

ELK GROVE UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS

June 30, 2016

ELK GROVE UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2016

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Elk Grove Unified School District
Elk Grove, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Elk Grove Unified School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Elk Grove Unified School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 Elk Grove Unified School District, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

(Continued)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 4 through 14 and the General Fund Budgetary Comparison Schedule, Schedule of Other Postemployment Benefits (OPEB) Funding Progress, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of the District's Contributions on pages 56 to 61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Elk Grove Unified School District's basic financial statements. The accompanying schedule of expenditure of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditure of federal awards and other supplementary information as listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information, except for the Schedule of Financial Trends and Analysis, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards and other supplementary information as listed in the table of contents, except for the Schedule of Financial Trends and Analysis, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Financial Trends and Analysis has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2016 on our consideration of Elk Grove Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Elk Grove Unified School District's internal control over financial reporting and compliance.

Crowe Horwath LLP
Crowe Horwath LLP

Sacramento, California
November 29, 2016



Members of the Board:
Beth Albiani
Nancy Chaires Espinoza
Carmine S. Forcina
Chet Madison, Sr.
Dr. Crystal Martinez-Alire
Anthony "Tony" Perez
Bobbie Singh-Allen

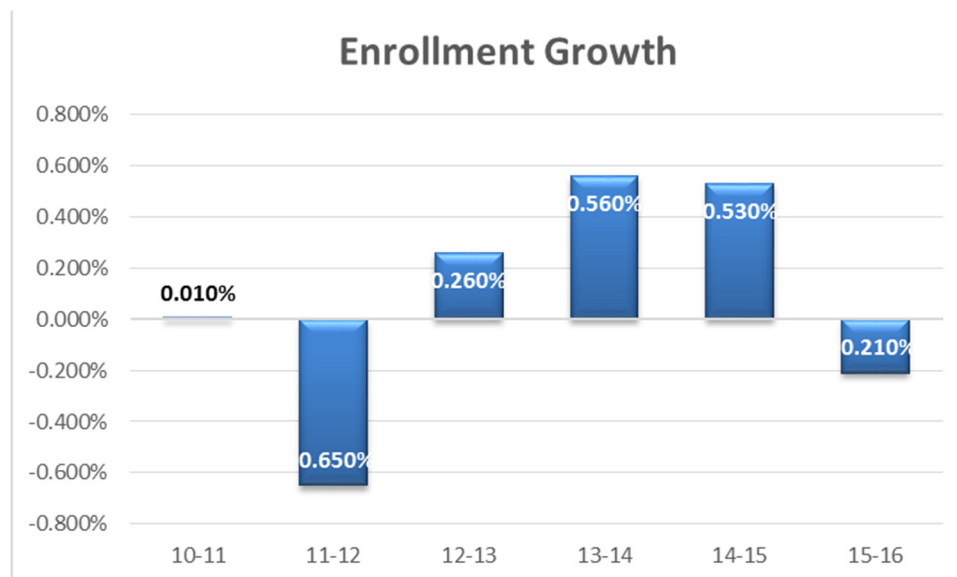
Christopher R. Hoffman
Superintendent
(916) 686-7700

9510 Elk Grove-Florin Road, Elk Grove, CA 95624

Management's Discussion and Analysis

The following discussion and analysis is reflecting the 2015/2016 school year. The Elk Grove Unified School District (EGUSD) is the fifth-largest school district in California located in southern Sacramento County. EGUSD covers 320 square miles and includes 65 schools: 40 elementary schools, nine middle schools, nine high schools, four alternative education schools, an adult school, a special education school, and one charter school. Offering a multitude of educational programs, including over 40 career-themed academies and pathways within 15 industry sectors, we prepare our students for college and career by supporting them with the means to be creative problem solvers; self-aware, self-reliant, and self-disciplined; technically literate; effective communicators and collaborators; and engaged in the community as individuals with integrity. We integrate rigorous academics with career-based learning and real world workplace experiences and strive for having every student learning in every classroom, every subject, every day.

During the last decade Elk Grove Unified School District was one of the fastest growing school districts in the nation. The housing crisis and recession dramatically slowed the District's growth. Up until fiscal year 2004/05 the average yearly growth for the District was 5.53%. The District continued to grow during 2005/06 to 2007/08; however, there was a decrease in the rate of growth over the prior year. In 2008/09 the District experienced the first decline in the history of the district with a .23% decrease in enrollment over 2007/08. Enrollment during 2009/10 resulted in a small increase in enrollment of approximately .5%. Since 2009/10 enrollment has been relatively stable as illustrated in the chart below, with a slight decline in 2015-16 of 132 students



For the 2015/2016 school year the District employed on a regular basis 3,526 certificated employees, and 2,506 classified employees.

Mission Statement and Core Values

On June 18, 2001 the Board of Trustees for Elk Grove Unified School District adopted a new Mission Statement. This statement reads:

Elk Grove Unified School District will provide a learning community that challenges ALL students to realize their greatest potential.

Coupled with this mission statement are the following Core Values:

- **Outcomes for students**
 - Achievement of core academic skills
 - Confident, effective thinkers and problem solvers
 - Ethical participants in society
- **Commitments about how we operate as an organization**
 - Supporting continuous improvement of instruction
 - Building strong relationships
 - Finding solutions
- **High expectations for learning for all students and staff**
 - Instructional excellence
 - Safe, peaceful, and healthy environment
 - Enriched learning atmosphere
 - Collaboration with diverse communities and families

This Mission Statement and Core Values are the basis and guiding principles for our District.

Financial Reports

In June 1999, the Governmental Accounting Standards Board (GASB) issued Codification Section N50.118-.121 (formerly GASB 34), *Basic Financial Statements—and Management’s Discussion and Analysis—For State and Local Governments*. This standard significantly changed the way school districts report their finances to the public. While each individual fund is monitored, greater focus of financial reporting is now on the overall status of the local educational agency’s (LEA) financial health.

Fiscal year 2001/2002 was the first year the District accounted for the value of capital assets and included these values as part of the financial statements. The value of all assets including land, buildings, equipment and depreciation, are now displayed as part of the statements as required by N50.118-.121. Net position, the difference between the District’s assets, deferred outflows of resources, liabilities and deferred inflows of resources, are one way to measure the District’s financial health or position. Over time, increases or decreases in the District’s net position is one indicator of whether its financial position is improving or declining.

Statement of Net Position

The *Statement of Net Position* for the 2015/16 year shows the District's net position as \$146,853,091. This amount includes the value of the land, buildings, and equipment (less depreciation) owned by the District as well as all liabilities such as bond repayment obligations. June 30, 2014 was the first year that included the implementation of GASB 68 (Accounting and Reporting for Pensions).

Statement of Net Position		
	June 30, 2015	June 30, 2016
Assets other than capital	\$ 189,534,307	\$ 281,901,539
Capital assets net of accumulated depreciation	<u>695,614,624</u>	<u>669,871,565</u>
Total assets	<u>885,148,931</u>	<u>951,773,104</u>
Deferred loss on refunding of debt	437,860	6,477,734
Deferred outflows of resources – pensions	<u>35,561,602</u>	<u>46,637,414</u>
Total deferred outflows of resources	<u>35,999,462</u>	<u>53,115,148</u>
Liabilities other than long term	39,141,932	52,975,941
Long term liabilities	<u>627,036,640</u>	<u>736,689,220</u>
Total liabilities	<u>666,178,572</u>	<u>789,665,161</u>
Deferred inflow of resources – pensions	<u>109,764,000</u>	<u>68,370,000</u>
Ending Net Position	<u>\$ 145,205,821</u>	<u>\$ 146,853,091</u>

Statement of Activities

Governmental Activities		
Revenues	June 30, 2015	June 30, 2016
Program Revenue:		
Charges for services	\$15,715,234	\$17,098,101
Operating grants & contributions	132,000,470	143,194,626
Capital grants & contributions	61,958	-
Taxes:		
Levied for general purpose	76,447,966	100,243,122
Levied for debt service	14,932,923	15,150,871
Levied for other specific purposes	22,298	51,936
Other Revenue:		
Federal and State aid	375,860,453	436,032,176
Interest and investment earnings	-	623,075
Interagency	1,643,844	780,307
Other	1,697,404	3,061,648
Total Revenue	\$618,382,550	\$716,235,862
Expenses		
Instruction	\$418,899,628	\$466,604,007
Instruction-related services	59,512,717	68,735,804
Pupil services	71,130,394	79,962,459
General administration	35,894,182	34,782,584
Plant services	44,916,303	55,337,976
Enterprise activities	1,742,986	(1,440,312)
Interest on long-term liabilities	9,035,476	7,093,222
Other outgo	4,544,654	3,512,852
Total Expenses	\$645,676,340	\$714,588,592
Change in Net Position	\$(27,293,790)	\$1,647,270
Net Position – Beginning	657,294,969	145,205,821
Cumulative effect of GASB 68 implementation (6/30/15)	(484,795,358)	-
Net Position – Ending	<u>\$145,205,821</u>	<u>\$146,853,091</u>

Financial Condition of the General Fund

In 2013/14 the State implemented the Local Control Funding Formula (LCFF). As a part of this formula the State funds the gap between 2012/13 actual funding (Revenue Limit, Local Property Tax and 2012/13 categorical funding) and the projected full implementation of LCFF funding in 2020/21. The district received as part of the closure of the gap the following:

	June 30, 2015	June 30, 2016
Gap closure funding	\$42,913,471	\$55,169,397
Per ADA amount	\$719.22	\$925.47

Local Control Funding Formula income is the major component of the District's unrestricted income. The District relies on these revenues to cover cost increases for employee salaries and benefits, other fixed costs and also consider new programs from these monies. The following tables summarize fund balance changes and operational fund financial statements.

Summary of General Fund Financial Operations		
	June 30, 2015	June 30, 2016
Revenues	\$ 554,786,486	\$ 645,976,412
Expenditures	<u>(554,588,126)</u>	<u>(602,537,766)</u>
Difference	<u>\$ 198,360</u>	<u>\$ 43,438,646</u>

General Fund Change in Fund Balance			
	Restricted	Unrestricted	Total
June 30, 2015	<u>\$ 22,374,744</u>	<u>\$ 42,187,809</u>	<u>\$ 64,562,553</u>
June 30, 2016	<u>22,481,802</u>	<u>85,519,397</u>	<u>108,001,199</u>
Change	<u>\$ 107,058</u>	<u>\$ 43,331,588</u>	<u>\$ 43,438,646</u>

During 2015/16 District staff updated the Board of Education and stakeholders of the financial condition of the General Fund by way of routine Budget Update Reports at Board of Education meetings. These updates along with other important financial news impacting the District were posted to the District's website to increase community awareness. In addition, the budget was updated to recognize changes in anticipated revenue and expenditures during interim reporting periods.

General Fund Revenues

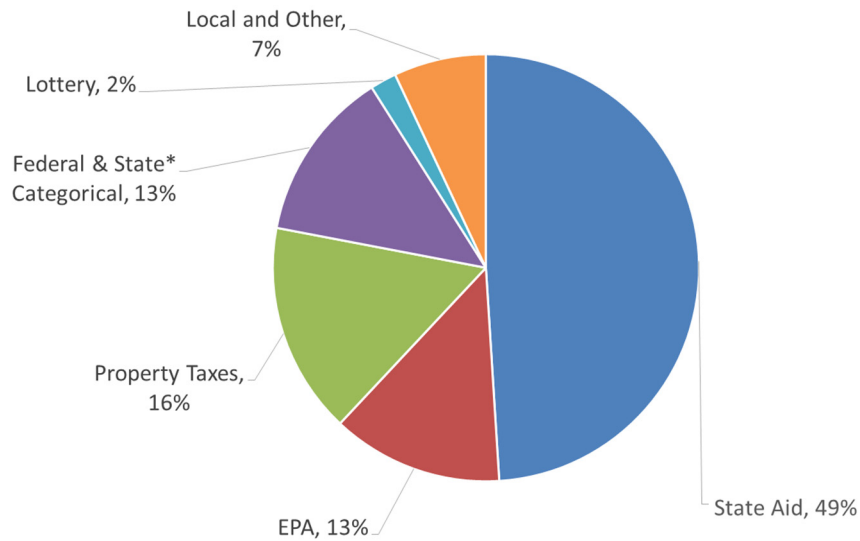
More than seventy-eight percent of the District's General Fund revenue is generated from the District's Local Control Funding Formula (LCFF). The LCFF includes State Aid and property taxes and is based on a state-determined dollar amount times the average number of students who are in attendance throughout the school year.

The other source of revenue is federal, state and local categorical income that must be spent for specific determined programs. Categorical programs amount to nineteen percent of the District's income. The largest state categorical program is funding for a portion of Special Education services.

The District's total resources for expenditures include a "beginning balance", which represents the unexpended balance from the prior year. During the 2015/16 school year, the District's total General Fund ending fund balance increased by \$43,438,646.

General Fund Sources

Sources Available	
LCFF Sources	\$305,579,361
Education Protection Account (EPA)	84,115,898
Property Taxes	100,262,294
Total LCFF Sources	\$489,957,553
Federal Revenue	32,568,250
Lottery	12,461,886
Other State Revenue*	83,491,557
Local Revenue	9,571,977
Total Revenue	\$628,051,223
Beginning Fund Balance	64,562,553
Total General Fund Sources	\$692,613,776



*Other State Revenue - Excludes \$17.9M STRS On Behalf Pension Contribution.

General Fund Expenditures

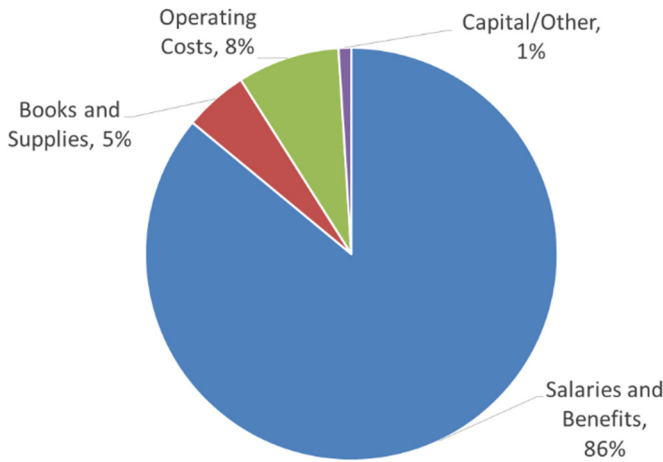
Employee salary and benefit costs consume 86% of the District’s general fund expenditures. Expenditures that go directly to the classroom for instructional purposes amount to 68% of the District’s general fund expenditures. A significant portion of California school district income is restricted income and, as such can only be expended for selected purposes as determined by the allocating agency. The balance of the District’s income is unrestricted since it can be expended as determined by the local agency for general educational purposes.

2015/16 General Fund Expenditures	
Salaries and Benefits*	\$499,168,962
Books and Supplies	29,684,267
Operating Costs	48,700,137
Capital/Other	5,176,980
Total Expenditures	\$582,730,346
Restricted Ending Fund Balance	\$22,481,802
Designated Reserves^	85,519,397
Total Ending Fund Balance	\$108,001,199

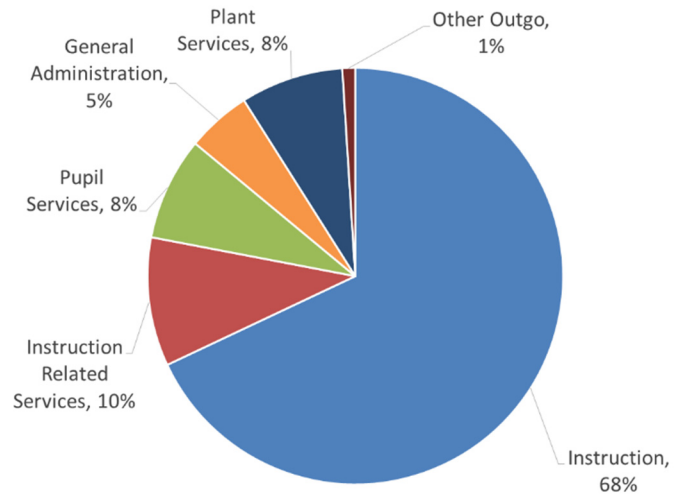
*Salaries & Benefits - Excludes \$17.9M STRS On Behalf Pension Contribution.

^ Unrestricted Ending Fund Balance is comprised of the reserve for funding priorities and the designated reserves.

General Fund Expenditure by Object



General Fund Expenditure by Function



Other Funds

In addition to the General Fund, the District also has other funds which are designed to keep track of specific revenues and expenditures and are often required by State law. Following is a summary of fund balances for all other District funds:

Fund Name	June 30, 2015 Ending Balance (amount in dollars)	June 30, 2016 Ending Balance (amount in dollars)	Change in Fund Balance (amount in dollars)
Charter School Special Revenue	\$3,094,199	\$3,528,592	\$434,393
Adult Education	2,200,180	2,537,619	337,439
Child Development	88,023	95,176	7,153
Cafeteria Special Revenue	3,864,899	4,921,919	1,057,020
Deferred Maintenance	798,064	648,866	(149,198)
Capital Facilities	19,454,511	7,814,528	(11,639,983)
State School Facilities	13,018,431	55,673,238	42,654,807
Special Reserve for Capital Outlay	660,114	681,756	21,642
Capital Projects	11,529,231	8,808,483	(2,720,748)
Debt Service	18,641,929	21,123,669	2,481,740
Self-Insurance Fund	506,573	2,025,312	1,518,739

Post Retirement Employee Benefits

Elk Grove Benefits Employee Retirement Trust (EGBERT) was established on February 20, 1996, pursuant to an agreement among the bargaining units representing District employees and the District. This trust was established to provide health and welfare benefits as defined in Sections 3543.2 and 53200 of the Government Code through a Health and Welfare Plan for the retired eligible employees of the District and their eligible dependents. Participation in EGBERT is limited to District employees, their respective dependents, and board members who qualify pursuant to appropriate Education Code and Board policies.

