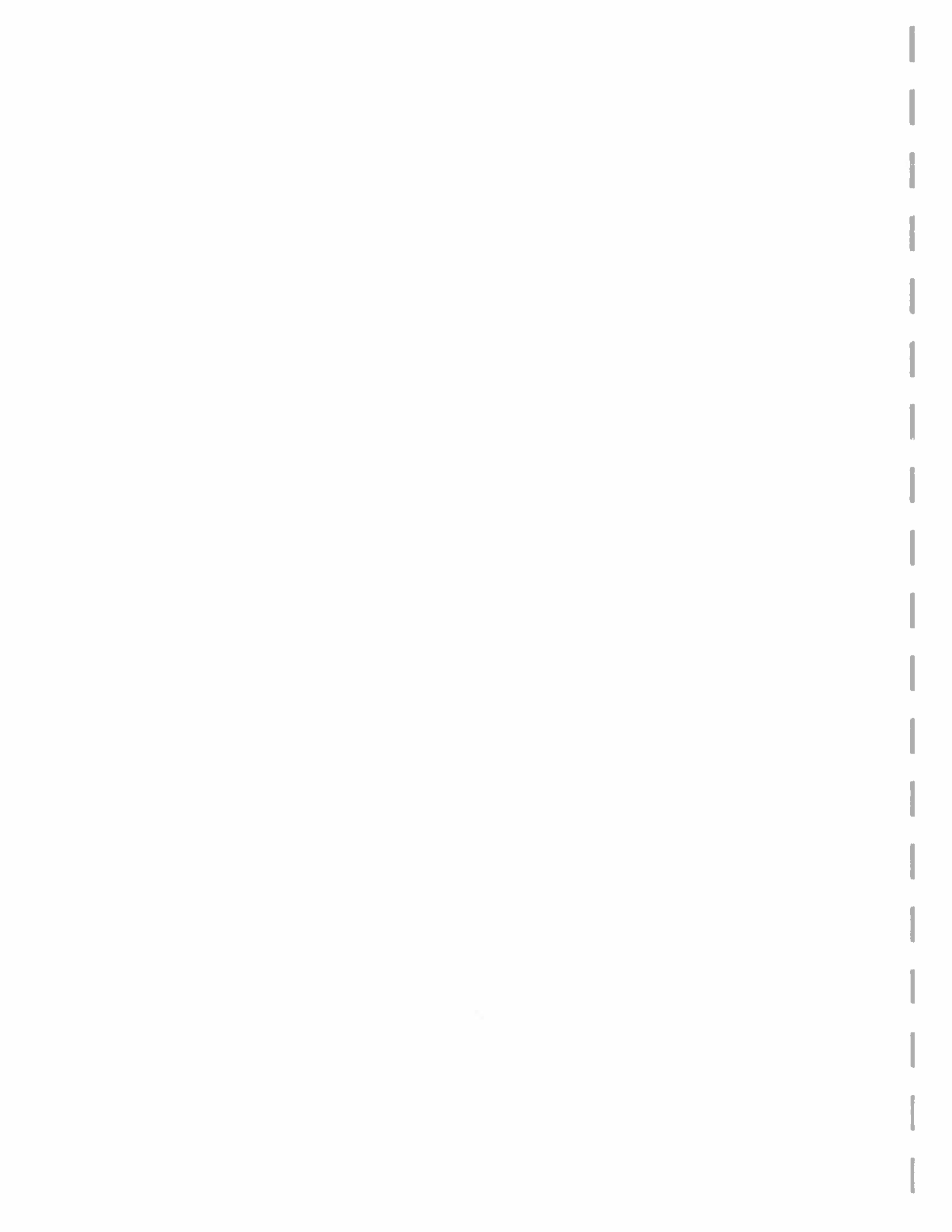


**JEFFERSON ELEMENTARY
SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT
JUNE 30, 2003**



JEFFERSON ELEMENTARY SCHOOL DISTRICT
OF SAN JOAQUIN
TRACY, CALIFORNIA
JUNE 30, 2003

GOVERNING BOARD

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

ADMINISTRATION

Ed Quinn	Superintendent
Dana Taylor	Business Manager

ORGANIZATION

The Jefferson Elementary School District was established in the 1800's and is comprised of an area of approximately 130 square miles. There were no changes in the boundaries of the District during the current year. The District is currently operating three elementary schools.

JEFFERSON ELEMENTARY SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT

Governing Board
Jefferson Elementary School District
Tracy, California

We have audited the accompanying general-purpose financial statements of the Jefferson Elementary School District, as of and for the year ended June 30, 2003, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In common with other school districts, the District has not maintained a complete historical cost record of its general fixed assets and, accordingly, the general-purpose financial statements do not include the general fixed assets group of accounts required by generally accepted accounting principles. The amount that should be recorded in the general fixed assets account group relates to historical data that is not currently available.

In our opinion, except for the effect on the financial statements of the omission of the general fixed asset group of accounts, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Jefferson Elementary School District at June 30, 2003, and the results of its operations and the cash flows of its proprietary fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 4 to the financial statements, the District recognized certain deferred state appropriations as revenue in the current fiscal year.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2003, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial and statistical 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 States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose and combining financial statements and, in our opinion, is fairly stated in all material respects, in relation to the general-purpose financial statements taken as a whole.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
October 3, 2003

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JEFFERSON ELEMENTARY SCHOOL DISTRICT

ALL FUND TYPES AND ACCOUNT GROUPS COMBINED BALANCE SHEET JUNE 30, 2003

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
ASSETS			
Cash	\$ 72,954	\$ 30	\$ -
Investments	1,617,794	206,411	6,318,456
Accounts receivable	649,535	17,556	70,690
Due from other funds	15,997	80,000	-
Stores inventory	-	1,632	-
Amount to be provided for the retirement of general long-term debt	-	-	-
Total Assets	<u>\$ 2,356,280</u>	<u>\$ 305,629</u>	<u>\$ 6,389,146</u>
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Accounts payable	182,147	15,373	180,129
Due to other funds	80,000	15,997	-
Deferred revenue	33,223	-	16,481
Due to student groups	-	-	-
General long-term debt	-	-	-
Total Liabilities	<u>295,370</u>	<u>31,370</u>	<u>196,610</u>
FUND EQUITY			
Retained earnings	-	-	-
Fund balances			
Reserved	769,355	1,662	-
Unreserved			
Designated	840,055	272,597	6,192,536
Undesignated	451,500	-	-
Total Fund Equity	<u>2,060,910</u>	<u>274,259</u>	<u>6,192,536</u>
Total Liabilities and Fund Equity	<u>\$ 2,356,280</u>	<u>\$ 305,629</u>	<u>\$ 6,389,146</u>

