ELK GROVE UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS
June 30, 2015

ELK GROVE UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2015

CONTENTS

ELK GROVE UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2015
(Continued)

CONTENTS

ELK GROVE UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2015
(Continued)

CONTENTS

Crowe Horwath LLP
Independent Member Crowe Horwath International

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, 2015, 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, 2015, 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)

Emphasis of Matter

As discussed in Note 1 to the financial statements, in June 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68, "Accounting and Financial Reporting for Pensions." Also, in November 2013 the GASB issued GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date". As discussed in notes 8 and 9, GASB Statements No. 68 and No. 71 are effective for the District's fiscal year ending June 30, 2015. These Statements replace the requirements of GASB Statement No. 27, "Accounting for Pensions by State and Local Governmental Employers" and GASB Statement No. 50, "Pension Disclosures." GASB Statements No. 68 and No. 71 establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and expenses as well as identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to periods of employee service. Note disclosures and required supplementary information (RSI) requirements about pensions are also addressed. Our opinion is not modified with respect to this matter.

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 15 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 59 to 64 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 *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* 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 17, 2015 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 17, 2015

ELK GROVE Unified School District

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

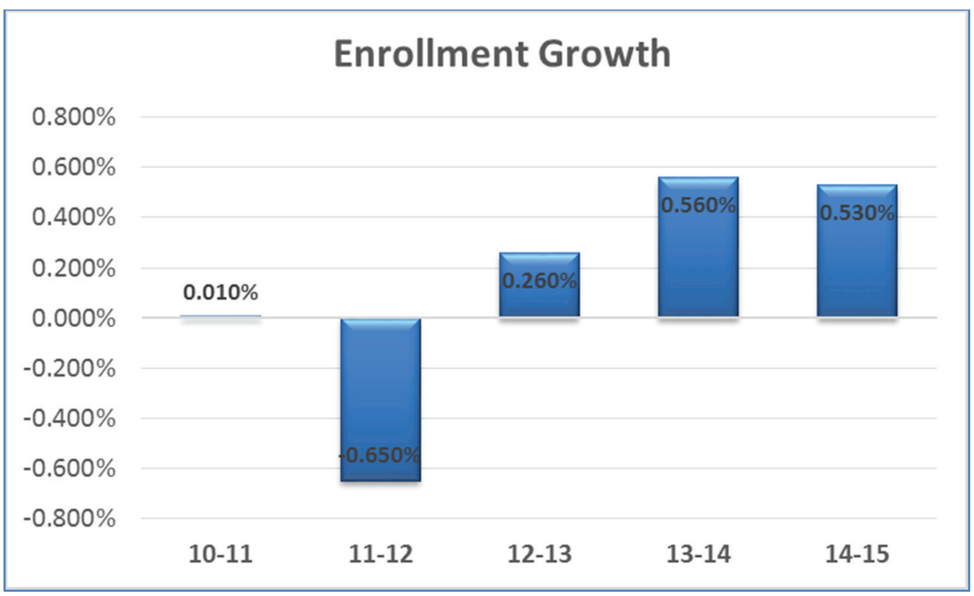
Christopher R. Hoffman
Superintendent
(916) 686-7700

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

Management's Discussion and Analysis

The following discussion and analysis is reflecting the 2014/2015 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 13 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.



For the 2014/2015 school year the District employed on a regular basis 3,383 certificated employees, and 2,316 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 <u>ALL</u> 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 2014/15 year shows the District's net position as $145,205,821. 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. In addition, 2014/15 is the first year that includes the implementation of GASB 68. The cumulative effect of this liability for 2014/15 is $484,795,358, which was not previously included in June 30, 2014. The table below summarizes the change in net position from 2013/14 to 2014/15.

Statement of Net Position		
	June 30, 2014	June 30, 2015
Assets other than capital	$ 220,267,381	$ 189,534,307
Capital assets net of accumulated depreciation	689,628,546	695,614,624
Total assets	**909,895,927**	**885,148,931**
Deferred loss on refunding of debt	455,641	437,860
Deferred outflows of resources – pensions	-	35,561,602
Total deferred outflows of resources	**455,641**	**35,999,462**
Liabilities other than long term	50,526,964	39,141,932
Long term liabilities	202,529,635	627,036,640
Total liabilities	**253,056,599**	**666,178,572**
Deferred inflow of resources – pensions	**-**	**109,764,000**
Ending Net Position	**$ 657,294,969**	**$ 145,205,821**

Statement of Activities

Governmental Activities		
Revenues	June 30, 2014	June 30, 2015
Program Revenue:		
Charges for services	$12,992,787	$15,715,234
Operating grants & contributions	156,020,846	132,000,470
Capital grants & contributions	13,129,106	61,958
Taxes:		
Levied for general purpose	70,420,748	76,447,966
Levied for debt service	14,426,242	14,932,923
Levied for other specific purposes	183,932	22,298
Other Revenue:		
Federal and State aid	332,531,048	375,860,453
Interest and investment earnings	(268,392)	-
Interagency	1,854,446	1,643,844
Other	1,992,799	1,697,404
Total Revenue	**$603,283,562**	**$618,382,550**
Expenses		
Instruction	$391,641,157	$418,899,628
Instruction-related services	52,049,676	59,512,717
Pupil services	58,896,131	71,130,394
General administration	29,173,253	35,894,182
Plant services	44,662,553	44,916,303
Enterprise activities	(1,583)	1,742,986
Interest on long-term liabilities	9,054,674	9,035,476
Other outgo	37,387,283	4,544,654
Total Expenses	**$622,863,144**	**$645,676,340**
Change in Net Position	$(19,579,582)	$(27,293,790)
Net Position – Beginning	676,874,551	657,294,969
Cumulative effect of GASB 68 implementation (6/30/15)	-	(484,795,358)
Net Position – Ending	**$657,294,969**	**$145,205,821**

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, 2014	June 30, 2015
Gap closure funding	$17,056,481	$42,913,471
Per ADA amount	$294.27	$719.22

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, 2014	**June 30, 2015**
Revenues	$ 498,040,618	$ 554,786,486
Expenditures	(508,210,460)	(554,588,126)
Difference	**$ (10,169,842)**	**$ 198,360**

General Fund Change in Fund Balance			
	Restricted	**Unrestricted**	**Total**
June 30, 2014	$ 30,084,263	$ 34,279,930	$ 64,364,193
June 30, 2015	22,374,744	42,187,809	64,562,553
Change	**$ (7,709,519)**	**$ 7,907,879**	**$ 198,360**

During 2014/15 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

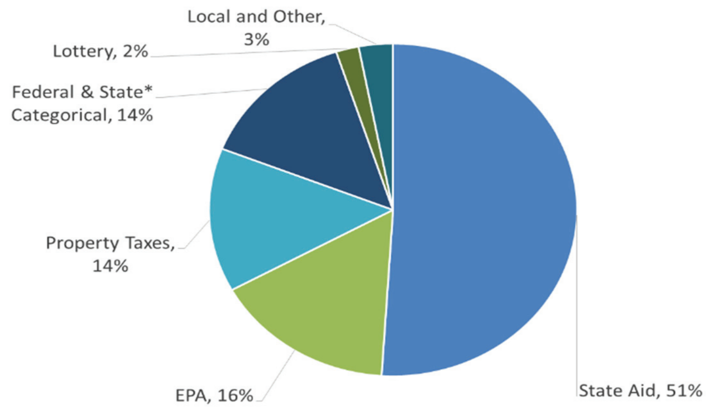
More than eighty-one percent of the District's General Fund revenue is generated from the District's Local Control Funding Formula (LCFF). The LCFF includes State Aid and property taxes and is based on a state-determined dollar amount times the average number of students who are in attendance throughout 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 2014/15 school year, the District's total General Fund ending fund balance increased by $198,360.

General Fund Sources

Sources Available	
LCFF Sources	$271,658,144
Education Protection Account	87,177,501
Property Taxes	76,460,492
Total LCFF Sources	**$435,296,137**
Federal Revenue	30,686,706
Lottery	10,719,210
Other State Revenue*	50,575,472
Local Revenue	9,497,760
Total Revenue	**$536,775,285**
Beginning Fund Balance	64,364,193
Total General Fund Sources	**$601,139,478**



*Other State Revenue - Excludes $13.6M STRS On Behalf Pension Contribution.

General Fund Expenditures

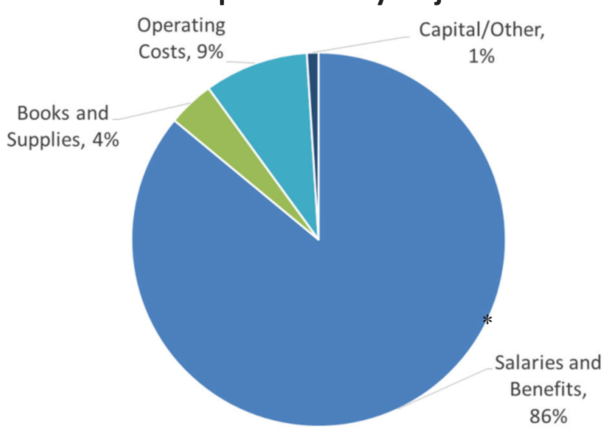
Employee salary and benefit costs consume 86% of the District's general fund expenditures. Expenditures that go directly to the classroom for instructional purposes amount to 65% of the District's general fund expenditures. A significant portion of California school district income is restricted income 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.

2014/15 General Fund Expenditures	
Salaries and Benefits*	$463,769,781
Books and Supplies	21,725,517
Operating Costs	46,700,718
Capital/Other	7,439,149
Total Expenditures	**$539,635,165**
Restricted Ending Fund Balance	$22,374,744
Designated Reserves^	42,187,809
Total Ending Fund Balance	**$64,562,553**

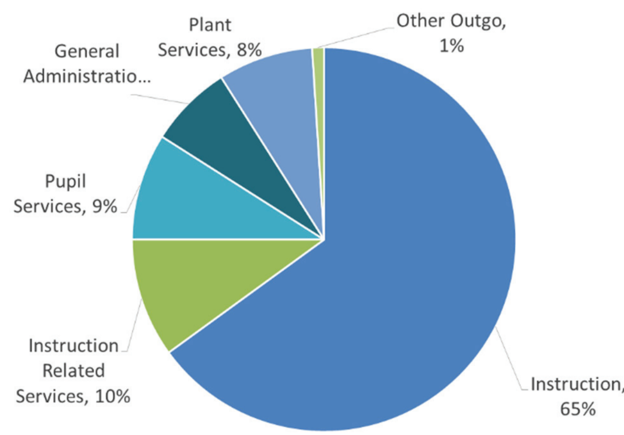
*Salaries & Benefits - Excludes $13.6M STRS On Behalf Pension Contribution.

