

ELK GROVE UNIFIED SCHOOL DISTRICT
Elk Grove, California

FINANCIAL STATEMENTS
June 30, 2012

ELK GROVE UNIFIED SCHOOL DISTRICT

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2012

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ELK GROVE UNIFIED SCHOOL DISTRICT

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ELK GROVE UNIFIED SCHOOL DISTRICT

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WITH SUPPLEMENTARY INFORMATION**

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REPORT OF INDEPENDENT AUDITORS

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

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, 2012, which collectively comprise Elk Grove Unified School District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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, 2012, and the respective change in financial position and cash flows, where applicable, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2012 on our consideration of Elk Grove Unified School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 to 11 and the Required Supplementary Information, such as the General Fund Budgetary Comparison Schedule and the Schedule of Other Postemployment Benefits Funding progress on pages 45 and 46 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the financial statement. 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.

Our audit was conducted for the purposes of forming an opinion on the financial statements that collectively comprise Elk Grove Unified School District's basic financial statements. The accompanying schedule of expenditures 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 other supplemental information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The other supplemental information listed in the table of contents, except for the Schedule of Financial Trends and Analysis, have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 expenditures of federal awards and other supplemental information 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 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 financial statements, and accordingly, we do not express an opinion or provide any assurance on it.


Crowe Horwath LLP

Sacramento, California
November 30, 2012



Members of the Board:

Jeanette J. Amavisca
Priscilla S. Cox
William H. Lugg, Jr.
Chet Madison, Sr.
Jacob L. Rambo
Al Rowlett
Bobbie Singh-Allen

Steven M. Ladd, Ed. D.
Superintendent



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Management's Discussion and Analysis

The following discussion and analysis is reflecting the 2011/2012 school year. Elk Grove Unified School District is the 5th largest school district in California. Located in southern Sacramento County, the District covers 320 square miles, which is one-third of the county. The District operates 64 schools, consisting of 39 elementary schools (grades K-6), 9 middle schools (grades 7-8), 9 comprehensive high schools (grades 9-12), 3 continuation high schools, 1 special education school, 1 adult school, 1 independent study program, and 1 charter school. The District serves a diverse student population of approximately 61,000 students. More than 80 languages and dialects are spoken by over 10,000 of the students.

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 and 2010/11 resulted in a small increase in enrollment of approximately .5%. During 2011/12 the District experienced a slight decline of .65%.

For the 2011/12 school year the District employed on a regular basis 3,336 certificated employees, and 2,116 classified employees.

Mission Statement and Core Values

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

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

Coupled with this mission statement are the following Core Values:

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

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

Financial Reports

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

Fiscal year 2001/2002 was the first year the District accounted for the value of fixed 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 assets, the difference between the District’s assets and liabilities, are one way to measure the District’s financial health or position. Over time, increases or decreases in the District’s net assets are one indicator of whether its financial position is improving or declining.

Statement of Net Assets

The *Statement of Net Assets* for the 2011/12 year shows the District's net assets as \$707,823,754. 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. The table below summarizes the change in net assets from 2010/11 to 2011/12.

Statement of Net Assets		
	June 30, 2011	June 30, 2012
Assets other than capital	\$ 210,332,706	\$ 248,116,685
Capital assets net of accumulated depreciation	<u>760,770,443</u>	<u>734,445,865</u>
Total assets	<u>971,103,149</u>	<u>981,562,550</u>
Liabilities other than long term	46,204,534	70,610,114
Long term liabilities	<u>207,013,442</u>	<u>203,128,682</u>
Total liabilities	<u>253,217,976</u>	<u>273,738,796</u>
Ending Net Assets	<u>\$ 717,885,173</u>	<u>\$ 707,823,754</u>

Statement of Activities

Governmental Activities		
<u>Revenues</u>	June 30, 2011	June 30, 2012
Program Revenue:		
Charges for services	\$5,339,083	\$10,799,891
Operating grants & contributions	142,778,376	128,145,728
Capital grants & contributions	16,796,288	1,564,327
Taxes:		
Levied for general purpose	70,027,405	67,099,084
Levied for debt service	14,436,057	14,504,501
Levied for other specific purposes	717,325	991,673
Other Revenue:		
Federal and State aid	303,089,321	297,403,188
Interest and investment earnings	(10,872)	574,556
Interagency	2,687,253	2,346,216
Other	6,279,501	6,194,999
Total Revenue	\$562,139,737	\$529,624,163
<u>Expenses</u>		
Instruction	\$349,500,945	\$360,261,791
Instruction-related services	46,382,909	47,593,879
Pupil services	49,995,404	51,457,466
General administration	25,620,597	23,989,967
Plant services	46,826,347	40,323,787
Enterprise activities	18,050	6,718
Interest on long-term liabilities	10,653,967	8,540,080
Other outgo	21,758,241	7,511,894
Total Expenses	\$550,756,460	\$539,685,582
Change in Net Assets	\$11,383,277	\$(10,061,419)
Net Assets – Beginning	746,724,713	717,885,173
Restatement	(40,222,817)	-
Net Assets – Ending	\$717,885,173	\$707,823,754

Financial Condition of the General Fund

In 2011/12 the State applied a deficit of 20.602% to the total revenue limit. Instead of receiving \$6,501.90 per ADA as the District should have received, the District received a net of \$5,162.38 per ADA for the 2011/12 school year. This is approximately \$629 less per ADA than what was received in 2007/08. Revenue limit 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, 2011	June 30, 2012
Revenues	\$473,859,361	\$470,966,380
Expenditures	<u>(446,602,237)</u>	<u>(452,834,081)</u>
Difference	\$27,257,124	\$18,132,299

General Fund Change in Fund Balance			
	Restricted	Unrestricted	Total
June 30, 2011	<u>\$18,627,544</u>	<u>\$46,812,372</u>	<u>\$65,439,916</u>
June 30, 2012	<u>21,704,964</u>	<u>62,067,118*</u>	<u>83,772,082</u>
Change	\$3,077,420	\$ 15,254,746	\$ 18,332,166

**Revenue limit deferral of \$17M for 10/11 and 11/12 contributes to this amount.*

During 2011/12 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 each of the Board of Education meetings. In addition, 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

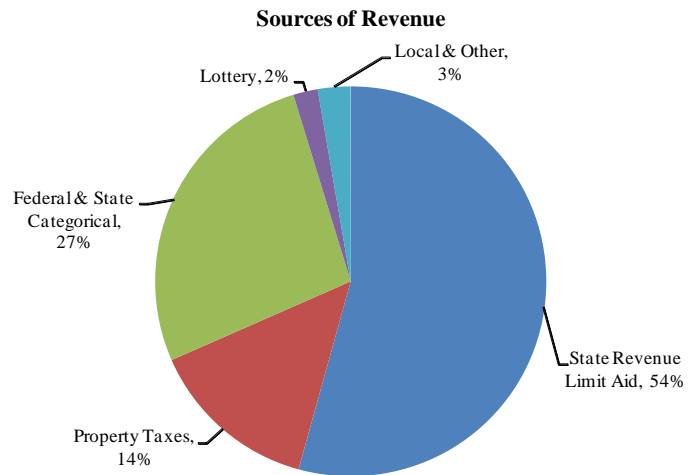
More than sixty-eight percent of the District's General Fund revenue is generated from the District's Revenue Limit. The revenue limit includes State Aid and property taxes and is based on a state-determined dollar amount times the average number of students who are in attendance throughout the school year.

The second biggest source of revenue is state categorical income that must be spent for specific state determined programs. Categorical programs amounts to twenty-nine percent of the district's income. The two largest categorical programs are funding for a portion of Special Education services and the K-3 Class-Size Reduction program.

The District's total resources for expenditures include a "beginning balance", which represents the unexpended balance from the prior year. During the 2011/12 school year, the District's ending fund balance increased by a little more than \$15 million. This increase was due in part to the set aside of deferred revenue limit funds and receipt of one time revenues for Mandated Cost reimbursements.

