

**BELLA VISTA ELEMENTARY
SCHOOL DISTRICT**

**County of Shasta
Bella Vista, California**

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION WITH
INDEPENDENT AUDITORS' REPORTS**

June 30, 2007

TABLE OF CONTENTS

June 30, 2007

*Bella Vista Elementary
School District*

	Page Number
FINANCIAL SECTION	
Independent Auditors' Report	2
Required Supplemental Information	
Management's Discussion and Analysis	5
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets	13
Statement of Activities	14
Fund Financial Statements	
Balance Sheet – Governmental Funds	15
Reconciliation of Governmental Fund Balances to Government-Wide Net Assets	16
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	17
Reconciliation of Net Change in Fund Balances to Change in Net Assets	18
Statement of Fiduciary Net Assets – Fiduciary Funds	20
Notes to the Financial Statements	21
Required Supplemental Information	
Budgetary Comparison Schedule – General Fund	39
Budgetary Comparison Schedule – Child Development Fund	40
Budgetary Comparison Schedule – Cafeteria Special Revenue Fund	41
Notes to the Budgetary Comparison Schedules	42

TABLE OF CONTENTS

June 30, 2007

*Bella Vista Elementary
School District*

	Page Number
OTHER SUPPLEMENTAL INFORMATION SECTION	
Local Education Agency Organization Structure	44
Schedule of Average Daily Attendance	45
Schedule of Instructional Time	46
Schedule of Financial Trends and Analysis	47
Reconciliation of Annual Financial and Budget Report With Audited Financial Statements	48
Schedule of Charter Schools	49
Schedule of Excess Sick Leave	50
Notes to the Other Supplemental Information	51
OTHER REPORTS SECTION	
Independent Auditors' Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	53
Independent Auditors' Report on State Compliance	55
FINDINGS AND QUESTIONED COSTS SECTION	
Schedule of Findings and Questioned Costs	59
Corrective Action Plan	63
Summary Schedule of Prior Audit Findings	64

FINANCIAL SECTION



Founded in 1962 by
Robert M. Matson
and W. Howard Isom

Chico
3013 Ceres Avenue
P.O. Box 1638
Chico, CA 95927-1638
Phone (530) 891-6474
Fax (530) 893-6689

Redding
1255 East Street, Suite 202
P.O. Box 991891
Redding, CA 96099-1891
Phone (530) 244-4980
Fax (530) 244-4983

www.matson-isom.com

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Bella Vista Elementary School District
Bella Vista, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bella Vista Elementary School District (the District) as of and for the year ended June 30, 2007, 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2007, and the respective changes in financial position 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 a report dated December 15, 2007, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis and budgetary comparison schedules listed in the table of contents are not a required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

INDEPENDENT AUDITORS' REPORT

Continued

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying financial information listed as other supplemental information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Matson and Isom

December 15, 2007

Required Supplemental Information

An overview of the Bella Vista Elementary School District's (the District) financial activities for the fiscal year ended June 30, 2007, is provided in this discussion and analysis of the District's financial performance.

This management's discussion and analysis should be read in connection with the District's financial statements (including notes and supplemental information).

FINANCIAL HIGHLIGHTS

Overall revenues were \$3,880,233. Overall expenses were \$3,986,446. Expenses exceeded revenues by \$106,213. The District's General Fund incurred an operating deficit in the current year and has incurred an operating surplus in one of the two prior fiscal years.

Total net assets in governmental funds were \$7,176,013. The General Fund reported a total fund balance of \$616,251.

Enrollment in the District increased by 3% during the 2006-07 school year.

USING THIS ANNUAL REPORT

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. Combined, these three parts provide a comprehensive overview of the District. The basic financial statements include two kinds of financial statements that present different views of the District:

- The first two financial statements are *government-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining financial statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide financial statements. The District maintains governmental funds and fiduciary funds as follows:
 - *Governmental funds* financial statements provide information on how basic services like regular and special education were financed in the short-term as well as what remains for future spending.
 - *Fiduciary funds* financial statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

The financial statements are followed by a section of required supplemental information that further explains and supports the financial statements with a comparison of the District's budget for the year.

Government-Wide Financial Statements

The government-wide financial statements provide information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets owned less the liabilities owed. The statement of activities includes all of the current year's revenues and expenses regardless of when cash is received or paid. The two financial statements report the District's net assets and how they have changed.

Net assets – the difference between the District's assets and liabilities – is one way to measure the District's financial health. Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively. To assess the overall health of the District you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

The statement of net assets and the statement of activities divide the District into two kinds of activities:

Governmental activities represent the basic services provided by the District, such as regular and special education, administration, and transportation.

Business-type activities represent services for which the District charges fees to help cover the cost of certain services beyond the scope of normal district operations. The District does not have any of these types of activities at this time.

Fund Financial Statements

More detailed information about the District's most significant funds – not the District as a whole – is provided in the fund financial statements. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by bond covenants and by state law.
- Other funds are established by the District to control and manage money for particular purposes (such as repaying its long-term debts). Other funds may also show proper usage of certain revenues (such as federal grants).

The District has two types of funds:

Governmental funds

Most of the District's basic services are included in governmental funds, which generally focus on:

- How cash and other financial assets can readily be converted to cash flow (in and out).
- The balances left at year-end that are available for spending.

A detailed short-term view is provided by the governmental fund financial statements. These help determine whether there are more or fewer financial resources that can be spent in the near future for financing the District's programs. Because this information does not encompass the additional long-term focus of the government-wide financial statements, additional information is provided following the governmental fund financial statements that explains the differences (or relationships) between them.

Fiduciary Funds

For assets that belong to others, such as the student activities funds, the District acts as the trustee, or fiduciary. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. A separate statement of fiduciary net assets reports the District's fiduciary activities. These activities are excluded from the government-wide financial statements, as the assets cannot be used by the District to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Assets

As shown in the following table the District's net assets as of June 30, 2007, were \$7,176,013. Of this amount \$539,783 was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the Board of Trustee's ability to use those net assets for day-to-day operations. All District net assets are the result of governmental activities. The analysis below focuses on the net assets of the District's governmental activities.

	Governmental Activities		Percentage
	2006	2007	Change
			2006-2007
ASSETS			
Cash and investments	\$ 1,080,233	\$ 775,937	-28.2%
Receivables	398,462	449,438	12.8%
Capital assets - net of accumulated depreciation	6,182,062	6,241,139	1.0%
Total Assets	\$ 7,660,757	\$ 7,466,514	-2.5%
LIABILITIES			
Accounts payable and other current liabilities	\$ 142,314	\$ 112,651	-20.8%
Long-term debt	236,217	177,850	-24.7%
Total Liabilities	\$ 378,531	\$ 290,501	-23.3%
NET ASSETS			
Invested in capital assets - net of related debt	\$ 5,995,332	\$ 6,093,841	1.6%
Restricted	765,131	542,389	-29.1%
Unrestricted	521,763	539,783	3.5%
Total Net Assets	\$ 7,282,226	\$ 7,176,013	-1.5%

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2007

*Bella Vista Elementary**School District***Change in Net Assets**

Property taxes and state aid funding accounted for most of the District's revenue, representing 66% of overall revenues. Another 29% came from Federal and state aid for specific programs and the remaining 5% came from fees charged for services and miscellaneous sources.

The District's expenses are primarily related to educating and caring for students. 74% of total expenditures related to instruction, 9% related to pupil services, and the remaining 17% related to administrative and maintenance activities of the District. The following analysis is an overview of the change in net assets.