Mello Roos and Construction of New School Facilities

Because of funding deficiencies associated with state funds and developer fees, the District, in 1987, confirmed the establishment of Elk Grove Unified School District Community Facilities District (CFD) #1 to implement a Mello-Roos Special Tax. The special tax is assessed to pay for the interest and principal repayment of issued bonds. The proceeds of the bonds are to be used for improvements to new and existing elementary, middle, and high schools and for new elementary, middle and high schools in the District and for other educational centers, support centers and improvements to school grounds. On April 28, 1987 the District passed a \$70,000,000 local bond measure to finance certain elementary and secondary school support facilities.

Due to continued growth and funding deficiencies, the District's Board of Education adopted resolutions on October 20, 1997 calling for an election to authorize the issuance of additional special tax bonds, while at the same time reconfirming CFD #1. On March 10, 1998, the registered voters within the boundaries of the District authorized the issuance of an additional \$205,000,000 principal amount of special tax bonds. The Mello-Roos funds are intended to provide a source of funds for the required matching of state funds. They also provide the funding for facility needs that are not funded by state funds or developer fees, and provide funding for modernization, deferred maintenance, additions, technology and student support services such as Transportation, Food and Nutrition Services, Police Services and Maintenance and Operations.

In November of 1998, the District issued its first series of special tax bonds pursuant to the 1998 Authorization in the principal amount of \$28,954,336. In November of 2001, November 2003, November 2005 and November of 2008 the District issued the second, third, fourth and fifth series of special tax bonds pursuant to the 1998 Authorization in the amounts of \$21,343,383, \$28,000,828, \$43,540,000 and \$31,226,133 respectively. A total of \$153,064,700 had been issued from the 1998 Authorization. On October 2, 2012, the Board approved Resolution 14, 2012-13, which authorized the issuance of the Sixth or 2012 Refunding Series bonds, not to exceed \$98,000,000. On November 13, 2012, the Board approved Resolution 21, 2012-13, which provided for the sale of \$84,065,000 Principal Amount for the 2012 Special Tax Refunding Bonds as authorized by Board Resolution 14, 2012-13. The refunding (commonly referred to as refinancing) was an opportunity for significant debt service savings that had transpired due to the fact that municipal bond rates were at historically low levels while at the same time certain outstanding bonds were callable starting December 1, 2012 for the first time in the history of EGUSD Community Facilities District #1. The 2012 Special Tax Refunding Bonds provided for the refunding the Series 1998 Bonds maturing December 1, 2013 through December 1, 2028, inclusive, the Series 2001 Bonds Maturing December 1, 2013 through December 1, 2031, inclusive, and the Series 2003 Bonds maturing December 1, 2022 through December 1, 2033, inclusive, and for paying the costs of issuance of the Refunding Series 2012 Bonds. The total principal amount of outstanding special tax bonds that are repaid by the special tax levied on taxable land in the District is \$98,009,733.

The majority of the District's capital assets are the land and buildings of the District with the majority of the assets being in the buildings. Buildings comprise approximately 78% of the District's capital assets. The work in progress on District buildings, i.e. modernizations as well as new construction, makes up approximately 1% of the District's capital assets. The land is approximately 13%, land improvements are 5% and equipment is 3%.

District Outlook

Elk Grove Unified (EGUSD) continues to be on a growth path and while past recessions took a toll on the district, multi-level reforms and innovative strategies to retain and recruit the best and the brightest teachers and staff have ensured that EGUSD has both the financial means and the staffing resources required to meet its high-quality educational goals as well as professional development objectives. This day forward, the future looks bright for our students, teachers, and staff and community stakeholders.

Case in point, our collective work with our employee organizations and our commitment to wellness helped to avert losses due to a revised state economic outlook and found a way to make a reduction in health care premiums for the next two years. Based partially on the trend of declining state revenues, EGUSD received nearly a million dollars less in our 2016-17 allocation compared to what had been projected in May. Another area of promise with regard to capital investments needed for sustainability and growth came from California voters who supported several state and local appropriation initiatives this year and passed Proposition 51 and Proposition 55, which will help fund our facilities needs and maintain the educational programs now in place. To match that investment, locally, Elk Grove Unified's Measure M, also passed with overwhelming community support. In closing, our communities locally and across the state have shown that they continue to care about investing in our children's futures and in education. Together, we take pride in keeping our students connected to school and in being reflective to continuously improve our own performance.

Factors Bearing on the District's Future

Following five years of the worst recession since the great depression the Elk Grove Unified School District (EGUSD), thanks to the voters' passage of Proposition 30, has experienced three positive years of funding. However, uncertainty about the future of public education funding continues to be unpredictable due to state and national concerns. School districts continue to watch the impact of the federal budget, which very well could result in reductions to programs or a reduction in cash flows should governmental polarization lead to other budget showdowns.

The State's new funding formula for school districts called the Local Control Funding Formula (LCFF) enters its fourth year in 2016/17. In its most simple form, this new model includes a base grant for each student and two additional grants (the Supplemental and Concentration grants) for low-income, English learners and foster youth students. The Concentration Grant is distributed to only those school districts with a district unduplicated count average of 55% or higher of low-income, English learners, and foster youth students. EGUSD qualified to receive concentration grant funding with a 58.81% district average.

Other factors impacting the district's future budget include rising costs related to annual employee step increases, health care, increasing unfunded mandates for Pre-K special needs students and technology costs to name a few. Through negotiations an employer/employee shared cost model for health care costs was implemented for 2012/2013 with employees contributing 20% of cost and the District contributing 80% of the cost. In addition, as a result of negotiations, employees are also eligible to receive a 5% rebate by fulfilling a series of wellness items. The shared cost model and rebate is continuing for 2016/2017 and is expected to continue for the foreseeable future. In addition, wellness items are part of the District's "Your Health, Your Choice – Celebrating Wellness at EGUSD" program. The program seeks to promote and support a healthy work environment, health awareness, individual responsibility for a healthy lifestyle, decreased risk of disease and enhanced quality of life for District personnel. The program provides opportunities, tools and resources that empower personnel to make healthy lifestyle choices. The program which began in 2012/2013 was possible due a partnership and funding from Kaiser Permanente. While the sponsored wellness program did not receive funding from Kaiser Permanente in 2013/14, a District developed model was used in 2013/14 and for 2014/15 Kaiser Permanente provided a one-time grant of \$100,000 and is providing another one-time grant of \$75,000 for 2015/16. The District is developing a model for 2016/17 for wellness related programs and incentives.

In Elk Grove Unified, we are preparing our students for college and careers in the 21st century. Understanding how to leverage technology in the classroom is part of that discussion. So too is connecting students with real-world experiences. The students graduating from the District will face a variety of changes such as the world of work, volatile world-wide economic ripples, the need to re-think the uses of energy, as well as the expansion of renewable energy sources and an expanding range of technology. We prepare our students to engage in this work, teach them to contribute to a better future and help them to navigate an ever-increasing interconnection of systems.

BASIC FINANCIAL STATEMENTS

ELK GROVE UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2016

	<u>Governmental Activities</u>
ASSETS	
Cash and investments (Note 2)	\$ 251,633,958
Receivables	28,331,090
Prepaid expenses	358,171
Stores inventory	1,578,320
Non-depreciable capital assets (Note 4)	167,147,600
Depreciable capital assets, net of accumulated depreciation (Note 4)	<u>502,723,965</u>
Total assets	<u>951,773,104</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred loss on refunding of debt (Note 6)	6,477,734
Deferred outflows of resources - pensions (Notes 8 and 9)	<u>46,637,414</u>
Total deferred outflows of resources	<u>53,115,148</u>
LIABILITIES	
Accounts payable	29,048,549
Unearned revenue	17,927,392
Unpaid claims and claim adjustment expenses (Note 5)	6,000,000
Long-term liabilities:	
Unpaid claims and claim adjustment expenses, less current portion (Note 5)	13,361,000
Due within one year (Note 6)	13,699,126
Due after one year (Note 6)	<u>709,629,094</u>
Total liabilities	<u>789,665,161</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pensions (Notes 8 and 9)	<u>68,370,000</u>
NET POSITION	
Net investment in capital assets	462,020,576
Restricted:	
Legally restricted programs	34,208,537
Capital projects	72,978,005
Debt service	21,123,669
Self-insurance	2,025,312
Unrestricted	<u>(445,503,008)</u>
Total net position	<u>\$ 146,853,091</u>

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

ELK GROVE UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

		Program Revenues			Net (Expense) Revenues and Changes in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental activities:					
Instruction	\$ 466,604,007	\$ 743,152	\$ 79,720,453	\$ -	\$ (386,140,402)
Instruction-related services:					
Supervision of instruction	23,679,209	456,180	12,672,269	-	(10,550,760)
Instructional library, media and technology	4,184,389	16,877	341,423	-	(3,826,089)
School site administration	40,872,206	66,295	2,268,127	-	(38,537,784)
Pupil services:					
Home-to-school transportation	13,770,450	31,141	15,719	-	(13,723,590)
Food services	26,204,003	3,698,568	20,581,556	-	(1,923,879)
All other pupil services	39,988,006	499,792	13,331,803	-	(26,156,411)
General administration:					
Data processing	10,494,491	5,159	11,070	-	(10,478,262)
All other general administration	24,288,093	225,100	4,565,820	-	(19,497,173)
Plant services	55,337,976	407,564	562,091	-	(54,368,321)
Enterprise activities	(1,440,312)	-	-	-	1,440,312
Interest on long-term liabilities	7,093,222	-	-	-	(7,093,222)
Other outgo	<u>3,512,852</u>	<u>10,948,273</u>	<u>9,124,295</u>	<u>-</u>	<u>16,559,716</u>
Total governmental activities	<u>\$ 714,588,592</u>	<u>\$ 17,098,101</u>	<u>\$ 143,194,626</u>	<u>\$ -</u>	<u>(554,295,865)</u>
General revenues:					
Taxes and subventions:					
				100,243,122	
Taxes levied for general purposes				15,150,871	
Taxes levied for debt service				51,936	
Taxes levied for other specific purposes				436,032,176	
Federal and state aid not restricted to specific purposes				623,075	
Interest and investment earnings				780,307	
Interagency revenues				<u>3,061,648</u>	
Miscellaneous					
				<u>555,943,135</u>	
				1,647,270	
				<u>145,205,821</u>	
				<u>\$ 146,853,091</u>	

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

ELK GROVE UNIFIED SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016

	General Fund	State School Facilities Fund	Capital Projects Fund	All Non-Major Funds	Total Governmental Funds
ASSETS					
Cash and investments:					
Cash in County Treasury	\$ 125,909,647	\$ 40,574,723	\$ 25,185,115	\$ 14,648,878	\$ 206,318,363
Cash with Fiscal Agent	142,618	-	1,431,738	20,977,776	22,552,132
Cash on hand and in banks	102,908	-	-	16,057	118,965
Cash in revolving fund	140,000	-	-	11,013	151,013
Cash awaiting deposit	1,738,439	-	15	635,638	2,374,092
Receivables	21,258,465	80,273	63,630	6,481,950	27,884,318
Prepaid expenditures	350,579	-	3,375	4,217	358,171
Due from other funds	3,131,021	17,438,501	7,500	2,210,200	22,787,222
Stores inventory	<u>509,283</u>	<u>-</u>	<u>-</u>	<u>1,069,037</u>	<u>1,578,320</u>
Total assets	<u>\$ 153,282,960</u>	<u>\$ 58,093,497</u>	<u>\$ 26,691,373</u>	<u>\$ 46,054,766</u>	<u>\$ 284,122,596</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 24,778,059	\$ 2,412,759	\$ 407,518	\$ 1,055,325	\$ 28,653,661
Unearned revenue	17,482,588	-	-	444,804	17,927,392
Due to other funds	<u>3,021,114</u>	<u>7,500</u>	<u>17,475,372</u>	<u>3,202,512</u>	<u>23,706,498</u>
Total liabilities	<u>45,281,761</u>	<u>2,420,259</u>	<u>17,882,890</u>	<u>4,702,641</u>	<u>70,287,551</u>
Fund balances:					
Nonspendable	999,862	-	3,375	1,084,267	2,087,504
Restricted	22,476,365	55,673,238	8,805,108	40,267,858	127,222,569
Unassigned	<u>84,524,972</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>84,524,972</u>
Total fund balances	<u>108,001,199</u>	<u>55,673,238</u>	<u>8,808,483</u>	<u>41,352,125</u>	<u>213,835,045</u>
Total liabilities and fund balances	<u>\$ 153,282,960</u>	<u>\$ 58,093,497</u>	<u>\$ 26,691,373</u>	<u>\$ 46,054,766</u>	<u>\$ 284,122,596</u>

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

ELK GROVE UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2016

Total fund balances - Governmental Funds \$ 213,835,045

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used for governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$1,178,459,673 and the accumulated depreciation is \$508,588,108 (Note 4). 669,871,565

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at June 30, 2016 consisted of (Note 6):

Mello-Roos bonds	\$ (98,009,733)	
Accreted interest on bonds	(5,862,759)	
Unamortized bond premiums	(3,094,054)	
Unamortized bond discounts	188,663	
Net pension liability (Notes 8 and 9)	(491,924,000)	
Capitalized lease obligation	(3,503,599)	
Certificates of Participation	(109,910,000)	
Post-retirement employee benefits (Note 10)	(539,201)	
Compensated absences	<u>(10,673,537)</u>	(723,328,220)

Losses on the refunding of debt are recognized as expenditures in the period they are incurred. In the government-wide statements, they are categorized as deferred outflows and are amortized over the shortened life of the refunded or refunding debt (Note 6) 6,477,734

Unmatured interest is not recognized until it is due and, therefore, is not accrued as a payable in governmental funds. (295,759)

In government funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported (Notes 8 and 9):

Deferred outflows of resources relating to pensions	\$ 46,637,414	
Deferred inflows of resources relating to pensions	<u>(68,370,000)</u>	(21,732,586)

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Net position for the Self-Insurance Fund is: 2,025,312

Total net position - governmental activities \$ 146,853,091

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

ELK GROVE UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016

	General Fund	State School Facilities Fund	Capital Projects Fund	All Non-Major Funds	Total Governmental Funds
Revenues:					
Local control funding formula:					
State apportionment	\$ 391,128,986	\$ -	\$ -	\$ 2,526,555	\$ 393,655,541
Local sources	<u>98,828,567</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>98,828,567</u>
Total local control funding formula	<u>489,957,553</u>	<u>-</u>	<u>-</u>	<u>2,526,555</u>	<u>492,484,108</u>
Federal sources	32,568,250	-	-	25,709,833	58,278,083
Other state sources	113,878,631	(388,013)	-	6,166,484	119,657,102
Other local sources	<u>9,571,978</u>	<u>84,958</u>	<u>101,789</u>	<u>33,848,842</u>	<u>43,607,567</u>
Total revenues	<u>645,976,412</u>	<u>(303,055)</u>	<u>101,789</u>	<u>68,251,714</u>	<u>714,026,860</u>
Expenditures:					
Current:					
Certificated salaries	289,730,232	-	-	4,923,509	294,653,741
Classified salaries	78,418,051	-	935,340	10,752,928	90,106,319
Employee benefits	148,945,867	-	373,575	6,621,317	155,940,759
Books and supplies	29,684,267	-	25,609	12,888,154	42,598,030
Contract services and operating expenditures	48,700,135	18,964	1,835,912	2,363,719	52,918,730
Other outgo	3,409,332	-	-	168,818	3,578,150
Capital outlay	2,991,518	11,055,261	838,779	1,020,355	15,905,913
Debt service:					
Principal retirement	382,527	-	-	3,267,455	3,649,982
Interest	<u>116,584</u>	<u>-</u>	<u>6,607,622</u>	<u>7,646,092</u>	<u>14,370,298</u>
Total expenditures	<u>602,378,513</u>	<u>11,074,225</u>	<u>10,616,837</u>	<u>49,652,347</u>	<u>673,721,922</u>
Excess (deficiency) of revenues over (under) expenditures	<u>43,597,899</u>	<u>(11,377,280)</u>	<u>(10,515,048)</u>	<u>18,599,367</u>	<u>40,304,938</u>
Other financing sources (uses):					
Transfers in	1,722,978	68,201,270	2,339,238	15,336,473	87,599,959
Transfers out	(1,882,231)	(14,169,183)	(30,162,911)	(41,385,634)	(87,599,959)
Proceeds from the issuance of debt	-	-	109,910,000	-	109,910,000
Payment to refunding escrow	-	-	(77,515,000)	-	(77,515,000)
Debt issuance premiums	<u>-</u>	<u>-</u>	<u>3,222,973</u>	<u>-</u>	<u>3,222,973</u>
Total other financing sources (uses)	<u>(159,253)</u>	<u>54,032,087</u>	<u>7,794,300</u>	<u>(26,049,161)</u>	<u>35,617,973</u>
Net change in fund balances	43,438,646	42,654,807	(2,720,748)	(7,449,794)	75,922,911
Fund balances, July 1, 2015	<u>64,562,553</u>	<u>13,018,431</u>	<u>11,529,231</u>	<u>48,801,919</u>	<u>137,912,134</u>
Fund balances, June 30, 2016	<u>\$ 108,001,199</u>	<u>\$ 55,673,238</u>	<u>\$ 8,808,483</u>	<u>\$ 41,352,125</u>	<u>\$ 213,835,045</u>