^ 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, 2014 Ending Balance (amount in dollars)	June 30, 2015 Ending Balance (amount in dollars)	Change in Fund Balance (amount in dollars)
Charter School Special Revenue	$3,028,979	$3,094,199	$65,220
Adult Education	2,243,963	2,200,180	(43,783)
Child Development	51,756	88,023	36,267
Cafeteria Special Revenue	6,083,775	3,864,899	(2,218,876)
Deferred Maintenance	917,573	$798,064	(119,509)
Capital Facilities	14,648,998	19,454,511	4,805,513
State School Facilities	43,133,848	13,018,431	(30,115,417)
Special Reserve for Capital Outlay	1,116,590	660,114	(456,476)
Capital Projects	14,532,633	11,529,231	(3,003,402)
Debt Service	18,034,311	18,641,929	607,618
Self-Insurance Fund	2,250,588	506,573	(1,744,015)

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 $182,043,916. Over the next 4 to7 years, the District is projecting a need to construct 3-5 new elementary schools, 1 middle school and 1 high school. The need to build these new schools depends on several variables not the least of which will be the timing of new residential development.

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 74% of the

District's capital assets. The work in progress on District buildings, i.e. modernizations as well as new construction, makes up approximately 5% of the District's capital assets. The land is approximately 14%, land improvements are 5% and equipment is 3%.

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.

Proposition 30 – The Schools and Local Public Safety Protection Act of 2012 – was successfully approved by voters on November 6, 2012, with 53.9% of the votes. Proposition 30 raises the income tax on single earnings over $250,000 (or $500,000 for couples) for seven years. It also increases state sales taxes by ¼ cent for four years. With the expiration of the additional funding from Proposition 30 on the horizon the District will monitor state funding levels and react accordingly. While EGUSD's economic outlook has improved, the District must plan for annual cost increases and pent-up needs following years of reductions.

The State's new funding formula for school districts called the Local Control Funding Formula (LCFF) enters its third year in 2015/16. 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 55.91% district average.

Beginning in 2014/15 the LCFF revenue will be linked to expenditures identified in the District's Local Control Accountability Plan (LCAP). The LCAP requires stakeholder input from the community, parents, employee groups and staff. On October 20, 2015, parents, students, staff and community members attended seven Community Budget Meetings with EGUSD Board members at seven locations throughout the district. The objectives of these meetings were to:

- Review California's Local Control Funding Formula; and
- Review the District's 2015/16 Facilities Master Plan for the next ten years

A new factor, which began in 2014/15, that will affect the District's future budget is the requirement that all school district's increase employer contributions to the Public Employees Retirement System (PERS) and State Teacher Retirement System (STRS) over a seven year period. The increased contributions to PERS will be 7%, or $6 million annually at the end of the seven year period and the increased contributions to STRS will be 19.1%, or $27 million annually at the end of the seven year period.

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 2015/2016 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 2015/16 for wellness related programs and incentives.

In 2013/14 and 2014/15 the District spent the allocation of state funds specifically directed for the implementation of the Common Core State Standards (CCSS). With regard to the implementation of the CCSS, there are costs associated that include professional development, the purchase and/or development of instructional materials and the purchase of technology. A significant portion of these funds will be dedicated to purchasing, and installing the technology infrastructure, computers and systems in order to accommodate the new on-line testing system required by CCSS.

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.

We also do this by helping our primary and intermediate students master reading, language and number sense. We teach them to learn, work and play in collaboration with each other. We introduce them to new ideas and concepts, and stretch their boundaries. Children begin to apply new knowledge acquired and instructional technology to their learning. In the upper elementary grades they begin to explore algebra and mathematical conceptualization. They begin to use scientific inquiry and they engage in social studies and community service projects.

In middle school, our students move from a more sheltered educational environment to several periods of instruction a day. They continue to build language skills and add new knowledge in a variety of subjects that prepares them to be productive in their future endeavors. It is a time when they begin to harness the passion of studies and build on their foundation for the future.

Social team work, collaboration and project-based learning take greater form. Our students participate in community service, give back to society and eagerly look forward to the next step in their education.

In high school, our students continue to engage in the new three “R”s – rigor, relevance and relationships. Many add a fourth “R”: responsibility. Our students are continuing to pass the California High School Exit Exam, tackling higher mathematics and demonstrating achievement evidenced by their successes by specializing in sciences, foreign languages and performing arts. They are using communications – reading, writing and technology – to express and research old and new ideas alike. Young people are gaining a sense of team work in athletics as well as in academics. Community service and leadership roles continue to bring students from observer to participant in preparation for post-secondary experiences.

The District’s long-time commitment to connecting students with 21st century college and careers is being reinforced through a new statewide initiative – Linked Learning. EGUSD is one of 20 participating districts in this new four-and-a-half year state pilot program called “Linked Learning.” The district’s 16 California Partnership Academies and their success in connecting academics to workforce development will be part of the focus of the program’s implementation. Through Linked Learning, the district will enhance district-wide systems of support to increase access to career pathways for every student in EGUSD. The Elk Grove Unified School District also plans on serving as a model for other districts throughout California that are interested in starting or retooling their pathway programs.

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION

June 30, 2015

	Governmental Activities
ASSETS	
Cash and investments (Note 2)	$ 158,924,557
Receivables	28,206,586
Prepaid expenses	359,751
Stores inventory	2,043,413
Non-depreciable capital assets (Note 4)	211,778,942
Depreciable capital assets, net of accumulated depreciation (Note 4)	483,835,682
Total assets	885,148,931
DEFERRED OUTFLOWS OF RESOURCES	
Deferred loss on refunding of debt (Note 6)	437,860
Deferred outflows of resources - pensions (Notes 8 and 9)	35,561,602
Total deferred outflows of resources	35,999,462
LIABILITIES	
Accounts payable	23,743,937
Unearned revenue	9,397,995
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)	12,741,000
Due within one year (Note 6)	13,675,351
Due after one year (Note 6)	600,620,289
Total liabilities	666,178,572
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pensions (Notes 8 and 9)	109,764,000
NET POSITION	
Net investment in capital assets	511,122,987
Restricted (Note 7)	92,084,608
Unrestricted	(458,001,774)
Total net position	$ 145,205,821

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, 2015

		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	$ 418,899,628	$ 1,878,228	$ 72,449,452	$ 61,958	$ (344,509,990)
Instruction-related services:					
Supervision of instruction	20,000,291	997,406	11,487,072	-	(7,515,813)
Instructional library, media and technology	3,600,496	32,045	214,263	-	(3,354,188)
School site administration	35,911,930	112,353	1,554,100	-	(34,245,477)
Pupil services:					
Home-to-school transportation	12,649,713	306,785	400,707	-	(11,942,221)
Food services	24,082,575	3,641,593	18,361,964	-	(2,079,018)
All other pupil services	34,398,106	340,424	13,441,439	-	(20,616,243)
General administration:					
Data processing	15,268,338	557,240	366,458	-	(14,344,640)
All other general administration	20,625,844	288,977	4,486,175	-	(15,850,692)
Plant services	44,916,303	2,329,947	4,848,247	-	(37,738,109)
Enterprise activities	1,742,986	-	-	-	(1,742,986)
Interest on long-term liabilities	9,035,476	-	-	-	(9,035,476)
Other outgo	4,544,654	5,230,236	4,390,593	-	5,076,175
Total governmental activities	$ 645,676,340	$ 15,715,234	$ 132,000,470	$ 61,958	(497,898,678)
General revenues:					
Taxes and subventions:					
Taxes levied for general purposes					76,447,966
Taxes levied for debt service					14,932,923
Taxes levied for other specific purposes					22,298
Federal and state aid not restricted to specific purposes					375,860,453
Interagency revenues					1,643,844
Miscellaneous					1,697,404
Total general revenues					470,604,888
Change in net position					(27,293,790)
Net position, July 1, 2014					657,294,969
Cumulative effect of GASB 68 implementation					(484,795,358)
Net position, July 1, 2014, as restated					172,499,611
Net position, June 30, 2015					$ 145,205,821

ELK GROVE UNIFIED SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	General Fund	Capital Facilities Fund	State School Facilities Fund	Mello-Ross Administrative Fund	All Non-Major Funds	Total Governmental Funds
ASSETS						
Cash and investments:						
Cash in County Treasury	$ 64,827,212	$ 18,562,183	$ 17,469,600	$ 145,893	$ 12,843,008	$ 113,847,896
Cash with Fiscal Agent	22,211	-	-	18,495,507	4,137,576	22,655,294
Cash on hand and in banks	14,770	-	-	-	49,384	64,154
Cash in revolving fund	140,000	-	-	-	11,045	151,045
Cash awaiting deposit	2,610,180	1,244,717	-	-	251,690	4,106,587
Receivables	21,198,788	37,048	76,409	529	6,365,027	27,677,801
Prepaid expenditures	355,826	-	-	-	3,925	359,751
Due from other funds	2,773,655	-	-	-	1,416,084	4,189,739
Stores inventory	561,064	-	-	-	1,482,349	2,043,413
Total assets	$ 92,503,706	$ 19,843,948	$ 17,546,009	$ 18,641,929	$ 26,560,088	$ 175,095,680
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	$ 16,637,036	$ 154,021	$ 4,527,578	$ -	$ 1,450,934	$ 22,769,569
Unearned revenue	9,066,450	235,416	-	-	96,129	9,397,995
Due to other funds	2,237,667	-	-	-	2,778,315	5,015,982
Total liabilities	27,941,153	389,437	4,527,578	-	4,325,378	37,183,546
Fund balances:						
Nonspendable	1,056,890	-	-	-	1,497,319	2,554,209
Restricted	22,366,030	19,454,511	13,018,431	18,641,929	20,737,391	94,218,292
Assigned	29,539,633	-	-	-	-	29,539,633
Unassigned	11,600,000	-	-	-	-	11,600,000
Total fund balances	64,562,553	19,454,511	13,018,431	18,641,929	22,234,710	137,912,134
Total liabilities and fund balances	$ 92,503,706	$ 19,843,948	$ 17,546,009	$ 18,641,929	$ 26,560,088	$ 175,095,680