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

Proprietary Fund Type	Fiduciary Fund Types	Account Group	Total
Internal Service	Agency	General Long-Term Debt	(Memorandum Only)
\$ -	\$ 41,199	\$ -	\$ 114,183
57,006	-	-	8,199,667
183	-	-	737,964
-	-	-	95,997
-	-	-	1,632
-	-	231,227	231,227
<u>\$ 57,189</u>	<u>\$ 41,199</u>	<u>\$ 231,227</u>	<u>\$ 9,380,670</u>
-	-	-	377,649
-	-	-	95,997
-	-	-	49,704
-	41,199	-	41,199
-	-	231,227	231,227
<u>-</u>	<u>41,199</u>	<u>231,227</u>	<u>795,776</u>
57,189	-	-	57,189
-	-	-	771,017
-	-	-	7,305,188
-	-	-	451,500
<u>57,189</u>	<u>-</u>	<u>-</u>	<u>8,584,894</u>
<u>\$ 57,189</u>	<u>\$ 41,199</u>	<u>\$ 231,227</u>	<u>\$ 9,380,670</u>

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JEFFERSON ELEMENTARY SCHOOL DISTRICT

ALL GOVERNMENTAL FUND TYPES COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED JUNE 30, 2003

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	
REVENUES				
Revenue Limit Sources				
State apportionments	\$ 4,470,962	\$ -	\$ -	\$ 4,470,962
Local sources	2,651,843	-	-	2,651,843
Total Revenue Limit Sources	7,122,805	-	-	7,122,805
Federal revenues	174,981	115,737	85,279	375,997
Other state revenues	1,514,309	17,399	-	1,531,708
Other local revenues	208,869	331,713	3,669,294	4,209,876
Tuition and transfers	477,372	-	-	477,372
Total Revenues	9,498,336	464,849	3,754,573	13,717,758
EXPENDITURES				
Current Expenditures				
Certificated salaries	4,485,811	-	-	4,485,811
Classified salaries	1,139,659	170,566	-	1,310,225
Employee benefits	1,765,096	53,806	-	1,818,902
Books and supplies	527,832	270,898	219,945	1,018,675
Services and operating expenditures	719,534	34,417	199,771	953,722
Other outgo	221,616	31,424	-	253,040
Capital outlay	14,153	-	535,570	549,723
Total Expenditures	8,873,701	561,111	955,286	10,390,098
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	624,635	(96,262)	2,799,287	3,327,660
OTHER FINANCING SOURCES/(USES)				
Operating transfers in	-	144,169	175,690	319,859
Operating transfers out	(144,169)	-	(175,690)	(319,859)
Total Other Financing Sources/(Uses)	(144,169)	144,169	-	-
EXCESS OF REVENUES OVER/(UNDER) EXPENDITURES AND OTHER FINANCING SOURCES/(USES)	480,466	47,907	2,799,287	3,327,660
FUND BALANCE, BEGINNING OF YEAR	1,580,444	226,352	3,393,249	5,200,045
FUND BALANCE, END OF YEAR	\$ 2,060,910	\$ 274,259	\$ 6,192,536	\$ 8,527,705

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

JEFFERSON ELEMENTARY SCHOOL DISTRICT

ALL GOVERNMENTAL FUND TYPES COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2003

	General		Variance
	Budget	Actual	Favorable (Unfavorable)
REVENUES			
Revenue Limit Sources			
State apportionments	\$ 4,471,032	\$ 4,470,962	\$ (70)
Local sources	2,652,296	2,651,843	(453)
Total Revenue Limit Sources	7,123,328	7,122,805	(523)
Federal revenues	175,283	174,981	(302)
Other state revenues	1,514,135	1,514,309	174
Other local revenues	208,584	208,869	285
Tuition and transfers	477,372	477,372	-
Total Revenues	9,498,702	9,498,336	(366)
EXPENDITURES			
Current Expenditures			
Certificated salaries	4,485,829	4,485,811	18
Classified salaries	1,142,995	1,139,659	3,336
Employee benefits	1,765,831	1,765,096	735
Books and supplies	528,066	527,832	234
Services and operating expenditures	719,591	719,534	57
Other outgo	221,616	221,616	-
Capital outlay	14,153	14,153	-
Total Expenditures	8,878,081	8,873,701	4,380
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	620,621	624,635	4,014
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	-	-	-
Operating transfers out	(144,169)	(144,169)	-
Total Other Financing Sources/(Uses)	(144,169)	(144,169)	-
EXCESS OF REVENUES OVER/(UNDER) EXPENDITURES AND OTHER FINANCING SOURCES/(USES)	476,452	480,466	4,014
FUND BALANCE, BEGINNING OF YEAR	1,580,444	1,580,444	-
FUND BALANCE, END OF YEAR	\$ 2,056,896	\$ 2,060,910	\$ 4,014

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

Special Revenue			Capital Projects		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
115,737	115,737	-	85,279	85,279	-
17,399	17,399	-	-	-	-
331,717	331,713	(4)	3,669,296	3,669,294	(2)
-	-	-	-	-	-
464,853	464,849	(4)	3,754,575	3,754,573	(2)
-	-	-	-	-	-
170,573	170,566	7	-	-	-
53,812	53,806	6	-	-	-
270,882	270,898	(16)	219,945	219,945	-
34,421	34,417	4	199,773	199,771	2
31,424	31,424	-	-	-	-
-	-	-	528,357	535,570	(7,213)
561,112	561,111	1	948,075	955,286	(7,211)
(96,259)	(96,262)	(3)	2,806,500	2,799,287	(7,213)
144,169	144,169	-	175,690	175,690	-
-	-	-	(175,690)	(175,690)	-
144,169	144,169	-	-	-	-
47,910	47,907	(3)	2,806,500	2,799,287	(7,213)
226,352	226,352	-	3,393,249	3,393,249	-
\$ 274,262	\$ 274,259	\$ (3)	\$ 6,199,749	\$ 6,192,536	\$ (7,213)

JEFFERSON ELEMENTARY SCHOOL DISTRICT

ALL GOVERNMENTAL FUND TYPES COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2003

	Total (Memorandum Only)		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Revenue Limit Sources			
State apportionments	\$ 4,471,032	\$ 4,470,962	\$ (70)
Local sources	2,652,296	2,651,843	(453)
Total Revenue Limit Sources	7,123,328	7,122,805	(523)
Federal revenues	376,299	375,997	(302)
Other state revenues	1,531,534	1,531,708	174
Other local revenues	4,209,597	4,209,876	279
Tuition and transfers	477,372	477,372	-
Total Revenues	13,718,130	13,717,758	(372)
EXPENDITURES			
Current Expenditures			
Certificated salaries	4,485,829	4,485,811	18
Classified salaries	1,313,568	1,310,225	3,343
Employee benefits	1,819,643	1,818,902	741
Books and supplies	1,018,893	1,018,675	218
Services and operating expenditures	953,785	953,722	63
Other outgo	253,040	253,040	-
Capital outlay	542,510	549,723	(7,213)
Total Expenditures	10,387,268	10,390,098	(2,830)
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	3,330,862	3,327,660	(3,202)
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	319,859	319,859	-
Operating transfers out	(319,859)	(319,859)	-
Total Other Financing Sources/(Uses)	-	-	-
EXCESS OF REVENUES OVER/(UNDER) EXPENDITURES AND OTHER FINANCING SOURCES/(USES)	3,330,862	3,327,660	(3,202)
FUND BALANCE, BEGINNING OF YEAR	5,200,045	5,200,045	-
FUND BALANCE, END OF YEAR	<u>\$ 8,530,907</u>	<u>\$ 8,527,705</u>	<u>\$ (3,202)</u>