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

ELK GROVE UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS -
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

Net change in fund balances - Total Governmental Funds	\$ 75,922,911
Amounts reported for governmental activities in the statement of activities are different because:	
Acquisition of capital assets is an expenditure in the governmental funds, but increases capital assets in the statement of net position (Note 4).	\$ 15,900,860
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(41,643,919)
Proceeds from debt are recognized as other financing sources in the governmental funds, but increases to long-term liabilities in the statement of net position (Note 6).	(109,910,000)
Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but decreases the long-term liabilities in the statement of net position (Note 6).	3,649,982
Payments made to refunding escrow is an other financing use in the governmental funds, but decreases the long-term liabilities in the statement of net position (Note 6).	77,515,000
Accreted interest on capital appreciation bonds is recognized in the period it is incurred. In governmental funds it is only recognized when it is due (Note 6).	1,300,279
Amortization of bond issuance premiums and discounts is not recorded in the governmental funds (Note 6).	(3,679,670)
Post employment benefits other than pension (OPEB) are recognized when employer contributions are made in the governmental funds, and in the statement of activities are recognized on the accrual basis (Notes 6 and 10).	53,348
In the statement of activities, expenses related to compensated absences are measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used (Note 6).	(612,519)
In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was:	(24,879,188)
Interest on long-term liabilities is recognized in the period incurred, in governmental funds it is recognized when due.	471,573

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS -
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016
(Continued)

Losses on the refunding of debt are recognized as expenditures in the period they are incurred. In the government-wide statements, they are categorized as deferred outflows and are amortized over the shortened life of the refunded or refunding debt.	\$ 6,039,874	
Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Change in net position for the Self-Insurance Fund is:	<u>1,518,739</u>	<u>(74,275,641)</u>
Change in net position of governmental activities		<u>\$ 1,647,270</u>

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

ELK GROVE UNIFIED SCHOOL DISTRICT
STATEMENT OF FUND NET POSITION - PROPRIETARY FUND
SELF-INSURANCE FUND
June 30, 2016

ASSETS

Current assets:

Cash and investments:

Cash in County Treasury	\$ 19,678,670
Cash on hand and in banks	440,723
Receivables	446,772
Due from other funds	<u>920,425</u>

Total current assets 21,486,590

LIABILITIES

Current liabilities:

Accounts payable	99,129
Due to other funds	1,149
Current unpaid claims and claim adjustment expenses	<u>6,000,000</u>

Total current liabilities 6,100,278

Unpaid claims and claim adjustment expenses, less current portion 13,361,000

Total liabilities 19,461,278

NET POSITION

Restricted for payment of self-insured claims \$ 2,025,312

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

ELK GROVE UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN
FUND NET POSITION - PROPRIETARY FUND
SELF-INSURANCE FUND
For the Year Ended June 30, 2016

Operating revenues:	
Self-insurance premiums	\$ 9,564,348
Other local revenue	<u>6,612</u>
Total operating revenues	<u>9,570,960</u>
Operating expenses:	
Classified salaries	249,697
Employee benefits	101,827
Books, supplies and other expenses	7,865
Provision for unpaid claims and claim adjustment expenses	<u>7,790,962</u>
Total operating expenses	<u>8,150,351</u>
Operating income	1,420,609
Non-operating income:	
Interest income	<u>98,130</u>
Change in net position	1,518,739
Net position, July 1, 2015	<u>506,573</u>
Net position, June 30, 2016	<u><u>\$ 2,025,312</u></u>

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

ELK GROVE UNIFIED SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
SELF-INSURANCE FUND
For the Year Ended June 30, 2016

Cash flows from operating activities:	
Cash received from self-insurance premiums	\$ 9,553,328
Cash received from other local sources	6,612
Cash paid for salaries, benefits and services	(467,296)
Cash paid for claims	<u>(7,170,962)</u>
Net cash provided by operating activities	1,921,682
Cash provided by investing activities:	
Interest income	<u>98,130</u>
Increase in cash and investments	2,019,812
Cash and investments, July 1, 2015	<u>18,099,581</u>
Cash and investments, June 30, 2016	<u><u>\$ 20,119,393</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	<u>\$ 1,420,609</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
(Increase) decrease in:	
Receivables	82,013
Due from other funds	(93,741)
(Decrease) increase in:	
Accounts payable	(107,907)
Due to other funds	708
Unpaid claims and claim adjustment expenses	<u>620,000</u>
Total adjustments	<u>501,073</u>
Net cash provided by operating activities	<u><u>\$ 1,921,682</u></u>

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

ELK GROVE UNIFIED SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
TRUST AND AGENCY FUNDS
June 30, 2016

	<u>Trust Fund Scholarship Fund</u>	<u>Agency Fund Student Body</u>
ASSETS		
Cash on hand and in banks (Note 2)	\$ 53,108	\$ 4,972,201
Stores inventory	<u>-</u>	<u>71,850</u>
Total assets	<u>53,108</u>	<u>\$ 5,044,051</u>
LIABILITIES		
Due to students/student groups	<u>-</u>	<u>\$ 5,044,051</u>
NET POSITION		
Restricted for scholarship funds	<u>\$ 53,108</u>	

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

ELK GROVE UNIFIED SCHOOL DISTRICT
STATEMENT OF CHANGE IN FIDUCIARY NET POSITION
TRUST FUND
For the Year Ended June 30, 2016

	Scholarship <u>Fund</u>
Additions:	
Other local sources	\$ 12,561
Deductions:	
Contract services and operating expenditures	<u>13,701</u>
Change in net position	(1,140)
Net position, July 1, 2015	<u>54,248</u>
Net position, June 30, 2016	<u><u>\$ 53,108</u></u>

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Elk Grove Unified School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The following is a summary of the more significant policies:

Reporting Entity: The Board of Education is the level of government which has governance responsibilities over all activities related to public school education in the Elk Grove Unified School District. The Board is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board since Board members have decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

The District and Elk Grove Unified School District Community Facilities District No. 1 (the "Facilities District") have a financial and operational relationship which meet the reporting entity definition criteria of the *Codification of Governmental Accounting and Financial Reporting Standards, Section 2100*, for inclusion of the Facilities District as a component unit of the District. Therefore, the financial activities of the Facilities District have been included in the basic financial statements of the District as a blended component unit (see Note 13).

The following are those aspects of the relationship between the District and the Facilities District which satisfy Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, criteria:

A - Manifestations of Oversight

1. The Facilities District's Boards of Directors were appointed by the District's Board of Education.
2. The Facilities District has no employees. The District's Superintendent and Associate Superintendent of Finance and School Support function act as agents of the Facilities District. Neither individual received additional compensation for work performed in this capacity.
3. The District exercises significant influence over operations of the Facilities District as it is anticipated that the District will be the sole lessee of all facilities owned by the Facilities District.

B - Accounting for Fiscal Matters

1. All major financing arrangements, contracts, and other transactions of the Facilities District must have the consent of the District.
2. Any deficits incurred by the Facilities District will be reflected in the lease payments of the District. Any surpluses of the Facilities District revert to the District at the end of the lease period
3. It is anticipated that the District's lease payments will be the sole revenue source of the Facilities District
4. The District has assumed a "moral obligation," and potentially a legal obligation, for any debt incurred by the Facilities District.

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C - Scope of Public Service and Financial Presentation

1. The Facilities District was created for the sole purpose of financially assisting the District.
2. The Corporation is a nonprofit, public benefit corporation incorporated under the laws of the State of California and recorded by the Secretary of State. The Authority was created pursuant to a joint powers agreement between the District and the California Statewide Communities Development Authority, pursuant to the California Government Code, commencing with Section 6500. The Facilities District was formed to provide financing assistance to the District for construction and acquisition of major capital facilities. Upon completion the District intends to occupy all Facilities District facilities. When the Facilities District's Certificates of Participation have been paid with state reimbursements and the District's developer fees, title of all Facilities District property will pass to the District for no additional consideration.
3. The Facilities District's financial activity is presented in the financial statements in the Capital Projects Fund. Certificates of Participation issued by the Facilities District are included in the government-wide financial statements.

Basis of Presentation - Financial Statements: The basic financial statements include a Management's Discussion and Analysis (MD & A) section providing an analysis of the District's overall financial position and results of operations; financial statements prepared using full accrual accounting for all of the District's activities, including infrastructure, and a focus on the major funds.

Basis of Presentation - Government-Wide Financial Statements: The Statement of Net Position and the Statement of Activities displays information about the reporting government as a whole. Fiduciary funds are not included in the government-wide financial statements. Fiduciary funds are reported only in the Statement of Fiduciary Net Position and the Statement of Revenues, Expenditures and Change in Fiduciary Net Position at the fund financial statement level.

The Statement of Net Position and the Statement of Activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of Governmental Accounting Standards Board Codification Section (GASB Cod. Sec.) N50.118-.121.

Program revenues: Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues.

Allocation of indirect expenses: The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term liabilities is considered an indirect expense and is reported separately on the Statement of Activities.

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Fund Accounting: The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

A - Major Funds

General Fund:

The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

State School Facilities Fund:

The State School Facilities Fund is a capital projects fund used to account for resources used for the acquisition or construction of major capital facilities and equipment.

Capital Projects Fund:

The Capital Projects Fund is a capital projects fund used to account for resources used for the acquisition or construction of major capital facilities and equipment.

B - Other Funds:

Special Revenue Funds:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. This includes the Charter Schools, Adult Education, Child Development, Cafeteria and Deferred Maintenance Funds.

Capital Projects Funds:

Capital Projects Funds are used to account for resources used for the acquisition or construction of major capital facilities and equipment. This includes the Capital Facilities and Special Reserve for Capital Outlay Funds.

Mello-Roos Administrative Fund:

The Mello-Roos Administrative Fund is a debt service fund used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Self-Insurance Fund:

The Self-Insurance Fund is an internal service fund used to account for services rendered on a cost-reimbursement basis within the District to provide workers' compensation benefits to District employees. The principal operating revenues for the self-insurance fund are premiums received and related income. Operating expenses for the self-insurance fund include the cost of salaries, benefits, services and claims. All revenue and expenses not deemed as operating are reported as non-operating revenues and expenses.

Expendable Trust Funds:

The Expendable Trust Fund is used to account for assets held by the District as Trustee. The District maintains one trust fund, the Scholarship Fund, which is used to provide financial assistance to students of the District.

Student Body Funds:

Student Body Funds are Agency Funds used to account for the various funds for which the District has an agency relationship with the activity of the fund. The Student Body Funds account for the receipt and disbursement of monies from the student activity organizations.

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

Accrual: Governmental activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual: The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible in the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term liabilities, if any, is recognized when due.

Budgets and Budgetary Accounting: By state law, the Board of Education must adopt a final budget by July 1. A public hearing is conducted to receive comments prior to adoption. The Board of Education complied with these requirements.

Receivables: Receivables are made up principally of amounts due from the State of California and Categorical programs. The District has determined that no allowance for doubtful accounts was needed as of June 30, 2016.

Stores Inventory: Inventory is stated at cost (average cost) which does not exceed replacement cost. Inventory consists of expendable supplies held for future use in the following period by the District's operating units, transportation supplies, and food held for consumption. Maintenance and other supplies held for physical plant repair are not included in inventory; rather, these amounts are recorded as expenditures when purchased.

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets: Capital assets purchased or acquired, with an original cost of \$10,000 or more, are recorded at historical cost or estimated historical cost. Contributed assets are reported at acquisition value for the contributed asset. Additions, improvements and other capital outlay that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are depreciated using the straight-line method over 4 - 30 years depending on asset types.

Deferred Outflows/Inflows of Resources: In addition to assets, the Statement of Net Position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District has recognized a deferred loss on refunding of debt, which is included in the Statement of Net Position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter life of the refunded or refunding debt. In addition, the District has recognized deferred outflow of resources related to recognition of the pension liability reported in the Statement of Net Position. Amortization for the year ended June 30, 2016 totaled \$1,999,000.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time. The District has recognized a deferred inflow of resources related to the recognition of the pension liability reported which is in the Statement of Net Position. Amortization for the year ended June 30, 2016 totaled \$4,710,500.

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State Teachers' Retirement Plan (STRP) and Public Employers Retirement Fund B (PERF B) and additions to/deductions from STRP's and PERF B's fiduciary net position have been determined on the same basis as they are reported by STRP and PERF B. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

	<u>STRP</u>	<u>PERF B</u>	<u>Total</u>
Deferred outflows of resources	<u>\$ 30,556,787</u>	<u>\$ 16,080,627</u>	<u>\$ 46,637,414</u>
Deferred inflows of resources	<u>\$ 38,016,000</u>	<u>\$ 30,354,000</u>	<u>\$ 68,370,000</u>
Net pension liability	<u>\$ 387,022,000</u>	<u>\$ 104,902,000</u>	<u>\$ 491,924,000</u>
Pension expense	<u>\$ 50,738,127</u>	<u>\$ 35,203,854</u>	<u>\$ 85,941,981</u>

Compensated Absences: Compensated absences benefits totaling \$10,673,537 are recorded as a liability of the District.

Accumulated Sick Leave: Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expenditure in the period taken since such benefits do not vest nor is payment probable. However, unused sick leave is added to the creditable service period for calculation of retirement benefits for vested STRS and PERS employees, when the employee retires.

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unearned Revenue: Revenue from federal, state, and local special projects and programs is recognized when qualified expenditures have been incurred. Funds received but not earned are recorded as unearned revenue until earned.

Interfund Activity: Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Net Position: Net position is displayed in three components:

- 1 - Net Investment in Capital Assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent bond proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- 2 - Restricted Net Position - Restrictions of the ending net position indicate the portions of net position not appropriate for expenditure or amounts legally segregated for a specific future use. The restriction for legally restricted programs represents the portion of net position restricted to specific program expenditures. The restriction for capital projects represents the portion of net position restricted for capital projects. The restriction for debt service represents the portion of net position available for the retirement of debt. The restriction for self-insurance represents the portion of net position restricted for payment of the self-insured claims. It is the District's policy to use restricted net position first when allowable expenditures are incurred. The restriction for trust fund represents the portion of net position restricted for scholarships.
- 3 - Unrestricted Net Position - All other net position that does not meet the definition of "restricted" or "net investment in capital assets".

Fund Balance Classifications: Governmental Accounting Standards Board Codification Sections 1300 and 1800, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB Cod. Sec. 1300 and 1800) implements a five-tier fund balance classification hierarchy that depicts the extent to which a government is bound by spending constraints imposed on the use of its resources. The five classifications, discussed in more detail below, are nonspendable, restricted, committed, assigned and unassigned.

A - Nonspendable Fund Balance:

The nonspendable fund balance classification reflects amounts that are not in spendable form, such as revolving fund cash, prepaid expenditures and stores inventory.

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B - Restricted Fund Balance:

The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation. These are the same restrictions used to determine restricted net position as reported in the government-wide and fiduciary trust fund statements.

C - Committed Fund Balance:

The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Board of Education. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. Formal action by the Board of Education is required to remove any commitment from any fund balance. At June 30, 2016, the District had no committed fund balances.

D - Assigned Fund Balance:

The assigned fund balance classification reflects amounts that the District's Board of Education has approved to be used for specific purposes, based on the District's intent related to those specific purposes. The Board of Education can designate personnel within the District to assign fund balances, however, as of June 30, 2016, no such designation has occurred.

E - Unassigned Fund Balance:

In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes.

In any fund other than the General Fund, a positive unassigned fund balance is never reported because amounts in any other fund are assumed to have been assigned, at least, to the purpose of that fund. However, deficits in any fund, including the General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

Fund Balance Policy: The District has an expenditure policy relating to fund balances. For purposes of fund balance classifications, expenditures are to be spent from restricted fund balances first, followed in order by committed fund balances (if any), assigned fund balances and lastly unassigned fund balances.

While GASB Cod. Sec. 1300 and 1800 do not require Districts to establish a minimum fund balance policy or a stabilization arrangement, GASB Cod. Sec. 1300 and 1800 do require the disclosure of a minimum fund balance policy and stabilization arrangements, if they have been adopted by the Board of Education. At June 30, 2016, the District has not established a minimum fund balance policy nor has it established a stabilization arrangement.

Custodial Relationships: The Statement of Net Position for Fiduciary Funds represents the assets, liabilities and trust and agency accounts of various student organizations and scholarship funds within the District. As the funds are custodial in nature, no measurement of operating results is involved.

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes: Secured property taxes are attached as an enforceable lien on property as of March 1. Taxes are due in two installments on or before December 10 and April 10. Unsecured property taxes are due in one installment on or before August 31. The County of Sacramento bills and collects taxes for the District. Tax revenues are recognized by the District when received.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results may differ from those estimates.

NOTE 2 - CASH AND INVESTMENTS

Cash and investments at June 30, 2016 are reported at fair value and consisted of the following:

	<u>Governmental Activities</u>	<u>Fiduciary Activities</u>
Pooled Funds:		
Cash in County Treasury	\$ 225,997,033	\$ -
Cash with Fiscal Agent	22,552,132	-
Deposits:		
Cash on hand and in banks	559,688	5,025,309
Revolving cash fund	151,013	-
Cash awaiting deposit	<u>2,374,092</u>	<u>-</u>
Total	<u>\$ 251,633,958</u>	<u>\$ 5,025,309</u>

Pooled Funds: In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the interest bearing Sacramento County Treasury pooled investment fund. The District is considered to be an involuntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

Cash with Fiscal Agent: Cash with Fiscal Agent represents funds held by Fiscal Agents restricted for repayment of Mello-Roos Bonds. The District holds their funds with the Sacramento County Treasurer. The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 2 - CASH AND INVESTMENTS (Continued)

Deposits - Custodial Credit Risk: The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2016, the carrying amount of the District's accounts was \$5,736,010 and the bank balance was \$6,640,365. \$883,191 of the bank balance was FDIC insured and \$5,757,174 remained uninsured, but collateralized.