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

Total fund balances - Governmental Funds		$ 137,912,134
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 $1,162,787,140 and the accumulated depreciation is $467,172,516 (Note 4).		695,614,624
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, 2015 consisted of (Note 6):		
Mello-Roos bonds	$ (178,792,188)	
Accreted interest on bonds	(7,163,038)	
Unamortized bond premiums	(65,658)	
Unamortized bond discounts	839,937	
Net pension liability (Notes 8 and 9)	(414,575,000)	
Capitalized lease obligation	(3,886,126)	
Post-retirement employee benefits (Note 10)	(592,549)	
Compensated absences	(10,061,018)	
		(614,295,640)
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.		437,860
Unmatured interest is not recognized until it is due and, therefore, is not accrued as a payable in governmental funds.		(767,332)
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	$ 35,561,602	
Deferred inflows of resources relating to pensions	(109,764,000)	
		(74,202,398)
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:		506,573
Total net position - governmental activities		$ 145,205,821

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, 2015

	General Fund	Capital Facilities Funds	State School Facilities Fund	Mello-Roos Administrative Fund	All Non-Major Funds	Total Governmental Funds
Revenues:						
Local control funding formula:						
State apportionment	$ 359,669,094	$ -	$ -	$ -	$ 1,940,098	$ 361,609,192
Local sources	75,627,044	-	-	-	-	75,627,044
Total local control funding formula	435,296,138	-	-	-	1,940,098	437,236,236
Federal sources	30,686,705	-	-	-	22,853,698	53,540,403
Other state sources	74,908,222	-	-	-	4,492,911	79,401,133
Other local sources	9,497,759	11,724,024	78,657	14,960,241	5,561,070	41,821,751
Total revenues	550,388,824	11,724,024	78,657	14,960,241	34,847,777	611,999,523
Expenditures:						
Current:						
Certificated salaries	270,516,436	-	-	-	4,841,271	275,357,707
Classified salaries	72,195,570	96,849	-	-	11,026,040	83,318,459
Employee benefits	134,671,313	40,128	-	-	6,555,226	141,266,667
Books and supplies	21,725,518	23,171	-	-	12,999,855	34,748,544
Contract services and operating expenditures	46,700,719	287,397	-	-	3,379,712	50,367,828
Other outgo	2,940,660	-	-	124,642	90,512	3,155,814
Capital outlay	5,755,996	712,001	37,427,842	-	959,545	44,855,384
Debt service:						
Principal retirement	499,111	-	-	3,251,728	-	3,750,839
Interest	-	-	-	9,808,003	-	9,808,003
Total expenditures	555,005,323	1,159,546	37,427,842	13,184,373	39,852,161	646,629,245
(Deficiency) excess of revenues (under) over expenditures	(4,616,499)	10,564,478	(37,349,185)	1,775,868	(5,004,384)	(34,629,722)
Other financing sources (uses):						
Interfund transfers in	1,769,043	1,008,000	8,266,965	-	2,532,868	13,576,876
Interfund transfers out	(1,339,421)	(6,766,965)	(1,033,197)	(1,168,250)	(3,269,043)	(13,576,876)
Proceeds from the issuance of debt	4,385,237	-	-	-	-	4,385,237
Total other financing sources (uses)	4,814,859	(5,758,965)	7,233,768	(1,168,250)	(736,175)	4,385,237
Net change in fund balances	198,360	4,805,513	(30,115,417)	607,618	(5,740,559)	(30,244,485)
Fund balances, July 1, 2014	64,364,193	14,648,998	43,133,848	18,034,311	27,975,269	168,156,619
Fund balances, June 30, 2015	$ 64,562,553	$ 19,454,511	$ 13,018,431	$ 18,641,929	$ 22,234,710	$ 137,912,134

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

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, 2015

Net change in fund balances - Total Governmental Funds		$ (30,244,485)
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).	$ 44,889,930	
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(38,903,852)	
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).	(4,385,237)	
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).	3,750,839	
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).	1,115,171	
Amortization of bond issuance premiums and discounts is not recorded in the governmental funds (Note 6).	(35,649)	
In government funds, expenses related to the Supplemental Employee Retirement Program (SERP) are measured by the amounts paid in the year. In the statement of activities, SERP is recognized on the accrual basis (Note 6).	1,577,821	
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).	1,304,354	
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).	(518,304)	

(Continued)

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:	$ (3,982,040)	
Interest on long-term liabilities is recognized in the period incurred, in governmental funds it is recognized when due.	(100,542)	
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.	(17,781)	
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:	(1,744,015)	
		2,950,695
Change in net position of governmental activities		$ (27,293,790)

ELK GROVE UNIFIED SCHOOL DISTRICT
STATEMENT OF FUND NET POSITION - PROPRIETARY FUND
SELF-INSURANCE FUND
June 30, 2015

ASSETS	
Current assets:	
Cash and investments:	
Cash in County Treasury	$ 17,829,024
Cash on hand and in banks	270,557
Receivables	528,785
Due from other funds	826,684
Total current assets	19,455,050
LIABILITIES	
Current liabilities:	
Accounts payable	207,036
Due to other funds	441
Current unpaid claims and claim adjustment expenses	6,000,000
Total current liabilities	6,207,477
Unpaid claims and claim adjustment expenses, less current portion	12,741,000
Total liabilities	18,948,477
NET POSITION	
Restricted	$ 506,573

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, 2015

Operating revenues:	
Self-insurance premiums	$ 8,945,214
Operating expenses:	
Classified salaries	195,741
Employee benefits	80,399
Books, supplies and other expenses	14,187
Provision for unpaid claims and claim adjustment expenses	10,362,785
Total operating expenses	10,653,112
Operating loss	(1,707,898)
Non-operating expense:	
Interest expense	(36,117)
Change in net position	(1,744,015)
Net position, July 1, 2014	2,250,588
Net position, June 30, 2015	$ 506,573

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, 2015

Cash flows from operating activities:	
Cash received from self-insurance premiums	$ 15,709,052
Cash paid for salaries, benefits and services	(141,572)
Cash paid for claims	(9,502,785)
Net cash provided by operating activities	6,064,695
Cash flows used in investing activities:	
Interest paid	(36,117)
Increase in cash and investments	6,028,578
Cash and investments, July 1, 2014	12,071,003
Cash and investments, June 30, 2015	$ 18,099,581
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	$ (1,707,898)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
(Increase) decrease in:	
Receivables	(17,284)
Due from other funds	6,780,681
Increase in:	
Accounts payable	148,755
Due to other funds	441
Unpaid claims and claim adjustment expenses	860,000
Total adjustments	7,772,593
Net cash provided by operating activities	$ 6,064,695

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, 2015

	Trust Fund Scholarship Fund	Agency Fund Student Body
ASSETS		
Cash on hand and in banks (Note 2)	$ 54,248	$ 4,709,089
Stores inventory	-	68,585
Total assets	54,248	4,777,674
LIABILITIES		
Due to students/student groups	-	4,777,674
NET POSITION		
Restricted (Note 7)	$ 54,248	$ -

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, 2015

	Scholarship Fund
Additions:	
Other local sources	$ 4,082
Deductions:	
Contract services and operating expenditures	6,010
Change in net position	(1,928)
Net position, July 1, 2014	56,176
Net position, June 30, 2015	$ 54,248

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:

<u>Reporting Entity</u>: 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 decision to include potential component units in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America and Governmental Accounting Standards Board Codification Section 2100. The three criteria for requiring a legally separate organization to be presented as a component unit are the "direct benefit" criterion, the "entitlement/ability to access" criterion, and the "significance" criterion.

The District and Elk Grove Unified School District Community Facilities District No. 1 (the "Facilities District") have a financial and operational relationship such that the Facilities District is included as a blended component unit of the District. Therefore, the financial activities of the Facilities District have been included in the financial statements of the District (see Note 13).

<u>Basis of Presentation - Financial Statements</u>: 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.

<u>Basis of Presentation - Government-Wide Financial Statements</u>: 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.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, liabilities, 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.

Capital Facilities Fund:

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

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.

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.

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.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Special Reserve for Capital Outlay and Capital Projects Funds.

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.

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.

<u>Basis of Accounting</u>: 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.

<u>Accrual</u>: 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.

<u>Modified Accrual</u>: 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.

<u>Budgets and Budgetary Accounting</u>: 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.

<u>Receivables</u>: 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, 2015.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 fair market value as of the date received. 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 shortened life of the refunded or refunding debt. Amortization for the year ended June 30, 2015 totaled $17,781. Additionally, the District has recognized a deferred outflow of resources related to the recognition of the pension liability reported which is in the Statement of Net Position.

In addition to liabilities, the Statement of Net Position includes 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.

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 an 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.

	STRP	PERF B	Total
Deferred outflows of resources	$ 23,693,748	$ 11,867,854	$ 35,561,602
Deferred inflows of resources	$ 82,675,000	$ 27,089,000	$ 109,764,000
Net pension liability	$ 335,739,000	$ 78,836,000	$ 414,575,000
Pension expense	$ 33,910,567	$ 7,858,575	$ 41,769,142

Compensated Absences: Compensated absences benefits totaling $10,061,018 are recorded as a liability of the District.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 appropriable for expenditure or amounts legally segregated for a specific future use. The restriction for unspent categorical program revenues represents the portion of net position restricted to specific program expenditures. The restriction for special revenues represents the portion of net position restricted for special purposes. The restriction for debt service represents the portion of net position available for the retirement of debt. The restriction for capital projects represents the portion of net position restricted for capital projects. It is the District's policy to use restricted net position first when allowable expenditures are incurred.

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.

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, 2015, 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, 2015, 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, 2015, 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)

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.

New Accounting Pronouncements: In June 2012, the GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions. This Statement replaces the requirements of GASB Statement No. 27, Accounting for Pensions by State and Local Governmental Employers and GASB Statement No. 50, Pension Disclosures, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. GASB Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and RSI. This Statement is effective for the District's financial period beginning June 30, 2015. Based on the implementation of GASB Statement No. 68, the District's July 1, 2014 governmental activities net position was restated by $484,795,358 because of the recognition of the net pension liability and deferred outflows of resources.

In November 2013, the GASB issued GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. The objective of this Statement is to address an issue regarding application of the transition provisions of GASB Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This Statement amends paragraph 137 of GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. GASB Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this Statement are required to be applied simultaneously with the provisions of GASB Statement No. 68 and are effective for the District's fiscal year ending June 30, 2015. Based on the implementation of GASB Statement No. 71, the District established a deferred outflow category to report the payments made subsequent to the measurement date of the pensions as well as deferred inflow category to report the net differences between projected and actual earnings on investments of the pensions in the Statement of Net Position.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In February 2015, the GASB issued its final standard on accounting and financial reporting issues related to fair value measurements, applicable primarily to investments made by state and local governments. GASB Statement No. 72, Fair Value Measurement and Application, defines fair value and describes how fair value should be measured, what assets and liabilities should be measured at fair value, and what information about fair value should be disclosed in the notes to the financial statements. Under GASB Statement No. 72, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments, which generally are measured at fair value, are defined as a security or other asset that governments hold primarily for the purpose of income or profit and the present service capacity of which are based solely on their ability to generate cash or to be sold to generate cash. Before the issuance of GASB Statement No. 72, state and local governments have been required to disclose how they arrived at their measures of fair value if not based on quoted market prices. Under the new guidance, those disclosures have been expanded to categorize fair values according to their relative reliability and to describe positions held in many alternative investments. This statement is effective for the District's fiscal year ending June 30, 2016. Management has not determined what impact this statement will have on its financial statements.