	Governmental Activities		Percentage Change 2006-2007
	2006	2007	
REVENUES			
PROGRAM REVENUES			
Charges for services	\$ 71,758	\$ 78,112	8.9%
Federal and state categorical programs	1,982,986	1,114,903	-43.8%
GENERAL REVENUES			
Property taxes	682,397	701,842	2.8%
Federal and state aid not restricted	1,641,471	1,851,069	12.8%
Other	177,724	134,307	-24.4%
Total Revenues	4,556,336	3,880,233	-14.8%
EXPENSES			
Instruction	2,537,349	2,937,508	15.8%
Student support services	357,790	361,421	1.0%
Plant services	309,066	380,383	23.1%
Administration	283,603	277,230	-2.2%
Other	34,651	29,904	-13.7%
Total Expenses	3,522,459	3,986,446	13.2%
Change in Net Assets	\$ 1,033,877	\$ (106,213)	-110.3%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds

The District's governmental funds reported a combined fund balance of \$1,108,273, a decrease of \$220,724 from the previous year. Following is a summary of the District's fund balances.

	2006	2007	Increase (Decrease)
General	\$ 648,417	\$ 616,251	\$ (32,166)
Child Development	(67,748)	-	67,748
Cafeteria Special Revenue	4,000	6,984	2,984
Deferred Maintenance	209,060	54,705	(154,355)
Capital Facilities	99,139	139,020	39,881
State School Building	293	-	(293)
County School Facilities	412,511	276,176	(136,335)
Special Reserve Capital Projects	23,325	15,137	(8,188)
Total	\$ 1,328,997	\$ 1,108,273	\$ (220,724)

The decrease in the General Fund is due primarily to a decrease in federal and state revenue and a contribution to the Child Development Fund to cover the prior year deficit.

The increase in the Child Development Fund is due a General Fund contribution to the fund to cover the prior year deficit.

The decrease in the Deferred Maintenance Fund is due primarily to contribution to the rehabilitation project.

The increase in the Capital Facilities Fund is due primarily to the modernization/rehabilitation project completion.

The decrease in the County School Facilities Fund is due primarily to completion of the modernization/rehabilitation projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the course of the year, the District revises its budget as information is available that results in changes in revenues and expenditures. The budget amendments for the year typically fell into the following categories: adjustment of revenue to actual enrollment and ADA data, inclusion of new grants, addition of grant and entitlement funds from the prior year, and negotiated salary increases. A schedule showing the District’s original and final budget amounts compared with the amounts actually paid and received for the General Fund is provided in the budgetary comparison schedule for the General Fund.

The District budgeted revenues to be less than expenditures and other financing sources by \$131,457. However, actual results for the year reflected an increase of \$50,172.

CAPITAL ASSET AND LONG-TERM DEBT ADMINISTRATION

Capital Assets

The District has invested \$8,550,524 in capital assets including land, site improvements, buildings, and equipment. During the year, \$23,277 was invested in equipment and \$2,600,838 was invested in construction that was completed at year end. The increase in building related to completing the modernization of the administration building, library, cafeteria, and several classrooms.

	Governmental Activities		Percentage
	2006	2007	Change
			2006-2007
Land	\$ 126,740	\$ 126,740	0.0%
Buildings	5,244,549	7,845,387	49.6%
Site improvements	97,688	120,965	23.8%
Equipment	427,432	457,432	7.0%
Construction in progress	2,317,654	-	-100.0%
Total Capital Assets	\$ 8,214,063	\$ 8,550,524	4.1%

Long-Term Debt

At year end, the District had \$177,850 in outstanding long-term debt. The District made normally scheduled payments on capital leases and a note payable during the year.

	Governmental Activities		Percentage Change 2006-2007
	2006	2007	
Capital leases	\$ 102,729	\$ 77,299	-24.8%
Note payable	84,000	70,000	-16.7%
Compensated absences	8,648	5,119	-40.8%
Postemployment benefits	40,840	25,432	-37.7%
Total Long-Term Debt	\$ 236,217	\$ 177,850	-24.7%

FACTORS BEARING ON THE DISTRICT’S FUTURE

The uncertainty of the state economy could pose a risk to the District’s finances. The Board of Trustees has consistently demonstrated in the past that it is prepared to take the steps necessary to ensure the District’s solvency.

The District has contracts with its certificated bargaining group through June 30, 2007, and with its classified bargaining group through June 30, 2007. The contracts allow for renegotiation of compensation issues each year. There is on-going negotiation at this time.

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District’s finances and to show the District’s accountability for the money it receives. For questions regarding this report or for additional financial information, please contact:

George DeFillipo, Superintendent
 Bella Vista Elementary School District
 P.O. Box 1070
 Bella Vista, CA 96008

Basic Financial Statements

STATEMENT OF NET ASSETS*Bella Vista Elementary
School District*

June 30, 2007	Governmental Activities
ASSETS	
Cash and investments	\$ 775,937
Accounts receivable	36,316
Due from other governments	413,122
Nondepreciated capital assets	126,740
Depreciated capital assets	8,423,784
Accumulated depreciation	(2,309,385)
Total Assets	\$ 7,466,514
LIABILITIES	
Accounts payable and other current liabilities	\$ 76,078
Due to other governments	36,573
Long-term obligations	
Due within one year	81,319
Due beyond one year	96,531
Total Liabilities	\$ 290,501
NET ASSETS	
Invested in capital assets - net of related debt	\$ 6,093,841
Restricted for capital projects	467,880
Restricted for educational programs	74,509
Unrestricted	539,783
Total Net Assets	\$ 7,176,013

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

STATEMENT OF ACTIVITIES

*Bella Vista Elementary
School District*

Year Ended June 30, 2007	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Program Revenues Capital Grants and Contributions</u>	<u>Net (Expense) Revenue Change in Net Assets</u>
					<u>Governmental Activities</u>
FUNCTIONS/PROGRAMS					
PRIMARY GOVERNMENT					
Governmental activities					
Instruction	\$ 2,594,431	\$ 31,678	\$ 662,560	\$ 8,023	\$ (1,892,170)
Instruction - related services	343,077	-	89,190	-	(253,887)
Pupil services	361,421	44,220	280,079	-	(37,122)
Ancillary services	23,111	-	-	-	(23,111)
General administration	277,230	2,214	42,614	-	(232,402)
Plant services	380,383	-	16,446	-	(363,937)
Other outgo	-	-	15,991	-	15,991
Interest on long-term debt	6,793	-	-	-	(6,793)
Total Governmental Activities	\$ 3,986,446	\$ 78,112	\$ 1,106,880	\$ 8,023	(2,793,431)
GENERAL REVENUES					
Property taxes - levied for general purposes					701,842
Federal and state aid not restricted to specific purposes					1,851,069
Unrestricted investment earnings					34,692
Interagency revenues					937
Miscellaneous					98,678
Total General Revenues and Transfers					2,687,218
Change in Net Assets					(106,213)
Net Assets - Beginning of Year					7,282,226
Net Assets - End of Year					\$ 7,176,013