General Fund Sources

Sources Available	
State Aid	\$255,788,980
Property Taxes	66,358,214
Total Revenue Limit	322,147,194
Federal Revenue	43,940,017
Lottery	9,613,322
Other State Revenue	82,467,897
Local Revenue	12,797,950
Total Revenue	\$470,966,380
Beginning Fund Balance	65,439,916
Total General Fund Sources	\$536,406,296

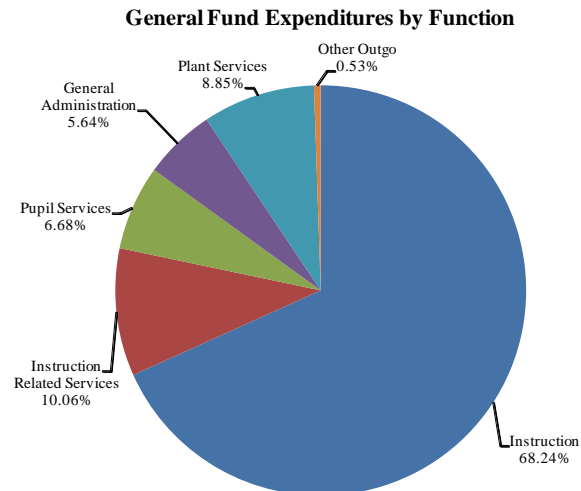
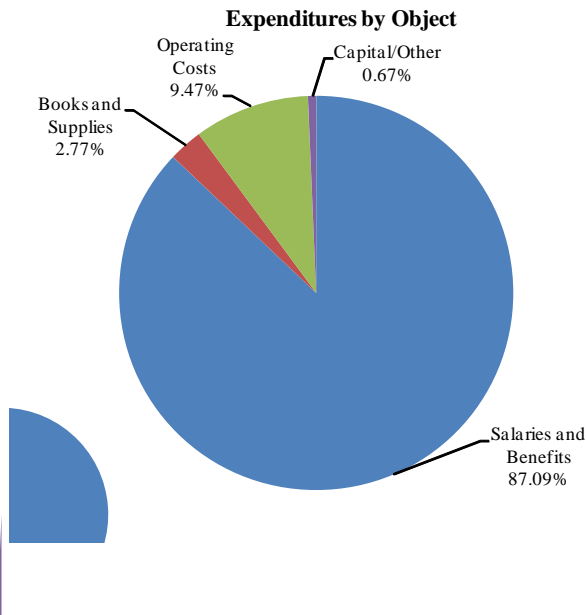


General Fund Expenditures

Employee salary and benefit costs consume 87.09% of the District's general fund expenditures. Over 68% of the District's expenditures go directly to the classroom for instructional purposes. 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.

11/12 General Fund Expenditures	
Salaries and Benefits	\$394,352,860
Books and Supplies	12,561,517
Operating Costs	42,879,928
Capital/Other	3,039,776
Total Expenditures	\$452,834,081
Restricted Ending Fund Balance	\$21,704,964
Designated Reserves*	62,067,118
Total Ending Fund Balance	\$83,772,082

* Unrestricted Ending Fund Balance is comprised of the unrestricted undesignated amount and the designated reserves.



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. Follow is a summary of fund balances for all other District funds:

Fund Name	June 30, 2011 Ending Balance	June 30, 2012 Ending Balance	Change in Fund Balance
Charter School Special Revenue	\$1,259,302	\$2,302,668	\$1,043,366
Adult Education	2,509,995	2,553,528	43,533
Child Development	76,245	19,874	(56,371)
Cafeteria Special Revenue	1,080,760	2,362,260	1,281,500
Deferred Maintenance	3,118,349	2,161,203	(957,146)
Capital Facilities	23,066,340	22,516,689	(549,651)
County School Facilities	13,285,059	16,916,623	3,631,564
Special Reserve for Capital Outlay	168,675	234,498	65,823
Capital Projects	32,378,035	26,517,380	(5,860,655)
Debt Service	11,725,226	11,865,810	140,584

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. Additionally, employees who are not subject to the terms of a collective bargaining agreement but who otherwise qualify for retirement health benefits pursuant to Education Code and school district policy can participate in EGBERT.

Mello Roos and Construction of New School Facilities

Because of funding deficiencies associated with state funds and developer fees, the District, in 1987, reconfirmed the establishment of Elk Grove Unified School District Community Facilities District 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 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. 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 has been issued to date from the 1998 Authorization. The total principal amount of outstanding special tax bonds that are repaid by the special tax levied on taxable land in the District is \$149,041,479. Over the next 4 to 7 years, the District is projecting a need to construct 2-3 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 speed 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 78% of the district's capital assets. The work in progress on District buildings, i.e. modernizations as well as new construction, makes up approximately 1% of the District's capital assets. The land is approximately 14%, land improvements are almost 5% and equipment is 2%.

Factors Bearing on the District's Future

For the 6th year in a row, school districts across California are reeling from the impact of state budget cuts and an U.S. economy struggling with the effects of the greatest recession since the Great Depression. Uncertainty about the future of public education funding continues to be unpredictable due to national and global concerns. School districts are watching the impact of the federal Fiscal Cliff, which very well could result in reductions to programs such as Title I and Special Education.

Another significant impact on public education is the California economy and its impact on the State's ongoing budget. The California State budget has been a disaster for the past five years. There is an imbalance between revenues and expenditures that has gone unresolved by the lack of action by the legislature and the governor. The 2012/2013 signed State budget called for flat funding with the assumption that Proposition 30 – The Schools and Local Public Safety Protection Act of 2012 – would be approved by voters on November 6, 2012. The proposition was successfully passed 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. It is expected that the details of how these new funds will be allocated will be released in January as part of the Governor's budget first budget proposal for the 2013/2014 fiscal year.

Our District, like every other school district in the state has experienced draconian cuts to our operating budget and our programs. The District has cut its budget by \$110 million over the past four years and is using one-time funding sources to maintain programs and staff to support students.

In addition to state budget cuts and one-time solutions, the District continues to face rising costs in the area of annual employee step increases, health care, technology and fuel costs. Through negotiations an employer/employee shared cost model for health care costs was implemented for 2012/13 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 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 for 2012/13 has been made possible due a partnership with Kaiser Permanente and which they have provided one year of funding.

By using deficit spending, one time funding and grant funds the District successfully continued the education of our students recognizing that even with the passage of Proposition 30 the District continues to face a structural deficit. This structural deficit remains at a time when technology and the Common Core Standards are continuing to drive change. As we look towards the future we have begun to financially prepare for the reallocation of funds currently used to survive for the adoption of new textbooks in order to align with the new standards. During the fall of 2012 EGUSD published its first Digital Education Strategic Framework. This document is the compilation of the work completed by the Digital Education Consortium and sub-committee members last year. Thanks to the efforts of over 100 participants, EGUSD is moving forward in its work of exploring, designing and implementing technology-driven tools to support the work of teachers and the education of our students in a 21st century world. With regard to implementing the Common Core Standards there are additional costs such as professional development, instructional resources, collaboration time for instructional staff and technology.

In Elk Grove Unified we believe 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. 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 do this by helping our primary and intermediate students master reading, language and number sense. We teach them to learn to work and play in collaboration with each other. We introduce them to new ideas and concepts, and stretch their boundaries. Children begin to apply 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.

BASIC FINANCIAL STATEMENTS

ELK GROVE UNIFIED SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2012

	Governmental Activities
ASSETS	
Cash and investments (Note 2)	\$ 91,683,330
Receivables	150,528,528
Prepaid expenditures	4,267,660
Stores inventory	1,637,167
Non-depreciable capital assets (Note 4)	162,221,742
Depreciable capital assets, net of accumulated depreciation (Note 4)	<u>571,224,123</u>
Total assets	<u>981,562,550</u>
LIABILITIES	
Accounts payable	16,556,328
TRANS payable (Note 6)	25,000,000
Deferred revenue	13,790,786
Unpaid claims and claim adjustment expenses (Note 5)	15,263,000
Long-term liabilities (Note 7):	
Due within one year	6,809,254
Due after one year	<u>196,319,428</u>
Total liabilities	<u>273,738,796</u>
NET ASSETS	
Invested in capital assets, net of related debt	563,072,295
Restricted (Note 8)	95,255,891
Unrestricted	<u>49,495,568</u>
Total net assets	<u>\$ 707,823,754</u>