Interest Rate Risk: The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2016, the District had no significant interest rate risk related to cash and investments held.

Credit Risk: The District has adopted the County Treasurer's formal investment policy that limits its investment choices other than the limitations of state law.

Concentration of Credit Risk: The District does not place limits on the amount it may invest in any one issuer. At June 30, 2016 the District had no concentration of credit risk.

NOTE 3 - INTERFUND TRANSACTIONS

Interfund Activity: Transactions between funds of the District are recorded as interfund transfers, except for the Self-Insurance Fund activity which is recorded as income and expenditures of the Self-Insurance Fund and the General Fund, respectively. The unpaid balances at year end, as a result of such transactions, are shown as due to and due from other funds.

Interfund Receivables/Payables: Interfund receivable and payable balances at June 30, 2016 were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Fund:		
General	\$ 3,131,021	\$ 3,021,114
State School Facilities	17,438,501	7,500
Capital Projects	7,500	17,475,372
Non-Major Funds:		
Charter Schools	-	58,936
Adult Education	369,929	241,244
Child Development	218,830	705,430
Cafeteria	1,588,524	2,194,184
Capital Facilities	-	2,718
Special Reserve for Capital Outlay	-	-
Mello-Roos Administrative	32,917	-
Proprietary Fund:		
Self-Insurance	<u>920,425</u>	<u>1,149</u>
Total	<u>\$ 23,707,647</u>	<u>\$ 23,707,647</u>

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 3 - INTERFUND TRANSACTIONS (Continued)

Transfers: Transfers for the 2015-2016 fiscal year were as follows:

Transfer from the General Fund to the State School Facilities Fund for SMUD incentive.	\$ 114,940
Transfer from the General Fund to the Child Development Fund for Cal-Safe Child Care funding.	207,454
Transfer from the General Fund to the Cafeteria Fund for grants and contributions.	1,559,837
Transfer from the State School Facilities Fund to the Capital Facilities Fund for unused project funds.	13,569,182
Transfer from the State School Facilities Fund to the Capital Projects Fund for unused project funds.	600,001
Transfer from the Capital Projects Fund to the State School Facilities Fund for the Culinary Arts Project.	13,398
Transfer from the Capital Projects Fund to the State School Facilities Fund to augment Dillard Elementary project.	149,513
Transfer from the Capital Projects Fund to the State School Facilities Fund for Anatolia Elementary and Laguna Ridge using COP's funding.	30,000,000
Transfer from the Charter Schools Fund to the General Fund for indirect costs.	58,622
Transfer from the Adult Education Fund to the General Fund for indirect costs.	175,884
Transfer from the Child Development Fund to the General Fund for indirect costs.	257,748
Transfer from the Cafeteria Fund to the General Fund for indirect costs.	1,230,724
Transfer from the Capital Facilities Fund to the State School Facilities Fund to augment construction at Anatolia Elementary and Laguna Ridge North Elementary.	37,923,419
Transfer from the Mello Roos Administrative Fund to the Capital Projects Fund for excess special tax monies.	<u>1,739,237</u>
	<u><u>\$ 87,599,959</u></u>

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 4 - CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2016 is shown below:

	Balance July 1, <u>2015</u>	Transfers and <u>Additions</u>	Transfers and <u>Deletions</u>	Balance June 30, <u>2016</u>
Non-depreciable:				
Land	\$ 157,245,181	\$ -	\$ -	\$ 157,245,181
Work in progress	54,533,761	4,554,007	(49,185,349)	9,902,419
Depreciable:				
Improvement of sites	56,773,341	1,928,977	-	58,702,318
Buildings	861,121,075	55,747,055	-	916,868,130
Equipment	<u>33,113,782</u>	<u>2,856,170</u>	<u>(228,327)</u>	<u>35,741,625</u>
Totals, at cost	<u>1,162,787,140</u>	<u>65,086,209</u>	<u>(49,413,676)</u>	<u>1,178,459,673</u>
Less accumulated depreciation:				
Improvement of sites	(24,268,360)	(2,899,271)	-	(27,167,631)
Buildings	(421,508,018)	(36,639,763)	-	(458,147,781)
Equipment	<u>(21,396,138)</u>	<u>(2,104,885)</u>	<u>228,327</u>	<u>(23,272,696)</u>
Total accumulated depreciation	<u>(467,172,516)</u>	<u>(41,643,919)</u>	<u>228,327</u>	<u>(508,588,108)</u>
Capital assets, net	<u>\$ 695,614,624</u>	<u>\$ 23,442,290</u>	<u>\$ (49,185,349)</u>	<u>\$ 669,871,565</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	<u>\$ 41,643,919</u>
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At June 30, 2016, the District had outstanding construction contract commitments of approximately \$47 million.

NOTE 5 - SELF-INSURANCE

The District is self-insured for workers' compensation. For accounting and reporting purposes, the District has established a separate Self-Insurance Fund for workers' compensation. For the year ended June 30, 2016, the District provides coverage up to a maximum of \$500,000 for each workers' compensation claim. The District participates in a public entity risk pool for claims in excess of coverage provided by the Fund (Note 12). In each of the past three years settled claims did not exceed the coverage level provided by the Fund and no claims were made of the excess coverage. There has been no reduction in coverage.

The claims liability of \$19,361,000 at June 30, 2016 was actuarially determined based on the requirements of Governmental Accounting Standards Statement No. 10. This liability was discounted using an expected future investment yield assumption of 3% percent.

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 5 - SELF-INSURANCE (Continued)

Changes in the District's unpaid claims and claim adjustment expenses for the years ended June 30, 2016, June 30, 2015 and June 30, 2014 were as follows:

	Unpaid Claims and Claim Adjustment Expenses <u>July 1</u>	Incurred Claims	Claims Payments	Unpaid Claims and Claim Adjustment Expenses <u>June 30</u>
2015/2016	<u>\$ 18,741,000</u>	<u>\$ 7,790,962</u>	<u>\$ (7,170,962)</u>	<u>\$ 19,361,000</u>
2014/2015	<u>\$ 17,881,000</u>	<u>\$ 10,362,785</u>	<u>\$ (9,502,785)</u>	<u>\$ 18,741,000</u>

NOTE 6 - LONG-TERM LIABILITIES

Mello-Roos Bonds Payable: A summary of Mello-Roos Bonds payable at June 30, 2016 follows:

<u>Series</u>	<u>Interest Rate</u>	<u>Original Maturity</u>	<u>Balance July 1, 2015</u>	<u>Current Year Issuance</u>	<u>Current Year Maturities</u>	<u>Balance June 30, 2016</u>
1995	4.0 - 6.5%	2024	\$ 15,931,055	\$ -	\$ 787,455	\$ 15,143,600
2003	2.1 - 4.6%	2033	9,710,000	-	9,710,000	-
2005	4.0 - 4.6%	2035	39,065,000	-	39,065,000	-
2008	6.75%	2036	31,226,133	-	30,575,000	651,133
2012	.50 - 4.05%	2033	<u>82,860,000</u>	<u>-</u>	<u>645,000</u>	<u>82,215,000</u>
			<u>\$178,792,188</u>	<u>\$ -</u>	<u>\$ 80,782,455</u>	<u>\$ 98,009,733</u>

The Series 1995, 2003, 2005, 2008, and 2012 Serial Bonds are authorized pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, and are payable from the proceeds of an annual Special Tax to be levied and collected from property within the District or from escrow accounts in the case of refunding bonds. The Special Tax is to be levied according to the rate and method of apportionment determined by a formula approved by the Board, as the legislative body of the District, and by the registered voters within the District (see Note 13). With the issuance of the 2016 Certificates of Participation in April 2016, \$77,515,000 of the 2003 and 2005 Mello-Roos Bonds were fully refunding and the 2008 Mello-Roos Bonds were partially refunded. At June 30, 2016 \$651,133 is outstanding related to the 2008 Mello-Roos Bonds.

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 6 - LONG-TERM LIABILITIES (Continued)

The annual requirements to amortize the Mello-Roos Bonds payable outstanding as of June 30, 2016 are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 1,397,171	\$ 5,505,392	\$ 6,902,563
2018	1,348,302	5,551,160	6,899,462
2019	1,318,126	5,583,135	6,901,261
2020	3,400,000	3,410,760	6,810,760
2021	3,600,000	3,206,787	6,806,787
2022-2026	27,745,000	12,837,636	40,582,636
2027-2031	34,775,000	7,444,467	42,219,467
2032-2036	<u>24,426,134</u>	<u>1,430,800</u>	<u>25,856,934</u>
	<u>\$ 98,009,733</u>	<u>\$ 44,970,137</u>	<u>\$ 142,979,870</u>

Certificates of Participation:

On April 7, 2016, the District issued 2016 Certificates of Participation in the amount of \$109,910,000. The proceeds were used to refund \$77,515,000 of the District's Mello Roos Bonds of 2003, 2005 and 2008 and issue \$30,890,000 of new Certificates of Participation. The Certificates of Participation bear interest at rates ranging from 3.0% to 5.0%, and are scheduled to mature through February 2038. At June 30, 2016, \$30,575,000 of the 2008 Mello Roos Bonds defeased bonds remain outstanding.

The following is a schedule of the future payments for the 2016 Certificates of Participation:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 1,145,000	\$ 2,950,119	\$ 4,095,119
2018	2,415,000	3,818,819	6,233,819
2019	2,530,000	3,698,069	6,228,069
2020	2,635,000	3,571,569	6,206,569
2021	2,760,000	3,439,819	6,199,819
2022-2026	8,855,000	15,499,594	24,354,594
2027-2031	8,940,000	13,432,344	22,372,344
2032-2036	34,680,000	10,993,844	45,673,844
2037-2038	<u>45,950,000</u>	<u>3,728,730</u>	<u>49,678,730</u>
	<u>\$ 109,910,000</u>	<u>\$ 61,132,907</u>	<u>\$ 171,042,907</u>

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 6 - LONG-TERM LIABILITIES (Continued)

Although the advance refunding resulted in the recognition of an accounting loss of \$6,057,655 for the year ended June 30, 2016, the District in effect reduced its aggregate debt service payments by \$33,511,118 over the next 12 years and obtained an economic gain of \$22,128,520.

Calculation of the difference in cash flow requirements and economic loss are as follows:

Old debt service cash flows	\$ 154,171,533
New debt service cash flows	<u>120,660,415</u>
 Cash flow difference	 <u>\$ 33,511,118</u>
 Present value of old debt service cash flows	 \$ 106,055,904
Present value of new debt service cash flows	<u>83,927,384</u>
 Economic gain	 <u>\$ 22,128,520</u>

Capitalized Lease Obligations: The District is leasing equipment under long-term lease purchase agreements with capitalized value of \$4,385,237 and accumulated depreciation of \$438,524. The following is a summary of future payments on the capital leases:

Year Ending <u>June 30,</u>	<u>Payment</u>
2017	\$ 499,111
2018	499,111
2019	499,111
2020	499,111
2021	499,111
2022-2024	<u>1,497,333</u>
 Total payments	 3,992,888
 Less amount representing interest	 <u>(489,289)</u>
 Net present value of minimum payments	 <u>\$ 3,503,599</u>

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 6 - LONG-TERM LIABILITIES (Continued)

Schedule of Changes in Long-Term Liabilities: A schedule of changes in long-term liabilities for the year ended June 30, 2016 is shown below:

	Balance July 1, 2015	Additions	Deductions	June 30, 2016	Amounts Due Within One Year
Mello-Roos bonds	\$ 178,792,188	\$ -	\$ 80,782,455	\$ 98,009,733	\$ 1,397,171
Accreted Interest on bonds	7,163,038	612,266	1,912,545	5,862,759	-
Unamortized bond premiums	65,658	3,222,973	194,577	3,094,054	100,513
Unamortized bond discounts	(839,937)	-	(651,274)	(188,663)	(11,098)
Net pension liability (Notes 8 and 9)	414,575,000	77,349,000	-	491,924,000	-
Capitalized lease obligation	3,886,126	-	382,527	3,503,599	394,003
Certificates of participation	-	109,910,000	-	109,910,000	1,145,000
Post-retirement employee benefits (Note 10)	592,549	-	53,348	539,201	-
Compensated absences	<u>10,061,018</u>	<u>612,519</u>	<u>-</u>	<u>10,673,537</u>	<u>10,673,537</u>
Totals	<u>\$ 614,295,640</u>	<u>\$ 191,706,758</u>	<u>\$ 82,674,178</u>	<u>\$ 723,328,220</u>	<u>\$ 13,699,126</u>

Payments on the Mello-Roos bonds are made from the Mello-Roos Administrative Fund. Premiums and discounts on bonds are amortized over the life of the related bonds. Payments on the capitalized lease obligation are made from the General Fund. Payments on the supplemental employee retirement plan, post-retirement employee benefits and compensated absences are made from the fund for which the related employee worked.

NOTE 7 - FUND BALANCES

Fund balances, by category, at June 30, 2016 consisted of the following:

	General Fund	State School Facilities Fund	Capital Projects Fund	All Non-Major Funds	Total
Nonspendable:					
Revolving cash fund	\$ 140,000	\$ -	\$ -	\$ 11,013	\$ 151,013
Prepaid expenditures	350,579	-	3,375	4,217	358,171
Stores inventory	<u>509,283</u>	<u>-</u>	<u>-</u>	<u>1,069,037</u>	<u>1,578,320</u>
Subtotal nonspendable	<u>999,862</u>	<u>-</u>	<u>3,375</u>	<u>1,084,267</u>	<u>2,087,504</u>
Restricted:					
Legally restricted programs	22,476,365	-	-	10,647,905	33,124,270
Capital Projects	-	55,673,238	8,805,108	8,496,284	72,974,630
Debt Service	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,123,669</u>	<u>21,123,669</u>
Subtotal restricted	<u>22,476,365</u>	<u>55,673,238</u>	<u>8,805,108</u>	<u>40,267,858</u>	<u>127,222,569</u>
Unassigned:					
Designated for economic uncertainty	<u>84,524,972</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>84,524,972</u>
Total fund balances	<u>\$ 108,001,199</u>	<u>\$ 55,673,238</u>	<u>\$ 8,808,483</u>	<u>\$ 41,352,125</u>	<u>\$ 213,835,045</u>

(Continued)

NOTE 8 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN

General Information about the State Teachers' Retirement Plan

Plan Description: Teaching-certified employees of the District are provided with pensions through the State Teachers' Retirement Plan (STRP) – a cost-sharing multiple-employer defined benefit pension plan administered by the California State Teachers' Retirement System (CalSTRS). The Teachers' Retirement Law (California Education Code Section 22000 et seq.), as enacted and amended by the California Legislature, established this plan and CalSTRS as the administrator. The benefit terms of the plans may be amended through legislation. CalSTRS issues a publicly available financial report that can be obtained at <http://www.calstrs.com/comprehensive-annual-financial-report>.

Benefits Provided: The STRP Defined Benefit Program has two benefit formulas:

- CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS.
- CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS.

The Defined Benefit Program provides retirement benefits based on members' final compensation, age and years of service credit. In addition, the retirement program provides benefits to members upon disability and to survivors/beneficiaries upon the death of eligible members. There are several differences between the two benefit formulas which are noted below.

CalSTRS 2% at 60

CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.

CalSTRS calculates retirement benefits based on a one-year final compensation for members who retired on or after January 1, 2001, with 25 or more years of credited service, or for classroom teachers with less than 25 years of credited service if the employer elected to pay the additional benefit cost prior to January 1, 2014. One-year final compensation means a member's highest average annual compensation earnable for 12 consecutive months calculated by taking the creditable compensation that a member could earn in a school year while employed on a fulltime basis, for a position in which the person worked. For members with less than 25 years of credited service, final compensation is the highest average annual compensation earnable for any three consecutive years of credited service.

CalSTRS 2% at 62

CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

All CalSTRS 2% at 62 members have their final compensation based on their highest average annual compensation earnable for three consecutive years of credited service.

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

NOTE 8 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

Contributions: Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial cost method.

A summary of statutory contribution rates and other sources of contributions to the Defined Benefit Program are as follows:

Members - Under CalSTRS 2% at 60, the member contribution rate was 9.20 percent of applicable member earnings for fiscal year 2015-16. Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 8.56 percent of applicable member earnings for fiscal year 2015-16.

In general, member contributions cannot increase unless members are provided with some type of “comparable advantage” in exchange for such increases. Under previous law, the Legislature could reduce or eliminate the 2 percent annual increase to retirement benefits. As a result of AB 1469, effective July 1, 2014, the Legislature cannot reduce the 2 percent annual benefit adjustment for members who retire on or after January 1, 2014, and in exchange for this “comparable advantage,” the member contribution rates have been increased by an amount that covers a portion of the cost of the 2 percent annual benefit adjustment.

Effective July 1, 2014, with the passage of AB 1469, member contributions for those under the 2% at 60 benefit structure increase from 8.0 percent to a total of 10.25 percent of applicable member earnings, phased in over the next three years. For members under the 2% at 62 benefit structure, contributions will increase from 8.0 percent to 9.205 percent of applicable member earnings, again phased in over three years, if there is no change to normal cost.

Employers – 10.73 percent of applicable member earnings.

In accordance with AB 1469, employer contributions will increase from 8.25 percent to a total of 19.1 percent of applicable member earnings phased in over seven years starting in 2014. The new legislation also gives the board limited authority to adjust employer contribution rates from July 1, 2021 through June 2046 in order to eliminate the remaining unfunded actuarial obligation related to service credited to members prior to July 1, 2014. The board cannot adjust the rate by more than 1 percent in a fiscal year, and the total contribution rate in addition to the 8.25 percent cannot exceed 12 percent.