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

BALANCE SHEET – GOVERNMENTAL FUNDS

*Bella Vista Elementary
School District*

June 30, 2007	<u>General Fund</u>	<u>Child Development Fund</u>	<u>Cafeteria Special Revenue Fund</u>	<u>Capital Facilities Fund</u>	<u>County School Facilities Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS							
Cash and investments	\$ 250,254	\$ 5,067	\$ 6,218	\$ 137,596	\$ 297,877	\$ 78,925	\$ 775,937
Accounts receivable	26,634	4,004	412	1,408	3,238	620	36,316
Due from other governments	388,173	-	16,517	-	-	-	404,690
Due from other funds	83,888	54,476	9,861	16	-	-	148,241
Total Assets	<u>\$ 748,949</u>	<u>\$ 63,547</u>	<u>\$ 33,008</u>	<u>\$ 139,020</u>	<u>\$ 301,115</u>	<u>\$ 79,545</u>	<u>\$ 1,365,184</u>
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts payable and other current liabilities	\$ 31,788	\$ 5,424	\$ 259	\$ -	\$ 24,939	\$ 9,687	\$ 72,097
Due to other governments	36,573	-	-	-	-	-	36,573
Due to other funds	64,337	58,123	25,765	-	-	16	148,241
Total Liabilities	<u>132,698</u>	<u>63,547</u>	<u>26,024</u>	<u>-</u>	<u>24,939</u>	<u>9,703</u>	<u>256,911</u>
FUND BALANCES							
Reserved for revolving fund	1,000	-	-	-	-	-	1,000
Reserved for other purposes	67,525	-	-	-	-	-	67,525
Unreserved - reported in general fund	547,726	-	-	-	-	-	547,726
Unreserved - reported in special revenue funds	-	-	6,984	-	-	54,705	61,689
Unreserved - reported in capital projects funds	-	-	-	139,020	276,176	15,137	430,333
Total Fund Balances	<u>616,251</u>	<u>-</u>	<u>6,984</u>	<u>139,020</u>	<u>276,176</u>	<u>69,842</u>	<u>1,108,273</u>
Total Liabilities and Fund Balances	<u>\$ 748,949</u>	<u>\$ 63,547</u>	<u>\$ 33,008</u>	<u>\$ 139,020</u>	<u>\$ 301,115</u>	<u>\$ 79,545</u>	<u>\$ 1,365,184</u>

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

**RECONCILIATION OF GOVERNMENTAL
FUND BALANCES TO GOVERNMENT-WIDE
NET ASSETS**

*Bella Vista Elementary
School District*

June 30, 2007

Total Fund Balances – Governmental Funds	\$ 1,108,273
<p>Amounts reported for assets and liabilities for governmental activities in the statement of net assets are different from amounts reported in governmental funds because:</p>	
<p>Capital assets: In governmental funds, only current assets are reported. In the statement of net assets, all assets are reported, including capital assets and accumulated depreciation.</p>	
Capital assets at historical cost	\$ 8,550,524
Accumulated depreciation	<u>(2,309,385)</u>
	6,241,139
<p>Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatrued interest owing at the end of the period was:</p>	
	(3,981)
<p>Deferred recognition of earned but unavailable revenues: In governmental funds, revenue is recognized only to the extent that it is "available," meaning it will be collected soon enough after the end of the period to finance expenditures of that period. In the government-wide statements, revenue is recognized when earned, regardless of availability. The amount of unavailable revenues that is recognized in the government-wide statements is:</p>	
	8,432
<p>Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net assets, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:</p>	
Compensated absences	5,119
Capital leases	77,299
Note payable	70,000
Postemployment benefits	<u>25,432</u>
	<u>(177,850)</u>
Total Net Assets – Governmental Activities	\$ 7,176,013

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

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS**

*Bella Vista Elementary
School District*

Year Ended June 30, 2007	<u>General Fund</u>	<u>Child Development Fund</u>	<u>Cafeteria Special Revenue Fund</u>	<u>Capital Facilities Fund</u>	<u>County School Facilities Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES							
Property taxes	\$ 701,842	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 701,842
State revenue	2,169,533	130,192	7,056	-	-	17,508	2,324,289
Federal revenue	358,022	682	97,072	-	-	-	455,776
Interest and investment earnings	23,737	401	1,236	8,647	8,007	6,597	48,625
Other local revenue	224,068	11,651	39,123	76,968	-	-	351,810
Total Revenues	<u>3,477,202</u>	<u>142,926</u>	<u>144,487</u>	<u>85,615</u>	<u>8,007</u>	<u>24,105</u>	<u>3,882,342</u>
EXPENDITURES							
Current							
Instruction	2,230,252	111,926	-	-	-	-	2,342,178
Instruction - related services	327,290	7,127	-	-	-	-	334,417
Pupil services	214,421	-	146,090	-	-	-	360,511
Ancillary services	23,111	-	-	-	-	-	23,111
General administration	288,753	7,362	-	645	-	-	296,760
Plant services	324,436	3,239	5,275	-	-	56,945	389,895
Debt service							
Principal	-	-	-	39,430	-	-	39,430
Interest and other charges	-	-	-	5,968	-	-	5,968
Capital outlay	18,767	-	-	-	282,342	9,687	310,796
Total Expenditures	<u>3,427,030</u>	<u>129,654</u>	<u>151,365</u>	<u>46,043</u>	<u>282,342</u>	<u>66,632</u>	<u>4,103,066</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>50,172</u>	<u>13,272</u>	<u>(6,878)</u>	<u>39,572</u>	<u>(274,335)</u>	<u>(42,527)</u>	<u>(220,724)</u>
OTHER FINANCING SOURCES (USES)							
Interfund transfers in	-	54,476	9,862	309	138,000	18,000	220,647
Interfund transfers out	(82,338)	-	-	-	-	(138,309)	(220,647)
Total Other Financing Sources (Uses)	<u>(82,338)</u>	<u>54,476</u>	<u>9,862</u>	<u>309</u>	<u>138,000</u>	<u>(120,309)</u>	<u>-</u>
Net Change in Fund Balances	<u>(32,166)</u>	<u>67,748</u>	<u>2,984</u>	<u>39,881</u>	<u>(136,335)</u>	<u>(162,836)</u>	<u>(220,724)</u>
Fund Balances - as Previously Reported	<u>648,417</u>	<u>(67,748)</u>	<u>4,000</u>	<u>99,139</u>	<u>412,511</u>	<u>232,678</u>	<u>1,328,997</u>
Fund Balances - End of Year	<u>\$ 616,251</u>	<u>\$ -</u>	<u>\$ 6,984</u>	<u>\$ 139,020</u>	<u>\$ 276,176</u>	<u>\$ 69,842</u>	<u>\$ 1,108,273</u>

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

**RECONCILIATION OF NET CHANGE
IN FUND BALANCES TO
CHANGE IN NET ASSETS**

*Bella Vista Elementary
School District*

June 30, 2007

**Total Net Change in Fund Balances –
Governmental Funds**

\$ (220,724)

Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:

Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay
Depreciation expense

\$ 336,461
(277,383)

59,078

Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:

39,430

Earned but unavailable revenues: In governmental funds, revenues are recognized only to the extent that they are "available," meaning they will be collected soon enough after the end of the period to finance expenditures of that period. In the government-wide statements, revenue is recognized when earned, regardless of availability. The amount of earned but unavailable revenues relating to the current period, less revenues that became available in the current period but related to a prior period, is:

(2,108)

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was:

(826)

Balance Forward

\$ (125,150)

**RECONCILIATION OF NET CHANGE
IN FUND BALANCES TO
CHANGE IN NET ASSETS**

*Bella Vista Elementary
School District*

June 30, 2007

Balance Brought Forward	\$ (125,150)
Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was:	3,529
Other liabilities not normally liquidated with current financial resources: In government-wide financial statements, expenses must be accrued in connection with any liabilities incurred during the period that are not expected to be liquidated with current financial resources. This year, expenses incurred for such obligations were:	<u>15,408</u>
Change in Net Assets of Governmental Activities	<u>\$ (106,213)</u>

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

**STATEMENT OF FIDUCIARY NET ASSETS –
FIDUCIARY FUNDS**

*Bella Vista Elementary
School District*

June 30, 2007	Agency
ASSETS	
Cash and investments	\$ 26,202
LIABILITIES	
Accounts payable	\$ 281
Due to student groups	25,921
Total Liabilities	\$ 26,202

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

1. SIGNIFICANT ACCOUNTING POLICIES**Accounting Policies**

The District accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*. The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. Although the District has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the District has chosen not to do so. The more significant accounting policies established in GAAP and used by the District are discussed below.