In June 2015, the GASB issued GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68, completes the suite of pension standards. GASB Statement No. 73 establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria (in other words, those not covered by GASB Statements No. 67 and No. 68). The requirements in GASB Statement No. 73 for reporting pensions generally are the same as in GASB Statement No. 68. However, the lack of a pension plan that is administered through a trust that meets specified criteria is reflected in the measurements. The provisions in GASB Statement No. 73 are effective for fiscal years beginning after June 15, 2015, except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of GASB Statement No. 68, which are effective for fiscal years beginning after June 15, 2016. Management has not determined what impact this statement will have on its financial statements.

In June 2015, the GASB issued GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, which replaces GASB Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. GASB Statement No. 74 addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. The GASB Statement follows the framework for financial reporting of defined benefit OPEB plans in GASB Statement No. 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. The Statement requires more extensive note disclosures and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. GASB Statement No. 74 also sets forth note disclosure requirements for defined contribution OPEB plans. This statement is effective for the District's fiscal year ending June 30, 2017. Management has not determined what impact this statement will have on its financial statements.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In June 2015, the GASB issued GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which replaces the requirements of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. GASB Statement No. 75 requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Governments that are responsible only for OPEB liabilities related to their own employees and that provide OPEB through a defined benefit OPEB plan administered through a trust that meets specified criteria will report a net OPEB liability, which is the difference between the total OPEB liability and assets accumulated in the trust and restricted to making benefit payments. Governments that participate in a cost-sharing OPEB plan that is administered through a trust that meets the specified criteria will report a liability equal to their proportionate share of the collective OPEB liability for all entities participating in the cost-sharing plan. Governments that do not provide OPEB through a trust that meets specified criteria will report the total OPEB liability related to their employees. GASB Statement No. 75 carries forward from GASB Statement No. 45 the option to use a specified alternative measurement method in place of an actuarial valuation for purposes of determining the total OPEB liability for benefits provided through OPEB plans in which there are fewer than 100 plan members (active and inactive). This option was retained in order to reduce costs for smaller governments. GASB Statement No. 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements. Some governments are legally responsible to make contributions directly to an OPEB plan or make benefit payments directly as OPEB comes due for employees of other governments. In certain circumstances (called special funding situations) GASB Statement No. 75 requires these governments to recognize in their financial statements a share of the other government's net OPEB liability. This statement is effective for the District's fiscal year ending June 30, 2018. Earlier application is encouraged. Management has not determined what impact this statement will have on its financial statements, however it is expected to be significant.

In June 2015, the GASB issued GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, which reduces the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The first category of authoritative GAAP consists of Statements of Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the AICPA that is cleared by the GASB. The Statement also addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. These changes are intended to improve financial reporting for governments by establishing a framework for the evaluation of accounting guidance that will result in governments applying that guidance with less variation. That will improve the usefulness of financial statement information for making decisions and assessing accountability and enhance the comparability of financial statement information among governments. The Statement also is intended to improve implementation guidance by elevating its authoritative status to a level that requires it be exposed for a period of broad public comment prior to issuance, as is done for other GASB pronouncements. In connection with GASB Statement No. 76, the GASB also recently cleared Implementation Guide No. 2015-1, which incorporates changes resulting from feedback received during the public exposure of all of implementation guidance previously issued. This statement is effective for the District's fiscal year ending June 30, 2016. Management has not determined what impact this statement will have on its financial statements.

(Continued)

NOTE 2 - CASH AND INVESTMENTS

Cash and investments at June 30, 2015 are reported at fair value and consisted of the following:

	Governmental Activities	Fiduciary Activities
Pooled Funds:		
Cash in County Treasury	$ 131,676,920	$ -
Cash with Fiscal Agent	22,655,294	-
Deposits:		
Cash on hand and in banks	334,711	4,763,337
Revolving cash fund	151,045	-
Cash awaiting deposit	4,106,587	-
Total	$ 158,924,557	$ 4,763,337

Pooled Funds: In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Sacramento County Treasury. Cash in Sacramento County Treasury consists of cash deposited in the interest-bearing Sacramento County Treasurer's Pooled Surplus Investment Fund. Investments are recorded at cost which approximates fair value. Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classification is required. The District's deposits in the Fund are considered to be highly liquid. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool. The Sacramento County Treasurer has indicated there are no derivatives in the pool as of June 30, 2015.

Cash with Fiscal Agent: Cash with Fiscal Agent represents amounts held in the District's name with third party custodians, primarily for debt service and capital expenditures.

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, 2015, the carrying amount of the District's accounts was $5,249,093 and the bank balance was $5,957,319. $688,684 of the bank balance was FDIC insured and $5,268,635 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, 2015, 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, 2015 the District had no concentration of credit risk.

(Continued)

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, 2015 were as follows:

Fund	Interfund Receivables	Interfund Payables
Major Fund:		
General	$ 2,773,655	$ 2,237,667
Non-Major Funds:		
Charter Schools	36	23,409
Adult Education	1,089,486	162,617
Child Development	192,213	603,659
Cafeteria	88,155	1,914,774
Deferred Maintenance	46,194	-
Special Reserve for Capital Outlay	-	12,424
Capital Projects	-	61,432
Proprietary Fund:		
Self-Insurance	826,684	441
Total	$ 5,016,423	$ 5,016,423

(Continued)

NOTE 3 - INTERFUND TRANSACTIONS (Continued)

Interfund Transfers: Interfund transfers for the 2014-2015 fiscal year were as follows:

Transfer from the General Fund to the Adult Education Fund for Community Based English Tutoring Program and contributions.	$ 1,084,043
Transfer from the General Fund to the Child Development Fund for Cal-Safe Child Care funding.	191,834
Transfer from the General Fund to the Cafeteria Fund for grants and employee separation costs.	63,544
Transfer from the Capital Facilities Fund to the State School Facilities Fund to augment construction at Anatolia Elementary, Florin Vineyard Elementary and Laguna Northridge Elementary.	6,766,965
Transfer from the State School Facilities Fund to the Capital Facilities Fund for the Office of Public School Education and Elk Grove Charter projects.	1,008,000
Transfer from the State School Facilities Fund to the Capital Projects Fund for unused project funds.	25,197
Transfer from the Mello Roos Administrative Fund to the Capital Projects Fund for excess special tax monies.	1,168,250
Transfer from the Adult Education Fund to the General Fund for indirect costs.	190,507
Transfer from the Child Development Fund to the General Fund for indirect costs.	240,832
Transfer from the Cafeteria Fund to the General Fund for indirect costs.	1,325,280
Transfer from the Special Reserve for Capital Outlay Fund to the General Fund for contributions for Clean Energy Jobs projects.	12,424
Transfer from the Capital Projects Fund to the State School Facilities Fund for Dillard Elementary project.	1,500,000
	$ 13,576,876

(Continued)

NOTE 4 - CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2015 is shown below:

	Balance July 1, 2014	Transfers and Additions	Transfers and Deletions	Balance June 30, 2015
Non-depreciable:				
Land	$ 151,592,681	$ 5,652,500	$ -	$ 157,245,181
Work in progress	26,179,735	32,598,085	4,244,059	54,533,761
Depreciable:				
Improvement of sites	56,131,986	641,355	-	56,773,341
Buildings	856,576,644	4,544,431	-	861,121,075
Equipment	29,690,023	5,697,618	2,273,859	33,113,782
Totals, at cost	1,120,171,069	49,133,989	6,517,918	1,162,787,140
Less accumulated depreciation:				
Improvement of sites	(21,454,512)	(2,813,848)	-	(24,268,360)
Buildings	(387,168,766)	(34,339,252)	-	(421,508,018)
Equipment	(21,919,245)	(1,750,752)	(2,273,859)	(21,396,138)
Total accumulated depreciation	(430,542,523)	(38,903,852)	(2,273,859)	(467,172,516)
Capital assets, net	$ 689,628,546	$ 10,230,137	$ 4,244,059	$ 695,614,624

Depreciation expense was charged to governmental activities as follows:

Instruction	$ 38,903,852

At June 30, 2015, the District had outstanding construction contract commitments of approximately $38 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, 2015, 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 fiscal year 2014-15 settled claims did not exceed the coverage level provided by the Fund and no claims were made of the excess coverage.

The claims liability of $18,741,000 at June 30, 2015 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)

NOTE 5 - SELF-INSURANCE (Continued)

Changes in the District's unpaid claims and claim adjustment expenses for the years ended June 30, 2015, June 30, 2014 and June 30, 2013 were as follows:

	Unpaid Claims and Claim Adjustment Expenses July 1	Incurred Claims	Claims Payments	Unpaid Claims and Claim Adjustment Expenses June 30
2014/2015	$ 17,881,000	$ 10,362,785	$ (9,502,785)	$ 18,741,000
2013/2014	$ 16,326,000	$ 8,851,221	$ (7,296,221)	$ 17,881,000
2012/2013	$ 15,263,000	$ 5,149,287	$ (4,086,287)	$ 16,326,000

NOTE 6 - LONG-TERM LIABILITIES

Mello-Roos Bonds Payable: A summary of Mello-Roos Bonds payable at June 30, 2015 follows:

Series	Interest Rate	Original Maturity	Balance July 1, 2014	Current Year Issuance	Current Year Maturities	Balance June 30, 2015
1995	4.0 - 6.5%	2024	$ 16,772,782	$ -	$ 841,727	$ 15,931,055
2003	2.1 - 4.6%	2033	10,885,001	-	1,175,001	9,710,000
2005	4.0 - 4.6%	2035	39,655,000	-	590,000	39,065,000
2008	6.75%	2038	31,226,133	-	-	31,226,133
2012	.50 - 4.05%	2033	83,505,000	-	645,000	82,860,000
			$182,043,916	$ 19,454,511	$ 3,251,728	$178,792,188

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).