The CalSTRS employer contribution rate increases effective for fiscal year 2015-16 through fiscal year 2045-46 are summarized in the table below:

<u>Effective Date</u>	<u>Prior Rate</u>	<u>Increase</u>	<u>Total</u>
July 01, 2015	8.25%	2.48%	10.73%
July 01, 2016	8.25%	4.33%	12.58%
July 01, 2017	8.25%	6.18%	14.43%
July 01, 2018	8.25%	8.03%	16.28%
July 01, 2019	8.25%	9.88%	18.13%
July 01, 2020	8.25%	10.85%	19.10%
July 01, 2046	8.25%	Increase from prior rate ceases in 2046-47	

The District contributed \$30,556,787 to the plan for the fiscal year ended June 30, 2016.

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 8 – NET PENSION LIABILITY – STATE TEACHERS’ RETIREMENT PLAN (Continued)

State - 7.391 percent of the members’ creditable earnings from the fiscal year ending in the prior calendar year.

Additionally, beginning October 1, 1998, a statutory contribution rate of 0.524 percent, adjustable annually in 0.25 percent increments up to a maximum of 1.505 percent, of the creditable earnings from the fiscal year ending in the prior calendar year per Education Code Section 22955(b). This contribution is reduced to zero if there is no unfunded actuarial obligation and no normal cost deficit for benefits in place as of July 1, 1990. Based on the actuarial valuation, as of June 30, 2012 there was no normal cost deficit, but there was an unfunded obligation for benefits in place as of July 1, 1990. As a result, the state was required to make quarterly payments starting October 1, 2013, at an additional contribution rate of 1.024 percent. As of June 30, 2014, the state contributed \$200.7 million of the \$267.6 million total amount for fiscal year 2013-14. As a result of AB 1469, the fourth quarterly payment of \$66.9 million was included in an increased first quarter payment of \$94 million for the 2014-15 fiscal year, which was transferred on July 1, 2014.

In accordance with AB 1469, the portion of the state appropriation under Education Code Section 22955(b) that is in addition to the 2.017 percent has been replaced by section 22955.1(b) in order to fully fund the benefits in effect as of 1990 by 2046. The additional state contribution will increase from 1.437 percent in 2014-15 to 4.311 percent in 2016-17. The increased contributions end as of fiscal year 2046-2047.

The CalSTRS state contribution rates effective for fiscal year 2015-16 and beyond are summarized in the table below:

<u>Effective Date</u>	<u>Base Rate</u>	<u>AB 1469 Increase For 1990 Benefit Structure</u>	<u>SBMA Funding</u>	<u>Total State Appropriation to DB Program</u>
July 01, 2015	2.017%	2.874%	2.50%	7.391%
July 01, 2016	2.017%	4.311%	2.50%	8.828%
July 01, 2017 to June 30, 2046	2.017%	4.311%*	2.50%	8.828%*
July 01, 2046 and thereafter	2.017%	*	2.50%	4.517%*

* The new legislation also gives the board limited authority to adjust state contribution rates from July 1, 2017, through June 2046 in order to eliminate the remaining unfunded actuarial obligation associated with the 1990 benefit structure. The board cannot increase the rate by more than 0.50 percent in a fiscal year, and if there is no unfunded actuarial obligation, the contribution rate imposed to pay for the 1990 benefit structure shall be reduced to zero percent. Rates in effect prior to July 1, 2014, are reinstated if necessary to address any remaining 1990 unfunded actuarial obligation from July 1, 2046, and thereafter.

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 8 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ 387,022,000
State's proportionate share of the net pension liability associated with the District	<u>204,691,000</u>
Total	<u><u>\$ 591,713,000</u></u>

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school Districts and the State. At June 30, 2015, the District's proportion was 0.575 percent, which was an increase of zero from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$50,738,127 and revenue of \$20,420,379 for support provided by the State. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 6,467,000
Changes of assumptions	-	-
Net differences between projected and actual earnings on investments	-	31,549,000
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
Contributions made subsequent to measurement date	<u>30,556,787</u>	<u>-</u>
Total	<u><u>\$ 30,556,787</u></u>	<u><u>\$ 38,016,000</u></u>

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 8 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

\$30,556,787 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended <u>June 30,</u>	
2017	\$ (14,135,267)
2018	\$ (14,135,267)
2019	\$ (14,135,266)
2020	\$ 6,544,800
2021	\$ (1,078,000)
2022	\$ (1,077,000)

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of June 30, 2015 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

Actuarial Methods and Assumptions: The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2014
Experience Study	July 1, 2006, through June 30, 2010
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.60%
Consumer Price Inflation	3.00%
Wage Growth	3.75%
Post-retirement Benefit Increases	2.00% simple for DB Not applicable for DBS/CBB

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries. See CalSTRS July 1, 2006 – June 30, 2010 experience analysis for more information.

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 8 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant as an input to the process. Based on the model from CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are log normally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term* Expected Real Rate of Return</u>
Global Equity	47%	4.50%
Private Equity	12	6.20
Real Estate	15	4.35
Inflation Sensitive	5	3.20
Fixed Income	20	0.20
Cash / Liquidity	1	0.00

* 10-year geometric average

Discount Rate: The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increase per Assembly Bill 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

NOTE 8 – NET PENSION LIABILITY – STATE TEACHERS’ RETIREMENT PLAN (Continued)

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.60 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.60 percent) or 1-percentage-point higher (8.60 percent) than the current rate:

	1% Decrease <u>(6.60%)</u>	Current Discount Rate <u>(7.60%)</u>	1% Increase <u>(8.60%)</u>
District’s proportionate share of the net pension liability	<u>\$584,373,000</u>	<u>\$387,022,000</u>	<u>\$223,007,000</u>

Pension Plan Fiduciary Net Position: Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalSTRS financial report.

NOTE 9 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B

General Information about the Public Employer’s Retirement Fund B

Plan Description: The schools cost-sharing multiple-employer defined benefit pension plan Public Employer’s Retirement Fund B (PERF B) is administered by the California Public Employees’ Retirement System (CalPERS). Plan membership consists of non-teaching and non-certified employees of public schools (K-12), community college districts, offices of education, charter and private schools (elective) in the State of California.

The Plan was established to provide retirement, death and disability benefits to non-teaching and noncertified employees in schools. The benefit provisions for Plan employees are established by statute. CalPERS issues a publicly available financial report that can be obtained at <https://www.calpers.ca.gov/docs/forms-publications/cafr-2015.pdf>.

Benefits Provided: The benefits for the defined benefit plans are based on members’ years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years (10 years for State Second Tier members) of credited service.

Contributions: The benefits for the defined benefit pension plans are funded by contributions from members and employers, and earnings from investments. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the respective employer’s benefit formulas. Employer contribution rates are determined by periodic actuarial valuations or by state statute. Actuarial valuations are based on the benefit formulas and employee groups of each employer. Employer contributions, including lump sum contributions made when agencies first join the PERF, are credited with a market value adjustment in determining contribution rates.

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

NOTE 9 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

The required contribution rates of most active plan members are based on a percentage of salary in excess of a base compensation amount ranging from zero dollars to \$863 monthly.

Required contribution rates for active plan members and employers as a percentage of payroll for the year ended June 30, 2015 were as follows:

Members - The member contribution rate was 6.0 or 7.0 percent of applicable member earnings for fiscal year 2015-16.

Employers - The employer contribution rate was 11.847 percent of applicable member earnings.

The District contributed \$10,085,627 to the plan for the fiscal year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the District reported a liability of \$104,902,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014. The District’s proportion of the net pension liability was based on the District’s share of contributions to the pension plan relative to the contributions of all participating school Districts. At June 30, 2015, the District’s proportion was 0.712 percent, which was an increase of 0.018 percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$35,203,854. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 5,995,000	\$ -
Changes of assumptions	-	6,445,000
Net differences between projected and actual earnings on investments	-	3,592,000
Changes in proportion and differences between District contributions and proportionate share of contributions	-	20,317,000
Contributions made subsequent to measurement date	<u>10,085,627</u>	<u>-</u>
Total	<u>\$ 16,080,627</u>	<u>\$ 30,354,000</u>

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 9 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

\$10,085,627 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended <u>June 30,</u>	
2017	\$ (6,127,250)
2018	\$ (6,127,250)
2019	\$ (6,127,250)
2020	\$ (5,977,250)

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 4 years as of the June 30, 2015 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

Actuarial Methods and Assumptions: The total pension liability for the Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2014
Experience Study	July 1, 2006, through June 30, 2010
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.65%
Consumer Price Inflation	2.75%
Wage Growth	Varies by entry age and service
Post-retirement Benefit Increases	Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.75% thereafter

The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS' website.

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

NOTE 9 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

<u>Asset Class</u>	<u>Long-Term* Assumed Asset Allocation</u>	<u>Expected Real Rate of Return</u>
Global Equity	51%	5.25%
Global Fixed Income	19	0.99
Inflation Sensitive	6	0.45
Private Equity	10	6.83
Real Estate	10	4.50
Infrastructure & Forestland	2	4.50
Liquidity	2	(0.55)

* 10-year geometric average

Discount Rate: The discount rate used to measure the total pension liability was 7.65 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained at CalPERS’ website.

The discount rate was 7.50 and 7.65 percent as of the June 30, 2014 and June 30, 2015 measurement dates, respectively.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected cash flows of the Plan. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the Plan’s asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 9 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.65 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.65 percent) or 1-percentage-point higher (8.65 percent) than the current rate:

	1% Decrease <u>(6.65%)</u>	Current Discount Rate <u>(7.65%)</u>	1% Increase <u>(8.65%)</u>
District’s proportionate share of the net pension liability	<u>\$ 170,738,000</u>	<u>\$ 104,902,000</u>	<u>\$ 50,156,000</u>

Pension Plan Fiduciary Net Position: Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial report.

NOTE 10 - POST-RETIREMENT EMPLOYEE BENEFITS

Plan Description: In addition to the pension benefits described in Notes 8 and 9, the District provides post-retirement health care benefits to all District employees who retired from the District prior to July 1, 2000 with ten years of service, and who immediately entered retirement status under a single employer defined benefit OPEB plan. The plan does not issue separate financial statements. As of June 30, 2016, 320 retirees are receiving these benefits. For these retired employees, the District pays the insurance premiums for the lowest cost health plan for the retiree and one dependent.

Funding Policy: Expenditures for post-employment health care benefits are recognized as the premiums are paid. During the year ended June 30, 2016, expenditures of \$1,151,905 were recognized for post-employment health care benefits.

Annual OPEB Cost and Net OPEB Obligation: The District’s annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Cod. Sec. P50.108-.109. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District’s net OPEB obligation related to the District provided plan:

Annual required contribution	\$ 1,080,781
Interest on net OPEB obligation	17,776
Adjustment to annual required contribution	<u>(2,303,810)</u>
Annual OPEB cost (benefit)	(1,205,253)
Contributions made	<u>(1,151,905)</u>
Decrease in net OPEB obligation	(53,348)
Net OPEB obligation - beginning of year	<u>592,549</u>
Net OPEB obligation - end of year	<u>\$ 539,201</u>

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 10 - POST-RETIREMENT EMPLOYEE BENEFITS (Continued)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended June 30, 2016 and the preceding two years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2014	\$ 2,287,844	48%	\$ 1,896,903
June 30, 2015	\$ (57,682)	(2,161)%	\$ 592,549
June 30, 2016	\$ (1,205,253)	96%	\$ 539,201

Funded Status and Funding Progress: As of June 1, 2015, the most recent actuarial valuation date, the plan was funded on a pay-as-you-go basis. The actuarial accrued liability for benefits was \$29.6 million, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$29.6 million.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

In the June 1, 2015 actuarial valuation, the actuarial assumptions included an annual healthcare cost trend rate of 4.5 percent and a 2.75 percent inflation assumption. The UAAL is being amortized as a flat dollar amount over 27 years.

See required supplementary information following the notes to the basic financial statements, which presents multi-year trend information on whether assets are increasing or decreasing over time relative to plan liabilities.

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 11 - ELK GROVE BENEFITS EMPLOYEE RETIREMENT TRUST

Plan Description: Elk Grove Benefits Employee Retirement Trust (EGBERT) was established February 20, 1996 as an irrevocable trust pursuant to an agreement by and between the Elk Grove Education Association, the American Federation of State, County and Municipal Employees, the Amalgamated Transit Union, the Psychologists and Social Workers Association and Elk Grove Unified School District. EGBERT was established to provide health and welfare benefits as defined in Sections 3543.2 and 53200 of the Government Code through a Health and Welfare Plan (Plan) for the retired eligible employees of the District and their eligible dependents on an insured or self-funded basis through a trust qualified as non-profit under Section 501(c)(9) of the Internal Revenue Code.

Participation in EGBERT is limited to District employees and District board members who qualify pursuant to appropriate board policies, and their respective dependents. Additionally, District employees who are not subject to the terms of a collective bargaining agreement, but who otherwise qualify for retirement health benefits pursuant to District policy, can participate in EGBERT.

Health care benefits consist of medical, dental and vision insurance coverage. Under the current agreement, EGBERT will provide lifetime health care benefits for qualified retired employees of the District who retire on or after July 1, 2000.

See Elk Grove Benefits Employee Retirement Trust audited financial statements for the year ended December 31, 2015 for more discussion of EGBERT. A copy of the audited financial statements can be obtained from EGBERT at 9297 Office Park Circle, Suite 110, Elk Grove, California, 95758.

NOTE 12 - JOINT POWERS AGREEMENTS

Schools Insurance Authority: The District is a member with other school districts of a Joint Powers Agreement, Schools Insurance Authority, for the operation of a common risk management and insurance program for property and liability coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage in the prior year.

The following is a summary of financial information of Schools Insurance Authority at June 30, 2015 (the latest information available):

Total assets	\$ 121,722,837
Total liabilities	\$ 59,562,996
Net position	\$ (92,011,692)
Total revenue	\$ 49,606,229
Total expenses	\$ 48,956,108

The relationship between the District and the Joint Powers Authority is such that the Joint Powers Authority is not a component unit of the District for financial reporting purposes.

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 13 - ELK GROVE UNIFIED SCHOOL DISTRICT COMMUNITY FACILITIES DISTRICT NO. 1

At an election held April 28, 1987 pursuant to the Mello-Roos Community Facilities act of 1982 of the California Government Code, registered voters within the boundaries of the District authorized the issuance of \$70,000,000 principal amount of special tax bonds ("the Bonds") to finance certain elementary and secondary school facilities, including classroom and related buildings, student transportation equipment, and student support facilities, and also approved a maximum rate and method of apportionment of a special tax to pay for the principal and interest on the Bonds. At a subsequent election held on March 10, 1998, registered voters within the boundaries of the District authorized the issuance of an additional \$205,000,000 principal amount of special tax bonds for the same purposes, and approved a maximum tax rate and method of apportionment of a special tax to pay for the principal and interest on bonds issued (see Note 6).

The County of Sacramento acts as agent for the District in collecting taxes, which are forwarded to the District for debt service and included in the County's agency funds with a corresponding liability recognized for the amounts due to the Facilities District bondholders. Construction projects are recorded in the District's capital project funds.

NOTE 14 - CONTINGENCIES

The District is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the District.

Also, the District has received federal and state funds for specific purposes that are subject to review or 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.

NOTE 15 - SUBSEQUENT EVENT

On November 8, 2016, the electorate of Elk Grove Unified School District School approved \$476 million of Measure M General Obligation Bonds, with greater than 55% of the votes in favor. The proceeds from the issuance and sale of such general obligation bonds will be used for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities. No issuances, under Measure M, have occurred as of the date of this report.

REQUIRED SUPPLEMENTARY INFORMATION

ELK GROVE UNIFIED SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2016

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
Local control funding formula:				
State apportionment	\$ 416,461,856	\$ 400,428,693	\$ 391,128,986	\$ (9,299,707)
Local sources	<u>72,415,364</u>	<u>88,943,975</u>	<u>98,828,567</u>	<u>9,884,592</u>
Total local control funding formula	<u>488,877,220</u>	<u>489,372,668</u>	<u>489,957,553</u>	<u>584,885</u>
Federal sources	31,757,697	42,340,877	32,568,250	(9,772,627)
Other state sources	85,137,620	110,658,124	113,878,631	3,220,507
Other local sources	<u>4,171,184</u>	<u>11,188,805</u>	<u>9,571,978</u>	<u>(1,616,827)</u>
Total revenues	<u>609,943,721</u>	<u>653,560,474</u>	<u>645,976,412</u>	<u>(7,584,062)</u>
Expenditures:				
Current:				
Certificated salaries	281,699,280	292,273,424	289,730,232	2,543,192
Classified salaries	76,019,090	80,532,699	78,418,051	2,114,648
Employee benefits	136,713,951	158,606,387	148,945,867	9,660,520
Books and supplies	30,108,692	50,223,472	29,684,267	20,539,205
Contract services and operating expenditures	44,753,137	52,178,998	48,700,135	3,478,863
Other outgo	1,852,129	3,394,365	3,409,332	(14,967)
Capital outlay	926,885	3,527,283	2,991,518	535,765
Debt service:				
Principal retirement	500,000	500,000	382,527	117,473
Interest	<u>-</u>	<u>-</u>	<u>116,584</u>	<u>(116,584)</u>
Total expenditures	<u>572,073,164</u>	<u>640,736,628</u>	<u>602,378,513</u>	<u>38,858,115</u>
Excess of revenues over expenditures	<u>37,870,557</u>	<u>12,823,846</u>	<u>43,597,899</u>	<u>31,274,053</u>
Other financing sources (uses):				
Transfers in	12,424	-	1,722,978	1,722,978
Transfers out	<u>(1,339,420)</u>	<u>(2,083,112)</u>	<u>(1,882,231)</u>	<u>200,881</u>
Total other financing sources (uses)	<u>(1,326,996)</u>	<u>(2,083,112)</u>	<u>(159,253)</u>	<u>1,923,859</u>
Net change in fund balance	36,543,561	10,740,734	43,438,646	33,197,912
Fund balance, July 1, 2015	<u>51,103,966</u>	<u>64,562,553</u>	<u>64,562,553</u>	<u>-</u>
Fund balance, June 30, 2016	<u>\$ 87,647,527</u>	<u>\$ 75,303,287</u>	<u>\$ 108,001,199</u>	<u>\$ 33,197,912</u>

See accompanying note to required supplementary information.