Basis of Presentation**Government-Wide Financial Statements**

The statement of net assets and statement of activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized by funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type; and

Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

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 established to account for the proceeds from specific resources that are restricted to the financing of particular activities.

1. Child Development Fund is used to account separately for federal, state, and local revenues and the expenditure of those funds to operate child development programs (*California Education Code Section 8328*).
2. Cafeteria Special Revenue Fund is used to account separately for federal, state, and local resources received to operate the District's food service program (*California Education Code Sections 38090-38093*).
3. Deferred Maintenance Fund is used to account separately for state apportionments and District contributions for deferred maintenance purposes. Expenditures in this fund are for major repairs or replacements as identified in the plan approved by the State Allocation Board (*California Education Code Sections 17582-17587*).

Capital projects funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities.

1. Capital Facilities Fund is used primarily to account for funds received from fees levied on developers or others as a condition for approving development (*California Education Code Sections 17620-17626*).
2. State School Building Fund is used primarily to account separately for state apportionments as provided by *California Education Code Sections 17000-17039*.
3. County School Facilities Fund is used to receive apportionments from the State School Facilities Fund 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 (*California Education Code Section 17070*).
4. Special Reserve Fund is used to account for resources designated for capital outlay projects.

Fiduciary Funds

Agency funds are used to account for assets of others for whom the District acts as an agent. The District maintains agency funds for student body accounts.

Major and Nonmajor Funds

The funds are further classified as major or nonmajor as follows:

Major Governmental Funds

- General Fund
- Child Development Fund
- Cafeteria Special Revenue Fund
- Capital Facilities Fund
- County School Facilities Fund

Nonmajor Governmental Funds

- Deferred Maintenance Fund
- State School Building Fund
- Special Reserve Capital Projects Fund

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide statement of net assets and the statement of activities, both governmental and business-like activities are presented using the “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Fund equity is classified as net assets.

In the fund financial statements, governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

In the government-wide statement of net assets and statement of activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within 60 days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all government funds. By state law, the District’s Governing Board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District’s Governing Board satisfied these requirements.

These budgets are revised by the District’s Governing Board and District Superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets are presented for the General Fund and each major special revenue fund as required supplemental information.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures legally cannot exceed appropriations by major object account.

Cash, Cash Equivalents, and Investments

The District’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturity of three months or less from the date of acquisition. Cash and cash equivalents are combined with investments and displayed as cash and investments.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

In accordance with *California Education Code* Section 41001, the District maintains substantially all of its cash in the Shasta County Treasury as part of the common investment pool. The county is restricted by *California Government Code* Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. government securities, state registered warrants, notes, or bonds, State Treasurer’s investment pool, bankers’ acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. Investments in the county pool are valued using the amortized cost method (which approximates fair value) and includes accrued interest. The pool has deposits and investments with a weighted-average maturity of less than one year. As of June 30, 2007, the fair value of the county pool is 101.53% of the carrying value and is deemed to represent a material difference. Information regarding the amount of dollars invested in derivatives with the county was not available. The county investment pool is subject to regulatory oversight by the Treasury Oversight Committee, as required by *California Government Code* Section 27130. The District is considered to be an involuntary participant in the external investment pool.

The calculation of realized gains is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. The net decrease in the fair value of investments during the year ended June 30, 2007, was \$762. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year. The unrealized gain on investments held at June 30, 2007, was \$10,943.

Accounts Receivable and Due From Other Governments

Accounts receivable represent amounts due from private persons, firms, or corporations based on contractual agreements or amounts billed but not received as of June 30, 2007. Amounts due from other governments include entitlements and grants from federal, state, and local governments that the District has earned or been allocated but has not received as of June 30, 2007.

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net assets.

Fixed Assets

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. Capital assets are defined by the District as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year, except for buildings and improvements for which a higher capitalization threshold of \$15,000 or more is used. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets, which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets acquired prior to June 30, 2001.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives in years by type of asset is as follows:

School buildings	50
Portable classrooms	25
Site improvements	20
Equipment	5-20
Vehicles	20

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Deferred Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Deferred revenue is recorded to the extent cash received on specific projects and programs exceeds qualified expenditures.

Long-Term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources, and payments of principal and interest are reported as expenditures.

Compensated Absences

The liability for earned but unused vacation leave is recorded as long-term debt for compensated absences in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

Equity Classifications

Government-Wide Statements

Equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, leases, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, laws or regulations of other governments, or law through constitutional provisions or enabling legislation.

Unrestricted net assets consists of all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved with unreserved further split between designated and undesignated.

Revenue Limit and Property Tax

The District's revenue limit is received from a combination of local property taxes, state apportionments, and other local sources.

Shasta County is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the county. Secured property taxes attach as an enforceable lien on property as of January 1. Property taxes on the secured roll are due on November 1 and February 1 and become delinquent after December 10 and April 10, respectively.

Secured property taxes are recorded as revenue when apportioned in the fiscal year of the levy. The county apportions secured property tax revenue in accordance with the alternate method of distribution prescribed by Section 4705 of the *California Revenue and Taxation Code*. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll, approximately October 1 of each year.

Property taxes are recorded as local revenue limit sources by the District. California Department of Education reduces the District's entitlement by the District's local property tax revenue. The balance is paid from the state's General Fund and is referred to as the state apportionment. The District's base revenue limit is the amount of general purpose tax revenue, per average daily attendance (ADA), that the District is entitled to by law. This amount is multiplied by the second period ADA to derive the District's total entitlement.

Revenue – Nonexchange Transactions

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Expenditures and Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental funds – by character

- Current (further classified by function)
- Debt service
- Capital outlay

In the fund financial statements, governmental funds report expenditures of financial resources.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

2. CASH AND INVESTMENTS

The following is a summary of cash and investments at June 30, 2007:

	Maturities	Fair Value
DEPOSITS (1)		\$ 30,236
INVESTMENTS THAT ARE NOT SECURITIES (2)		
County treasurer's investment pool	3.9 months average	771,903
Total Cash and Investments		802,139
Less: Agency fund cash and investments		26,202
Total Cash and Investments Per Government-Wide Statement of Net Assets		\$ 775,937

- (1) **Deposits** The carrying amount of deposits includes checking accounts, savings accounts, nonnegotiable certificates of deposits, and money market accounts at financial institutions, if any.
- (2) **Investments That are Not Securities** A “security” is a transferable financial instrument that evidences ownership or creditorship, whether in physical or book entry form. Investments that are not securities do not have custodial credit risk because they do not involve a transferable financial instrument. Thus, they are not categorized into custodial credit risk categories.

Credit Risk – Investments

California Government Code Section 53601 limits investments in commercial paper to “prime” quality of the highest ranking, or of the highest letter and numerical rating as provided by nationally recognized statistical rating organizations (NRSRO), and limits investments in medium-term notes to a rating of A or better. The District has no investment policy that would further limit its investment choices. The District’s investment in the county investment pool is unrated.

Concentration of Credit Risk – Investments

California Government Code Section 53635 places the following concentration limits on the county investment pool:

No more than 40% may be invested in eligible commercial paper; no more than 10% may be invested in the outstanding commercial paper of any single issuer; and no more than 10% of the outstanding commercial paper of any single issuer may be purchased.