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

ELK GROVE UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2012

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Revenues and Changes in Net Assets</u>
					<u>Governmental Activities</u>
Governmental activities (Note 4):					
Instruction	\$ 360,261,791	\$ 866,341	\$ 70,635,007	\$ 1,564,327	\$ (287,196,116)
Instruction-related services:					
Supervision of instruction	16,574,287	103,570	13,599,092	-	(2,871,625)
Instructional library, media and technology	2,457,370	42,839	211,454	-	(2,203,077)
School site administration	28,562,222	57,851	3,559,349	-	(24,945,022)
Pupil services:					
Home-to-school transportation	10,284,618	400,656	3,357,393	-	(6,526,569)
Food services	20,051,178	3,831,112	16,370,661	-	150,595
All other pupil services	21,121,670	147,064	10,268,641	-	(10,705,965)
General administration:					
Data processing	5,695,323	533	25,916	-	(5,668,874)
All other general administration	18,294,644	2,098,347	4,569,248	-	(11,627,049)
Plant services	40,323,787	762,923	1,719,656	-	(37,841,208)
Enterprise activities	6,718	3,387	3,744	-	413
Interest on long-term liabilities	8,540,080	-	-	-	(8,540,080)
Other outgo	7,511,894	2,485,268	3,825,567	-	(1,201,059)
Total governmental activities	<u>\$ 539,685,582</u>	<u>\$ 10,799,891</u>	<u>\$ 128,145,728</u>	<u>\$ 1,564,327</u>	<u>(399,175,636)</u>
General revenues:					
Taxes and subventions:					
Taxes levied for general purposes					67,099,084
Taxes levied for debt service					14,504,501
Taxes levied for other specific purposes					991,673
Federal and state aid not restricted to specific purposes					297,403,188
Interest and investment earnings					574,556
Interagency revenues					2,346,216
Miscellaneous					<u>6,194,999</u>
Total general revenues					<u>389,114,217</u>
Change in net assets					(10,061,419)
Net assets, July 1, 2011					<u>717,885,173</u>
Net assets, June 30, 2012					<u>\$ 707,823,754</u>

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

ELK GROVE UNIFIED SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2012

	<u>General Fund</u>	<u>Capital Facilities Fund</u>	<u>Capital Projects Fund for Blended Component Units</u>	<u>All Non-Major Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and investments:					
Cash in County Treasury	\$ 1,516,924	\$ 9,561,246	\$ 21,691,377	\$ 22,480,926	\$ 55,250,473
Cash with Fiscal Agent	281,427	-	6,048,716	11,802,272	18,132,415
Cash on hand and in banks	(7,074)	-	-	105,345	98,271
Cash in revolving fund	140,000	-	-	13,381	153,381
Cash awaiting deposit	389,570	53,897	85	1,392,513	1,836,065
Receivables	145,848,695	24,517	62,268	4,073,968	150,009,448
Prepaid expenditures	1,854,946	-	1,429	1,745	1,858,120
Due from other funds	455,710	16,026,804	428,161	3,410,211	20,320,886
Stores inventory	494,239	-	-	1,142,928	1,637,167
	<u>494,239</u>	<u>-</u>	<u>-</u>	<u>1,142,928</u>	<u>1,637,167</u>
Total assets	<u>\$ 150,974,437</u>	<u>\$ 25,666,464</u>	<u>\$ 28,232,036</u>	<u>\$ 44,423,289</u>	<u>\$ 249,296,226</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 13,896,789	\$ 763	\$ 829,815	\$ 1,329,242	\$ 16,056,609
TRANS payable	25,000,000	-	-	-	25,000,000
Deferred revenue	12,017,285	1,574,402	-	199,099	13,790,786
Due to other funds	16,288,281	1,574,610	884,841	4,478,484	23,226,216
	<u>16,288,281</u>	<u>1,574,610</u>	<u>884,841</u>	<u>4,478,484</u>	<u>23,226,216</u>
Total liabilities	<u>67,202,355</u>	<u>3,149,775</u>	<u>1,714,656</u>	<u>6,006,825</u>	<u>78,073,611</u>
Fund balances:					
Nonspendable	2,489,185	-	1,429	1,158,054	3,648,668
Restricted	21,330,451	22,516,689	26,515,951	37,258,410	107,621,501
Assigned	50,452,446	-	-	-	50,452,446
Unassigned	9,500,000	-	-	-	9,500,000
	<u>9,500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,500,000</u>
Total fund balances	<u>83,772,082</u>	<u>22,516,689</u>	<u>26,517,380</u>	<u>38,416,464</u>	<u>171,222,615</u>
Total liabilities and fund balances	<u>\$ 150,974,437</u>	<u>\$ 25,666,464</u>	<u>\$ 28,232,036</u>	<u>\$ 44,423,289</u>	<u>\$ 249,296,226</u>

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

ELK GROVE UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

June 30, 2012

Total fund balances - Governmental Funds		\$ 171,222,615
Amounts reported for governmental activities in the statement of net assets 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 \$1,089,484,241 and the accumulated depreciation is \$356,038,376 (Note 4).		733,445,865
Unamortized costs are recognized in the period they are incurred (governmental funds) and debt issue costs are amortized over the life of the debt (government-wide). Unamortized costs included in prepaid expense:		2,408,740
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, 2012 consisted of (Note 7):		
Mello-Roos bonds	\$ (143,833,941)	
Accreted interest on bonds	(44,390,617)	
Supplemental Employee Retirement Plan	(4,733,463)	
Post-retirement employee benefits (Note 10)	(518,424)	
Compensated absences	(9,652,237)	(203,128,682)
Unmatured interest is not recognized until it is due and, therefore, is not accrued as a payable in governmental funds.		(450,679)
Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Net assets for the Self-Insurance Fund total:		4,325,895
Total net assets - governmental activities		\$ 707,823,754

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, 2012

	<u>General Fund</u>	<u>Capital Facilities Fund</u>	<u>Capital Projects Fund for Blended Component Units</u>	<u>All Non-Major Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Revenue limit sources:					
State apportionment	\$ 255,788,980	\$ -	\$ -	\$ 2,423,899	\$ 258,212,879
Local sources	<u>66,358,214</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>66,358,214</u>
Total revenue limit	<u>322,147,194</u>	<u>-</u>	<u>-</u>	<u>2,423,899</u>	<u>324,571,093</u>
Federal sources	43,940,017	-	-	19,322,604	63,262,621
Other state sources	92,081,219	-	-	6,680,011	98,761,230
Other local sources	<u>12,797,950</u>	<u>6,524,520</u>	<u>2,777,374</u>	<u>20,891,401</u>	<u>42,991,245</u>
Total revenues	<u>470,966,380</u>	<u>6,524,520</u>	<u>2,777,374</u>	<u>49,317,915</u>	<u>529,586,189</u>
Expenditures:					
Certificated salaries	223,676,126	105	-	4,206,043	227,882,274
Classified salaries	57,659,369	86,519	978,380	8,736,991	67,461,259
Employee benefits	113,017,365	39,170	420,852	6,074,182	119,551,569
Books and supplies	12,561,517	-	215,324	9,924,886	22,701,727
Contract services and operating expenditures	42,879,928	173,975	416,409	2,503,894	45,974,206
Capital outlay	637,027	-	5,368,829	3,706,253	9,712,109
Other outgo	2,402,749	-	1,521,000	1,642,478	5,566,227
Debt service:					
Principal retirement	-	-	-	5,207,538	5,207,538
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,414,567</u>	<u>8,414,567</u>
Total expenditures	<u>452,834,081</u>	<u>299,769</u>	<u>8,920,794</u>	<u>50,416,832</u>	<u>512,471,476</u>
Excess (deficiency) of revenues over (under) expenditures	<u>18,132,299</u>	<u>6,224,751</u>	<u>(6,143,420)</u>	<u>(1,098,917)</u>	<u>17,114,713</u>
Other financing sources (uses):					
Operating transfers in	2,101,290	-	708,363	9,101,423	11,911,076
Operating transfers out	<u>(1,901,423)</u>	<u>(6,774,402)</u>	<u>(425,598)</u>	<u>(2,809,653)</u>	<u>(11,911,076)</u>
Total other financing sources (uses)	<u>199,867</u>	<u>(6,774,402)</u>	<u>282,765</u>	<u>6,291,770</u>	<u>-</u>
Net change in fund balances	18,332,166	(549,651)	(5,860,655)	5,192,853	17,114,713
Fund balances, July 1, 2011	<u>65,439,916</u>	<u>23,066,340</u>	<u>32,378,035</u>	<u>33,223,611</u>	<u>154,107,902</u>
Fund balances, June 30, 2012	<u>\$ 83,772,082</u>	<u>\$ 22,516,689</u>	<u>\$ 26,517,380</u>	<u>\$ 38,416,464</u>	<u>\$ 171,222,615</u>

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

ELK GROVE UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS -
TO THE STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2012

Net change in fund balances - Total Governmental Funds		\$ 17,114,713
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 assets (Note 4).	\$ 12,772,623	
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(40,097,201)	
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 assets for the Self-Insurance Fund is:	(3,669,019)	
Debt issued at a premium or discount is recognized as an other financing source or use in the governmental funds, but premium or discount is amortized as interest in the statement of net assets.	(75,455)	
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 assets (Note 7).	5,207,538	
Accreted interest is an expense that is not recorded in the governmental funds (Note 7).	(1,988,093)	
Interest on long-term liabilities is recognized in the period that it becomes due. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period was:	8,160	
In government funds, expenses related to the supplemental employee retirement program are measured by the amounts paid in the year. In the statement of activities, SERP is recognized on the accrual basis (Note 7).	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 (Note 7).	(128,666)	
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 7).	<u>(783,840)</u>	<u>(27,176,132)</u>
Change in net assets of governmental activities		<u>\$ (10,061,419)</u>