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

JEFFERSON ELEMENTARY SCHOOL DISTRICT

PROPRIETARY FUND TYPES

**COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED JUNE 30, 2003**

	<u>Internal Service</u>
OTHER FINANCING SOURCES	
Interest income	<u>\$ 969</u>
EXPENDITURES	
Services and other operating expenses	<u>-</u>
NET INCOME	969
RETAINED EARNINGS, BEGINNING OF YEAR	<u>56,220</u>
RETAINED EARNINGS, END OF YEAR	<u><u>\$ 57,189</u></u>

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

JEFFERSON ELEMENTARY SCHOOL DISTRICT

**PROPRIETARY FUND TYPES
COMBINED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2003**

CASH FLOWS FROM OPERATING ACTIVITIES

Interest received	\$ 1,099
NET INCREASE IN CASH	1,099
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	55,907
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 57,006</u>

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

JEFFERSON ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Jefferson Elementary School District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants, except that a complete historical cost record of fixed assets has not been maintained. The Jefferson Elementary School District accounts for its financial transactions in accordance with the policies and procedures of the California School Accounting Manual.

A. Financial Reporting Entity

The District includes all funds and account groups that are controlled by or dependent on the District's governing board for financial reporting purposes. The District has considered all potential component units in determining how to define the reporting entity, using criteria set forth in accounting principles generally accepted in the United States of America. The District determined that there are no potential component units that meet the criteria for inclusion within the reporting entity.

B. Fund Accounting

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

Governmental Funds

- General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.
- Special Revenue Funds are used to account for specific revenue sources that are legally restricted to expenditures for specific purposes.
- Capital Projects Funds are used to account for the acquisition and/or construction of all major governmental general fixed assets.

Proprietary Funds

- Internal Service Funds are used to account for services rendered on a cost-reimbursement basis within the District.

Fiduciary Funds

- Agency Funds are used to account for assets held by the District as trustee.

JEFFERSON ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

Account Group

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds and expendable trust funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheet. Their reported fund balance is considered a measure of "available spendable resources". Thus, the long-term liabilities associated with governmental funds and expendable trust funds are accounted for in the account group of the District. The District does not maintain a General Fixed Asset Account Group.

- The General Long-Term Debt Account Group is used to account for long-term liabilities expected to be financed from governmental funds.

C. Basis of Accounting

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

Governmental funds are generally accounted for using the modified accrual basis of accounting. Their revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered), except for unmatured interest on general long-term debt, which is recognized when due.

Fiduciary fund assets and liabilities are also accounted for on the modified accrual basis.

Proprietary funds are accounted for using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the related liabilities are incurred. 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.

D. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. The District's governing board adopts an operating budget no later than July 1 in accordance with state law. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements. The Board revises this budget during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption. It is this final revised budget that is presented in these financial statements. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

JEFFERSON ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

E. Encumbrances

The District utilizes an encumbrance accounting system under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated when the commitments are paid and all outstanding encumbrances are liquidated at June 30 since they do not constitute expenditures or liabilities.

F. Stores Inventory

Inventory is valued at cost utilizing the first in, first out method. Inventory in the applicable funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are withdrawn from the stores inventory for consumption. Reported inventories are equally offset by a fund balance reserve that indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

G. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District. The amount of the liability expected to be paid from current resources is recognized at year-end in the governmental fund that will pay the benefit. The noncurrent portion of the liability is recognized in the general long-term debt account group.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable. However, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires if the employee was hired prior to July 1, 1980.

H. Fund Balance Reserves and Designations

Reservations of the ending fund balance indicate the portions of fund balance not available for appropriation or amounts legally segregated for a specific future use.

Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period.

I. Property Tax

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

JEFFERSON ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

J. Statement of Cash Flows

For the purposes of the Statement of Cash Flows, the internal service fund considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Deposits with County Treasurer are considered cash equivalents.

K. Deferred Revenue

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

L. Use of Estimates

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

M. Total (Memorandum Only) Columns on Combined Statements

The Combined Financial Statements include total columns captioned as "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE #2 – CASH

Cash at June 30, 2003, consist of the following:

	Carrying Amount
Cash on hand and in banks	\$ 41,199
Cash with Fiscal Agent	67,954
Cash in revolving fund	5,030
	<hr/>
Total Deposits	\$ 114,183

JEFFERSON ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

The Federal Depository Insurance Corporation insures cash balances held in banks and in revolving funds up to \$100,000. At June 30, 2003, the carrying amount of the District's deposits was \$46,229, and the bank balance was \$48,924. All cash held by financial institutions is fully insured. The total amount of Cash with Fiscal Agent is uninsured and agrees to the book balance.

NOTE #3 – INVESTMENTS

Investments consist of deposits with the County Treasurer in the amount of \$8,199,667 (fair value of \$8,195,567) is an external investment pool sponsored by the County of San Joaquin. School Districts are required to deposit all receipts and collections of monies with their county treasurer (Education Code Section 41001). Therefore, the District is considered to be an involuntary participation in an external investment pool. County deposits are not required to be categorized. The pool sponsor provided the fair value for these deposits.

NOTE #4 – ACCOUNTS RECEIVABLE

Receivables at June 30, 2003, consist of the following:

	General	Special Revenue	Capital Projects	Proprietary	Total
Federal Government					
Categorical aid	\$ 31,419	\$ 11,154	\$ 50,880	\$ -	\$ 93,453
State Government					
Apportionment	387,427	-	-	-	387,427
Categorical aid	133,291	574	-	-	133,865
Lottery	34,681	-	-	-	34,681
Local Government					
Interest	10,185	666	19,810	183	30,844
Other Local Sources	52,532	5,162	-	-	57,694
Total	<u>\$ 649,535</u>	<u>\$ 17,556</u>	<u>\$ 70,690</u>	<u>\$ 183</u>	<u>\$ 737,964</u>

As part of its plan to address the budget crisis facing the State of California, Senate Bill (SB) X1 18 (the Bill) was signed into law during the year ended June 30, 2003. The provisions of the Bill significantly altered funding for California local educational agencies (LEAs). The Bill, among other things, shifted the appropriation for and the payment of the June 2003 principal apportionment for the general and adult funds into the 2003-04 fiscal year. The Bill allowed LEAs to recognize for budgetary and financial reporting purposes any amount of state appropriations deferred from the current fiscal year and appropriated from the subsequent fiscal year for payment of current-year costs as a receivable in the current year. In addition, Assembly Bill 2781 deferred the 2002-03 appropriations for the Home-to School Transportation, School Improvement, Targeted Instructional Improvement, and Supplemental Grant programs into the 2003-04 fiscal year. Exclusion of the apportionments would have resulted in a decrease in receivables, revenue and available reserves of \$613,792.