California Government Code Section 53601 places the following concentration limits on the District’s investments:

No more than 5% may be invested in the securities of any one issuer, except the obligations of the U.S. government, U.S. government agencies, and U.S. government-sponsored enterprises; no more than 10% may be invested in any one mutual fund; no more than 25% may be invested in commercial paper; no more than 10% of the outstanding commercial paper of any single issuer may be purchased; no more than 30% may be invested in bankers’ acceptances of any one commercial bank; no more than 30% may be invested in negotiable certificates of deposit; no more than 20% may be invested in repurchase agreements or reverse repurchase agreements; and no more than 30% may be invested in medium-term notes.

Interest Rate Risk – Investments

California Government Code Section 53601 limits the District’s investments to maturities of five years. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Investments grouped by maturity date at June 30, 2007, are as follows:

Investment	Less Than One Year
County treasurer's investment pool	\$ 771,903

3. DUE FROM OTHER GOVERNMENTS

On the government-wide financial statements, amounts due from other governments include \$8,432 for the special education mandate settlement apportionment, which will be collected from the state of California over the next four years.

4. INTERFUND TRANSACTIONS AND BALANCES

Interfund Receivables/Payables

Interfund receivable and payable balances in the fund financial statements are as follows:

<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Amounts</u>
General	Child Development	\$ 58,123
General	Cafeteria Special Revenue	25,765
Child Development	General	54,476
Cafeteria Special Revenue	General	9,861
Capital Facilities	State School Building	16
Total		\$ 148,241

The specific purposes of the interfund balances are as follows:

General Fund interfund receivable from Child Development Fund for indirect expenses, salary and benefits abatements, and interfund support;

General Fund interfund receivable from Cafeteria Special Revenue Fund for salary and benefits abatements;

Child Development interfund receivable from General Fund for repayment of expenditures from the prior year;

Cafeteria Special Revenue Fund interfund receivable from the General Fund for interfund support; and

Capital Facilities Fund interfund receivable from the State School Building Fund to close the State School Building Fund.

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving resources to funds through which the resources are to be expended.

Interfund transfers are as follows:

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amounts</u>
General	Child Development	\$ 54,476
General	Cafeteria Special Revenue	9,862
General	Deferred Maintenance	18,000
Deferred Maintenance	County School Facilities	138,000
State School Building	Capital Facilities	309
Total		\$ 220,647

Transfers are used for the following:

To move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; and

To use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The specific purposes of the interfund transfers that do not occur on a routine basis are as follows:

Transfer out of the Deferred Maintenance Fund to the County School Facilities Fund for a contribution required by the state of California; and

Transfer out of the State School Building Fund to Capital Facilities Fund to close out the State School Building Fund.

No transfers are inconsistent with the activities of the funds making the transfer.

5. CAPITAL ASSETS

Capital asset activity is as follows:

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
GOVERNMENTAL ACTIVITIES				
NONDEPRECIATED CAPITAL ASSETS				
Land	\$ 126,740	\$ -	\$ -	\$ 126,740
Construction in progress	2,317,654	266,934	2,584,588	-
Total Nondepreciated Capital Assets	<u>2,444,394</u>	<u>266,934</u>	<u>2,584,588</u>	<u>126,740</u>
DEPRECIATED CAPITAL ASSETS				
Buildings	5,244,549	2,600,838	-	7,845,387
Site improvements	97,688	23,277	-	120,965
Equipment	427,432	30,000	-	457,432
Total Depreciated Capital Assets	<u>5,769,669</u>	<u>2,654,115</u>	<u>-</u>	<u>8,423,784</u>
Totals at Historical Cost	<u>\$ 8,214,063</u>	<u>\$ 2,921,049</u>	<u>\$ 2,584,588</u>	<u>\$ 8,550,524</u>
LESS ACCUMULATED DEPRECIATION				
Buildings	\$ 1,750,002	\$ 243,465	\$ -	\$ 1,993,467
Site improvements	73,338	2,698	-	76,036
Equipment	208,662	31,220	-	239,882
Total Accumulated Depreciation	<u>2,032,002</u>	<u>277,383</u>	<u>-</u>	<u>2,309,385</u>
Total Depreciated Capital Assets - Net	<u>3,737,667</u>	<u>2,376,732</u>	<u>-</u>	<u>6,114,399</u>
Governmental Activities Capital Assets - Net	<u>\$ 6,182,061</u>	<u>\$ 2,643,666</u>	<u>\$ 2,584,588</u>	<u>\$ 6,241,139</u>

Depreciation expense was charged to governmental activities as follows:

GOVERNMENTAL ACTIVITIES	
Instruction	\$ 252,253
Instruction - related services	8,660
Pupil services	12,160
Plant services	4,310
Total Depreciation Expense - Governmental Activities	<u>\$ 277,383</u>

6. CAPITAL LEASES

The District leases relocatable classrooms and equipment valued at \$217,645 under agreements which provide for title to pass upon expiration of the lease period. The amount of interest cost incurred during the year ended June 30, 2007, was \$1,805, all of which was charged to expenses. Future minimum lease payments are as follows:

<u>Year Ending June 30</u>	<u>Lease Payments</u>
2008	\$ 53,870
2009	29,037
Total	82,907
Less: Amount representing interest	5,608
<u>Present Value of Net Minimum Lease Payments</u>	<u>\$ 77,299</u>

The District will receive no sublease rental revenues nor pay any contingent rentals for this equipment.

7. NOTE PAYABLE

In 2001, the District borrowed \$140,000 from the California Department of Education's Child Care Facilities Revolving Fund. The note is non-interest bearing. On June 30, 2007, the principal balance outstanding was \$70,000.

The note payable matures in 2012 as follows:

<u>Year Ending June 30</u>	<u>Principal</u>
2008	\$ 14,000
2009	14,000
2010	14,000
2011	14,000
2012	14,000
Total	\$ 70,000

8. CHANGES IN LONG-TERM DEBT

The following is a summary of changes in long-term debt:

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2007</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
GOVERNMENTAL ACTIVITIES					
Compensated absences	\$ 8,648	\$ 2,863	\$ 6,392	\$ 5,119	\$ -
Capital leases	102,729	-	25,430	77,299	49,699
Note payable	84,000	-	14,000	70,000	14,000
Postemployment benefits	40,840	19,530	34,938	25,432	17,620
Total	<u>\$ 236,217</u>	<u>\$ 22,393</u>	<u>\$ 80,760</u>	<u>\$ 177,850</u>	<u>\$ 81,319</u>

9. DESIGNATED FUND BALANCES

Fund balances as of June 30, 2007, are designated for the following purpose:

	<u>General Fund</u>	<u>Cafeteria Special Revenue Fund</u>	<u>Capital Facilities Fund</u>	<u>County School Facilities Fund</u>	<u>Other Governmental Funds</u>
Designated for special purposes	\$ 261,050	\$ 6,984	\$ 136,999	\$ 272,210	\$ 68,650
Designated for economic uncertainties	176,100	-	-	-	-
Designated for unrealized gain	3,764	-	2,021	3,966	1,192
Total Designated	440,914	6,984	139,020	276,176	69,842
Undesignated - general fund	106,812	-	-	-	-
Total Unreserved	<u>\$ 547,726</u>	<u>\$ 6,984</u>	<u>\$ 139,020</u>	<u>\$ 276,176</u>	<u>\$ 69,842</u>

10. JOINT POWERS AUTHORITIES

The District participates in joint ventures under joint powers agreements with the following joint powers authorities (JPAs): Northern California Schools Insurance Group (NCSIG), Shasta Trinity Schools Insurance Group (STSIG), Northern California Regional Excess Liability Fund (ReLiEF), and Schools Excess Liability Fund (SELF). The relationship between the District and the JPAs is such that the JPAs are not component units of the District for financial reporting purposes.