NOTE 6 - LONG-TERM LIABILITIES (Continued)

The annual requirements to amortize the Mello-Roos Bonds payable outstanding as of June 30, 2015 are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	$ 3,267,455	$ 9,787,377	$ 13,054,832
2017	3,302,171	9,749,068	13,051,239
2018	3,333,302	9,714,255	13,047,557
2019	3,388,126	9,659,694	13,047,820
2020	5,560,000	7,394,770	12,954,770
2021-2025	32,140,000	32,624,603	64,764,603
2026-2030	38,830,000	26,023,242	64,853,242
2031-2035	46,690,000	18,408,311	65,098,311
2036-2038	42,281,134	11,105,311	53,386,445
	$ 178,792,188	$ 134,466,631	$ 313,258,819

Supplemental Employee Retirement Plan Liability: During 2010, the District provided the option of a one-time Supplemental Employee Retirement Plan ("SERP") to District employees. There were 151 employees who elected to participate in the Plan. Employees under the SERP will receive monthly annuity benefits. The District is obligated to pay annual installments for the calculated benefits for employees under the SERP and for the administration of the plan. The District paid the last installment in 2015.

Capitalized Lease Obligations: The District is leasing equipment under long-term lease purchase agreements with capitalized value of $4,385,237 and no accumulated depreciation. The following is a summary of future payments on the capital leases:

Year Ending June 30,	Payment
2016	$ 499,111
2017	499,111
2018	499,111
2019	499,111
2020	499,111
2021-2024	1,996,444
Total payments	4,491,999
Less amount representing interest	(605,873)
Net present value of minimum payments	$ 3,886,126

(Continued)

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, 2015 is shown below:

	Balance July 1, 2014 As Restated	Additions	Deductions	June 30, 2015	Amounts Due Within One Year
Mello-Roos bonds	$ 182,043,916	$ -	$ 3,251,728	$ 178,792,188	$ 3,267,455
Accreted Interest on bonds	8,278,209	733,101	1,848,272	7,163,038	-
Unamortized bond premiums	68,941	-	3,283	65,658	3,283
Unamortized bond discounts	(878,869)	-	(38,932)	(839,937)	(38,932)
Net pension liability (Notes 8 and 9)	517,706,000	-	103,131,000	414,575,000	-
Capitalized lease obligation	-	4,385,237	499,111	3,886,126	382,527
Supplemental Employee Retirement Plan	1,577,821	-	1,577,821	-	-
Post-retirement employee benefits (Note 10)	1,896,903	-	1,304,354	592,549	-
Compensated absences	9,542,714	518,304	-	10,061,018	10,061,018
Totals	$ 720,235,635	$ 5,636,642	$ 111,576,637	$ 614,295,640	$ 13,675,351

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 - NET POSITION / FUND BALANCES

Restricted net position consisted of the following at June 30, 2015:

	Governmental Funds
Restricted for unspent categorical program revenues	$ 22,366,030
Restricted for special revenues	10,045,365
Restricted for capital projects	40,524,711
Restricted for debt service	18,641,929
Restricted for self-insurance	506,573
	$ 92,084,608

	Fiduciary Funds
Restricted for scholarships	$ 54,248

(Continued)

NOTE 7 - NET POSITION / FUND BALANCES (Continued)

Fund balances, by category, at June 30, 2015 consisted of the following:

	General Fund	Capital Facilities Fund	State School Facilities Fund	Mello Roos Administrative Fund	All Non-Major Funds	Total
Nonspendable:						
Revolving cash fund	$ 140,000	$ -	$ -	$ -	$ 11,045	$ 151,045
Prepaid expenditures	355,826	-	-	-	3,925	359,751
Stores inventory	561,064	-	-	-	1,482,349	2,043,413
Subtotal nonspendable	1,056,890	-	-	-	1,497,319	2,554,209
Restricted:						
Unspent categorical revenues	22,366,030	-	-	-	-	22,366,030
Special Revenue	-	-	-	-	8,550,726	8,550,726
Capital Projects	-	19,454,511	13,018,431	-	12,186,665	44,659,607
Debt Service	-	-	-	18,641,929	-	18,641,929
Subtotal restricted	22,366,030	19,454,511	13,018,431	18,641,929	20,737,391	94,218,292
Assigned:						
Funding priorities	29,539,633	-	-	-	-	29,539,633
Unassigned:						
Designated for economic uncertainty	11,600,000	-	-	-	-	11,600,000
Total fund balances	$ 64,562,553	$ 19,454,511	$ 13,018,431	$ 18,641,929	$ 22,234,710	$ 137,912,134

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.

(Continued)

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

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.

<u>Contributions</u>: 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 8.15 percent of applicable member earnings for fiscal year 2014-15. Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 8.15 percent of applicable member earnings for fiscal year 2014-15.

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

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 – 8.88 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 2014-15 through fiscal year 2045-46 are summarized in the table below:

Effective Date	Prior Rate	Increase	Total
July 01, 2014	8.25%	0.63%	8.88%
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 $23,693,748 to the plan for the fiscal year ended June 30, 2015.

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

State - 5.954 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 2014-15 and beyond are summarized in the table below:

Effective Date	Base Rate	AB 1469 Increase For 1990 Benefit Structure	SBMA Funding	Total State Appropriation to DB Program
July 01, 2014	2.017%	1.437%	2.50%	5.954%
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%	4.571%*

* 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.

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, 2015, 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	$ 335,739,000
State's proportionate share of the net pension liability associated with the District	202,735,000
Total	$ 538,474,000

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013. 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 projected contributions of all participating school Districts and the State. At June 30, 2014, the District's proportion was 0.575 percent, which was an increase of zero from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of $33,910,567 and revenue of $13,842,053 for support provided by the State. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ -
Changes of assumptions	-	-
Net differences between projected and actual earnings on investments	-	82,675,000
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
Contributions made subsequent to measurement date	23,693,748	-
Total	$ 23,693,748	$ 82,675,000

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

$23,693,748 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, 2016. 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 June 30,	
2016	$ 20,668,750
2017	$ 20,668,750
2018	$ 20,668,750
2019	$ 20,668,750

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, 2014. The STRP net pension liability as of June 30, 2013 and the STRP net pension liability as of June 30, 2014 are based on the June 30, 2013 actuarial valuation for the first year of implementation. As a result there are no differences between expected and actual experience or changes in assumptions subject to amortization. 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, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2013
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.

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:

Asset Class	Assumed Asset Allocation	Long-Term* Expected Real Rate of Return
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)

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 (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
District's proportionate share of the net pension liability	$523,329,000	$335,739,000	$179,323,000

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-2014.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)

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 2014-15.

Employers - The employer contribution rate was 11.771 percent of applicable member earnings.

The District contributed $9,274,354 to the plan for the fiscal year ended June 30, 2015.

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

At June 30, 2015, the District reported a liability of $78,836,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013. 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, 2014, the District's proportion was 0.694 percent, which was an increase of 0.022 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of $7,858,575. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ -
Changes of assumptions	-	-
Net differences between projected and actual earnings on investments	-	27,089,000
Changes in proportion and differences between District contributions and proportionate share of contributions	2,593,500	-
Contributions made subsequent to measurement date	9,274,354	-
Total	$ 11,867,854	$ 27,089,000

(Continued)

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

$9,274,354 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, 2016. 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 June 30,	
2016	$ 5,907,750
2017	$ 5,907,750
2018	$ 5,907,750
2019	$ 6,772,250

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 June 30, 2013. 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, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2013
Experience Study	July 1, 2006, through June 30, 2010
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.50%
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, 2013 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)

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.

Asset Class	Long-Term* Assumed Asset Allocation	Expected Real Rate of Return
Global Equity	47%	5.25%
Global Fixed Income	19	0.99
Inflation Sensitive	6	0.45
Private Equity	12	6.83
Real Estate	11	4.50
Infrastructure & Forestland	3	4.50
Liquidity	2	(0.55)

* 10-year geometric average

Discount Rate: The discount rate used to measure the total pension liability was 7.50 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.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in the actuarial valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the Plan and the District.

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)

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 7.50 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 (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	$ 137,910,000	$ 78,836,000	$ 28,741,000

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 with STRS or PERS. As of June 30, 2015, 359 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, 2015, expenditures of $1,246,672 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	56,907
Adjustment to annual required contribution	(1,195,370)
Annual OPEB cost (expense)	(57,682)
Contributions made	(1,246,672)
Increase in net OPEB obligation	(1,304,354)
Net OPEB obligation - beginning of year	1,896,903
Net OPEB obligation - end of year	$ 592,549

(Continued)

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, 2015 and the preceding two years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	$ 2,287,844	91%	$ 714,588
June 30, 2014	$ 2,287,844	48%	$ 1,896,903
June 30, 2015	$ (57,682)	(2,161)%	$ 592,549

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)

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, 2014 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

CSAC Excess Insurance Authority: The District is a member with other school districts of a Joint Powers Agreement, CSAC Excess Insurance Authority, for the operation of a common risk management and insurance program for workers' compensation. 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 CSAC Excess Insurance Authority at June 30, 2014 (the latest information available):

Total assets	$	588,152,525
Total liabilities	$	469,537,129
Net position	$	118,615,396
Total revenue	$	538,524,288
Total expenses	$	525,460,712

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)

NOTE 12 - JOINT POWERS AGREEMENTS (Continued)

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, 2014 (the latest information available):

Total assets	$ 121,132,593
Total liabilities	$ 58,450,882
Net position	$ 62,681,711
Total revenue	$ 49,370,021
Total expenses	$ 48,719,900

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.

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.