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

ELK GROVE UNIFIED SCHOOL DISTRICT
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND
SELF-INSURANCE FUND

June 30, 2012

ASSETS

Cash and investments:	
Cash in County Treasury	\$ 16,161,569
Cash on hand and in banks	51,156
Receivables	519,080
Prepaid expenditures	800
Due from District	<u>2,905,330</u>
 Total assets	 <u>19,637,935</u>

LIABILITIES

Accounts payable	49,040
Unpaid claims and claim adjustment expenses	<u>15,263,000</u>
 Total liabilities	 <u>15,312,040</u>

NET ASSETS

Total net assets, restricted	<u><u>\$ 4,325,895</u></u>
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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 ASSETS - PROPRIETARY FUND

SELF-INSURANCE FUND

For the Year Ended June 30, 2012

Operating revenues:	
Self-insurance premiums	<u>\$ 2,905,330</u>
Operating expenses:	
Classified salaries	175,203
Employee benefits	81,558
Books and supplies	5,338
Provision for unpaid claims and claim adjustment expenses	<u>6,380,429</u>
Total operating expenses	<u>6,642,528</u>
Operating loss	(3,737,198)
Non-operating revenue:	
Interest income	<u>68,179</u>
Change in net assets	(3,669,019)
Net assets, July 1, 2011	<u>7,994,914</u>
Net assets, June 30, 2012	<u><u>\$ 4,325,895</u></u>

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

ELK GROVE UNIFIED SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
SELF-INSURANCE FUND

For the Year Ended June 30, 2012

Cash flows from operating activities:	
Cash received from self-insurance premiums	\$ 2,402,253
Cash paid for salaries, benefits and services	(253,024)
Cash paid for claims	<u>(5,448,429)</u>
Net cash used in operating activities	<u>(3,299,200)</u>
Cash flows provided by investing activities:	
Interest income received	<u>68,179</u>
Cash flows provided by financing activities:	
Cash received from District	<u>1,134</u>
Increase in cash and investments	(3,229,887)
Cash and investments, July 1, 2011	<u>19,442,612</u>
Cash and investments, June 30, 2012	<u>\$ 16,212,725</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	<u>\$ (3,737,198)</u>
Adjustments to reconcile operating loss to net cash used in operating activities:	
(Increase) in:	
Receivables	(503,077)
Increase in:	
Accounts payable	9,075
Unpaid claims and claim adjustment expenses	<u>932,000</u>
Total adjustments	<u>437,998</u>
Net cash used in operating activities	<u>\$ (3,299,200)</u>

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

ELK GROVE UNIFIED SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
TRUST AND AGENCY FUNDS
June 30, 2012

	<u>Trust Fund</u> <u>Scholar-</u> <u>ship</u> <u>Fund</u>	<u>Agency Fund</u> <u>Student</u> <u>Body</u>	<u>Total</u>
ASSETS			
Cash on hand and in banks (Note 2)	\$ 54,697	\$ 4,673,388	\$ 4,728,085
Stores inventory	<u>-</u>	<u>31,676</u>	<u>31,676</u>
Total assets	<u>54,697</u>	<u>4,705,064</u>	<u>4,759,761</u>
LIABILITIES			
Due to students/student groups	<u>-</u>	<u>4,705,064</u>	<u>4,705,064</u>
NET ASSETS			
Restricted (Note 8)	<u>\$ 54,697</u>	<u>\$ -</u>	<u>\$ 54,697</u>

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

ELK GROVE UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN
FUND BALANCE - FIDUCIARY FUND

TRUST FUND

For the Year Ended June 30, 2012

	Scholarship Fund
Revenues:	
Other local sources	\$ 9,002
Expenditures:	
Contract services and operating expenditures	<u>8,000</u>
Net change in fund balances	1,002
Fund balances, July 1, 2011	<u>53,695</u>
Fund balances, June 30, 2012	<u><u>\$ 54,697</u></u>

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

ELK GROVE UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

The 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).

Basis of Presentation - Financial Statements

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

Basis of Presentation - Government-Wide Financial Statements

The Statement of Net Assets 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 Assets and the Statement of Revenues, Expenditures and Change in Fiduciary Net Assets at the fund financial statement level.

ELK GROVE UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Government-Wide Financial Statements (Continued)

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

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

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

Basis of Presentation - Fund Accounting

The accounts of the District are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund 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. The District's accounts are organized into three broad categories which, in aggregate include seven fund types as follows:

A - Governmental Fund Types

1 - 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.

ELK GROVE UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Fund Accounting (Continued)

A - Governmental Fund Types (Continued)

2 - Special Revenue Funds:

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

3 - Capital Projects Funds:

The Capital Projects Funds are used to account for resources used for the acquisition or construction of major capital facilities and equipment. This classification includes the Capital Facilities, Capital Projects for Blended Component Units, State School Facilities and Special Reserve for Capital Outlay Funds.

4 - Debt Service Fund:

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. This classification includes the Mello-Roos Administrative Fund.

B - Proprietary Fund Type

1 - Internal Service Fund:

The Internal Service Fund is used to account for services rendered on a cost-reimbursement basis within the District. The District maintains one Internal Service Fund, the Self-Insurance Fund, which is used to provide workers' compensation benefits to its employees.

C - Fiduciary Fund Types

1 - Expendable Trust Funds:

The Expendable Trust Funds are used to account for assets held by the District as Trustee. The District maintains two trust funds: the Scholarship Fund, which is used to provide financial assistance to students of the District; and the Deferred Compensation Trust Fund, which accounts for a voluntary deferred compensation plan for employees.

ELK GROVE UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Fund Accounting (Continued)

C - Fiduciary Fund Types (Continued)

2 - Agency Funds:

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

Basis of Accounting

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

A - Accrual

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

B - Modified Accrual

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

Budgets and Budgetary Accounting

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

ELK GROVE UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

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.

Compensated Absences

Compensated absences benefits totaling \$9,652,237 are recorded as a liability of the District.

Accumulated Sick Leave

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

Deferred 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 deferred revenue until earned.

ELK GROVE UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Net Assets

Restrictions of the ending net assets indicate the portions of net assets not appropriate for expenditure or amounts legally segregated for a specific future use. The restriction for unspent categorical program revenues represents the portion of net assets restricted to specific program expenditures. The restriction for special revenues represents the portion of net assets restricted for special purposes. The restriction for capital projects represents the portion of net assets restricted for capital projects. The restriction for debt service represents that portion of net assets which the District plans to expend on debt repayment. The restriction for self-insurance represents the portion of net assets restricted for self-insured workers' compensation claims. The restriction for scholarships represents fund balance which is to be used to provide financial assistance to students of the District. It is the District's policy to use restricted net assets first, when allowable expenditures are incurred.

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.

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 assets as reported in the government-wide, proprietary fund, and fiduciary trust fund statements.

ELK GROVE UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classifications (Continued)

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, 2012, 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, 2012, no such designation 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, 2012, the District has not established a minimum fund balance policy nor has it established a stabilization arrangement.

ELK GROVE UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Custodial Relationships

The balance sheet 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. The District's deferred compensation investment and liability is also recorded in the Fiduciary Funds.

Deferred Compensation

The District has established a voluntary deferred compensation plan for its employees. The agreements provide for periodic payroll deductions from the participating employees.

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.

Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated at June 30.

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.

ELK GROVE UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

2. CASH AND INVESTMENTS

Cash and investments at June 30, 2012 are reported at fair value and consisted of the following:

	<u>Governmental Activities</u>	<u>Fiduciary Activities</u>
Cash:		
Cash in County Treasury	\$ 71,412,042	\$ -
Cash with Fiscal Agent	18,132,415	-
Cash on hand and in banks	149,427	4,728,085
Revolving cash fund	153,381	-
Cash awaiting deposit	<u>1,836,065</u>	<u>-</u>
Total cash	<u>\$ 91,683,330</u>	<u>\$ 4,728,085</u>

Cash in County Treasury

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, 2012.

Cash with Fiscal Agent

Cash with Fiscal Agent represents amounts held in the District's name with third party custodians.