The JPAs arrange for and provide property, liability, workers' compensation, health care, and excess liability coverage for their members. Each JPA is governed by a board consisting of representatives from the members. The boards control the operations of the JPAs, including selection of management and approval of operating budgets, independent of any influence by the members beyond their representation on the boards. Each member pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to its participation in the JPA. The District's share of year-end assets, liabilities, or fund equity is not calculated by the JPAs. Separately issued financial statements can be requested from each JPA. Separately issued financial statements can be requested from each JPA. Condensed financial information of the JPAs for the year ended June 30, 2006, is as follows:

	NCSIG	ReLiEF	SELF	STSIG
Total assets	\$ 6,808,566	\$ 39,438,203	\$ 219,228,961	\$ 14,030,507
Total liabilities	3,787,323	26,362,727	191,182,670	14,274,821
Net Assets (Liabilities)	\$ 3,021,243	\$ 13,075,476	\$ 28,046,291	\$ (244,314)
Operating revenues	\$ 6,208,561	\$ 32,006,283	\$ 60,028,271	\$ 9,306,373
Operating expenses	5,747,186	27,935,540	38,865,579	7,974,792
Other income (expenses)	(946,311)	789,136	3,660,501	(420,489)
Excess Revenues (Expenses)	\$ (484,936)	\$ 4,859,879	\$ 24,823,193	\$ 911,092

11. COMMITMENTS AND CONTINGENCIES

Federal and State Allowances, Awards, and Grants

The District has received federal and state 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, it is believed that any required reimbursements will not be material.

12. RISK MANAGEMENT

The District is exposed to various risks, including loss or damage to property, general liability, and injuries to employees. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years. No significant reductions in insurance coverage from the prior year have been made. As described above, the District participates in risk pools under joint power agreements for property, liability, workers' compensation, health care, and excess liability coverage.

13. EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension 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).

California State Teachers' Retirement System (CalSTRS)*Plan Description*

The District contributes to the California State Teachers' Retirement System (CalSTRS), a cost-sharing, multiple-employer, public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement, disability, 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 the CalSTRS, 7919 Folsom Boulevard, Sacramento, California 95826.

Funding Policy

Active plan members are required to contribute 8.0% of their salary. The required employer contribution rate for fiscal year 2006-07 was 8.25% 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 ended June 30, 2007, 2006, and 2005, were \$134,073, \$126,956, and \$126,557, respectively, and equaled 100% of the required contributions for each year.

California Public Employees Retirement System (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 Law. 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 CalPERS, 400 Q Street, Sacramento, California 95811.

Funding Policy

Active plan members are required to contribute 7.0% 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 the 2006-07 fiscal year was 9.124%. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal years ended June 30, 2007, 2006, and 2005, were \$36,722, \$32,987, and \$32,987, respectively, and equaled 100% of the required contribution for each year.

14. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

In addition to the pension benefits described above, the District provides postemployment health care benefits to all certificated employees who retire from the District with at least 15 years of service. The District pays \$100 per month for medical insurance until age 65. Additionally, the District has an individual contract with a certificated retiree to pay up to \$5,000 per year, payable monthly, towards health insurance. The retiree had to have 20 years of service with the District and have reached age 55 at the time of the contract.

The District also has a contract with four certificated retirees to pay up to \$7,000 per year, for five years, toward health insurance. The retirees had to have been continuously employed by the District for 25 consecutive school years including the 2002-03 school year, with no break in service. On June 30, 2007, four retirees met these eligibility requirements. During the year ended June 30, 2007, expenditures of \$34,938 were recognized for postemployment health care.

Required Supplemental Information

**BUDGETARY COMPARISON SCHEDULE –
GENERAL FUND**

*Bella Vista Elementary
School District*

Year Ended June 30, 2007	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 658,067	\$ 684,807	\$ 701,842	\$ 17,035
State revenue	1,967,053	2,161,296	2,169,533	8,237
Federal revenue	301,263	333,687	358,022	24,335
Interest and investment earnings	10,000	15,212	23,737	8,525
Other local revenue	194,630	220,880	224,068	3,188
Total Revenues	3,131,013	3,415,882	3,477,202	61,320
EXPENDITURES				
Current				
Instruction	1,910,937	2,270,217	2,230,252	39,965
Instruction - related services	297,414	350,482	327,290	23,192
Pupil services	212,406	221,603	214,421	7,182
Ancillary services	21,788	23,118	23,111	7
General administration	312,416	295,375	288,753	6,622
Plant services	262,322	341,770	324,436	17,334
Transfers between agencies	2,600	-	-	-
Debt service				
Principal	30,000	26,007	-	26,007
Capital outlay	-	18,767	18,767	-
Total Expenditures	3,049,883	3,547,339	3,427,030	120,309
Excess (Deficiency) of Revenues Over Expenditures				
	81,130	(131,457)	50,172	181,629
OTHER FINANCING SOURCES (USES)				
Transfers out	(59,597)	(117,230)	(82,338)	34,892
Net Change in Fund Balances	21,533	(248,687)	(32,166)	216,521
Fund Balances - Beginning of Year	648,417	648,417	648,417	-
Fund Balances - End of Year	\$ 669,950	\$ 399,730	\$ 616,251	\$ 216,521

See the accompanying notes to this budgetary comparison schedule.

**BUDGETARY COMPARISON SCHEDULE –
CHILD DEVELOPMENT FUND**

*Bella Vista Elementary
School District*

Year Ended June 30, 2007	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
State revenue	\$ 120,000	\$ 68,502	\$ 130,192	\$ 61,690
Federal revenue	-	-	682	682
Interest and investment earnings	1,000	500	401	(99)
Other local revenue	62,048	9,397	11,651	2,254
Total Revenues	183,048	78,399	142,926	64,527
EXPENDITURES				
Current				
Instruction	135,032	128,409	111,926	16,483
Instruction - related services	1,000	7,200	7,127	73
General administration	17,344	10,788	7,362	3,426
Plant services	3,467	3,590	3,239	351
Debt service				
Principal	37,262	-	-	-
Interest and other charges	1,570	-	-	-
Total Expenditures	195,675	149,987	129,654	20,333
Excess (Deficiency) of Revenues Over Expenditures	(12,627)	(71,588)	13,272	84,860
OTHER FINANCING SOURCES (USES)				
Transfers in	12,627	71,588	54,476	(17,112)
Net Change in Fund Balances	-	-	67,748	67,748
Fund Balances - Beginning of Year	(67,748)	(67,748)	(67,748)	-
Fund Balances - End of Year	\$ (67,748)	\$ (67,748)	\$ -	\$ 67,748

See the accompanying notes to this budgetary comparison schedule.

**BUDGETARY COMPARISON SCHEDULE –
CAFETERIA SPECIAL REVENUE FUND**

*Bella Vista Elementary
School District*

Year Ended June 30, 2007	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
State revenue	\$ 5,200	\$ 8,204	\$ 7,056	\$ (1,148)
Federal revenue	82,000	95,430	97,072	1,642
Interest and investment earnings	1,000	1,000	1,236	236
Other local revenue	25,000	35,000	39,123	4,123
Total Revenues	113,200	139,634	144,487	4,853
EXPENDITURES				
Current				
Pupil services	142,370	161,789	146,090	15,699
Plant services	800	5,487	5,275	212
Total Expenditures	143,170	167,276	151,365	15,911
Excess (Deficiency) of Revenues Over Expenditures				
	(29,970)	(27,642)	(6,878)	20,764
OTHER FINANCING SOURCES (USES)				
Transfers in	29,970	27,642	9,862	(17,780)
Net Change in Fund Balances	-	-	2,984	2,984
Fund Balances - Beginning of Year	4,000	4,000	4,000	-
Fund Balances - End of Year	\$ 4,000	\$ 4,000	\$ 6,984	\$ 2,984

See the accompanying notes to this budgetary comparison schedule.