JEFFERSON ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

NOTE #5 – INTERFUND TRANSACTIONS

A. Operating Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended. Interfund transfers for the year ended June 30, 2003, are as follows:

The General fund transferred to the Cafeteria fund for a short-term loan to cover operating expenses.	\$ 45,403
The General fund transferred to the Deferred Maintenance fund for contribution.	58,766
The General fund transferred to the Pupil Transportation fund for bus purchase.	40,000
The Capital Facilities fund transferred to the County School Facilities fund for future transportation equipment purchases.	143,152
The Special Reserve for Capital Outlay fund transferred to the County School Facilities fund for short term loan on Tom Hawkins School Construction Project.	32,538
Total	<u>\$ 319,859</u>

B. Interfund Receivables/Payables (Due To/Due From)

At June 30, 2003, the Cafeteria fund owed the General fund \$15,997 and the General Fund owed the Deferred Maintenance Fund \$80,000.

NOTE #6 – ACCOUNTS PAYABLE

Accounts payable at June 30, 2003, consists of the following:

	General	Special Revenue	Capital Projects	Total
Accrued payroll and benefits	\$ 50,708	\$ 567	\$ -	\$ 51,275
Apportionment	-	-	-	-
Vendor	131,439	14,806	78,770	225,015
Due to Office of Public School Construction			101,359	101,359
Total	<u>\$ 182,147</u>	<u>\$ 15,373</u>	<u>\$ 180,129</u>	<u>\$ 377,649</u>

JEFFERSON ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

NOTE #7 – DEFERRED REVENUE

Deferred revenue at June 30, 2003, consists of the following:

	General	Capital Projects	Total
Federal categorical aid	\$ 24,568	\$ 16,481	\$ 41,049
State categorical aid	8,655	-	8,655
Total	<u>\$ 33,223</u>	<u>\$ 16,481</u>	<u>\$ 49,704</u>

NOTE #8 – FUND BALANCES

Fund balances are composed of the following elements:

	General	Special Revenue	Capital Projects	Total
Reserved				
Revolving cash	\$ 5,000	\$ 30	\$ -	\$ 5,030
Stores inventory	-	1,632	-	1,632
Legally restricted	364,355	-	-	364,355
General reserve	400,000	-	-	400,000
Total Reserved	<u>769,355</u>	<u>1,662</u>	<u>-</u>	<u>771,017</u>
Unreserved				
Designated				
Economic uncertainties	284,493	-	-	284,493
Other	555,562	-	6,192,536	6,748,098
Total Designated	<u>840,055</u>	<u>-</u>	<u>6,192,536</u>	<u>7,032,591</u>
Undesignated	451,500	272,597	-	724,097
Total Unreserved	<u>1,291,555</u>	<u>272,597</u>	<u>6,192,536</u>	<u>7,756,688</u>
Total	<u>\$ 2,060,910</u>	<u>\$ 274,259</u>	<u>\$ 6,192,536</u>	<u>\$ 8,527,705</u>

JEFFERSON ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003

NOTE #9 – GENERAL LONG-TERM DEBT

A. Long-Term Debt Summary

A schedule of changes in long-term debt for the year ended June 30, 2003, is shown below:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Accumulated vacation - net	\$ 10,317	\$ 1,559	\$ -	\$ 11,876
Postemployment benefits	74,094	-	1,592	72,502
Capital leases	209,057	-	62,208	146,849
	<u>\$ 293,468</u>	<u>\$ 1,559</u>	<u>\$ 63,800</u>	<u>\$ 231,227</u>
Amount to be provided for retirement of general long-term debt				<u>\$ 231,227</u>

B. Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2003, amounted to \$11,876.

C. Postemployment Benefits

The District provides postemployment health care benefits, in accordance with District agreements and employment contracts, to certain past board members and employees who retired from the District on or after attaining age 65 with at least 10 years of service. Currently, two employees meet those eligibility requirements. The District will contribute up to \$7,150 per employee per year. Expenditures for postemployment benefits are recognized on a pay-as-you-go basis, as premiums are paid. During the year, expenditures of \$18,120 were recognized for retirees' health care benefits.

The calculated approximate accumulated future liability for the District at June 30, 2003, amounts to \$72,502. This amount was calculated based upon the number of retirees receiving benefits multiplied by the yearly district payment per employee in effect at June 30, 2003, multiplied by the number of years of payments remaining. The District has one retiree with lifetime benefits and is required to obtain an actuarial study ever three years. An actuarial study was performed as of April 1, 2003. The results of that study determined the present value of the future benefit payments for retired employees to be \$141,311.

JEFFERSON ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

D. Capital Leases

The District's liability on lease agreements with options to purchase for copiers are summarized below. The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2004	\$ 48,902
2005	48,902
2006	48,902
2007	20,376
Total	167,082
Less: Amount Representing Interest	20,233
Present Value of Minimum Lease Payments	<u>\$ 146,849</u>

NOTE #10 – EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (STRS) and classified employees are members of the Public Employees' Retirement System (PERS).

A. STRS

Plan Description

The District contributes to the California State Teachers' Retirement System (STRS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from STRS, 7667 Folsom Blvd., Sacramento, CA 95826.

Funding Policy

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by STRS Teachers' Retirement Board. The required employer contribution rate for fiscal 2002-2003 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to STRS for the fiscal years ending June 30, 2003, 2002, and 2001 were \$356,826, \$323,305 and \$271,690, respectively, and equal 100 percent of the required contributions for each year.

JEFFERSON ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003

B. PERS

Plan Description

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

Funding Policy

Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate was 10.42 percent of payroll for fiscal 2002-2003. The contribution requirements of the plan members are established by State statute. The required contribution for June 30, 2003 was \$32,042 and equals 100 percent of the required contribution. The District was not required to make contributions to CalPERS for the fiscal years ending June 30, 2001 and 2002.

C. Other Information

Under STRS law, certain early retirement incentives require the employer to pay the present value of the additional benefit which may be paid on either a current or deferred basis. The District has no obligations to STRS for early retirement incentives granted to terminated employees.

D. Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (STRS or PERS) must be covered by social security or an alternative plan. The District has elected to use social security as its alternative plan.

E. On Behalf Payments

The State of California makes contributions to STRS and PERS on behalf of the District. These payments consist of State General Fund contributions to STRS in the amount of \$191,495 (4.475 percent of salaries subject to STRS) and to PERS in the amount of \$1,042 (.092 percent of salaries subject to PERS). Under generally accepted accounting principles, these amounts are to be reported as revenues and expenditures, however, guidance received from the California Department of Education advises local educational agencies not to record these amounts in the Annual Financial and Budget Report. These amounts have been recorded in these financial statements.

JEFFERSON ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

NOTE #11 – RISK MANAGEMENT

Description

The District's risk management activities are recorded in the General and Internal Service Fund. Employee life, health, and disability programs are administered by the General Fund through the District's participation in the San Joaquin County Schools Insurance Group public entity risk pools (JPA's). Excess liability coverage is purchased through the JPA. Refer to Note #13 for additional information regarding the JPAs.

For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The following is a summary of the insurance policies carried by the District as of June 30, 2003.

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

NOTE #12 – COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards and Grants

The District has received State and Federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, in the opinion of management any required reimbursements will not be material. Subsequent to June 30, the District was notified that renovation program expenditures in the amount of \$35,755 were disallowed. The amount will be repaid to the grantor agency after June 30. The payable to the grantor agency has not been recorded in these financial statements.