Custodial Credit Risk

The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Under Section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, interest-bearing cash balances held in banks are insured up to \$250,000 and noninterest-bearing cash balances held in banks are fully insured by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2012, the carrying amount of the District's accounts was \$5,030,893 and the bank balance was \$5,326,521. \$523,604 of the bank balance was FDIC insured and \$4,802,917 remained uninsured, but collateralized.

ELK GROVE UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

2. CASH AND INVESTMENTS (Continued)

Investment 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, 2012, the District had no significant interest rate risk related to cash and investments held.

Investment 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.

3. INTERFUND TRANSACTIONS

Interfund Activity

Transactions between funds of the District are recorded as interfund transfers. 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, 2012 were as follows:

Fund	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Funds:		
General	\$ 455,710	\$ 16,288,281
Capital Facilities	16,026,804	1,574,610
Capital Projects for Blended Component Units	428,161	884,841
Non-Major Funds:		
Charter Schools	-	10,337
Adult Education	802,613	131,056
Child Development	172,628	349,961
Cafeteria	9,372	1,541,519
Deferred Maintenance	-	9,366
State School Facilities	2,425,598	2,436,245
Proprietary Fund:		
Self-Insurance	2,905,330	-
Total	\$ 23,226,216	\$ 23,226,216

ELK GROVE UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

3. INTERFUND TRANSACTIONS (Continued)

Interfund Transfers

Interfund transfers for the 2011-2012 fiscal year were as follows:

Transfer from the General Fund to the Adult Education Fund for apportionment funding.	\$ 800,000
Transfer from the General Fund to the Adult Education Fund for ROP apportionment funding.	50,000
Transfer from the General Fund to the Child Development Fund for Cal-Safe Child Care funding.	71,514
Transfer from the General Fund to the Child Development Fund to pay for Cal Safe Support Services, interest and employee separation costs.	4,159
Transfer from the General Fund to the Cafeteria Fund for contributions to the Cafeteria Fund.	975,750
Transfer from the Adult Education Fund to the General Fund for indirect support.	159,748
Transfer from the Child Development Fund to the General Fund for indirect costs.	227,566
Transfer from the Cafeteria Fund to the General Fund for indirect costs.	980,113
Transfer from the Deferred Maintenance Fund to the General Fund to start up the Special Projects crew.	733,863
Transfer from Capital Projects for Blended Component Units Fund to State School Facilities Fund for property purchase for Laguna Ridge #44 project.	425,598
Transfer from the Capital Facilities Fund to the State School Facilities Fund for property purchase for Laguna Ridge #44 project.	1,574,402
Transfer from the Capital Facilities Fund to the State School Facilities Fund to augment the Pleasant Grove High School agriculture building.	500,000
Transfer from the Capital Facilities Fund to the State School Facilities Fund to augment the Dillard Elementary project.	1,000,000
Transfer from the Capital Facilities Fund to the State School Facilities Fund to augment the Miwok Village project.	2,000,000
Transfer from the Capital Facilities Fund to the State School Facilities Fund to augment Mix Elementary project.	700,000
Transfer from the Capital Facilities Fund to the State School Facilities Fund to augment No. Vineyard project.	1,000,000
Transfer from the Mello-Roos Administrative Fund to the Capital Projects for Blended Component Units Fund for excess special tax monies.	<u>708,363</u>
	<u>\$ 11,911,076</u>

ELK GROVE UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

4. CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2012 is shown below:

	Balance July 1, 2011	Transfers and Additions	Transfers and Deletions	Balance June 30, 2012
Non-depreciable:				
Land	\$ 147,585,221	\$ 2,005,659	\$ -	\$ 149,590,880
Work in progress	10,214,760	4,397,014	(1,980,912)	12,630,862
Depreciable:				
Improvement of sites	52,292,427	746,741	-	53,039,168
Buildings	840,476,118	4,814,579	1,980,912	847,271,609
Equipment	<u>26,143,092</u>	<u>808,630</u>	<u>-</u>	<u>26,951,722</u>
Totals, at cost	<u>1,076,711,618</u>	<u>12,772,623</u>	<u>-</u>	<u>1,089,484,241</u>
Less accumulated depreciation:				
Improvement of sites	12,845,219	3,582,908	-	16,428,127
Buildings	285,070,575	35,053,202	-	320,123,777
Equipment	<u>18,025,381</u>	<u>1,461,091</u>	<u>-</u>	<u>19,486,472</u>
Total accumulated depreciation	<u>315,941,175</u>	<u>40,097,201</u>	<u>-</u>	<u>356,038,376</u>
Capital assets, net	<u>\$ 760,770,443</u>	<u>\$ (27,324,578)</u>	<u>\$ -</u>	<u>\$ 733,445,865</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	<u>\$ 40,097,201</u>
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At June 30, 2012, the District had outstanding construction contract commitments of approximately \$4.5 million.

5. SELF-INSURANCE

The District is self-insured for workers' compensation, dental and vision claims. For accounting and reporting purposes, the District has established a separate Self-Insurance Fund for workers' compensation. For the year ended June 30, 2012, 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 2011-12 settled claims did not exceed the coverage level provided by the Fund and no claims were made of the excess coverage.

ELK GROVE UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

5. SELF-INSURANCE (Continued)

The claims liability of \$15,263,000 at June 30, 2012 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 4 percent.

Changes in the District's unpaid claims and claim adjustment expenses for the years ended June 30, 2012 and June 30, 2011 was as follows:

	Unpaid Claims and Claim Adjustment Expenses July 1	Incurred Claims	Claims Payments	Unpaid Claims and Claim Adjustment Expenses June 30
2011/2012	<u>\$ 14,331,000</u>	<u>\$ 7,311,104</u>	<u>\$ (6,379,104)</u>	<u>\$ 15,263,000</u>
2010/2011	<u>\$ 14,331,000</u>	<u>\$ 4,947,595</u>	<u>\$ (4,947,595)</u>	<u>\$ 14,331,000</u>

6. TAX AND REVENUE ANTICIPATION NOTES PAYABLE

On May 17, 2012, the District issued \$25,000,000 of Tax and Revenue Anticipation Notes (TRANS) maturing on October 1, 2012, with an interest rate of 3.0%, to provide for anticipated cash flow deficits from operations. The TRANS are a general obligation of the District and are payable from revenues and cash receipts generated by the District during the fiscal year ended June 30, 2012. As of June 30, 2012 the District is fully utilizing the cash from the TRANS and has recorded a liability of \$25,000,000 in the basic financial statements. The TRANS was repaid in October 2012.

7. LONG-TERM LIABILITIES

Mello-Roos Bonds Payable

A summary of Mello-Roos Bonds payable at June 30, 2012 follows:

<u>Series</u>	<u>Interest Rate</u>	<u>Balance July 1, 2011</u>	<u>Current Year Maturities</u>	<u>Balance June 30, 2012</u>
1995	4.0% to 6.5%	\$ 19,646,019	\$ 1,027,762	\$ 18,618,257
1998	4.0% to 8.0%	21,985,097	1,524,776	20,460,321
2001	3.0% to 3.6%	12,968,383	1,090,000	11,878,383
2003	2.1% to 4.6%	21,930,847	1,045,000	20,885,847
2005	4.0% to 4.6%	41,285,000	520,000	40,765,000
2008	6.75%	<u>31,226,133</u>	<u>-</u>	<u>31,226,133</u>
		<u>\$149,041,479</u>	<u>\$ 5,207,538</u>	<u>\$143,833,941</u>

ELK GROVE UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

7. LONG-TERM LIABILITIES (Continued)

Mello-Roos Bonds Payable (Continued)

The Series 1995, 1998, 2001, 2003, 2005 and 2008 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).

The Serial Bonds mature serially in varying amounts during the succeeding years through December 2039.