**NOTES TO THE BUDGETARY
COMPARISON SCHEDULES**

June 30, 2007

*Bella Vista Elementary
School District*

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District's Governing Board annually adopts budgets for the General Fund and each major special revenue fund of the District. All budgets are presented on the modified accrual basis of accounting. Accordingly, the accompanying budgetary comparison schedule of the General Fund and the special revenue funds presents actual expenditures in accordance with the accounting principles generally accepted in the United States of America on a basis consistent with the legally adopted budgets as amended. Unexpended appropriations on annual budgets lapse at the end of each fiscal year.

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

There were no excesses of budgetary expenditures for the year ended June 30, 2007.

OTHER SUPPLEMENTAL INFORMATION SECTION

**LOCAL EDUCATION AGENCY ORGANIZATION
STRUCTURE**

June 30, 2007

*Bella Vista Elementary
School District*

The Bella Vista Elementary School District (the District) was established in 1888 and is located in Shasta County. There were no changes in the boundaries of the District during the current year. The District is currently operating one elementary school.

GOVERNING BOARD

Name	Office	Term Expires
Charles Borda	President	2009
David Walker	Clerk	2009
Gordan Lemke	Member	2009
Andrea Williams	Member	2007
Lisa Siem	Member	2007

ADMINISTRATION

George DeFillipo
Superintendent/Principal

Sue Wallick
Chief Business Official

SCHEDULE OF AVERAGE DAILY ATTENDANCE

June 30, 2007

*Bella Vista Elementary**School District*

	Second Period Report	Annual Report
ELEMENTARY		
Kindergarten	41	42
Grades 1 through 3	126	126
Grades 4 through 6	131	132
Grades 7 and 8	96	96
Special education - special day class	7	7
ADA Totals	401	403
		Hours of Attendance
Supplemental Instruction		
Elementary		423

See the accompanying notes to the other supplemental information.

SCHEDULE OF INSTRUCTIONAL TIME

Year Ended June 30, 2007

*Bella Vista Elementary
School District*

	1986-87 Minutes Requirement	1982-83 Actual Minutes	2006-07 Actual Minutes	Traditional Calendar Days	Multitrack Calendar Days	Status
Kindergarten	36,000	34,125	61,560	180	N/A	Complied
Grade 1	50,400	42,325	56,160	180	N/A	Complied
Grade 2	50,400	42,325	56,160	180	N/A	Complied
Grade 3	50,400	42,325	56,160	180	N/A	Complied
Grade 4	54,000	53,415	56,980	180	N/A	Complied
Grade 5	54,000	53,415	56,980	180	N/A	Complied
Grade 6	54,000	53,415	56,980	180	N/A	Complied
Grade 7	54,000	54,290	57,800	180	N/A	Complied
Grade 8	54,000	54,290	57,800	180	N/A	Complied

See the accompanying notes to the other supplemental information.

**SCHEDULE OF FINANCIAL TRENDS
AND ANALYSIS**

*Bella Vista Elementary
School District*

<u>Year Ended June 30</u>	<u>(Budget) 2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
GENERAL FUND				
Revenues and Other Financial Sources	\$ 3,342,796	\$ 3,477,202	\$ 3,294,674	\$ 3,079,176
Expenditures	3,259,929	3,427,030	3,166,148	3,099,265
Other uses and transfers out	47,898	82,338	58,865	22,806
Total Outgo	<u>3,307,827</u>	<u>3,509,368</u>	<u>3,225,013</u>	<u>3,122,071</u>
Change in Fund Balance	\$ 34,969	\$ (32,166)	\$ 69,661	\$ (42,895)
Ending Fund Balance	<u>651,220</u>	<u>616,251</u>	<u>648,417</u>	<u>578,756</u>
Available Reserves	<u>607,625</u>	<u>547,726</u>	<u>607,289</u>	<u>559,464</u>
Designated for Economic Uncertainties	<u>165,392</u>	<u>176,100</u>	<u>161,871</u>	<u>125,309</u>
Undesignated Fund Balance	<u>177,314</u>	<u>106,812</u>	<u>206,725</u>	<u>278,155</u>
Available Reserves as a Percentage of Total Outgo	<u>18%</u>	<u>16%</u>	<u>19%</u>	<u>18%</u>
Total Long-Term Debt	<u>96,532</u>	<u>177,850</u>	<u>236,217</u>	<u>279,708</u>
Average Daily Attendance at P-2	<u>401</u>	<u>401</u>	<u>388</u>	<u>412</u>

The General Fund balance has increased by \$37,495 over the past two years. The fiscal year 2007-08 budget projects an increase of \$34,969 (5.7%). For a district this size, the state recommends available reserves of at least 4% of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating deficit in two of the past three years and anticipates incurring an operating surplus during the 2007-08 fiscal year. Total long-term debt has decreased by \$101,858 over the past two years.

Average daily attendance has decreased by 11 over the past two years. No growth in ADA is anticipated during fiscal year 2007-08.

See the accompanying notes to the other supplemental information.

**RECONCILIATION OF ANNUAL FINANCIAL
AND BUDGET REPORT WITH
AUDITED FINANCIAL STATEMENTS**

*Bella Vista Elementary
School District*

Year Ended June 30, 2007	Cafeteria Special Revenue Fund	Capital Facilities Fund
June 30, 2007, Annual Financial and Budget Report Fund Balances	\$ 4,000	\$ 136,999
ADJUSTMENTS INCREASING (DECREASING) THE FUND BALANCES		
Understatement of cash and investments	2,984	2,021
June 30, 2007, Audited Financial Statement Fund Balances	\$ 6,984	\$ 139,020

See the accompanying notes to the other supplemental information.

SCHEDULE OF CHARTER SCHOOLS
Year ended June 30, 2007

*Bella Vista Elementary
School District*

The District is not the sponsoring local educational agency for any charter schools.

See the accompanying notes to the other supplemental information.

SCHEDULE OF EXCESS SICK LEAVE

Year Ended June 30, 2007

*Bella Vista Elementary
School District*

The District does not provide more than 12 days in a school year to any of the following California State Teachers' Retirement System (CalSTRS) Members:

Superintendent/Principal

Teachers

1. PURPOSE OF SCHEDULES

Schedule of Average Daily Attendance

Average daily attendance 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 *California Education Code* Sections 46201 through 46206.

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.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of each fund, as reported in the annual financial and budget report, to the audited financial statements.

Schedule of Charter Schools

This schedule lists all charter schools sponsored by the District and indicates whether or not the charter school is included in the audit of the District.

Schedule of Excess Sick Leave

This schedule discloses whether excess sick leave, as that term is defined in subdivision (c) of *California Education Code* Section 22170.5, is expressly authorized or is accrued for the District's employees who are members of the California State Teachers' Retirement System (CalSTRS).

2. EARLY RETIREMENT INCENTIVE PROGRAM

The District did not enter into any early retirement incentive agreements during 2006-07, pursuant to *California Education Code* Sections 22714 and 44929, whereby the service credit to eligible employees is increased by two years.

OTHER REPORTS SECTION



matson and isom

Founded in 1962 by
Robert M. Matson
and W. Howard Isom

Chico

3013 Ceres Avenue
P.O. Box 1638
Chico, CA 95927-1638
Phone (530) 891-6474
Fax (530) 893-6689

Redding

1255 East Street, Suite 202
P.O. Box 991891
Redding, CA 96099-1891
Phone (530) 244-4980
Fax (530) 244-4983

www.matson-isom.com

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

Board of Trustees
Bella Vista Elementary School District
Bella Vista, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bella Vista Elementary School District (the District) as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 15, 2007. 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 the 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 District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting (item 07-1 and 07-2).