ELK GROVE UNIFIED SCHOOL DISTRICT
 SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)
 FUNDING PROGRESS
 For the Year Ended June 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets	Schedule of Funding Progress			Covered Payroll	UAAL as a Percentage of Covered Payroll
		Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio		
<u>Pre-2000 Plan</u>						
November 1, 2006	\$ -	\$33.3 million	\$33.3 million	0%	\$ -	0%
June 1, 2015	\$ -	\$29.6 million	\$29.6 million	0%	\$ -	0%

See accompanying note to required supplementary information.

ELK GROVE UNIFIED SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY
 For the Year Ended June 30, 2016

State Teachers' Retirement Plan
 Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>
District's proportion of the net pension liability	0.575%	0.575%
District's proportionate share of the net pension liability	\$ 335,739,000	\$ 387,022,000
State's proportionate share of the net pension liability associated with the District	<u>202,735,000</u>	<u>204,691,000</u>
Total net pension liability	<u>\$ 538,474,000</u>	<u>\$ 591,713,000</u>
District's covered-employee payroll	\$ 255,898,000	\$ 266,821,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	131.20%	145.05%
Plan fiduciary net position as a percentage of the total pension liability	76.52%	74.02%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

All years prior to 2015 are not available.

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
For the Year Ended June 30, 2016

Public Employer's Retirement Fund B
Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>
District's proportion of the net pension liability	0.694%	0.712%
District's proportionate share of the net pension liability	\$ 78,836,000	\$ 104,902,000
District's covered-employee payroll	\$ 72,899,000	\$ 78,790,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	108.14%	133.14%
Plan fiduciary net position as a percentage of the total pension liability	83.38%	79.43%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

All years prior to 2015 are not available.

See accompanying note to required supplementary information.

ELK GROVE UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
For the Year Ended June 30, 2016

State Teachers' Retirement Plan
Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$ 23,693,748	\$ 30,556,787
Contributions in relation to the contractually required contribution	\$ 23,693,748	\$ 30,556,787
District's covered-employee payroll	\$ 266,821,000	\$ 284,779,000
Contributions as a percentage of covered-employee payroll	8.88%	10.73%

All years prior to 2015 are not available.

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
For the Year Ended June 30, 2016

Public Employer's Retirement Fund B
Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$ 9,274,354	\$ 10,085,627
Contributions in relation to the contractually required contribution	\$ 9,274,354	\$ 10,085,627
District's covered-employee payroll	\$ 78,790,000	\$ 85,132,000
Contributions as a percentage of covered-employee payroll	11.77%	11.85%

All years prior to 2015 are not available.

See accompanying note to required supplementary information.

ELK GROVE UNIFIED SCHOOL DISTRICT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2016

NOTE 1 - PURPOSE OF SCHEDULES

A - Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The budgets are revised during the year by the Board of Education to provide for revised priorities. Expenditures cannot legally exceed appropriations by major object code. The originally adopted and final revised budgets for the General Fund are presented as Required Supplementary Information. The basis of budgeting is the same as GAAP.

B - Schedule of Other Postemployment Benefits Funding Progress

The Schedule of Funding Progress presents multi-year trend information which compares, over time, the actuarially accrued liability for benefits with the actuarial value of accumulated plan assets.

C - Schedule of the District's Proportionate Share of the Net Pension Liability

The Schedule of the District's Proportionate Share of the Net Pension Liability is presented to illustrate the elements of the District's Net Pension Liability. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

D - Schedule of the District's Contributions

The Schedule of the District's Contributions is presented to illustrate the District's required contributions relating to the pensions. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

E - Changes of benefit terms

There are no changes in benefit terms reported in the Required Supplementary Information.

F - Changes of assumptions

The discount rate for Public Employer's retirement Fund B was 7.50 and 7.65 percent in June 30, 2013 and June 30, 2014 actuarial reports, respectively. There are no changes in assumptions reported for the State Teacher's Retirement Plan.

SUPPLEMENTARY INFORMATION

ELK GROVE UNIFIED SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 ALL NON-MAJOR FUNDS
 June 30, 2016

	Charter Schools Fund	Adult Education Fund	Child Develop- ment Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve for Capital Outlay Fund	Mello-Roos Administrative Fund	Total
ASSETS									
Cash in County Treasury	\$ 3,470,427	\$ 2,193,836	\$ 10,746	\$ 19,070	\$ 662,814	\$ 7,500,717	\$ 678,292	\$ 112,976	\$ 14,648,878
Cash with Fiscal Agent	-	-	-	-	-	-	-	20,977,776	20,977,776
Cash on hand and in banks	-	5,520	-	10,537	-	-	-	-	16,057
Cash in revolving fund	-	-	-	11,013	-	-	-	-	11,013
Cash awaiting deposit	-	23,946	398,539	61	-	213,092	-	-	635,638
Receivables	159,742	448,759	696,767	5,059,320	3,628	110,270	3,464	-	6,481,950
Prepaid expenditures	-	4,217	-	-	-	-	-	-	4,217
Due from other funds	-	369,929	218,830	1,588,524	-	-	-	32,917	2,210,200
Stores inventory	-	-	-	1,069,037	-	-	-	-	1,069,037
Total assets	<u>\$ 3,630,169</u>	<u>\$ 3,046,207</u>	<u>\$ 1,324,882</u>	<u>\$ 7,757,562</u>	<u>\$ 666,442</u>	<u>\$ 7,824,079</u>	<u>\$ 681,756</u>	<u>\$ 21,123,669</u>	<u>\$ 46,054,766</u>
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ 41,620	\$ 236,574	\$ 124,656	\$ 627,504	\$ 17,576	\$ 7,395	\$ -	\$ -	\$ 1,055,325
Unearned revenue	1,021	30,770	399,620	13,955	-	(562)	-	-	444,804
Due to other funds	58,936	241,244	705,430	2,194,184	-	2,718	-	-	3,202,512
Total liabilities	<u>101,577</u>	<u>508,588</u>	<u>1,229,706</u>	<u>2,835,643</u>	<u>17,576</u>	<u>9,551</u>	<u>-</u>	<u>-</u>	<u>4,702,641</u>
Fund balances:									
Nonspendable	-	4,217	-	1,080,050	-	-	-	-	1,084,267
Restricted	3,528,592	2,533,402	95,176	3,841,869	648,866	7,814,528	681,756	21,123,669	40,267,858
Total fund balances	<u>3,528,592</u>	<u>2,537,619</u>	<u>95,176</u>	<u>4,921,919</u>	<u>648,866</u>	<u>7,814,528</u>	<u>681,756</u>	<u>21,123,669</u>	<u>41,352,125</u>
Total liabilities and fund balances	<u>\$ 3,630,169</u>	<u>\$ 3,046,207</u>	<u>\$ 1,324,882</u>	<u>\$ 7,757,562</u>	<u>\$ 666,442</u>	<u>\$ 7,824,079</u>	<u>\$ 681,756</u>	<u>\$ 21,123,669</u>	<u>\$ 46,054,766</u>

ELK GROVE UNIFIED SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
 ALL NON-MAJOR FUNDS
 For the Year Ended June 30, 2016

	Charter Schools Fund	Adult Education Fund	Child Develop- ment Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve for Capital Outlay Fund	Mello-Roos Administrative Fund	Total
Revenues:									
Local control funding formula	\$ 2,245,523	\$ 281,032	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,526,555
Federal sources	-	1,267,505	3,732,068	20,710,260	-	-	-	-	25,709,833
Other state sources	295,297	2,839,484	1,943,436	1,088,267	-	-	-	-	6,166,484
Other local sources	<u>16,673</u>	<u>715,907</u>	<u>518,395</u>	<u>4,078,109</u>	<u>3,628</u>	<u>13,282,010</u>	<u>21,642</u>	<u>15,212,478</u>	<u>33,848,842</u>
Total revenues	<u>2,557,493</u>	<u>5,103,928</u>	<u>6,193,899</u>	<u>25,876,636</u>	<u>3,628</u>	<u>13,282,010</u>	<u>21,642</u>	<u>15,212,478</u>	<u>68,251,714</u>
Expenditures:									
Current:									
Certificated salaries	1,196,113	1,650,935	2,076,461	-	-	-	-	-	4,923,509
Classified salaries	196,255	1,058,662	1,232,976	8,164,887	-	100,148	-	-	10,752,928
Employee benefits	453,838	1,007,460	1,403,393	3,715,442	-	41,184	-	-	6,621,317
Books and supplies	123,407	333,955	431,067	11,994,929	-	4,796	-	-	12,888,154
Contract services and operating expenditures	94,865	448,729	992,555	704,939	24,405	98,226	-	-	2,363,719
Other outgo	-	90,864	-	-	-	-	-	77,954	168,818
Capital outlay	-	-	-	568,532	128,421	323,402	-	-	1,020,355
Debt service:									
Principal retirement	-	-	-	-	-	-	-	3,267,455	3,267,455
Interest	-	-	-	-	-	-	-	7,646,092	7,646,092
Total expenditures	<u>2,064,478</u>	<u>4,590,605</u>	<u>6,136,452</u>	<u>25,148,729</u>	<u>152,826</u>	<u>567,756</u>	<u>-</u>	<u>10,991,501</u>	<u>49,652,347</u>
Excess (deficiency) of revenues over (under) expenditures	<u>493,015</u>	<u>513,323</u>	<u>57,447</u>	<u>727,907</u>	<u>(149,198)</u>	<u>12,714,254</u>	<u>21,642</u>	<u>4,220,977</u>	<u>18,599,367</u>
Other financing sources (uses):									
Transfers in	-	-	207,454	1,559,837	-	13,569,182	-	-	15,336,473
Transfers out	<u>(58,622)</u>	<u>(175,884)</u>	<u>(257,748)</u>	<u>(1,230,724)</u>	<u>-</u>	<u>(37,923,419)</u>	<u>-</u>	<u>(1,739,237)</u>	<u>(41,385,634)</u>
Total other financing sources (uses)	<u>(58,622)</u>	<u>(175,884)</u>	<u>(50,294)</u>	<u>329,113</u>	<u>-</u>	<u>(24,354,237)</u>	<u>-</u>	<u>(1,739,237)</u>	<u>(26,049,161)</u>
Net change in fund balances	434,393	337,439	7,153	1,057,020	(149,198)	(11,639,983)	21,642	2,481,740	(7,449,794)
Fund balances, July 1, 2015	<u>3,094,199</u>	<u>2,200,180</u>	<u>88,023</u>	<u>3,864,899</u>	<u>798,064</u>	<u>19,454,511</u>	<u>660,114</u>	<u>18,641,929</u>	<u>48,801,919</u>
Fund balances, June 30, 2016	<u>\$ 3,528,592</u>	<u>\$ 2,537,619</u>	<u>\$ 95,176</u>	<u>\$ 4,921,919</u>	<u>\$ 648,866</u>	<u>\$ 7,814,528</u>	<u>\$ 681,756</u>	<u>\$ 21,123,669</u>	<u>\$ 41,352,125</u>

ELK GROVE UNIFIED SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 For the Year Ended June 30, 2016

	Balance July 1, <u>2015</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2016</u>
<u>Student Body Funds</u>				
<u>Elk Grove High School</u>				
Assets:				
Cash on hand and in banks	\$ 280,341	\$ 1,278,042	\$ 1,243,167	\$ 315,216
Inventory	<u>3,365</u>	<u>36,238</u>	<u>37,391</u>	<u>2,212</u>
	<u>\$ 283,706</u>	<u>\$ 1,314,280</u>	<u>\$ 1,280,558</u>	<u>\$ 317,428</u>
Liabilities:				
Due to students/student groups	<u>\$ 283,706</u>	<u>\$ 1,314,280</u>	<u>\$ 1,280,558</u>	<u>\$ 317,428</u>
<u>Florin High School</u>				
Assets:				
Cash on hand and in banks	\$ 236,071	\$ 627,230	\$ 623,054	\$ 240,247
Inventory	<u>1,971</u>	<u>21,532</u>	<u>21,506</u>	<u>1,997</u>
	<u>\$ 238,042</u>	<u>\$ 648,762</u>	<u>\$ 644,560</u>	<u>\$ 242,244</u>
Liabilities:				
Due to students/student groups	<u>\$ 238,042</u>	<u>\$ 648,762</u>	<u>\$ 644,560</u>	<u>\$ 242,244</u>
<u>Franklin High School</u>				
Assets:				
Cash on hand and in banks	\$ 226,918	\$ 1,331,254	\$ 1,308,762	\$ 249,410
Inventory	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 226,918</u>	<u>\$ 1,331,254</u>	<u>\$ 1,308,762</u>	<u>\$ 249,410</u>
Liabilities:				
Due to students/student groups	<u>\$ 226,918</u>	<u>\$ 1,331,254</u>	<u>\$ 1,308,762</u>	<u>\$ 249,410</u>

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 For the Year Ended June 30, 2016

	Balance July 1, <u>2015</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2016</u>
<u>Student Body Funds</u>				
(Continued)				
<u>Laguna Creek High School</u>				
Assets:				
Cash on hand and in banks	\$ 263,806	\$ 849,441	\$ 776,418	\$ 336,829
Inventory	<u>16,312</u>	<u>-</u>	<u>-</u>	<u>16,312</u>
	<u>\$ 280,118</u>	<u>\$ 849,441</u>	<u>\$ 776,418</u>	<u>\$ 353,141</u>
Liabilities:				
Due to students/student groups	<u>\$ 280,118</u>	<u>\$ 849,441</u>	<u>\$ 776,418</u>	<u>\$ 353,141</u>
<u>Monterey Trail High School</u>				
Assets:				
Cash on hand and in banks	\$ 231,058	\$ 916,058	\$ 857,538	\$ 289,578
Inventory	<u>-</u>	<u>44,544</u>	<u>44,445</u>	<u>99</u>
	<u>\$ 231,058</u>	<u>\$ 960,602</u>	<u>\$ 901,983</u>	<u>\$ 289,677</u>
Liabilities:				
Due to students/student groups	<u>\$ 231,058</u>	<u>\$ 960,602</u>	<u>\$ 901,983</u>	<u>\$ 289,677</u>
<u>Pleasant Grove High School</u>				
Assets:				
Cash on hand and in banks	\$ 226,836	\$ 1,262,392	\$ 1,324,457	\$ 164,771
Inventory	<u>-</u>	<u>51,368</u>	<u>51,368</u>	<u>-</u>
	<u>\$ 226,836</u>	<u>\$ 1,313,760</u>	<u>\$ 1,375,825</u>	<u>\$ 164,771</u>
Liabilities:				
Due to students/student groups	<u>\$ 226,836</u>	<u>\$ 1,313,760</u>	<u>\$ 1,375,825</u>	<u>\$ 164,771</u>

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 For the Year Ended June 30, 2016

	Balance July 1, <u>2015</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2016</u>
<u>Student Body Funds</u>				
(Continued)				
<u>Sheldon High School</u>				
Assets:				
Cash on hand and in banks	\$ 395,913	\$ 1,251,421	\$ 1,205,293	\$ 442,041
Inventory	<u>7,607</u>	<u>33,071</u>	<u>34,013</u>	<u>6,665</u>
	<u>\$ 403,520</u>	<u>\$ 1,284,492</u>	<u>\$ 1,239,306</u>	<u>\$ 448,706</u>
Liabilities:				
Due to students/student groups	<u>\$ 403,520</u>	<u>\$ 1,284,492</u>	<u>\$ 1,239,306</u>	<u>\$ 448,706</u>
<u>Valley High School</u>				
Assets:				
Cash on hand and in banks	\$ 47,084	\$ 406,987	\$ 369,441	\$ 84,630
Inventory	<u>712</u>	<u>22,761</u>	<u>23,153</u>	<u>320</u>
	<u>\$ 47,796</u>	<u>\$ 429,748</u>	<u>\$ 392,594</u>	<u>\$ 84,950</u>
Liabilities:				
Due to students/student groups	<u>\$ 47,796</u>	<u>\$ 429,748</u>	<u>\$ 392,594</u>	<u>\$ 84,950</u>
<u>Cosumnes Oaks High School</u>				
Assets:				
Cash on hand and in banks	\$ 323,992	\$ 1,392,030	\$ 1,371,983	\$ 344,039
Inventory	<u>32,353</u>	<u>71,523</u>	<u>69,198</u>	<u>34,678</u>
	<u>\$ 356,345</u>	<u>\$ 1,463,553</u>	<u>\$ 1,441,181</u>	<u>\$ 378,717</u>
Liabilities:				
Due to students/student groups	<u>\$ 356,345</u>	<u>\$ 1,463,553</u>	<u>\$ 1,441,181</u>	<u>\$ 378,717</u>

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 For the Year Ended June 30, 2016