The annual requirements to amortize the Mello-Roos Bonds payable outstanding as of June 30, 2012 are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 4,713,009	\$ 8,927,535	\$ 13,640,544
2014	4,574,144	9,064,901	13,639,045
2015	4,470,988	9,168,856	13,639,844
2016	4,374,901	9,262,945	13,637,846
2017	4,294,352	9,337,899	13,632,251
2018-2022	26,795,189	41,094,962	67,890,151
2023-2027	20,687,715	47,392,694	68,080,409
2028-2032	15,157,735	53,082,607	68,240,342
2033-2037	33,955,908	33,609,860	67,565,768
2038-2040	<u>24,810,000</u>	<u>1,702,013</u>	<u>26,512,013</u>
	<u>\$ 143,833,941</u>	<u>\$ 222,644,272</u>	<u>\$ 366,478,213</u>

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, as follows:

Year Ending <u>June 30,</u>	
2013	\$ 1,577,821
2014	1,577,821
2015	<u>1,577,821</u>
	<u>\$ 4,733,463</u>

ELK GROVE UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

7. 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, 2012 is shown below:

	Balance July 1, <u>2011</u>	<u>Additions</u>	<u>Deductions</u>	June 30, <u>2012</u>	Amounts Due Within <u>One Year</u>
Mello-Roos bonds	\$ 149,041,479	\$ -	\$ 5,207,538	\$ 143,833,941	\$ 4,713,009
Accreted Interest on bonds	42,402,524	1,988,093	-	44,390,617	-
Supplemental Employee Retirement Plan	6,311,284	-	1,577,821	4,733,463	1,577,821
Post-retirement employee benefits (Note 10)	389,758	2,287,844	2,159,178	518,424	518,424
Compensated absences	<u>8,868,397</u>	<u>787,059</u>	<u>3,219</u>	<u>9,652,237</u>	<u>-</u>
Totals	<u>\$ 207,013,442</u>	<u>\$ 5,062,996</u>	<u>\$ 8,947,756</u>	<u>\$ 203,128,682</u>	<u>\$ 6,809,254</u>

Payments on the Mello-Roos bonds are made from the Mello-Roos Administrative 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.

8. NET ASSETS / FUND BALANCES

Restricted net assets consisted of the following at June 30, 2012:

	<u>Governmental Funds</u>
Restricted for unspent categorical program revenues	\$ 21,330,451
Restricted for special revenues	9,399,533
Restricted for capital projects	60,136,474
Restricted for debt service	63,538
Restricted for self-insurance	<u>4,325,895</u>
	<u>\$ 95,255,891</u>
	<u>Fiduciary Funds</u>
Restricted for scholarships	<u>\$ 54,697</u>

ELK GROVE UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

8. NET ASSETS / FUND BALANCES (Continued)

Fund balances, by category, at June 30, 2012 consisted of the following:

	General Fund	Capital Facilities Fund	Capital Projects for Blended Component Units Fund	All Non-Major Funds	Total
Nonspendable:					
Revolving cash fund	\$ 140,000	\$ -	\$ -	\$ 13,381	\$ 153,381
Prepaid expenditures	1,854,946	-	1,429	1,745	1,858,120
Stores inventory	494,239	-	-	1,142,928	1,637,167
Subtotal nonspendable	<u>2,489,185</u>	<u>-</u>	<u>1,429</u>	<u>1,158,054</u>	<u>3,648,668</u>
Restricted:					
Unspent categorical revenues	21,330,451	-	-	-	21,330,451
Capital projects	-	22,516,689	26,515,951	17,151,121	66,183,761
Special revenues	-	-	-	8,241,479	8,241,479
Debt service	-	-	-	11,865,810	11,865,810
Subtotal restricted	<u>21,330,451</u>	<u>22,516,689</u>	<u>26,515,951</u>	<u>37,258,410</u>	<u>107,621,501</u>
Assigned:					
2010 - 11 Revenue Limit Reserve	17,170,646	-	-	-	17,170,646
2011 - 12 Revenue Limit Reserve	17,170,646	-	-	-	17,170,646
2010 - 11 Mandated Costs	2,924,295	-	-	-	2,924,295
2011 - 12 Mandated Costs	995,337	-	-	-	995,337
SFSF 2010 - 11 One Time funds	3,709,889	-	-	-	3,709,889
ROP / Career Tech Support revenue	1,001,104	-	-	-	1,001,104
Site Shared Energy Savings	130,000	-	-	-	130,000
Budget Adjustment / Carryovers	276,072	-	-	-	276,072
Reserve for Future Year Deficits	7,074,457	-	-	-	7,074,457
Subtotal assigned	<u>50,452,446</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,452,446</u>
Unassigned:					
Designated for economic uncertainty	9,500,000	-	-	-	9,500,000
Total fund balances	<u>\$ 83,772,082</u>	<u>\$ 22,516,689</u>	<u>\$ 26,517,380</u>	<u>\$ 38,416,464</u>	<u>\$ 171,222,615</u>

ELK GROVE UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

9. EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (STRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS).

Plan Description and Provisions

California Public Employees' Retirement System (CalPERS)

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Sacramento, California 95811.

Funding Policy

Active plan members are required to contribute 7.0% of their salary, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2011-2012 was 10.923% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2010, 2011 and 2012 were \$7,129,421, \$6,959,902 and \$6,812,754 respectively, and equal 100% of the required contributions for each year.

State Teachers' Retirement System (STRS)

Plan Description

The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from the STRS Executive Office, 100 Waterfront Place, West Sacramento, California 95605.

ELK GROVE UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Plan Description and Provisions (Continued)

State Teachers' Retirement System (STRS) (Continued)

Funding Policy

Active plan members are required to contribute 8.0% of their salary. The required employer contribution rate for fiscal year 2011-2012 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal years ending June 30, 2010, 2011 and 2012 were \$20,604,707, \$18,486,056 and \$18,379,420 respectively, and equal 100% of the required contributions for each year.

10. POST-RETIREMENT EMPLOYEE BENEFITS

Plan Description

In addition to the pension benefits described in Note 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, 2012, 384 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, 2012, expenditures of \$2,159,178 were recognized for post-employment health care benefits.

ELK GROVE UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

10. POST-RETIREMENT EMPLOYEE BENEFITS (Continued)

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	\$ 2,276,151
Interest on net OPEB obligation	11,693
Adjustment to annual required contribution	<u> -</u>
Annual OPEB cost (expense)	2,287,844
Contributions made	<u>(2,159,178)</u>
Increase in net OPEB obligation	128,666
Net OPEB obligation - beginning of year	<u>389,758</u>
Net OPEB obligation - end of year	<u><u>\$ 518,424</u></u>

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, 2012 and the preceding two years were as follows:

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage</u> <u>of Annual</u> <u>OPEB Cost</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
June 30, 2010	\$ 2,276,151	95%	\$ 304,778
June 30, 2011	\$ 2,276,151	96%	\$ 389,758
June 30, 2012	\$ 2,287,844	94%	\$ 518,424

Funded Status and Funding Progress

Because this plan is frozen, the District has not obtained a current actuarial valuation. As of November 1, 2006, the most recent actuarial valuation date, the plan was funded on a pay-as-you-go basis. The actuarial accrued liability for benefits was \$33.3 million, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$33.3 million.

ELK GROVE UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

10. POST-RETIREMENT EMPLOYEE BENEFITS (Continued)

Funded Status and Funding Progress (Continued)

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 November 1, 2006 actuarial valuation, the actuarial assumptions included an annual healthcare cost trend rate of 4 percent and a 3 percent inflation assumption. The UAAL is being amortized as a flat dollar amount over twenty-six years.

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.

ELK GROVE UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

11. ELK GROVE BENEFITS EMPLOYEE RETIREMENT TRUST (Continued)

Plan Description (Continued)

See Elk Grove Benefits Employee Retirement Trust audited financial statements for the year ended December 31, 2011 for more discussion of EGBERT.

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. The following is a summary of financial information of CSAC Excess Insurance Authority at June 30, 2012:

Total assets	\$ 573,863,822
Total liabilities	\$ 468,312,002
Total net assets	\$ 105,551,820
Total revenue	\$ 515,483,601
Total expenses	\$ 514,246,420

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.

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. The following is a summary of financial information of Schools Insurance Authority at June 30, 2011, the most current information available:

Total assets	\$ 103,081,563
Total liabilities	\$ 44,227,541
Total net assets	\$ 58,854,022
Total revenue	\$ 39,542,520
Total expenses	\$ 39,989,429

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.

ELK GROVE UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

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 7).

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.