REQUIRED SUPPLEMENTARY INFORMATION

ELK GROVE UNIFIED SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2015

	Budget			Variance
	Original	Final	Actual	Favorable (Unfavorable)
Revenues:				
Local control funding formula:				
State apportionment	$ 355,583,176	$ 361,989,964	$ 359,669,094	$ (2,320,870)
Local sources	71,047,673	72,424,938	75,627,044	3,202,106
Total local control funding formula	426,630,849	434,414,902	435,296,138	881,236
Federal sources	29,433,549	40,330,028	30,686,705	(9,643,323)
Other state sources	54,607,855	66,328,272	74,908,222	8,579,950
Other local sources	4,980,691	13,885,860	9,497,759	(4,388,101)
Total revenues	515,652,944	554,959,062	550,388,824	(4,570,238)
Expenditures:				
Current:				
Certificated salaries	257,452,597	276,324,078	270,516,436	5,807,642
Classified salaries	69,332,173	72,575,066	72,195,570	379,496
Employee benefits	125,777,443	129,014,679	134,671,313	(5,656,634)
Books and supplies	27,284,721	27,053,900	21,725,518	5,328,382
Contract services and operating expenditures	44,480,863	63,760,678	46,700,719	17,059,959
Other outgo	3,263,351	1,290,435	2,940,660	(1,650,225)
Capital outlay	65,267	6,054,329	5,755,996	298,333
Debt service:				
Principal retirement	-	-	499,111	(499,111)
Total expenditures	527,656,415	576,073,165	555,005,323	21,067,842
Deficiency of revenues under expenditures	(12,003,471)	(21,114,103)	(4,616,499)	16,497,604
Other financing sources (uses):				
Interfund transfers in	-	4,385,237	1,769,043	(2,616,194)
Interfund transfers out	(1,256,756)	(1,256,756)	(1,339,421)	(82,665)
Proceeds from issuance of debt	-	-	4,385,237	4,385,237
Total other financing sources (uses)	(1,256,756)	3,128,481	4,814,859	1,686,378
Net change in fund balance	(13,260,227)	(17,985,622)	198,360	18,183,982
Fund balance, July 1, 2014	64,364,193	64,364,193	64,364,193	-
Fund balance, June 30, 2015	$ 51,103,966	$ 46,378,571	$ 64,562,553	$ 18,183,982

Schedule of Funding Progress

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

SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
For the Year Ended June 30, 2015

State Teachers' Retirement Plan
Last 10 Fiscal Years

	2015
District's proportion of the net pension liability	0.575%
District's proportionate share of the net pension liability	$ 335,739,000
State's proportionate share of the net pension liability associated with the District	202,735,000
Total net pension liability	$ 538,474,000
District's covered-employee payroll	$ 255,898,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	131.20%
Plan fiduciary net position as a percentage of the total pension liability	76.52%

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.

Public Employer's Retirement Fund B
Last 10 Fiscal Years

	2015
District's proportion of the net pension liability	0.694%
District's proportionate share of the net pension liability	$ 78,836,000
District's covered-employee payroll	$ 72,899,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	108.14%
Plan fiduciary net position as a percentage of the total pension liability	83.38%

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.

ELK GROVE UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
For the Year Ended June 30, 2015

State Teachers' Retirement Plan
Last 10 Fiscal Years

	2015
Contractually required contribution	$ 23,693,748
Contributions in relation to the contractually required contribution	$ 23,693,748
Contribution deficiency (excess)	$ -
District's covered-employee payroll	$ 266,821,000
Contributions as a percentage of covered-employee payroll	8.88%

All years prior to 2015 are not available.

Public Employer's Retirement Fund B
Last 10 Fiscal Years

		2015
Contractually required contribution	$	9,274,354
Contributions in relation to the contractually required contribution	$	9,274,354
Contribution deficiency (excess)	$	-
District's covered-employee payroll	$	78,789,000
Contributions as a percentage of covered-employee payroll		11.77%

All years prior to 2015 are not available.

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.

Excess of expenditures over appropriations for the year ended June 30, 2015 were as follows:

Fund	Excess Expenditures
General Fund:	
Employee benefits	$ 5,656,634

These excesses are not in accordance with education Code 42600.

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

There are no changes in assumptions reported in the Required Supplementary Information.

SUPPLEMENTARY INFORMATION

ELK GROVE UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NON-MAJOR FUNDS
June 30, 2015

	Charter Schools Fund	Adult Education Fund	Child Develop-ment Fund	Cafeteria Fund	Deferred Maintenance Fund	Special Reserve for Capital Outlay Fund	Capital Projects Fund	Total
ASSETS								
Cash in County Treasury	$ 3,128,930	$ 579,332	$ 7,965	$ 7,077	$ 819,333	$ 670,659	$ 7,629,712	$ 12,843,008
Cash with Fiscal Agent	-	-	-	-	-	-	4,137,576	4,137,576
Cash on hand and in banks	-	10,691	-	38,693	-	-	-	49,384
Cash in revolving fund	-	-	-	11,045	-	-	-	11,045
Cash awaiting deposit	-	18,617	232,804	254	-	-	15	251,690
Receivables	77,181	838,059	547,327	4,870,759	2,151	2,011	27,539	6,365,027
Prepaid expenditures	-	1,245	-	-	-	-	2,680	3,925
Due from other funds	36	1,089,486	192,213	88,155	46,194	-	-	1,416,084
Stores inventory	-	-	-	1,482,349	-	-	-	1,482,349
Total assets	$ 3,206,147	$ 2,537,430	$ 980,309	$ 6,498,332	$ 867,678	$ 672,670	$ 11,797,522	$ 26,560,088
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	$ 75,123	$ 174,633	$ 205,914	$ 718,659	$ 69,614	$ 132	$ 206,859	$ 1,450,934
Unearned revenue	13,416	-	82,713	-	-	-	-	96,129
Due to other funds	23,409	162,617	603,659	1,914,774	-	12,424	61,432	2,778,315
Total liabilities	111,948	337,250	892,286	2,633,433	69,614	12,556	268,291	4,325,378
Fund balances:								
Nonspendable	-	1,245	-	1,493,394	-	-	2,680	1,497,319
Restricted	3,094,199	2,198,935	88,023	2,371,505	798,064	660,114	11,526,551	20,737,391
Total fund balances	3,094,199	2,200,180	88,023	3,864,899	798,064	660,114	11,529,231	22,234,710
Total liabilities and fund balances	$ 3,206,147	$ 2,537,430	$ 980,309	$ 6,498,332	$ 867,678	$ 672,670	$ 11,797,522	$ 26,560,088

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, 2015

	Charter Schools Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Special Reserve for Capital Outlay Fund	Capital Projects Fund	Total
Revenues:								
Local control funding formula	$ 1,940,098	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,940,098
Federal sources	-	1,438,612	3,314,816	18,100,270	-	-	-	22,853,698
Other state sources	80,993	1,293,240	1,629,109	1,489,569	-	-	-	4,492,911
Other local sources	881	966,010	533,847	4,030,398	(8,019)	23,317	14,636	5,561,070
Total revenues	2,021,972	3,697,862	5,477,772	23,620,237	(8,019)	23,317	14,636	34,847,777
Expenditures:								
Current:								
Certificated salaries	1,161,812	1,704,433	1,975,026	-	-	-	-	4,841,271
Classified salaries	170,910	1,054,497	1,090,415	7,736,304	-	-	973,914	11,026,040
Employee benefits	396,709	1,014,382	1,252,319	3,520,411	-	-	371,405	6,555,226
Books and supplies	126,839	352,215	140,135	12,347,265	7,483	-	25,918	12,999,855
Contract services and operating expenditures	100,482	419,144	934,612	862,201	-	467,369	595,904	3,379,712
Other outgo	-	90,510	-	-	-	-	2	90,512
Capital outlay	-	-	-	111,196	104,007	-	744,342	959,545
Total expenditures	1,956,752	4,635,181	5,392,507	24,577,377	111,490	467,369	2,711,485	39,852,161
Excess (deficiency) of revenues over (under) expenditures	65,220	(937,319)	85,265	(957,140)	(119,509)	(444,052)	(2,696,849)	(5,004,384)
Other financing sources (uses):								
Interfund transfers in	-	1,084,043	191,834	63,544	-	-	1,193,447	2,532,868
Interfund transfers out	-	(190,507)	(240,832)	(1,325,280)	-	(12,424)	(1,500,000)	(3,269,043)
Total other financing sources (uses)	-	893,536	(48,998)	(1,261,736)	-	(12,424)	(306,553)	(736,175)
Net change in fund balances	65,220	(43,783)	36,267	(2,218,876)	(119,509)	(456,476)	(3,003,402)	(5,740,559)
Fund balances, July 1, 2014	3,028,979	2,243,963	51,756	6,083,775	917,573	1,116,590	14,532,633	27,975,269
Fund balances, June 30, 2015	$ 3,094,199	$ 2,200,180	$ 88,023	$ 3,864,899	$ 798,064	$ 660,114	$ 11,529,231	$ 22,234,710

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Student Body Funds				
Elk Grove High School				
Assets:				
Cash on hand and in banks	$ 311,198	$ 1,111,332	$ 1,142,189	$ 280,341
Inventory	-	43,508	40,143	3,365
	$ 311,198	$ 1,154,840	$ 1,182,332	$ 283,706
Liabilities:				
Due to students/student groups	$ 311,198	$ 1,154,840	$ 1,182,332	$ 283,706
Florin High School				
Assets:				
Cash on hand and in banks	$ 251,799	$ 363,581	$ 379,309	$ 236,071
Inventory	-	29,234	27,263	1,971
	$ 251,799	$ 392,815	$ 406,572	$ 238,042
Liabilities:				
Due to students/student groups	$ 251,799	$ 392,815	$ 406,572	$ 238,042
Franklin High School				
Assets:				
Cash on hand and in banks	$ 240,426	$ 1,036,712	$ 1,050,220	$ 226,918
Inventory	-	39,066	39,066	-
	$ 240,426	$ 1,075,778	$ 1,089,286	$ 226,918
Liabilities:				
Due to students/student groups	$ 240,426	$ 1,075,778	$ 1,089,286	$ 226,918

(Continued)

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Student Body Funds (Continued)				
Laguna Creek High School				
Assets:				
Cash on hand and in banks	$ 258,156	$ 389,810	$ 384,160	$ 263,806
Inventory	16,312	-	-	16,312
	$ 274,468	$ 389,810	$ 384,160	$ 280,118
Liabilities:				
Due to students/student groups	$ 274,468	$ 389,810	$ 384,160	$ 280,118
Monterey Trail High School				
Assets:				
Cash on hand and in banks	$ 288,991	$ 555,290	$ 613,223	$ 231,058
Inventory	31	43,801	43,832	-
	$ 289,022	$ 599,091	$ 657,055	$ 231,058
Liabilities:				
Due to students/student groups	$ 289,022	$ 599,091	$ 657,055	$ 231,058
Pleasant Grove High School				
Assets:				
Cash on hand and in banks	$ 227,681	$ 1,058,355	$ 1,059,200	$ 226,836
Inventory	-	66,711	66,711	-
	$ 227,681	$ 1,125,066	$ 1,125,911	$ 226,836
Liabilities:				
Due to students/student groups	$ 227,681	$ 1,125,066	$ 1,125,911	$ 226,836

(Continued)