	Balance July 1, <u>2015</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2016</u>
<u>Student Body Funds</u>				
(Continued)				
<u>Edward Harris, Jr. Middle School</u>				
Assets:				
Cash on hand and in banks	\$ 69,361	\$ 279,407	\$ 259,531	\$ 89,237
Inventory	<u>196</u>	<u>20,352</u>	<u>13,180</u>	<u>7,368</u>
	<u>\$ 69,557</u>	<u>\$ 299,759</u>	<u>\$ 272,711</u>	<u>\$ 96,605</u>
Liabilities:				
Due to students/student groups	<u>\$ 69,557</u>	<u>\$ 299,759</u>	<u>\$ 272,711</u>	<u>\$ 96,605</u>
<u>Toby Johnson Middle School</u>				
Assets:				
Cash on hand and in banks	\$ 465,720	\$ 737,491	\$ 749,483	\$ 453,728
Inventory	<u>-</u>	<u>35,496</u>	<u>35,496</u>	<u>-</u>
	<u>\$ 465,720</u>	<u>\$ 772,987</u>	<u>\$ 784,979</u>	<u>\$ 453,728</u>
Liabilities:				
Due to students/student groups	<u>\$ 465,720</u>	<u>\$ 772,987</u>	<u>\$ 784,979</u>	<u>\$ 453,728</u>
<u>Joseph Kerr Middle School</u>				
Assets:				
Cash on hand and in banks	\$ 96,881	\$ 353,313	\$ 334,525	\$ 115,669
Inventory	<u>-</u>	<u>15,354</u>	<u>15,354</u>	<u>-</u>
	<u>\$ 96,881</u>	<u>\$ 368,667</u>	<u>\$ 349,879</u>	<u>\$ 115,669</u>
Liabilities:				
Due to students/student groups	<u>\$ 96,881</u>	<u>\$ 368,667</u>	<u>\$ 349,879</u>	<u>\$ 115,669</u>

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 For the Year Ended June 30, 2016

	Balance July 1, <u>2015</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2016</u>
<u>Student Body Funds</u>				
(Continued)				
<u>Harriet Eddy Middle School</u>				
Assets:				
Cash on hand and in banks	\$ 42,851	\$ 227,873	\$ 216,185	\$ 54,539
Inventory	<u>-</u>	<u>44,986</u>	<u>44,986</u>	<u>-</u>
	<u>\$ 42,851</u>	<u>\$ 272,859</u>	<u>\$ 261,171</u>	<u>\$ 54,539</u>
Liabilities:				
Due to students/student groups	<u>\$ 42,851</u>	<u>\$ 272,859</u>	<u>\$ 261,171</u>	<u>\$ 54,539</u>
<u>James Rutter Middle School</u>				
Assets:				
Cash on hand and in banks	\$ 72,524	\$ 153,620	\$ 154,000	\$ 72,144
Inventory	<u>423</u>	<u>28,469</u>	<u>28,294</u>	<u>598</u>
	<u>\$ 72,947</u>	<u>\$ 182,089</u>	<u>\$ 182,294</u>	<u>\$ 72,742</u>
Liabilities:				
Due to students/student groups	<u>\$ 72,947</u>	<u>\$ 182,089</u>	<u>\$ 182,294</u>	<u>\$ 72,742</u>
<u>Katherine L. Albiani Middle School</u>				
Assets:				
Cash on hand and in banks	\$ 110,352	\$ 528,971	\$ 496,556	\$ 142,767
Inventory	<u>3,337</u>	<u>31,876</u>	<u>34,704</u>	<u>509</u>
	<u>\$ 113,689</u>	<u>\$ 560,847</u>	<u>\$ 531,260</u>	<u>\$ 143,276</u>
Liabilities:				
Due to students/student groups	<u>\$ 113,689</u>	<u>\$ 560,847</u>	<u>\$ 531,260</u>	<u>\$ 143,276</u>

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 For the Year Ended June 30, 2016

	Balance July 1, <u>2015</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2016</u>
<u>Student Body Funds</u>				
(Continued)				
<u>Samuel Jackman Middle School</u>				
Assets:				
Cash on hand and in banks	\$ 25,853	\$ 177,922	\$ 170,511	\$ 33,264
Inventory	<u>79</u>	<u>13,655</u>	<u>13,625</u>	<u>109</u>
	<u>\$ 25,932</u>	<u>\$ 191,577</u>	<u>\$ 184,136</u>	<u>\$ 33,373</u>
Liabilities:				
Due to students/student groups	<u>\$ 25,932</u>	<u>\$ 191,577</u>	<u>\$ 184,136</u>	<u>\$ 33,373</u>
<u>Pinkerton Middle School</u>				
Assets:				
Cash on hand and in banks	\$ 83,698	\$ 395,541	\$ 394,674	\$ 84,565
Inventory	<u>2,227</u>	<u>-</u>	<u>1,435</u>	<u>792</u>
	<u>\$ 85,925</u>	<u>\$ 395,541</u>	<u>\$ 396,109</u>	<u>\$ 85,357</u>
Liabilities:				
Due to students/student groups	<u>\$ 85,925</u>	<u>\$ 395,541</u>	<u>\$ 396,109</u>	<u>\$ 85,357</u>
<u>T. R. Smedberg Middle School</u>				
Assets:				
Cash on hand and in banks	\$ 115,000	\$ 301,082	\$ 310,891	\$ 105,191
Inventory	<u>3</u>	<u>29,276</u>	<u>29,088</u>	<u>191</u>
	<u>\$ 115,003</u>	<u>\$ 330,358</u>	<u>\$ 339,979</u>	<u>\$ 105,382</u>
Liabilities:				
Due to students/student groups	<u>\$ 115,003</u>	<u>\$ 330,358</u>	<u>\$ 339,979</u>	<u>\$ 105,382</u>

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 For the Year Ended June 30, 2016

	Balance July 1, <u>2015</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2016</u>
<u>Student Body Funds</u>				
(Continued)				
<u>Elementary and Other Schools</u>				
Assets:				
Cash on hand and in banks	\$ 1,394,830	\$ 4,117,006	\$ 4,157,500	\$ 1,354,336
Inventory	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,394,830</u>	<u>\$ 4,117,006</u>	<u>\$ 4,157,500</u>	<u>\$ 1,354,336</u>
Liabilities:				
Due to students/student groups	<u>\$ 1,394,830</u>	<u>\$ 4,117,006</u>	<u>\$ 4,157,500</u>	<u>\$ 1,354,336</u>
<u>Total Agency Funds</u>				
Assets:				
Cash on hand and in banks	\$ 4,709,089	\$ 16,587,081	\$ 16,323,969	\$ 4,972,201
Inventory	<u>68,585</u>	<u>500.501</u>	<u>497.236</u>	<u>71,850</u>
	<u>\$ 4,777,674</u>	<u>\$ 17,087,582</u>	<u>\$ 16,821,205</u>	<u>\$ 5,044,051</u>
Liabilities:				
Due to students/student groups	<u>\$ 4,777,674</u>	<u>\$ 17,087,582</u>	<u>\$ 16,821,205</u>	<u>\$ 5,044,051</u>

ELK GROVE UNIFIED SCHOOL DISTRICT
ORGANIZATION
June 30, 2016

Elk Grove Unified School District was established in 1959 through the unification of smaller school districts. The District is a political subdivision of the State of California. The District covers 320 square miles within the City of Elk Grove, the City of Sacramento, the City of Rancho Cordova and unincorporated areas of Sacramento County. The District operates 40 elementary schools (grades K-6), nine middle schools (grades 7-8), nine comprehensive high schools (grades 9-12), three continuation high schools, one special education school, one adult school, one independent studies program, one charter school and one virtual school.

The Board of Education of Elk Grove Unified School District governs all activities related to public education within the jurisdiction of the District. The Board receives funding from local, State and federal government sources and must comply with the concomitant requirements of these funding source entities. Elk Grove Unified School District is governed by an elected seven member Board of Education. The board members represent seven geographic areas and are elected at large for four year terms and elections are held every two years. The Board has the decision making authority and is accountable for all fiscal matters relating to the District.

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Bobbie Singh-Allen	President	November 2018
Carmine S. Forcina	Clerk	November 2016
Beth Albiani	Member	November 2018
Nancy Chaires Espinoza	Member	November 2016
Dr. Crystal Martinez-Alire	Member	November 2018
Chet Madison, Sr.	Member	November 2016
Anthony "Tony" Perez	Member	November 2016

The Superintendent of the District is appointed by the Board and reports to the Board. The Superintendent is responsible for managing the District's day-to-day operations and supervising the work of other key District administrators. Key members of the District's staff are as follows:

ADMINISTRATION

Christopher R. Hoffman
Superintendent

Mark Cerutti
Associate Superintendent, Education Services

Donna Cherry
Associate Superintendent, Elementary (Pre K-6) Education

David E. Reilly
Associate Superintendent, Human Resources

Richard Fagan
Associate Superintendent, Finance and School Support

Christina Penna
Associate Superintendent, Secondary (7-12) Education

Robert Pierce
Associate Superintendent, Facilities and Planning

ELK GROVE UNIFIED SCHOOL DISTRICT
 SCHEDULE OF AVERAGE DAILY ATTENDANCE
 For the Year Ended June 30, 2016

	<u>Second Period Report</u>	<u>Audited Second Period Report</u>	<u>Annual Report</u>	<u>Revised Annual Report</u>
DISTRICT				
Elementary:				
Transitional Kindergarten through Third	17,350	17,351	17,367	17,367
Fourth through Sixth	14,087	14,087	14,090	14,090
Seventh and Eighth	<u>9,570</u>	<u>9,568</u>	<u>9,564</u>	<u>9,565</u>
Subtotal Elementary	<u>41,007</u>	<u>41,006</u>	<u>41,021</u>	<u>41,022</u>
Secondary:				
Ninth through Twelfth	<u>18,512</u>	<u>18,515</u>	<u>18,429</u>	<u>18,430</u>
Total District	<u><u>59,519</u></u>	<u><u>59,521</u></u>	<u><u>59,450</u></u>	<u><u>59,452</u></u>
CHARTER SCHOOL				
Charter School - Non Classroom-Based:				
Secondary Education	<u><u>286</u></u>		<u><u>294</u></u>	

The Charter School did not revise the Second Period or Annual Reports of Attendance.

See accompanying notes to supplementary information.

ELK GROVE UNIFIED SCHOOL DISTRICT
 SCHEDULE OF INSTRUCTIONAL TIME
 For the Year Ended June 30, 2016

	<u>Statutory Minutes Require- ment</u>	<u>2015-16 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Number of Days Multitrack Calendar</u>	<u>Status</u>
<u>GRADE LEVEL</u>					
<u>DISTRICT</u>					
Kindergarten	36,000	36,000	180	171	In Compliance
Grade 1	50,400	53,015	180	171	In Compliance
Grade 2	50,400	53,015	180	171	In Compliance
Grade 3	50,400	53,015	180	171	In Compliance
Grade 4	54,000	54,410	180	171	In Compliance
Grade 5	54,000	54,410	180	171	In Compliance
Grade 6	54,000	54,410	180	171	In Compliance
Grade 7	54,000	60,724	180	171	In Compliance
Grade 8	54,000	60,724	180	171	In Compliance
Grade 9	64,800	65,149	180	N/A	In Compliance
Grade 10	64,800	65,412	180	N/A	In Compliance
Grade 11	64,800	65,635	180	N/A	In Compliance
Grade 12	64,800	65,132	180	N/A	In Compliance

See accompanying notes to supplementary information.

ELK GROVE UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
For the Year Ended June 30, 2016

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Expend- itures
<u>U.S. Department of Education - Passed through California Department of Education</u>			
	Special Education IDEA Cluster:		
84.027A	Special Education: IDEA Mental Health Services, Part B, Section 611	14468	\$ 688,248
84.027	Special Education: Basic Local Assistance Entitlement, Part B, Section 611	13379	9,363,376
84.027A	Special Education: IDEA Preschool Local Entitlement, Part B, Section 611	13682	425,362
84.027	Special Education: IDEA Local Assistance, Part B, Section 611, Early Intervening Services	10119	53,605
84.173A	Special Education: IDEA Preschool Staff Development, Part B, Section 619	13431	2,248
84.173	Special Education: IDEA Preschool Grants, Part B, Section 619	13430	<u>184,620</u>
	Subtotal Special Education IDEA Cluster		<u>10,717,459</u>
	NCLB: Title I Programs:		
84.010	NCLB: Title I: Basic Grants Low-Income and Neglected	14329	16,027,441
84.010	NCLB: Title I, Part D, Subpart 2, Local Delinquent Programs	14357	<u>46,524</u>
	Subtotal NCLB: Title I Programs		<u>16,073,965</u>
	Adult Education Programs:		
84.002A	Adult Education: Adult Basic Education & ESL	14508	225,820
84.002	Adult Education: English Literacy & Civics Education	14109	123,578
84.002	Adult Education: Institutionalized Adults	13971	109,540
84.002	Adult Education: Adult Secondary Education	13978	<u>187,130</u>
	Subtotal Adult Education Programs		<u>646,068</u>
	Carl D. Perkins Career and Technical Education Programs:		
84.048	Carl D. Perkins Career and Technical Education, Secondary, Section 131	14894	445,432
84.048	Carl D. Perkins Career and Technical Education, Adult, Section 132	14893	<u>81,647</u>
	Subtotal Carl D. Perkins Career and Technical Education Programs		<u>527,079</u>

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
 For the Year Ended June 30, 2016

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Expend- itures
<u>U.S. Department of Education - Passed through California Department of Education (Continued)</u>			
	NCLB: Title II: Part B Programs:		
84.366	NCLB: Title II: Part B, CaMSP	14512	\$ 64,840
84.366B	NCLB: Title II: Part B, CaMSP, Cohort 9	14512	<u>18,509</u>
	Subtotal NCLB: Title II Programs		<u>83,349</u>
	NCLB: Title II: Part A Programs:		
84.367	NCLB: Title II, Part A, Teacher Quality Local Grants	14341	1,511,688
84.367	NCLB: Title II, Administrator Training	14344	<u>5,919</u>
	Subtotal NCLB: Part A Title II Programs		<u>1,517,607</u>
84.215E	Elementary School Counseling	-	441,639
84.287	NCLB: Title IV, Part B, 21st Century Community Learning Centers Program	14681	1,320,383
84.158	Department of Rehabilitation: Workability II, Transitions Partnership	10006	272,469
84.060	Indian Education	10011	49,376
84.334A	California State Gear Up Program	10088	85,750
84.330	NCLB Title I, Part G: Advanced Placement Test Fee Reimbursement Program	14831	124,886
84.UNKNOWN	IB Exam Program	-	15,190
84.365	NCLB: Title III, Limited English Proficient Student Program	14346	<u>1,017,797</u>
	Total U.S. Department of Education		<u>32,893,017</u>
<u>U.S. Department of Labor - Passed through California Department of Education</u>			
	WIA Programs:		
17.259	SETA: One Stop, Adults	-	330,728
17.259	SETA: One Stop, Universal Services	-	35,765
17.259	SETA: One Stop, Out of School Services	-	<u>173,298</u>
	Subtotal WIA Programs		<u>539,791</u>
	Total U.S. Department of Labor		<u>539,791</u>
<u>U.S. Department of Health and Human Services - Passed through California Department of Education</u>			
	Head Start Programs:		
93.600	Head Start - Basic	10016	3,336,037
93.600	Head Start - PA 20	10016	<u>6,568</u>
	Subtotal Head Start Programs		<u>3,342,605</u>

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
 For the Year Ended June 30, 2016

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expend- itures</u>
<u>U.S. Department of Health and Human Services - Passed through California Department of Education (Continued)</u>			
93.596	Child Development: Federal General and State Preschool, Family Child Care Home	13609	\$ 389,463
93.778	Dept of Health Services (DHCS): Medi-Cal Billing Option	10013	527,149
93.674	Chafee Foster Care Independence Program	-	<u>98,614</u>
	Total U.S. Department of Health and Human Services		<u>4,357,831</u>
<u>U.S. Department of Agriculture - Passed through California Department of Education</u>			
10.555	Child Nutrition: School Programs	13390	19,131,344
10.558	Child Nutrition: CACFP Claims - Centers and Family Day Care	13393	1,558,577
10.579	Child Nutrition: NSLP Equipment Assistance Grants	14906	<u>17,385</u>
	Total U.S. Department of Agriculture		<u>20,707,306</u>
<u>U.S. Department of Transportation - Passed through California Department of Education</u>			
20.205	Safe Routes to Schools	-	<u>116,077</u>
<u>U.S. Department of Homeland Security - Passed through California Department of Education</u>			
97.UNKNOWN	Air Force ROTC	-	77,284
97.UNKNOWN	NJROTC	-	<u>15,870</u>
	Total U.S. Department of Homeland Security		<u>93,154</u>
	Total Federal Programs		<u>\$ 58,707,176</u>

See accompanying notes to supplementary information.

ELK GROVE UNIFIED SCHOOL DISTRICT
RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT
WITH AUDITED FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

There were no audit adjustments proposed to any funds of the District.

See accompanying notes to supplementary information.