JEFFERSON ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

NOTE #13 – PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

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

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

JEFFERSON ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003

A. <u>Entity</u>	San Joaquin County School		
	Legal Services Authority (SJCSLSA)	Workers' Compensation (SJCSWCIG)	Health Care (SJCSHCIG)
B. <u>Purpose</u>	Contract for legal services	Provide workers' compensation insurance	Provide health and welfare benefits
C. <u>Participants</u>	School districts/ county office in San Joaquin County	School districts/ county office in San Joaquin County	School districts/ county office in San Joaquin County
D. <u>Governing Board</u>	One member from each participating district	One member from each participating district	One member from each participating district
E. <u>Condensed Audited Financial Information Follows</u>			
	June 30, 2002*	June 30, 2002*	June 30, 2002*
Assets	\$ 1,627	\$ 4,090,826	\$ 1,583,445
Liabilities	1,627	1,022,822	3,560,238
Fund Equity	\$ -	\$ 3,068,004	\$ (1,976,793)
Revenues	27,036	11,411,312	13,280,217
Expenses	42,597	10,987,902	14,468,649
Net Increase/(Decrease) in Fund Equity	\$ (15,561)	\$ 423,410	\$ (1,188,432)
F. <u>Payments for the Current Year</u>	\$ 4,474	\$ 141,168	\$ 815,566

JEFFERSON ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

San Joaquin County School			
A. <u>Entity</u>	Property and Liability Insurance Group (SJCSP&LIG)	Data Processing (SJCSDDPC)	TAPFFA
B. <u>Purpose</u>	Provide property and liability insurance	Contract for data processing	Forming a Community Facilities District
C. <u>Participants</u>	School districts/ county office in San Joaquin County	School districts/ county office in San Joaquin County	City of Tracy, Tracy Unified School District, Jefferson School District
D. <u>Governing Board</u>	One member from each participating district	One member from each participating district	One member from each participating district
E. <u>Condensed Audited Financial Information Follows</u>			
	June 30, 2002*	June 30, 2002*	June 30, 2002*
Assets	\$ 347,042	\$ 2,087,341	\$ 98,494,365
Liabilities	191,179	176,958	55,323,244
Fund Equity	\$ 155,863	\$ 1,910,383	\$ 43,171,121
Revenues	683,551	2,531,392	4,580,396
Expenses	803,238	2,336,746	5,010,473
Net Increase/(Decrease) in Fund Equity	\$ (119,687)	\$ 194,646	\$ (430,077)
F. <u>Payments for the Current Year</u>	\$ 42,862	\$ 49,113	Not Applicable

* Most recent information available.

None of the JPA's had long-term debts outstanding at June 30, 2002 except that the TAPFFA agency had outstanding special tax bonds payable of \$55,310,000 at April 30, 2002. The District's share of year-end assets, liabilities or fund equity has not been calculated.

JEFFERSON ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003

NOTE #14 – TAX AND REVENUE ANTICIPATION NOTES

On July 3, 2002, the District issued \$710,000 of Tax and Revenue Anticipation Notes dated July 3, 2003 bearing interest at 2.65 percent. Interest and principal were due and payable on July 3, 2003. By May 2003, the District had placed 100 percent of principal and interest in an irrevocable trust for the sole purpose of satisfying the notes. The District was not required to make any additional payments on the notes. As the District has in substance defeased the debt, the tax anticipation notes of \$710,000 and related accrued interest and cash held in trust are not included in these financial statements.

NOTE #15 – SUBSEQUENT EVENTS

On September 18, 2003, the District paid \$316,459 to San Joaquin County Health Care JPA. This payment represents the District's estimated buyout share of the JPA's unfunded liability as of September 30, 2003.

NOTE #16 – NEW ACCOUNTING PRONOUNCEMENTS

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement of Financial Accounting Standard No. 34 *"Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments"* as amended by GASB Statement No. 37 and No. 38. This Statement establishes financial reporting standards for state and local governments, including states, cities, towns, villages and special-purpose governments such as school districts and public utilities. Specifically the basic financial statements and required supplementary information (RSI) for general-purpose governments should consist of:

- A. Management's Discussion and Analysis (MD&A)
- B. Basic Financial Statements which include:
 - Government-wide financial statements prepared using the economic measurement focus and the accrual basis of accountings.
 - Fund financial statements prepared using the current financial resources measurement focus and the modified accrual basis of accounting.
 - Required supplementary information.
- C. The requirements of this statement are effective in three phases based on a government's total annual revenues for the year ended June 30, 1999, with earlier application encouraged.

JEFFERSON ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

These phases are as follows:

Phase I: Districts with total revenue of \$100 million or more are required to implement for the year ending June 30, 2002.

Phase II: Districts with total revenue of at least \$10 million but less than \$100 million are required to implement for the year ending June 30, 2003.

Phase III: Districts with total revenue of less than \$10 million are required to implement for the year ending June 30, 2004.

Based on the above criteria, the District expects to adopt the provisions of this statement for the fiscal year ending June 30, 2004. While the District believes the adoption of this statement will have a significant impact on how the District's financial position and results of operations is presented in its annual financial statements, the District has not determined the full impact of the adoption.

JEFFERSON ELEMENTARY SCHOOL DISTRICT**SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2003**

	Cafeteria	Deferred Maintenance	Pupil Transportation	Total
ASSETS				
Cash	\$ 30	\$ -	\$ -	\$ 30
Investments	567	163,675	42,169	206,411
Accounts receivable	16,894	569	93	17,556
Due from other funds	-	80,000	-	80,000
Stores inventory	1,632	-	-	1,632
Total Assets	<u>\$ 19,123</u>	<u>\$ 244,244</u>	<u>\$ 42,262</u>	<u>\$ 305,629</u>
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts payable	1,464	13,909	-	15,373
Due to other funds	15,997	-	-	15,997
Total Liabilities	<u>17,461</u>	<u>13,909</u>	<u>-</u>	<u>31,370</u>
FUND EQUITY				
Fund balances				
Reserved	1,662	-	-	1,662
Unreserved				
Undesignated	-	230,335	42,262	272,597
Total Fund Equity	<u>1,662</u>	<u>230,335</u>	<u>42,262</u>	<u>274,259</u>
Total Liabilities and Fund Equity	<u>\$ 19,123</u>	<u>\$ 244,244</u>	<u>\$ 42,262</u>	<u>\$ 305,629</u>

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

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JEFFERSON ELEMENTARY SCHOOL DISTRICT

SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED JUNE 30, 2003

	Cafeteria	Deferred Maintenance	Pupil Transportation	Total
REVENUES				
Federal revenues	\$ 115,737	\$ -	\$ -	\$ 115,737
Other state revenues	3,961	13,438	-	17,399
Other local revenues	328,648	2,904	161	331,713
Total Revenues	448,346	16,342	161	464,849
EXPENDITURES				
Current Expenditures				
Classified salaries	170,566	-	-	170,566
Employee benefits	53,806	-	-	53,806
Books and supplies	270,758	140	-	270,898
Services and operating expenditures	7,542	26,875	-	34,417
Other outgo	-	-	31,424	31,424
Total Expenditures	502,672	27,015	31,424	561,111
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	(54,326)	(10,673)	(31,263)	(96,262)
OTHER FINANCING SOURCES/(USES)				
Operating transfers in	45,403	58,766	40,000	144,169
Total Other Financing Sources/(Uses)	45,403	58,766	40,000	144,169
EXCESS OF REVENUES OVER/(UNDER) EXPENDITURES AND OTHER FINANCING SOURCES/(USES)	(8,923)	48,093	8,737	47,907
FUND BALANCE, BEGINNING OF YEAR	10,585	182,242	33,525	226,352
FUND BALANCE, END OF YEAR	\$ 1,662	\$ 230,335	\$ 42,262	\$ 274,259

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

JEFFERSON ELEMENTARY SCHOOL DISTRICT

SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2003

	Cafeteria		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUES			
Federal revenues	\$ 115,737	\$ 115,737	\$ -
Other state revenues	3,961	3,961	-
Other local revenues	328,651	328,648	(3)
Total Revenues	<u>448,349</u>	<u>448,346</u>	<u>(3)</u>
EXPENDITURES			
Current Expenditures			
Classified salaries	170,573	170,566	7
Employee benefits	53,812	53,806	6
Books and supplies	270,742	270,758	(16)
Services and operating expenditures	7,545	7,542	3
Other outgo	-	-	-
Total Expenditures	<u>502,672</u>	<u>502,672</u>	<u>-</u>
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	<u>(54,323)</u>	<u>(54,326)</u>	<u>(3)</u>
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	45,403	45,403	-
Operating transfers out	-	-	-
Total Other Financing Sources/(Uses)	<u>45,403</u>	<u>45,403</u>	<u>-</u>
EXCESS OF REVENUES OVER/(UNDER) EXPENDITURES AND OTHER FINANCING SOURCES/(USES)	<u>(8,920)</u>	<u>(8,923)</u>	<u>(3)</u>
FUND BALANCE, BEGINNING OF YEAR	<u>10,585</u>	<u>10,585</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 1,665</u>	<u>\$ 1,662</u>	<u>\$ (3)</u>

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

Deferred Maintenance			Pupil Transportation		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
13,438	13,438	-	-	-	-
2,904	2,904	-	161	161	-
16,342	16,342	-	161	161	-
-	-	-	-	-	-
-	-	-	-	-	-
140	140	-	-	-	-
26,875	26,875	-	-	-	-
-	-	-	31,424	31,424	-
27,015	27,015	-	31,424	31,424	-
(10,673)	(10,673)	-	(31,263)	(31,263)	-
58,766	58,766	-	40,000	40,000	-
-	-	-	-	-	-
58,766	58,766	-	40,000	40,000	-
48,093	48,093	-	8,737	8,737	-
182,242	182,242	-	33,525	33,525	-
\$ 230,335	\$ 230,335	\$ -	\$ 42,262	\$ 42,262	\$ -

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JEFFERSON ELEMENTARY SCHOOL DISTRICT

SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2003

	Total		Variance
	Budget	Actual	Favorable (Unfavorable)
REVENUES			
Federal revenues	\$ 115,737	\$ 115,737	\$ -
Other state revenues	17,399	17,399	-
Other local revenues	331,716	331,713	(3)
Total Revenues	<u>464,852</u>	<u>464,849</u>	<u>(3)</u>
EXPENDITURES			
Current Expenditures			
Classified salaries	170,573	170,566	7
Employee benefits	53,812	53,806	6
Books and supplies	270,882	270,898	(16)
Services and operating expenditures	34,420	34,417	3
Other outgo	31,424	31,424	-
Total Expenditures	<u>561,111</u>	<u>561,111</u>	<u>-</u>
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	<u>(96,259)</u>	<u>(96,262)</u>	<u>(3)</u>
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	144,169	144,169	-
Operating transfers out	-	-	-
Total Other Financing Sources/(Uses)	<u>144,169</u>	<u>144,169</u>	<u>-</u>
EXCESS OF REVENUES OVER/(UNDER) EXPENDITURES AND OTHER FINANCING SOURCES/(USES)	<u>47,910</u>	<u>47,907</u>	<u>(3)</u>
FUND BALANCE, BEGINNING OF YEAR	<u>226,352</u>	<u>226,352</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 274,262</u>	<u>\$ 274,259</u>	<u>\$ (3)</u>

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

JEFFERSON ELEMENTARY SCHOOL DISTRICT

CAPITAL PROJECTS FUNDS COMBINING BALANCE SHEET JUNE 30, 2003

	Community Facilities	Capital Facilities	State School Building
ASSETS			
Investments	\$ 22,563	\$ 5,483,519	\$ 111,559
Accounts receivable	72	17,038	359
Total Assets	<u>\$ 22,635</u>	<u>\$ 5,500,557</u>	<u>\$ 111,918</u>
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Accounts payable	-	56,373	102,140
Deferred revenue	-	-	-
Total Liabilities	<u>-</u>	<u>56,373</u>	<u>102,140</u>
FUND EQUITY			
Fund balances			
Unreserved			
Designated	22,635	5,444,184	9,778
Total Fund Equity	<u>22,635</u>	<u>5,444,184</u>	<u>9,778</u>
Total Liabilities and Fund Equity	<u>\$ 22,635</u>	<u>\$ 5,500,557</u>	<u>\$ 111,918</u>

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

Special Reserve	County Schools Facilities	Total
\$ 129,211	\$ 571,604	\$ 6,318,456
51,367	1,854	70,690
<u>\$ 180,578</u>	<u>\$ 573,458</u>	<u>\$ 6,389,146</u>

14,401	7,215	180,129
16,481	-	16,481
<u>30,882</u>	<u>7,215</u>	<u>196,610</u>

149,696	566,243	6,192,536
<u>149,696</u>	<u>566,243</u>	<u>6,192,536</u>
<u>\$ 180,578</u>	<u>\$ 573,458</u>	<u>\$ 6,389,146</u>

JEFFERSON ELEMENTARY SCHOOL DISTRICT

CAPITAL PROJECTS FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED JUNE 30, 2003

	Community Facilities	Capital Facilities	State School Building
REVENUES			
Federal revenues	\$ -	\$ -	\$ -
Other local revenues	8,711	3,645,812	-
Total Revenues	<u>8,711</u>	<u>3,645,812</u>	<u>-</u>
EXPENDITURES			
Current Expenditures			
Books and supplies	-	187,467	-
Services and operating expenditures	-	157,229	-
Capital outlay	-	311,787	-
Total Expenditures	<u>-</u>	<u>656,483</u>	<u>-</u>
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	<u>8,711</u>	<u>2,989,329</u>	<u>-</u>
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	-	32,538	-
Operating transfers out	-	(143,152)	-
Total Other Financing Sources/(Uses)	<u>-</u>	<u>(110,614)</u>	<u>-</u>
EXCESS OF REVENUES OVER/(UNDER) EXPENDITURES AND OTHER FINANCING SOURCES/(USES)	<u>8,711</u>	<u>2,878,715</u>	<u>-</u>
FUND BALANCE, BEGINNING OF YEAR	13,924	2,565,469	9,778
FUND BALANCE, END OF YEAR	<u>\$ 22,635</u>	<u>\$ 5,444,184</u>	<u>\$ 9,778</u>