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 and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

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

Continued

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

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

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

Matson and Isom

December 15, 2007



matson and isom

Founded in 1962 by
Robert M. Matson
and W. Howard Isom

Chico
3013 Ceres Avenue
P.O. Box 1638
Chico, CA 95927-1638
Phone (530) 891-6474
Fax (530) 893-6689

Redding
1255 East Street, Suite 202
P.O. Box 991891
Redding, CA 96099-1891
Phone (530) 244-4980
Fax (530) 244-4983

www.matson-isom.com

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees
Bella Vista Elementary School District
Bella Vista, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bella Vista Elementary School District (the District) as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 15, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; *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 2006-07*, published by the Education Audit Appeals Panel. 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 our audit provides a reasonable basis for our opinion.

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

<u>Description</u>	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Attendance reporting	8	Yes
Kindergarten continuance	3	Yes
Independent study	23	No
Continuation education	10	No
Adult education	9	No
Regional occupational centers and programs	6	No
Instructional time		
School districts	6	Yes
County offices of education	3	Not applicable
Community day schools	9	No
Morgan-Hart class size reduction program	7	No
Instructional materials		
General requirements	12	Yes
Kindergarten through grade 8 only	1	Yes
Grades 9 through 12 only	1	Not applicable
Ratios of administrative employees to teachers	1	Yes
Early retirement incentive program	4	No
Gann limit calculation	1	Yes

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Continued

Description	Procedures in Audit Guide	Procedures Performed
School construction funds		
School district bonds	3	No
State school facilities funds	1	Yes
Alternative pension plans	2	No
Excess sick leave	2	Yes
Notice of right to elect California State Teacher Retirement System (CalSTRS) membership	2	Yes
Proposition 20 lottery funds (Cardenas Textbook Act of 2000)	2	Yes
State lottery funds (California State Lottery Act of 1984)	2	Yes
California school age families education (Cal-SAFE) program	3	No
School accountability report card	3	Yes
Class size reduction (including in charter schools)		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	No
Districts or charter schools with only one school serving kindergarten through grade 3	4	Not applicable
Charter schools:		
Contemporaneous records of attendance	1	No
Mode of instruction	1	No
Nonclassroom-based instruction/independent study	15	No
Determination of funding for nonclassroom-based instruction	3	No
Annual instructional minutes - classroom based	3	No

Testing was not performed for independent study because the ADA for this program was below the level which requires testing. Since the District did not participate in the following programs during 2006-07, all steps related to them were not performed:

- Continuation education
- Adult education
- Regional occupational centers and programs
- Community day schools
- Morgan-Hart class size reduction program
- Early retirement incentive program
- School district bonds
- Alternative pension plans
- California school age families education (Cal-SAFE) program
- Class size reduction option two classes

Since the District did not sponsor any charter schools during 2006-07, all steps related to the following were not performed:

- Contemporaneous records of attendance
- Mode of instruction
- Nonclassroom-based instruction/independent study
- Determination of funding for nonclassroom-based instruction
- Annual instructional minutes - classroom based

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Continued

Based on our audit, for the items tested, we found the District complied with the state laws and regulations referred to above. Further, based on our examination for items not tested, nothing came to our attention to indicate that the District had not complied with the state laws and regulations.

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

Matson and Isom

December 15, 2007

FINDINGS AND QUESTIONED COSTS SECTION

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

June 30, 2007

*Bella Vista Elementary
School District*

**SECTION I
SUMMARY OF AUDIT RESULTS**

FINANCIAL STATEMENTS

Type of auditors' report issued	Unqualified
Internal control over financial reporting	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

STATE AWARDS

Internal control over state programs	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None Reported
Type of auditors' report issued on compliance for state programs	Unqualified

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

June 30, 2007

*Bella Vista Elementary
School District*

**SECTION II FINDINGS
FINANCIAL STATEMENTS AUDIT**

INTERNAL CONTROL (Student Body)

30000 (07-1)

Significant Deficiency

Condition

Our tests of internal controls over student body cash receipts and disbursements resulted in the following:

1. Student body account balances as of July 1, 2006, did not match the audited June 30, 2006, balances.
2. Numerous cash disbursements were made without proper supporting documentation.
3. Prenumbered receipts are not used for cash collection.

Criteria

Internal controls should be in place to provide for the following:

1. Monthly reconciliations should match the prior months balances.
2. Invoices or other supporting documentation should be maintained for all cash disbursements.
3. Prenumbered receipts should be used for all cash collections.

Effect

Without strengthening internal controls over cash receipts and disbursements, student body assets may not be properly safeguarded and expended for valid student body activities.

Recommendation

Procedures should be implemented to strengthen internal controls over student body accounting records.

Response

The District's administration will adopt procedures during the 2007-08 fiscal year to comply with the recommendation.

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

June 30, 2007

*Bella Vista Elementary
School District*

INTERNAL CONTROL (District Bank Accounts)

30000 (07-2)

Significant Deficiency

Condition

Our test of internal controls over cafeteria resulted in the following:

1. Monthly bank reconciliations were not prepared for the cafeteria clearing account.
2. Funds in the cafeteria clearing accounts are not transferred to the county treasury on a monthly basis.

Criteria

Internal controls should be in place to provide for the following:

1. Bank statements should be reconciled on a monthly basis.
2. Funds in excess of \$50 in the clearing account should be transferred to the county treasury on a monthly basis, allowing cash sales to be recorded as local revenue.

Effect

Without strengthening internal controls over cash receipts and disbursements, cafeteria assets may not be properly safeguarded. Additionally, clearing account funds do not accrue their eligible county treasury interest and are not available for necessary cash disbursements.

Recommendation

Procedures should be implemented to strengthen internal controls over cafeteria records.

Response

The District's administration will adopt procedures during the 2007-08 fiscal year to comply with the recommendation.

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

June 30, 2007

*Bella Vista Elementary
School District*

**SECTION III FINDINGS
FEDERAL AWARDS AUDIT**

None.

**SECTION IV FINDINGS
STATE AWARDS AUDIT**

None.

Not applicable: there are no current year findings related to federal awards.

**SUMMARY SCHEDULE OF
PRIOR AUDIT FINDINGS**

June 30, 2007

*Bella Vista Elementary
School District*

INTERNAL CONTROL (Cafeteria)

30000 (06-1)

Significant Deficiency

Condition

Our tests of internal controls over cafeteria resulted in the following:

1. Bank statements are not reconciled on a monthly basis.
2. Funds in the cafeteria revolving fund are not transferred to the County treasury on a monthly basis.
3. Student account balances as of June 30, 2006, were refunded to students. However, the automated system of deposits less meal costs by student were not reconciled on a weekly basis.

Criteria

Internal controls should be in place to provide for the following:

1. Bank statements should be reconciled on a monthly basis.
2. Funds in excess of \$50 in the revolving fund should be transferred to cash in County treasury on a monthly basis, allowing cash sales to be recorded as local revenue.

Effect

Without strengthening internal controls over cash receipts and disbursements, cafeteria assets may not be properly safeguarded. Additionally, revolving cash funds do not accrue their eligible County treasury interest and are not available for necessary cash disbursements.

Recommendation

Procedures should be implemented to strengthen internal controls over cafeteria records. Weekly deposits by student per the automated system should be reconciled to the cash and checks received and deposited in the automated system and in the bank.

Current Status

See current year finding in the schedule of findings and questioned costs (item 07-2).