ELK GROVE UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
For the Year Ended June 30, 2016
(UNAUDITED)

	(Budgeted) <u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>General Fund</u>				
Revenues and other financing sources	<u>\$ 643,215,413</u>	<u>\$ 647,699,390</u>	<u>\$ 556,543,104</u>	<u>\$ 498,040,618</u>
Expenditures	651,367,529	602,378,513	555,005,323	506,847,195
Other uses and transfers out	<u>1,671,686</u>	<u>1,882,231</u>	<u>1,339,421</u>	<u>1,363,265</u>
Total outgo	<u>653,039,215</u>	<u>604,260,744</u>	<u>556,344,744</u>	<u>508,210,460</u>
Change in fund balance	<u>\$ (9,823,802)</u>	<u>\$ 43,438,646</u>	<u>\$ 198,360</u>	<u>\$ (10,169,842)</u>
Ending fund balance	<u>\$ 98,177,397</u>	<u>\$ 108,001,199</u>	<u>\$ 64,562,553</u>	<u>\$ 64,364,193</u>
Available reserves	<u>\$ 13,100,000</u>	<u>\$ 12,000,000</u>	<u>\$ 11,600,000</u>	<u>\$ 10,700,000</u>
Designated for economic uncertainties	<u>\$ 13,100,000</u>	<u>\$ 12,000,000</u>	<u>\$ 11,600,000</u>	<u>\$ 10,700,000</u>
Undesignated fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Available reserves as percentages of total outgo	<u>2.1%</u>	<u>2.1%</u>	<u>2.1%</u>	<u>2.1%</u>
<u>All Funds</u>				
Total long-term liabilities	<u>\$ 709,629,094</u>	<u>\$ 723,328,220</u>	<u>\$ 614,295,640</u>	<u>\$ 720,235,635</u>
Average daily attendance at P-2 (excluding Charter School)	<u>59,525</u>	<u>59,521</u>	<u>59,496</u>	<u>59,378</u>

The General Fund fund balance has increased by \$33,467,164 over the past three years. The fiscal year 2016-2017 budget, as originally adopted, projects a decrease of \$9,823,802. For a district this size (budgeted ADA in excess of 30,000), the state recommends available reserves of at least two percent of total General Fund expenditures, transfers out, and other uses (total outgo). The District has met this requirement.

The District has incurred operating surpluses in two of the past three years, and anticipates an operating deficit during the 2016-2017 fiscal year.

Total long-term liabilities have increased by \$3,092,585 over the past three years, as shown in Note 6 to the basic financial statements.

Average daily attendance has increased by 143 over the past three years. An increase of 4 ADA is projected for the 2016-2017 fiscal year.

See accompanying notes to supplementary information.

ELK GROVE UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
For the Year Ended June 30, 2016

<u>Charter Schools Chartered by District</u>	<u>Included in District Financial Statements, or Separate Report</u>
Elk Grove Charter School	Included as Charter Schools Fund
California Montessori Project - Elk Grove Campus	Separate Report

See accompanying notes to supplementary information.

ELK GROVE UNIFIED SCHOOL DISTRICT
SCHEDULE OF FIRST 5 REVENUES AND EXPENDITURES
For the Year Ended June 30, 2016

	<u>First 5/ School Readiness</u>	<u>All Other Programs</u>	<u>Total Child Development Fund</u>
Revenues:			
Federal revenue sources	\$ -	\$ 3,732,068	\$ 3,732,068
State revenue sources	-	1,943,436	1,943,436
Local revenues sources	<u>485,856</u>	<u>32,539</u>	<u>518,395</u>
 Total revenues	 <u>485,856</u>	 <u>5,708,043</u>	 <u>6,193,899</u>
Expenditures:			
Certificated salaries	168,855	1,907,606	2,076,461
Classified salaries	112,987	1,119,989	1,232,976
Employee benefits	100,811	1,302,582	1,403,393
Books and supplies	62,436	368,631	431,067
Contract services and operating expenditures	<u>17,643</u>	<u>974,912</u>	<u>992,555</u>
 Total expenditures	 <u>462,732</u>	 <u>5,673,720</u>	 <u>6,136,452</u>
 Excess of revenues over expenditures	 <u>23,124</u>	 <u>34,323</u>	 <u>57,447</u>
Other financing sources (uses):			
Transfers in	-	207,454	207,454
Transfers out	<u>(23,124)</u>	<u>(234,624)</u>	<u>(257,748)</u>
 Total other financing sources (uses)	 <u>(23,124)</u>	 <u>(27,170)</u>	 <u>(50,294)</u>
 Net change in fund balances	 -	 7,153	 7,153
 Fund balances, July 1, 2015	 <u>-</u>	 <u>88,023</u>	 <u>88,023</u>
 Fund balances, June 30, 2016	 <u>\$ -</u>	 <u>\$ 95,176</u>	 <u>\$ 95,176</u>

See accompanying notes to supplementary information.

ELK GROVE UNIFIED SCHOOL DISTRICT
 NOTES TO SUPPLEMENTARY INFORMATION
 June 30, 2016

NOTE 1 - PURPOSE OF SCHEDULES

A - 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.

B - Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District neither met nor exceeded its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46201 through 46206.

C - Schedule of Expenditure of Federal Awards

The Schedule of Expenditure of Federal Awards includes the federal award activity of Elk Grove Unified School District, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-21, Cost Principles for Educational Institutions or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has elected not to use the 10-percent de minimus indirect cost rate allowed under Uniform Guidance.

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures and Change in Fund Balances and the related expenditures reported on the Schedule of Expenditure of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2016.

<u>Description</u>	<u>CFDA Number</u>	<u>Amount</u>
Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances		\$ 58,278,083
Add:		
Special Education: Basic Grant Entitlement PL 101-476 spent from prior period awards	84.027A	359,147
NCLB: Title I, Part D, Local Delinquent Programs spent from prior period awards	84.010	72,900
Less:		
School Breakfast Program received in excess of expenditures	10.582	<u>(2,954)</u>
Total Schedule of Expenditure of Federal Awards		<u>\$ 58,707,176</u>

(Continued)

NOTE 1 - PURPOSE OF SCHEDULES (Continued)

D - Reconciliation of Unaudited Actual Financial Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the Unaudited Actual Financial Report to the audited financial statements.

E - Schedule of Financial Trends and Analysis - Unaudited

This schedule provides trend information on the District's financial condition over the past three years and its anticipated condition for the 2016-2017 fiscal year, as required by the State Controller's Office. The information in this schedule has been derived from audited information.

F - Schedule of Charter Schools

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

G - Schedule of First 5 Revenues and Expenditures

This schedule provides information about the First 5 Sacramento County Program.

NOTE 2 - EARLY RETIREMENT INCENTIVE PROGRAM

Education Code Section 14502 requires certain disclosure in the financial statements of districts which adopt Early Retirement Incentive Programs pursuant to Education Code Sections 22714 and 44929. For the year ended June 30, 2016, the District did not adopt this program.

INDEPENDENT AUDITOR'S REPORT
 ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Board of Education
 Elk Grove Unified School District
 Elk Grove, California

Report on Compliance with State Laws and Regulations

We have audited Elk Grove Unified School District's compliance with the types of compliance requirements described in the *State of California's 2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (the "Audit Guide") applicable to the state laws and regulations listed below for the year ended June 30, 2016.

<u>Description</u>	<u>Procedures Performed</u>
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Educator Effectiveness	No, see below
California Clean Energy Jobs Act	No, see below
After School Education and Safety Program:	
General requirements	Yes
After school	Yes
Before school	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study – Course Based	No, see below
Immunizations	No, see below
Attendance, for charter schools	Yes
Mode of Instruction, for charter schools	No, see below
Nonclassroom Based Instruction/Independent Study, for charter schools	Yes
Determination of Funding for Nonclassroom Based Instruction, for charter schools	Yes
Annual Instructional Minutes Classroom Based, for charter schools	No, see below
Charter School Facility Grant Program	No, see below

(Continued)

The District does not offer an Early Retirement Incentive Program; therefore, we did not perform procedures related to the Early Retirement Incentive Program.

The District does not have any Juvenile Court Schools; therefore, we did not perform any procedures related to Juvenile Court Schools.

The District does not have Middle or Early College High Schools, therefore, we did not perform any procedures related to Middle or Early College High Schools.

The District did not expend Educator Effectiveness funding; therefore, we did not perform any procedures related to the program.

The District did not expend California Clean Energy Jobs Act funding; therefore, we did not perform any procedures related to the program.

The District did not offer a Before School Education and Safety Program; therefore, we did not perform any procedures relating to the Before School Education and Safety Program.

The District does not offer an Independent Study-Course Based program; therefore, we did not perform any procedures related to the program.

The District submitted all required immunization assessment reports to California Department of Public Health; therefore, we did not perform any procedures related to this requirement.

The District does not offer classroom-based instruction for charter schools; therefore, we did not perform any procedures related to Mode of Instruction and Annual Instructional Minutes - Classroom-Based for charter schools.

The District did not expend any Charter School Facilities Grant Program funds in the current year; therefore, we did not perform any procedures related to the program.

Management's Responsibility

Management is responsible for compliance with the requirements of state laws and regulations, as listed above.

Auditor's Responsibility

Our responsibility is to express an opinion on Elk Grove Unified School District's compliance with state laws and regulations as listed above based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the *2015-16 Guide for Annual Audits of K12 Local Education Agencies and State Compliance Reporting* (Audit Guide). Those standards and the Audit Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on Elk Grove Unified School District's compliance with the state laws and regulations listed above occurred. An audit includes examining, on a test basis, evidence about Elk Grove Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with state laws and regulations. However, our audit does not provide a legal determination of Elk Grove Unified School District's compliance.

(Continued)

Opinion on Compliance with State Laws and Regulations

In our opinion, Elk Grove Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the state laws and regulations referred to above for the year ended June 30, 2016.

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the *State of California's 2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Crowe Horwath LLP
Crowe Horwath LLP

Sacramento, California
November 29, 2016

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

Board of Education
Elk Grove Unified School District
Elk Grove, California

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Elk Grove Unified School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Elk Grove Unified School District's basic financial statements, and have issued our report thereon dated November 29, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Elk Grove Unified School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Elk Grove Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Elk Grove Unified School District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

We identified deficiencies involving internal control that we communicated to management as identified in the accompanying Schedule of Audit Findings and Questioned Costs as findings 2016-001 and 2016-002.

(Continued)

Compliance and Other Matters


As part of obtaining reasonable assurance about whether Elk Grove Unified School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Elk Grove Unified School District's Response to Findings

Elk Grove Unified School District's responses to the findings identified in our audit are included in the accompanying Schedule of Audit Findings and Questioned Costs. Elk Grove Unified School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely 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 effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Crowe Horwath LLP

Sacramento, California
November 29, 2016

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE FIRST 5
SACRAMENTO COUNTY PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH A PROGRAM-SPECIFIC AUDIT

Board of Education
Elk Grove Unified School District
Elk Grove, California

Report on Compliance for First 5 Sacramento County Program

We have audited Elk Grove Unified School District's compliance with the types of compliance requirements described in the Program Guidelines for the First 5 Sacramento County Program that have a direct and material effect on its First 5 Sacramento County Program for the year ended June 30, 2016.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its First 5 Sacramento County Program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Elk Grove Unified School District's First 5 Sacramento County Program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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 noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the First 5 Sacramento County Program occurred. An audit includes examining, on a test basis, evidence about Elk Grove Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion. However, our audit does not provide a legal determination of Elk Grove Unified School District's compliance with those requirements.

Opinion on First 5 Sacramento County Program

In our opinion, Elk Grove Unified School District complied, in all material respects, with the compliance requirements referred to above that have a direct and material effect on its First 5 Sacramento County Program for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of Elk Grove Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Elk Grove Unified School District's internal control over compliance with requirements that could have a direct and material effect on its First 5 Sacramento County Program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the First 5 Sacramento County Program and to test and report on internal control over compliance in accordance with the First 5 Sacramento County Program Guidelines, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Elk Grove Unified School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of the First 5 Sacramento County Program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of the First 5 Sacramento County Program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of the First 5 Sacramento County Program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of First 5 Sacramento County Program Guidelines. Accordingly, this report is not suitable for any other purpose.

Crowe Horwath LLP
Crowe Horwath LLP

Sacramento, California
November 29, 2016

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE

Board of Education
Elk Grove Unified School District
Elk Grove, California

Report on Compliance for Each Major Federal Program

We have audited Elk Grove Unified School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Elk Grove Unified School District's major federal programs for the year ended June 30, 2016. Elk Grove Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Elk Grove Unified School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Elk Grove Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Elk Grove Unified School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Elk Grove Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

(Continued)

Report on Internal Control Over Compliance

Management of Elk Grove Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Elk Grove Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Elk Grove Unified School District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Crowe Horwath LLP
Crowe Horwath LLP

Sacramento, California
November 29, 2016

FINDINGS AND RECOMMENDATIONS

ELK GROVE UNIFIED SCHOOL DISTRICT
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2016

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified not considered
to be material weakness(es)? _____ Yes X None reported

Noncompliance material to financial statements
noted? _____ Yes X No

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified not considered
to be material weakness(es)? _____ Yes X None reported

Type of auditor's report issued on compliance for
major programs: Unmodified

Any audit findings disclosed that are required to be
reported in accordance with 2 CFR 200.516(a)? _____ Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.555	Child Nutrition: School Programs

Dollar threshold used to distinguish between Type A
and Type B programs: \$ 1,761,215

Auditee qualified as low-risk auditee? X Yes _____ No

STATE AWARDS

Type of auditor's report issued on compliance for
state programs: Unmodified

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2016

SECTION II - FINANCIAL STATEMENT FINDINGS

2016-001 DEFICIENCY- INTERNAL CONTROL – ASSOCIATED STUDENT BODY (30000)

Criteria

Education Code Section 48930 (and California Department of Education’s “Accounting Procedures for Student Organizations Handbook”) requires student body organizations to follow the regulations set by the Governing Board of the school district.

Condition

At various school sites selected for testing the following areas for improvement were noted:

- A profit and loss summary for the student store was not able to be provided.
- An approval form for fund-raising activities was not utilized and documentation of items sold and cash collected was maintained.
- Individual account balances are not reviewed before a check is issued for Associated Student Body (ASB) activities.
- Funds collected at the front office was not supported by detailed listing of initial receipt showing who the money was collected from and the amount.

Effect

There exists a risk that ASB funds could potentially be misappropriated.

Cause

Adequate internal control procedures have not been consistently followed.

Fiscal Impact

Not determinable.

Recommendation

School sites should implement and consistently apply proper control procedures in order to protect ASB funds from misappropriation.

Corrective Action Plan

The District continues to administer District-wide guidelines in conjunction with the Fiscal Crisis Management Assistance Team (FCMAT) Associated Student Body Accounting Manual, Fraud Prevention Guide and Desk Reference. In addition, at the request of the District an in-service workshop was provided by Crowe Horwath on October 13, 2015, to all Secondary administrators and support staff for the 2015-16 fiscal year. For 2016-17 fiscal year, the District invited Crowe Horwath to present an in-service workshop on October 11, 2016. This presentation was held for secondary sites and provided information on best practices in the area of ASB accounting. Similar in-service workshop will be presented by District staff for elementary sites in 2017.

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2016

SECTION II - FINANCIAL STATEMENT FINDINGS

2016-001 DEFICIENCY- INTERNAL CONTROL – ASSOCIATED STUDENT BODY (30000) (Continued)

Corrective Action Plan (continued)

The District's Fiscal Services Compliance Specialist position continues visiting schools annually to provide support on proper handling of ASB monies, ASB accounting and a greater level of support to site personnel. Additional site visits and meetings are scheduled as necessary. A database of frequently asked questions and helpful tips is being maintained as an on-going reference to communicate best practices to site staff.

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2016

SECTION II - FINANCIAL STATEMENT FINDINGS

2016-002 DEFICIENCY - VACATION ACCRUAL (30000)

Criteria

Vacation accrual is governed by collective bargaining contracts as well as board policies 4162, 4262 and 4362. All contracts and board policies prohibit accumulation of vacation days in excess of the stated maximums.

Condition

As of June 30, 2016, there are approximately 597 employees who exceed the maximum days permitted by policy, by a total of approximately 16,215 excess days, representing an excess vacation accrual of \$3,036,719.

Effect

Increased liability to the District, to be paid in future years based on the overaccrual.

Cause

The District is not enforcing policy and contract language regarding vacation accrual.

Fiscal Impact

As of June 30, 2016, the excess vacation accrual is \$3,036,719.

Recommendations

The District should enforce the requirements set in the collective bargaining contracts and District policy.

Corrective Action Plan

The District is continuing to work on a way to enforce the accrual policy and limit hours that can be accrued by stopping the accrual when it reaches a maximum level. The issue will be discussed during 2016-2017 negotiations with employee groups.

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2016

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2016

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

**STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS**

ELK GROVE UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2016

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
<p>2015-001</p> <p><u>Condition:</u> At various school sites selected for testing the following areas for improvement at elementary sites were noted:</p> <ul style="list-style-type: none"> • For fund-raising activities, there is no evidence of approval, by the Principal or Vice-Principal. • Individual receipts are not issued when funds are turned into the Associated Student Body (ASB); for activities that are done by multiple teachers only one receipt was issued for all funds turned in at the end of the fundraiser or field trip. <p><u>Recommendation:</u> School sites should implement and consistently apply proper control procedures in order to protect ASB funds from misappropriation.</p>	Partially Implemented.	See current year finding at 2016-001.
<p>2015-002</p> <p><u>Condition:</u> As of June 30, 2015, there are approximately 628 employees who exceed the maximum days permitted by policy, by a total of approximately 16,894 excess days, representing an excess vacation accrual of \$3,013,906.</p> <p><u>Recommendation:</u> The District should enforce the requirements set in the collective bargaining contracts and District policy.</p>	Not Implemented.	See current year finding 2016-002.

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2016

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
2015-003	Implemented.	
<u>Condition:</u> The District reported to the California Department of Education 8,055 Students Served for the ASES Base Grant and 1,939 Students Served for the ASES Supplemental Grant for Isabelle Jackson Elementary School, which totals 9,994. Total amount per the ASES Isabelle Jackson Elementary Attendance Report is 9,894, which is 100 less than reported.		
<u>Recommendation:</u> The District should ensure the report submitted to the California Department of Education agrees to District's records.		