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Student Body Funds (Continued)				
Sheldon High School				
Assets:				
Cash on hand and in banks	$ 376,768	$ 653,011	$ 633,866	$ 395,913
Inventory	6,640	34,317	33,350	7,607
	$ 383,408	$ 687,328	$ 667,216	$ 403,520
Liabilities:				
Due to students/student groups	$ 383,408	$ 687,328	$ 667,216	$ 403,520
Valley High School				
Assets:				
Cash on hand and in banks	$ 7,604	$ 304,555	$ 265,075	$ 47,084
Inventory	4,169	28,096	31,553	712
	$ 11,773	$ 332,651	$ 296,628	$ 47,796
Liabilities:				
Due to students/student groups	$ 11,773	$ 332,651	$ 296,628	$ 47,796
Cosumnes Oaks High School				
Assets:				
Cash on hand and in banks	$ 332,267	$ 914,262	$ 922,537	$ 323,992
Inventory	22,150	71,067	60,864	32,353
	$ 354,417	$ 985,329	$ 983,401	$ 356,345
Liabilities:				
Due to students/student groups	$ 354,417	$ 985,329	$ 983,401	$ 356,345

(Continued)

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Student Body Funds (Continued)				
Edward Harris, Jr. Middle School				
Assets:				
Cash on hand and in banks	$ 83,103	$ 222,603	$ 236,345	$ 69,361
Inventory	-	21,070	20,874	196
	$ 83,103	$ 243,673	$ 257,219	$ 69,557
Liabilities:				
Due to students/student groups	$ 83,103	$ 243,673	$ 257,219	$ 69,557
Toby Johnson Middle School				
Assets:				
Cash on hand and in banks	$ 426,868	$ 301,857	$ 263,005	$ 465,720
Inventory	-	30,354	30,354	-
	$ 426,868	$ 332,211	$ 293,359	$ 465,720
Liabilities:				
Due to students/student groups	$ 426,868	$ 332,211	$ 293,359	$ 465,720
Joseph Kerr Middle School				
Assets:				
Cash on hand and in banks	$ 119,750	$ 179,712	$ 202,581	$ 96,881
Inventory	77	9,707	9,784	-
	$ 119,827	$ 189,419	$ 212,365	$ 96,881
Liabilities:				
Due to students/student groups	$ 119,827	$ 189,419	$ 212,365	$ 96,881

(Continued)

Student Body Funds (Continued)	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Harriet Eddy Middle School				
Assets:				
Cash on hand and in banks	$ 40,217	$ 219,820	$ 217,186	$ 42,851
Inventory	-	-	-	-
	$ 40,217	$ 219,820	$ 217,186	$ 42,851
Liabilities:				
Due to students/student groups	$ 40,217	$ 219,820	$ 217,186	$ 42,851
James Rutter Middle School				
Assets:				
Cash on hand and in banks	$ 72,446	$ 127,242	$ 127,164	$ 72,524
Inventory	801	23,727	24,105	423
	$ 73,247	$ 150,969	$ 151,269	$ 72,947
Liabilities:				
Due to students/student groups	$ 73,247	$ 150,969	$ 151,269	$ 72,947
Katherine L. Albiani Middle School				
Assets:				
Cash on hand and in banks	$ 99,229	$ 323,787	$ 312,664	$ 110,352
Inventory	-	33,370	30,033	3,337
	$ 99,229	$ 357,157	$ 342,697	$ 113,689
Liabilities:				
Due to students/student groups	$ 99,229	$ 357,157	$ 342,697	$ 113,689

(Continued)

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Student Body Funds (Continued)				
Samuel Jackman Middle School				
Assets:				
Cash on hand and in banks	$ 33,453	$ 113,499	$ 121,099	$ 25,853
Inventory	86	15,576	15,583	79
	$ 33,539	$ 129,075	$ 136,682	$ 25,932
Liabilities:				
Due to students/student groups	$ 33,539	$ 129,075	$ 136,682	$ 25,932
Pinkerton Middle School				
Assets:				
Cash on hand and in banks	$ 52,964	$ 318,918	$ 288,184	$ 83,698
Inventory	539	39,954	38,266	2,227
	$ 53,503	$ 358,872	$ 326,450	$ 85,925
Liabilities:				
Due to students/student groups	$ 53,503	$ 358,872	$ 326,450	$ 85,925
T. R. Smedberg Middle School				
Assets:				
Cash on hand and in banks	$ 128,684	$ 170,983	$ 184,667	$ 115,000
Inventory	-	26,359	26,356	3
	$ 128,684	$ 197,342	$ 211,023	$ 115,003
Liabilities:				
Due to students/student groups	$ 128,684	$ 197,342	$ 211,023	$ 115,003

(Continued)

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Student Body Funds (Continued)				
Elementary and Other Schools				
Assets:				
Cash on hand and in banks	$ 1,314,112	$ 4,013,722	$ 3,933,004	$ 1,394,830
Inventory	-	-	-	-
	$ 1,314,112	$ 4,013,722	$ 3,933,004	$ 1,394,830
Liabilities:				
Due to students/student groups	$ 1,314,112	$ 4,013,722	$ 3,933,004	$ 1,394,830
Total Agency Funds				
Assets:				
Cash on hand and in banks	$ 4,665,716	$ 12,379,051	$ 12,335,678	$ 4,709,089
Inventory	50,805	555,917	538,137	68,585
	$ 4,716,521	$ 12,934,968	$ 12,873,815	$ 4,777,674
Liabilities:				
Due to students/student groups	$ 4,716,521	$ 12,934,968	$ 12,873,815	$ 4,777,674

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 39 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

Name	Office	Term Expires
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 2016
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, 2015

	Second Period Report	Audited Second Period Report	Annual Report	Audited Annual Report
DISTRICT				
Elementary:				
Transitional Kindergarten through Third	17,566	17,559	17,550	17,550
Fourth through Sixth	13,940	13,941	13,925	13,924
Seventh and Eighth	9,448	9,448	9,448	9,447
Subtotal Elementary	40,954	40,948	40,923	40,921
Secondary:				
Ninth through Twelfth	18,542	18,548	18,421	18,419
Total District	59,496	59,496	59,344	59,340
CHARTER SCHOOL				
Charter School - Non Classroom-Based:				
Secondary Education	252		257	

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

See accompanying notes to supplementary information.

	Statutory Minutes Require-ment	Reduced Minutes Require-ment	2014-15 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
GRADE LEVEL						
DISTRICT						
Kindergarten	36,000	35,000	36,000	180	171	In Compliance
Grade 1	50,400	49,000	53,675	180	171	In Compliance
Grade 2	50,400	49,000	53,675	180	171	In Compliance
Grade 3	50,400	49,000	53,675	180	171	In Compliance
Grade 4	54,000	52,500	54,105	180	171	In Compliance
Grade 5	54,000	52,500	54,105	180	171	In Compliance
Grade 6	54,000	52,500	54,105	180	171	In Compliance
Grade 7	54,000	52,500	60,731	180	171	In Compliance
Grade 8	54,000	52,500	60,731	180	171	In Compliance
Grade 9	64,800	63,000	65,333	180	N/A	In Compliance
Grade 10	64,800	63,000	65,515	180	N/A	In Compliance
Grade 11	64,800	63,000	65,515	180	N/A	In Compliance
Grade 12	64,800	63,000	65,333	180	N/A	In Compliance

See accompanying notes to supplementary information.

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Expend-itures
U.S. Department of Education - Passed through California Department of Education			
	Special Education IDEA Cluster:		
84.027A	Special Education: IDEA Mental Health Services, Part B	14468	$ 685,654
84.027	Special Education: Basic Grant Entitlement PL 101-476	13379	9,373,787
84.027A	Special Education: IDEA Preschool Local Entitlement, Part B, Section 611	13682	421,849
84.027	Special Education: IDEA Local Assistance, Part B, Section 611, Early Intervening Services	10119	193,235
84.173A	Special Education: IDEA Preschool Staff Development, Part B, Section 619	13431	3,979
84.173	Special Education: IDEA Preschool Grant, Part B	13430	183,462
	Subtotal Special Education IDEA Cluster		10,861,966
	NCLB: Title I Programs:		
84.010	NCLB: Title I: Basic Grants Low-Income and Neglected	14329	12,614,944
84.010	NCLB: Title I, Part D, Subpart 2, Local Delinquent Programs	14357	62,584
	Subtotal NCLB: Title I Programs		12,677,528
	Adult Education Programs:		
84.002A	Adult Education: Adult Basic Education & ESL	14508	236,070
84.002	Adult Education: English Literacy & Civics Education	14109	166,981
84.002	Adult Education: Institutionalized Adults	13971	72,863
84.002	Adult Education: Adult Secondary Education/GED	13978	166,487
	Subtotal Adult Education Programs		642,401
	Carl D. Perkins Career and Technical Education Programs:		
84.048	Carl D. Perkins Career and Technical Education, Secondary, Section 131	14894	475,004
84.048	Carl D. Perkins Career and Technical Education, Secondary, Section 132	13923	67,666
	Subtotal Carl D. Perkins Career and Technical Education Programs		542,670

(Continued)

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Expend-itures
	U.S. Department of Education - Passed through California Department of Education (Continued)		
	NCLB: Title II Programs:		
84.366	NCLB: Title II: Part B, CaMSP	14512	$ 53,013
84.366B	California Math & Science Cohort 9	14512	562,199
	Subtotal NCLB: Title II Programs		615,212
84.367	NCLB: Title II, Part A, Teacher Quality	14341	1,730,724
84.181	Special Education: IDEA Early Intervention Grants, Part C	23761	53,605
84.215E	Elementary School Counseling	-	440,759
84.287	NCLB: Title IV, Part B, 21st Century Community Learning Centers Program	14681	1,223,475
84.158	Department of Rehabilitation: Workability II, Transitions Partnership	10006	272,469
84.060	Indian Education	10011	55,058
84.196	NCLB: Title X McKinney-Vento Homeless Children Assistance Grants	14332	65,100
84.334A	California State Gear Up Program	10088	105,670
84.418P	Promise	-	91,487
84.330	Advanced Placement Testing	-	116,512
84.365	Title III: Limited English Proficient Student Program	14346	950,462
	Total U.S. Department of Education		30,445,098
	U.S. Department of Labor - Passed through California Department of Education		
	WIA Programs:		
17.258	SETA: Workforce Skills Preparation Services	-	433,730
17.259	SETA: One Stop, Universal Services	-	60,997
17.259	SETA: One Stop, Out of School Services	-	189,756
	Subtotal WIA Programs		684,483
	Total U.S. Department of Labor		684,483
	National Endowment for the Humanities - Passed through California Department of Education		
45.024	Promotion of the Arts	-	17,410
	U.S. Department of Health and Human Services - Passed through California Department of Education		
	Head Start Programs:		
93.600	Head Start - Basic	10016	2,875,722
93.600	Head Start - PA 20	10016	9,000
	Subtotal Head Start Programs		2,884,722

(Continued)

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Expend-itures
	U.S. Department of Health and Human Services - Passed through California Department of Education (Continued)		
93.596	Child Development: Federal Child Care Center Based	13609	$ 430,094
93.778	Dept of Health Services (DHCS): Medi-Cal Billing Option	10013	1,257,174
93.674	Chafee Foster Care Independence Program	-	45,000
	Total U.S. Department of Health and Human Services		4,616,990
	U.S. Department of Agriculture - Passed through California Department of Education		
10.555	Child Nutrition: School Programs	13390	16,531,759
10.558	Child Nutrition: Child Care Food Program Claims	-	1,528,640
10.582	Child Nutrition: Fresh Fruit & Vegetable Program	14968	25,363
10.574	Child Nutrition: Team Nutritional Grants	01188	14,401
10.579	Equipment Assistance Grant	15006	107
	Total U.S. Department of Agriculture		18,100,270
	U.S. Department of Transportation - Passed through California Department of Education		
20.205	Safe Routes to Schools	-	80,417
	U.S. Department of Homeland Security - Passed through California Department of Education		
97.010	Citizenship and Integrity Grant	-	44,714
97.UNKNOWN	Air Force ROTC	-	83,862
97.UNKNOWN	NJROTC	-	17,817
	Total U.S. Department of Homeland Security		146,393
	Total Federal Programs		$ 54,091,061

See accompanying notes to supplementary information.