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

Special Reserve	County Schools Facilities	Total
\$ 85,279	\$ -	\$ 85,279
2,895	11,876	3,669,294
88,174	11,876	3,754,573
32,478	-	219,945
20,634	21,908	199,771
52,741	171,042	535,570
105,853	192,950	955,286
(17,679)	(181,074)	2,799,287
-	143,152	175,690
(32,538)	-	(175,690)
(32,538)	143,152	-
(50,217)	(37,922)	2,799,287
199,913	604,165	3,393,249
\$ 149,696	\$ 566,243	\$ 6,192,536

JEFFERSON ELEMENTARY SCHOOL DISTRICT

CAPITAL PROJECTS FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2003

	Community Facilities		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUES			
Other local revenues	\$ 8,711	\$ 8,711	\$ -
Total Revenues	8,711	8,711	-
EXPENDITURES			
Current Expenditures			
Books and supplies	-	-	-
Services and operating expenditures	-	-	-
Capital outlay	-	-	-
Total Expenditures	-	-	-
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	8,711	8,711	-
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Total Other Financing Sources/(Uses)	-	-	-
EXCESS OF REVENUES OVER/(UNDER) EXPENDITURES AND OTHER FINANCING SOURCES/(USES)	8,711	8,711	-
FUND BALANCE, BEGINNING OF YEAR	13,924	13,924	-
FUND BALANCE, END OF YEAR	\$ 22,635	\$ 22,635	\$ -

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

Capital Facilities			State School Building		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 3,645,814	\$ 3,645,812	\$ (2)	\$ -	\$ -	\$ -
3,645,814	3,645,812	(2)	-	-	-
187,467	187,467	-	-	-	-
157,229	157,229	-	-	-	-
311,789	311,787	2	-	-	-
656,485	656,483	2	-	-	-
2,989,329	2,989,329	-	-	-	-
32,538	32,538	-	-	-	-
(143,152)	(143,152)	-	-	-	-
(110,614)	(110,614)	-	-	-	-
2,878,715	2,878,715	-	-	-	-
2,565,469	2,565,469	-	9,778	9,778	-
\$ 5,444,184	\$ 5,444,184	\$ -	\$ 9,778	\$ 9,778	\$ -

JEFFERSON ELEMENTARY SCHOOL DISTRICT

CAPITAL PROJECTS FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2003

	Special Reserve		Variance
	Budget	Actual	Favorable (Unfavorable)
REVENUES			
Federal revenues	\$ 85,279	\$ 85,279	\$ -
Other local revenues	2,895	2,895	-
Total Revenues	88,174	88,174	-
EXPENDITURES			
Current Expenditures			
Books and supplies	32,478	32,478	-
Services and operating expenditures	20,634	20,634	-
Capital outlay	52,741	52,741	-
Total Expenditures	105,853	105,853	-
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	(17,679)	(17,679)	-
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	-	-	-
Operating transfers out	(32,538)	(32,538)	-
Total Other Financing Sources/(Uses)	(32,538)	(32,538)	-
EXCESS OF REVENUES OVER/(UNDER) EXPENDITURES AND OTHER FINANCING SOURCES/(USES)	(50,217)	(50,217)	-
FUND BALANCE, BEGINNING OF YEAR	199,913	199,913	-
FUND BALANCE, END OF YEAR	\$ 149,696	\$ 149,696	\$ -

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

County Schools Facilities			Total		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ 85,279	\$ 85,279	\$ -
11,876	11,876	-	3,669,296	3,669,294	(2)
11,876	11,876	-	3,754,575	3,754,573	(2)
-	-	-	219,945	219,945	-
21,910	21,908	2	199,773	199,771	2
163,827	171,042	(7,215)	528,357	535,570	(7,213)
185,737	192,950	(7,213)	948,075	955,286	(7,211)
(173,861)	(181,074)	(7,213)	2,806,500	2,799,287	(7,213)
143,152	143,152	-	175,690	175,690	-
-	-	-	(175,690)	(175,690)	-
143,152	143,152	-	-	-	-
(30,709)	(37,922)	(7,213)	2,806,500	2,799,287	(7,213)
604,165	604,165	-	3,393,249	3,393,249	-
\$ 573,456	\$ 566,243	\$ (7,213)	\$ 6,199,749	\$ 6,192,536	\$ (7,213)

JEFFERSON ELEMENTARY SCHOOL DISTRICT

FIDUCIARY FUND TYPES

AGENCY FUND

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES FOR THE YEAR ENDED JUNE 30, 2003

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
STUDENT BODY FUNDS				
ASSETS				
Cash	\$ 31,121	\$ 203,952	\$ 193,874	\$ 41,199
Total Assets	<u>\$ 31,121</u>	<u>\$ 203,952</u>	<u>\$ 193,874</u>	<u>\$ 41,199</u>
LIABILITIES				
Due to student groups	<u>31,121</u>	<u>203,952</u>	<u>193,874</u>	<u>41,199</u>
Total Liabilities	<u>\$ 31,121</u>	<u>\$ 203,952</u>	<u>\$ 193,874</u>	<u>\$ 41,199</u>

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

SUPPLEMENTARY INFORMATION

JEFFERSON ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2003

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education (CDE):			
Title I - Basic	84.010	03797	\$ 65,341
Special Education ⁽¹⁾			
Local Assistance	84.027	03379	75,526
Inservice Training	84.027	03613	238
Low Incidence	84.027	03459	2,685
IDEA Preschool	84.173	03430	4,244
Local Preschool	84.027A	03682	6,118
Title VI - Innovative Education Strategies	84.298	03340	3,962
Title II - Teacher Quality	84.164	10085	4,070
Title IV - Safe and Drug Free Schools	84.186	03453	2,914
Federal Class Size Reduction	84.340	03073	9,884
Federal Renovation Program ⁽¹⁾	84.352A	14313	85,279
Total U.S. Department of Education			<u>260,260</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
National School Lunch ⁽¹⁾	10.555	03755	71,599
Basic School Breakfast ⁽¹⁾	10.553	03157	8,080
Fair Market Value of Commodities ⁽¹⁾	10.550	03755	36,058
Total U.S. Department of Agriculture			<u>115,737</u>
Total Expenditures of Federal Awards			<u>\$ 375,997</u>

(1) Tested as a major program.

See accompanying note to supplementary information.

JEFFERSON ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2003

	Annual Report	Second Period Report
ELEMENTARY		
Kindergarten	173	170
First through third	507	500
Fourth through sixth	532	528
Seventh and eighth	309	306
Total Elementary	1,521	1,504
SUMMER SCHOOL/INTERSESSION - ANNUAL PUPIL HOURS OF ATTENDANCE		
Core academic programs	12,216	11,947
Students not meeting proficiency standards	16,374	16,000
Total Hours	28,590	27,947

See accompanying note to supplementary information.