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, 2012

	<u>Budget</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Revenue limit sources:				
State apportionment	\$ 225,896,206	\$ 255,535,516	\$ 255,788,980	\$ 253,464
Local sources	<u>58,603,263</u>	<u>66,292,459</u>	<u>66,358,214</u>	<u>65,755</u>
Total revenue limit	<u>284,499,469</u>	<u>321,827,975</u>	<u>322,147,194</u>	<u>319,219</u>
Federal sources	24,555,150	50,647,396	43,940,017	(6,707,379)
Other state sources	92,046,493	104,482,487	92,081,219	(12,401,268)
Other local sources	<u>6,338,030</u>	<u>9,904,642</u>	<u>12,797,950</u>	<u>2,893,308</u>
Total revenues	<u>407,439,142</u>	<u>486,862,500</u>	<u>470,966,380</u>	<u>(15,896,120)</u>
Expenditures:				
Certificated salaries	196,044,803	223,865,433	223,676,126	189,307
Classified salaries	54,233,413	56,956,024	57,659,369	(703,345)
Employee benefits	100,124,047	116,061,445	113,017,365	3,044,080
Books and supplies	11,895,337	26,522,314	12,561,517	13,960,797
Contract services and operating expenditures	40,683,429	47,025,481	42,879,928	4,145,553
Capital outlay	76,414	753,231	637,027	116,204
Other outgo	<u>1,764,689</u>	<u>2,014,893</u>	<u>2,402,749</u>	<u>(387,856)</u>
Total expenditures	<u>404,822,132</u>	<u>473,198,821</u>	<u>452,834,081</u>	<u>20,364,740</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,617,010</u>	<u>13,663,679</u>	<u>18,132,299</u>	<u>4,468,620</u>
Other financing sources (uses):				
Operating transfers in	2,282,238	2,135,817	2,101,290	(34,527)
Operating transfers out	<u>(1,232,784)</u>	<u>(1,756,987)</u>	<u>(1,901,423)</u>	<u>(144,436)</u>
Total other financing sources (uses)	<u>1,049,454</u>	<u>378,830</u>	<u>199,867</u>	<u>(178,963)</u>
Net change in fund balance	3,666,464	14,042,509	18,332,166	4,289,657
Fund balance, July 1, 2011	<u>65,439,916</u>	<u>65,439,916</u>	<u>65,439,916</u>	<u>-</u>
Fund balance, June 30, 2012	<u>\$ 69,106,380</u>	<u>\$ 79,482,425</u>	<u>\$ 83,772,082</u>	<u>\$ 4,289,657</u>

See accompanying notes to required supplementary information.

ELK GROVE UNIFIED SCHOOL DISTRICT
 SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)
 FUNDING PROGRESS

For the Year Ended June 30, 2012

<u>Schedule of Funding Progress</u>							
<u>Fiscal Year Ended</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
<u>Pre-2000 Plan</u>							
6/30/2010	November 1, 2006	\$ -	\$33.3 million	\$33.3 million	0%	\$ -	0%
6/30/2011	November 1, 2006	\$ -	\$33.3 million	\$33.3 million	0%	\$ -	0%
6/30/2012	November 1, 2006	\$ -	\$33.3 million	\$33.3 million	0%	\$ -	0%

See accompanying notes to required supplementary information.

ELK GROVE UNIFIED SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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, 2012 were as follows:

<u>Fund</u>	<u>Excess Expenditures</u>
General Fund:	
Classified salaries	\$ 703,345

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.

SUPPLEMENTARY INFORMATION

ELK GROVE UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET

ALL NON-MAJOR FUNDS

June 30, 2012

ASSETS

	Charter Schools Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	State School Facilities Fund	Mello-Roos Administrative Fund	Special Reserve for Capital Outlay Fund	Total
Cash in County Treasury	\$ 1,771,599	\$ 1,154,624	\$ 10,682	\$ 50,607	\$ 2,057,782	\$ 17,140,956	\$ 60,395	\$ 234,281	\$ 22,480,926
Cash with Fiscal Agent	-	-	-	-	-	-	11,802,272	-	11,802,272
Cash on hand and in banks	-	22,806	-	82,539	-	-	-	-	105,345
Cash in revolving fund	-	-	-	13,381	-	-	-	-	13,381
Cash awaiting deposit	-	9,033	-	1,383,480	-	-	-	-	1,392,513
Receivables	839,469	931,188	590,069	1,519,156	171,439	19,287	3,143	217	4,073,968
Prepaid expenditures	-	374	-	1,371	-	-	-	-	1,745
Due from other funds	-	802,613	172,628	9,372	-	2,425,598	-	-	3,410,211
Stores inventory	-	-	-	1,142,928	-	-	-	-	1,142,928
Total assets	\$ 2,611,068	\$ 2,920,638	\$ 773,379	\$ 4,202,834	\$ 2,229,221	\$ 19,585,841	\$ 11,865,810	\$ 234,498	\$ 44,423,289

LIABILITIES AND FUND BALANCES

Liabilities:									
Accounts payable	\$ 298,063	\$ 159,991	\$ 300,428	\$ 279,135	\$ 58,652	\$ 232,973	\$ -	\$ -	\$ 1,329,242
Deferred revenue	-	76,063	103,116	19,920	-	-	-	-	199,099
Due to other funds	10,337	131,056	349,961	1,541,519	9,366	2,436,245	-	-	4,478,484
Total liabilities	308,400	367,110	753,505	1,840,574	68,018	2,669,218	-	-	6,006,825
Fund balances:									
Nonspendable	-	374	-	1,157,680	-	-	-	-	1,158,054
Restricted	2,302,668	2,553,154	19,874	1,204,580	2,161,203	16,916,623	11,865,810	234,498	37,258,410
Total fund balances	2,302,668	2,553,528	19,874	2,362,260	2,161,203	16,916,623	11,865,810	234,498	38,416,464
Total liabilities and fund balances	\$ 2,611,068	\$ 2,920,638	\$ 773,379	\$ 4,202,834	\$ 2,229,221	\$ 19,585,841	\$ 11,865,810	\$ 234,498	\$ 44,423,289

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, 2012

	Charter Schools Fund	Adult Education Fund	Child Develop- ment Fund	Cafeteria Fund	Deferred Maintenance Fund	State School Facilities Fund	Mello-Roos Adminis- trative Fund	Special Reserve for Capital Outlay Fund	Total
Revenues:									
Revenue limit sources:									
State apportionment	\$ 2,423,899	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,423,899
Federal sources	59,675	1,414,881	2,968,262	14,879,786	-	-	-	-	19,322,604
Other state sources	224,254	940,773	1,526,261	2,479,878	-	1,508,845	-	-	6,680,011
Other local sources	7,003	1,155,657	463,665	4,365,854	179,492	119,637	14,529,270	70,823	20,891,401
Total revenues	<u>2,714,831</u>	<u>3,511,311</u>	<u>4,958,188</u>	<u>21,725,518</u>	<u>179,492</u>	<u>1,628,482</u>	<u>14,529,270</u>	<u>70,823</u>	<u>49,317,915</u>
Expenditures:									
Certificated salaries	1,088,012	1,509,174	1,608,857	-	-	-	-	-	4,206,043
Classified salaries	131,708	1,020,199	947,636	6,632,990	4,458	-	-	-	8,736,991
Employee benefits	312,681	963,088	1,140,514	3,656,825	1,074	-	-	-	6,074,182
Books and supplies	105,583	283,570	125,937	9,308,675	-	101,121	-	-	9,924,886
Contract services and operating expenditures	33,481	381,999	1,039,722	841,165	170,121	37,406	-	-	2,503,894
Capital outlay	-	-	-	-	227,122	3,479,131	-	-	3,706,253
Other outgo	-	-	-	-	-	1,579,260	58,218	5,000	1,642,478
Debt service:									
Principal retirement	-	-	-	-	-	-	5,207,538	-	5,207,538
Interest	-	-	-	-	-	-	8,414,567	-	8,414,567
Total expenditures	<u>1,671,465</u>	<u>4,158,030</u>	<u>4,862,666</u>	<u>20,439,655</u>	<u>402,775</u>	<u>5,196,918</u>	<u>13,680,323</u>	<u>5,000</u>	<u>50,416,832</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,043,366</u>	<u>(646,719)</u>	<u>95,522</u>	<u>1,285,863</u>	<u>(223,283)</u>	<u>(3,568,436)</u>	<u>848,947</u>	<u>65,823</u>	<u>(1,098,917)</u>
Other financing sources (uses):									
Operating transfers in	-	850,000	75,673	975,750	-	7,200,000	-	-	9,101,423
Operating transfers out	-	(159,748)	(227,566)	(980,113)	(733,863)	-	(708,363)	-	(2,809,653)
Total other financing sources (uses)	<u>-</u>	<u>690,252</u>	<u>(151,893)</u>	<u>(4,363)</u>	<u>(733,863)</u>	<u>7,200,000</u>	<u>(708,363)</u>	<u>-</u>	<u>6,291,770</u>
Net change in fund balances	<u>1,043,366</u>	<u>43,533</u>	<u>(56,371)</u>	<u>1,281,500</u>	<u>(957,146)</u>	<u>3,631,564</u>	<u>140,584</u>	<u>65,823</u>	<u>5,192,853</u>
Fund balances, July 1, 2011	<u>1,259,302</u>	<u>2,509,995</u>	<u>76,245</u>	<u>1,080,760</u>	<u>3,118,349</u>	<u>13,285,059</u>	<u>11,725,226</u>	<u>168,675</u>	<u>33,223,611</u>
Fund balances, June 30, 2012	<u>\$ 2,302,668</u>	<u>\$ 2,553,528</u>	<u>\$ 19,874</u>	<u>\$ 2,362,260</u>	<u>\$ 2,161,203</u>	<u>\$ 16,916,623</u>	<u>\$ 11,865,810</u>	<u>\$ 234,498</u>	<u>\$ 38,416,464</u>