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

ELK GROVE UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
For the Year Ended June 30, 2015
(UNAUDITED)

	(Budgeted) 2016	2015	2014	2013
General Fund				
Revenues and other financing sources	$ 609,943,721	$ 556,543,104	$ 498,040,618	$ 473,312,077
Expenditures	572,104,992	555,005,323	506,847,195	480,633,677
Other uses and transfers out	468,172	1,339,421	1,363,265	1,916,447
Total outgo	572,573,164	556,344,744	508,210,460	482,550,124
Change in fund balance	$ 37,370,557	$ 198,360	$ (10,169,842)	$ (9,238,047)
Ending fund balance	$ 101,933,110	$ 64,562,553	$ 64,364,193	$ 74,534,035
Available reserves	$ 12,000,000	$ 11,600,000	$ 10,700,000	$ 10,000,000
Designated for economic uncertainties	$ 12,000,000	$ 11,600,000	$ 10,700,000	$ 10,000,000
Undesignated fund balance	$ -	$ -	$ -	$ -
Available reserves as percentages of total outgo	2.1%	2.1%	2.1%	2.1%
All Funds				
Total long-term liabilities	$ 600,620,289	$ 614,295,640	$ 720,235,635	$ 207,290,096
Average daily attendance at P-2 (excluding Charter School)	59,487	59,496	59,378	58,796

The General Fund fund balance has decreased by $19,209,529 over the past three years. The fiscal year 2015-2016 budget, as originally adopted, projects a increase of $37,370,557. 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 deficits in two of the past three years, and anticipates an operating surplus during the 2015-16 fiscal year.

Total long-term liabilities have increased by $407,005,544 over the past three years, as shown in Note 6 to the basic financial statements.

Average daily attendance has increased by 700 over the past three years. An decrease of 9 ADA is projected for the 2015-16 fiscal year.

ELK GROVE UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
For the Year Ended June 30, 2015

Charter Schools Chartered by District	Included in District Financial Statements, or Separate Report
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, 2015

	First 5/ School Readiness	All Other Programs	Total Child Development Fund
Revenues:			
Federal revenue sources	$ -	$ 3,314,816	$ 3,314,816
State revenue sources	-	1,629,109	1,629,109
Local revenues sources	511,038	22,809	533,847
Total revenues	511,038	4,966,734	5,477,772
Expenditures:			
Certificated salaries	121,056	1,853,970	1,975,026
Classified salaries	91,827	998,588	1,090,415
Employee benefits	109,589	1,142,730	1,252,319
Books and supplies	47,060	93,075	140,135
Contract services and operating expenditures	115,295	819,317	934,612
Total expenditures	484,827	4,907,680	5,392,507
Excess of revenues over expenditures	26,211	59,054	85,265
Other financing sources (uses):			
Operating transfers in	-	191,834	191,834
Operating transfers out	(26,211)	(214,621)	(240,832)
Total other financing sources (uses)	(26,211)	(22,787)	(48,998)
Net change in fund balances	-	36,267	36,267
Fund balances, July 1, 2014	-	51,756	51,756
Fund balances, June 30, 2015	$ -	$ 88,023	$ 88,023

See accompanying notes to supplementary information.

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. 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

OMB Circular A-133 requires a disclosure of the financial activities of all federally funded programs. This schedule was prepared to comply with A-133, and is prepared using the modified accrual basis of accounting.

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, 2015.

Description	CFDA Number	Amount
Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances		$ 53,540,403
Add:		
Special Education: Basic Grant Entitlement PL 101-476 spent from prior period awards	84.027	443,918
NCLB: Title II, Part A, Teacher Quality spent from prior period awards	84.367	106,088
Employment Development ARRA spent from prior period awards	16.821	652
Total Schedule of Expenditure of Federal Awards		$ 54,091,061

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.

(Continued)

NOTE 1 - PURPOSE OF SCHEDULES (Continued)

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 2015-2016 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, 2015, 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 2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* to the state laws and regulations listed below for the year ended June 30, 2015.

Description	Procedures Performed
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes
Instructional Time School District	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
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Regional Occupational Centers or Programs Maintenance of Effort	Yes
Adult Education Maintenance of Effort	Yes
California Clean Energy Jobs Act	Yes
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
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
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 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 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 receive Charter School Facility Grant Program funding; 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 compliance with state laws and regulations as listed above of Elk Grove Unified School District. 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 *State of California's 2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance 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.

Basis for Qualified Opinion on Compliance with State Laws and Regulations

As described in Finding 2015-003 in the accompanying Schedule of Audit Findings and Questioned Costs, Elk Grove Unified School District did not comply with requirements regarding After School Education and Safety Program General Requirements. Compliance with such requirements is necessary, in our opinion, for Elk Grove Unified School District to comply with state laws and regulations applicable to After School Education and Safety Program General Requirements.

Qualified Opinion on Compliance with State Laws and Regulations

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Elk Grove Unified School District complied, in all material respects, with the state laws and regulations referred to above for the year ended June 30, 2015. Further, based on our examination, for items not tested, nothing came to our attention to indicate that Elk Grove Unified School District had not complied with the state laws and regulations.

(Continued)

District Response to Finding

Elk Grove Unified School District's response to the finding identified in our audit is described in the accompanying schedule of Audit Findings and Questioned Costs. Elk Grove Unified School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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 2014-15 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 17, 2015

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, 2015, 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 17, 2015.

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 2015-001 and 2015-002.

(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*.

District 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 response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

Crowe Horwath LLP

Sacramento, California
November 17, 2015

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, 2015.

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, 2015.

(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 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 he 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 he 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 17, 2015

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 Circular A-133 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, 2015. 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 the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2015.

(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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
November 17, 2015

FINDINGS AND RECOMMENDATIONS

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 Circular A-133, Section .510(a)?	______	Yes	X	No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010	NCLB: Title I Programs
84.173, 84.027, 84.027A	Special Education (IDEA) Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$ 1,622,732			
Auditee qualified as low-risk auditee?	X	Yes	______	No

STATE AWARDS

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

(Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS

2015-001 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 at elementary sites were noted:

- 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.

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.

Recommendations

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 FCMAT on December 9, 2014, to all Secondary administrators and support staff for the 2014-15 fiscal year. For 2015-16 fiscal year, the District invited Crowe Horwath to present an in-service workshop on October 13, 2015. This presentation was held for secondary sites and provided information on best practices in the area of ASB accounting. A similar in-service workshop will be presented by District staff for elementary sites in 2016.

The District's Fiscal Services Compliance Specialist position continues visiting all 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)

SECTION II - FINANCIAL STATEMENT FINDINGS

2015-002 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, 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.

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, 2015, the excess vacation accrual is $3,013,906.

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 2015-2016 negotiations with employee groups.

(Continued)

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

(Continued)

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2015-003 DEFICIENCY - ASES GENERAL REQUIREMENTS (40000)

Criteria

The reported number of students served is supported by written records.

Condition

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.

Effect

Number of students served was overreported.

Cause

Procedures have not been followed to ensure information on the report submitted to the California Department of Education is accurate and agrees to District records.

Fiscal Impact

Not determinable.

Recommendations

The District should ensure the report submitted to the California Department of Education agrees to District's records.

Corrective Action Plan

Upon discovery that the electronic attendance reporting system did not reconcile with written attendance records, the issue was addressed immediately by working with the Technology Department to correct electronic reporting errors. An updated and accurate student attendance report was submitted to the California Department of Education on May 26, 2015. Additionally, the team has implemented a redundant accountability system to ensure that accurate data is consistently reported. All sites check the written records at multiple points daily (classroom level by each program leader, site level by clerk) and ensure accuracy within the electronic reporting system. Site administrators check the accuracy of attendance data weekly and submit an attendance summary to the office of Learning Support Services on a weekly basis. A Fiscal Technician from the office of Learning Support Services conducts periodic site visits to audit the accuracy of the written records kept on site with the electronic data submitted.

STATUS OF PRIOR YEAR

FINDINGS AND RECOMMENDATIONS

Finding/Recommendation	Current Status	District Explanation If Not Implemented
2014-001 At various school sites selected for testing the following issues were noted: • No evidence of approval of fundraising activities. • Receipts are not issued by the ASB Secretary, to the teachers turning in the funds.. • No records of receipt books issued to teachers is maintained by the ASB Secretary. School sites should implement the proper control procedures in order to protect ASB funds from misappropriation: • Formal approval for fundraising activities by the Principal or other designated site personnel be performed. • Receipts should be issued and signed when funds are deposited with the ASB Secretary. • Records of receipt books issued should be maintained.	Partially implemented.	See current year finding 2015-001.
2014-002 As of June 30, 2014, there are approximately 623 employees who exceed the maximum days permitted by policy, by a total of approximately 16,476 excess days, representing an excess vacation accrual of $2,808,830. The District should enforce the requirements set in the collective bargaining contracts and District policy.	Not implemented.	See current year finding 2015-002.

(Continued)

Finding/Recommendation	Current Status	District Explanation If Not Implemented
2014-003 At Joseph Sims Elementary School, an incorrect student ID was used as support for one student's free and reduced status. The student did not qualify and therefore should not have been included in the CalPADS report. The District should ensure that student information used is correctly entered in to the system for all students receiving Free and Reduced lunches	Implemented.	