JEFFERSON ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2003

Grade Level	1986-87	1982-83	2002-03	Number of Days		Status
	Minutes Requirement	Actual Minutes	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	35,670	42,525	180	-	In Compliance
Grades 1 - 3	50,400	45,490	50,400	180	-	In Compliance
Grades 4 - 8	54,000	60,030	61,200	180	-	In Compliance

See accompanying note to supplementary information.

JEFFERSON ELEMENTARY SCHOOL DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003**

There were no adjustments to the Annual Financial and Budget Report Unaudited Actuals, which required reconciliation to the audited financial statements at June 30, 2003.

See accompanying note to supplementary information.

JEFFERSON ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2003

	(Budget) 2004 ¹	2003	2002	2001
GENERAL FUND				
Revenues	\$ 9,764,274	\$ 9,498,336	\$ 8,235,938	\$ 7,163,892
Other sources	-	-	217,686	125,785
Total Revenues and Other Sources	9,764,274	9,498,336	8,453,624	7,289,677
Expenditures	9,330,315	8,873,701	8,321,854	6,650,479
Other uses and transfers out	152,789	144,169	110,000	402,196
Total Expenditures and Other Uses	9,483,104	9,017,870	8,431,854	7,052,675
INCREASE/(DECREASE) IN FUND BALANCE	\$ 281,170	\$ 480,466	\$ 21,770	\$ 237,002
ENDING FUND BALANCE	\$ 2,342,079	\$ 2,060,909	\$ 1,580,444	\$ 1,558,673
AVAILABLE RESERVES ²	\$ 1,303,399	\$ 735,993	\$ 779,373	\$ 629,153
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	13.74%	8.34%	9.24%	8.92%
LONG-TERM DEBT	\$ 182,325	\$ 231,227	\$ 293,468	\$ 182,812
AVERAGE DAILY ATTENDANCE AT P-2	1,669	1,504	1,320	1,142

The general fund balance has increased by \$502,236 over the past two years. The fiscal year 2003-04 budget projects an increase of \$281,170. 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).

Total long-term debt has a net increase of \$48,415 over the past two years.

Average daily attendance has increased by 362 over the past two years. An increased growth of 165 is anticipated during fiscal year 2003-04.

¹ Budget 2003 is included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of all undesignated fund balances and all funds designated for economic uncertainty contained within the general fund and special reserve fund. Percentage calculation excludes STRS and PERS contributions in the amount of \$192,537 made by the State of California on behalf of the District.

See accompanying note to supplementary information.

JEFFERSON ELEMENTARY SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2003

NOTE #1 - PURPOSE OF SCHEDULES

A. 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 general-purpose financial statements.

B. Schedule of Average Daily Attendance (ADA)

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

C. Schedule of Instructional Time

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

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

D. 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 Annual Financial and Budget Report Unaudited Actuals to the audited financial statements.

E. Schedule of Financial Trends and Analysis

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

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING 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 general-purpose financial statements of Jefferson Elementary School District as of and for the year ended June 30, 2003, and have issued our report thereon dated October 3, 2003. In our report, our opinion was qualified because the District did not maintain a general fixed asset group of accounts. 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.

Compliance

As part of obtaining reasonable assurance about whether Jefferson Elementary School District's general-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Jefferson Elementary School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

Vavrinek, Trine, Day & Co LLP

Pleasanton, California

October 3, 2003



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND 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, 2003. 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 on 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, 2003.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Vavrinek, Trine, Day & Co LLP
Pleasanton, California
October 3, 2003



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Governing Board
Jefferson Elementary School District
Tracy, California

We have audited the general-purpose financial statements of the Jefferson Elementary School District as of and for the year ended June 30, 2003, and have issued our report thereon dated October 3, 2003. In our report, our opinion was qualified because the Jefferson Elementary School District did not maintain a general fixed asset group of accounts. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's *Standards and Procedures for Audits of California K-12 Local Educational Agencies*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether general-purpose 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 general-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

	Procedures in Controller's Audit Guide	Procedures Performed
Attendance accounting		
Attendance reporting	4	Yes
Kindergarten continuation	3	Yes
Independent study	13	Not Applicable
Continuation education	11	Not Applicable
Adult education	8	Not Applicable
Regional occupational centers/programs	4	Not Applicable
Staff development days	3	Yes
Incentives for longer instructional day:		
School Districts	4	Yes
County Offices of Education	4	Not Applicable
GANN limit calculation	1	Yes
Early retirement incentive program	5	Not Applicable

	Procedures in Controller's Audit Guide	Procedures Performed
Community day schools	8	Not Applicable
Class size reduction program:		
Option one classes	10	Yes
Option two classes	9	Not Applicable
Options one and two classes	14	Not Applicable
Program to reduce class size in two courses in grade 9	8	Not Applicable
State Instructional Materials Fund:		
Instructional Materials Funding Realignment programs	9	Yes
Schiff-Bustamante standards-based instructional materials	9	Yes
Digital High School Education Technology Grant Program	5	Not Applicable
California Public School Library Act of 1998, K-12	4	Yes
Office of Criminal Justice Planning	-	Not Applicable
Ratio of Administrative Employees to Teacher	3	Yes

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.

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

Vavrinek, Trine, Day & Co LLP
Pleasanton, California
October 3, 2003

JEFFERSON ELEMENTARY SCHOOL DISTRICT

SUMMARY OF AUDITORS' RESULTS FOR THE YEAR ENDED JUNE 30, 2003

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Reporting conditions identified not considered to be material weaknesses?	<u>No</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 Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.027</u>	<u>Special Education</u>
<u>10.555</u>	<u>National School Lunch Program</u>
<u>84.352A</u>	<u>Federal Renovation Program</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>Yes</u>

STATE AWARDS

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

JEFFERSON ELEMENTARY SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2003**

The were no findings that represent reportable conditions, material weaknesses, and/or instances of noncompliance.

JEFFERSON ELEMENTARY SCHOOL DISTRICT

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2003**

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

JEFFERSON ELEMENTARY SCHOOL DISTRICT

STATE AWARD FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2003

There were no findings representing instances of noncompliance or questioned costs relating to state program laws and regulations.

JEFFERSON ELEMENTARY SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2003

The following findings represent reportable conditions, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with auditing standards generally accepted in the United States of America for the prior year ended June 30, 2002.

The findings have been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
20000	Inventory of Equipment

EQUIPMENT

2002-1. Finding (20000)

During our examination, it came to our attention that the District does not maintain a complete and current equipment inventory. In order to adequately safeguard assets and to comply with Federal and State requirements, the District's fixed assets accounting system should provide for the following:

- Maintain detail records indicating asset description, acquisition date and costs, funding source, location and serial/identification.
- Such detailed property records should be periodically checked by physical inventory with differences reconciled and records adjusted to reflect shortages.
- Procedures in place governing the disposition of property and equipment including monitoring the disposition of property acquired with grant funds.
- All equipment items should be marked so as identify them as property of the District and equipment items purchased with grant funds specifically marked as such.

Recommendation

We recommend that the District's management review its procedures relating to the fixed assets accounting system and implement appropriate modifications to ensure safeguarding of assets and compliance with Federal and State requirements.

Current Status
Implemented