ELK GROVE UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS

For the Year Ended June 30, 2012

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
<u>Student Body Funds</u>				
<u>Elk Grove High School</u>				
Assets:				
Cash on hand and in banks	\$ 218,098	\$ 1,068,913	\$ 1,036,373	\$ 250,638
Inventory	<u>5,402</u>	<u>54,466</u>	<u>54,444</u>	<u>5,424</u>
	<u>\$ 223,500</u>	<u>\$ 1,123,379</u>	<u>\$ 1,090,817</u>	<u>\$ 256,062</u>
Liabilities:				
Due to students/student groups	<u>\$ 223,500</u>	<u>\$ 1,123,379</u>	<u>\$ 1,090,817</u>	<u>\$ 256,062</u>
<u>Florin High School</u>				
Assets:				
Cash on hand and in banks	\$ 272,547	\$ 417,173	\$ 410,186	\$ 279,534
Inventory	<u>1,145</u>	<u>20,046</u>	<u>19,335</u>	<u>1,856</u>
	<u>\$ 273,692</u>	<u>\$ 437,219</u>	<u>\$ 429,521</u>	<u>\$ 281,390</u>
Liabilities:				
Due to students/student groups	<u>\$ 273,692</u>	<u>\$ 437,219</u>	<u>\$ 429,521</u>	<u>\$ 281,390</u>
<u>Franklin High School</u>				
Assets:				
Cash on hand and in banks	\$ 350,351	\$ 1,069,358	\$ 1,079,696	\$ 340,013
Inventory	<u>-</u>	<u>56,126</u>	<u>56,126</u>	<u>-</u>
	<u>\$ 350,351</u>	<u>\$ 1,125,484</u>	<u>\$ 1,135,822</u>	<u>\$ 340,013</u>
Liabilities:				
Due to students/student groups	<u>\$ 350,351</u>	<u>\$ 1,125,484</u>	<u>\$ 1,135,822</u>	<u>\$ 340,013</u>

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

ALL AGENCY FUNDS
(Continued)
For the Year Ended June 30, 2012

	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2012</u>
<u>Student Body Funds</u>				
(Continued)				
<u>Laguna Creek High School</u>				
Assets:				
Cash on hand and in banks	\$ 335,661	\$ 339,079	\$ 357,984	\$ 316,756
Inventory	<u>14,553</u>	<u>36,700</u>	<u>36,177</u>	<u>15,076</u>
	<u>\$ 350,214</u>	<u>\$ 375,779</u>	<u>\$ 394,161</u>	<u>\$ 331,832</u>
Liabilities:				
Due to students/student groups	<u>\$ 350,214</u>	<u>\$ 375,779</u>	<u>\$ 394,161</u>	<u>\$ 331,832</u>
<u>Monterey Trail High School</u>				
Assets:				
Cash on hand and in banks	\$ 205,575	\$ 621,042	\$ 590,904	\$ 235,713
Inventory	<u>-</u>	<u>49,487</u>	<u>49,487</u>	<u>-</u>
	<u>\$ 205,575</u>	<u>\$ 670,529</u>	<u>\$ 640,391</u>	<u>\$ 235,713</u>
Liabilities:				
Due to students/student groups	<u>\$ 205,575</u>	<u>\$ 670,529</u>	<u>\$ 640,391</u>	<u>\$ 235,713</u>
<u>Pleasant Grove High School</u>				
Assets:				
Cash on hand and in banks	\$ 266,340	\$ 936,415	\$ 908,907	\$ 293,848
Inventory	<u>2,127</u>	<u>60,363</u>	<u>61,765</u>	<u>725</u>
	<u>\$ 268,467</u>	<u>\$ 996,778</u>	<u>\$ 970,672</u>	<u>\$ 294,573</u>
Liabilities:				
Due to students/student groups	<u>\$ 268,467</u>	<u>\$ 996,778</u>	<u>\$ 970,672</u>	<u>\$ 294,573</u>

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

ALL AGENCY FUNDS
(Continued)
For the Year Ended June 30, 2012

	Balance July 1, <u>2011</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2012</u>
<u>Student Body Funds</u>				
(Continued)				
<u>Sheldon High School</u>				
Assets:				
Cash on hand and in banks	\$ 413,957	\$ 771,040	\$ 752,402	\$ 432,595
Inventory	<u>2,901</u>	<u>45,236</u>	<u>44,125</u>	<u>4,012</u>
	<u>\$ 416,858</u>	<u>\$ 816,276</u>	<u>\$ 796,527</u>	<u>\$ 436,607</u>
Liabilities:				
Due to students/student groups	<u>\$ 416,858</u>	<u>\$ 816,276</u>	<u>\$ 796,527</u>	<u>\$ 436,607</u>
<u>Valley High School</u>				
Assets:				
Cash on hand and in banks	\$ 114,708	\$ 327,149	\$ 342,688	\$ 99,169
Inventory	<u>2,541</u>	<u>58,565</u>	<u>57,871</u>	<u>3,235</u>
	<u>\$ 117,249</u>	<u>\$ 385,714</u>	<u>\$ 400,559</u>	<u>\$ 102,404</u>
Liabilities:				
Due to students/student groups	<u>\$ 117,249</u>	<u>\$ 385,714</u>	<u>\$ 400,559</u>	<u>\$ 102,404</u>
<u>Cosumnes Oaks High School</u>				
Assets:				
Cash on hand and in banks	\$ 128,136	\$ 839,686	\$ 726,764	\$ 241,058
Inventory	<u>-</u>	<u>10,070</u>	<u>10,070</u>	<u>-</u>
	<u>\$ 128,136</u>	<u>\$ 849,756</u>	<u>\$ 736,834</u>	<u>\$ 241,058</u>
Liabilities:				
Due to students/student groups	<u>\$ 128,136</u>	<u>\$ 849,756</u>	<u>\$ 736,834</u>	<u>\$ 241,058</u>

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

ALL AGENCY FUNDS
(Continued)
For the Year Ended June 30, 2012

	<u>Balance</u> <u>July 1,</u> <u>2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30,</u> <u>2012</u>
<u>Student Body Funds</u>				
(Continued)				
<u>Edward Harris, Jr. Middle School</u>				
Assets:				
Cash on hand and in banks	\$ 49,984	\$ 175,305	\$ 160,189	\$ 65,100
Inventory	<u>-</u>	<u>29,991</u>	<u>29,991</u>	<u>-</u>
	<u>\$ 49,984</u>	<u>\$ 205,296</u>	<u>\$ 190,180</u>	<u>\$ 65,100</u>
Liabilities:				
Due to students/student groups	<u>\$ 49,984</u>	<u>\$ 205,296</u>	<u>\$ 190,180</u>	<u>\$ 65,100</u>
<u>Toby Johnson Middle School</u>				
Assets:				
Cash on hand and in banks	\$ 237,664	\$ 370,702	\$ 331,457	\$ 276,909
Inventory	<u>-</u>	<u>43,244</u>	<u>43,244</u>	<u>-</u>
	<u>\$ 237,664</u>	<u>\$ 413,946</u>	<u>\$ 374,701</u>	<u>\$ 276,909</u>
Liabilities:				
Due to students/student groups	<u>\$ 237,664</u>	<u>\$ 413,946</u>	<u>\$ 374,701</u>	<u>\$ 276,909</u>
<u>Joseph Kerr Middle School</u>				
Assets:				
Cash on hand and in banks	\$ 142,197	\$ 178,955	\$ 171,364	\$ 149,788
Inventory	<u>77</u>	<u>-</u>	<u>-</u>	<u>77</u>
	<u>\$ 142,274</u>	<u>\$ 178,955</u>	<u>\$ 171,364</u>	<u>\$ 149,865</u>
Liabilities:				
Due to students/student groups	<u>\$ 142,274</u>	<u>\$ 178,955</u>	<u>\$ 171,364</u>	<u>\$ 149,865</u>

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

ALL AGENCY FUNDS
(Continued)
For the Year Ended June 30, 2012

	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2012</u>
<u>Student Body Funds</u>				
(Continued)				
<u>Harriet Eddy Middle School</u>				
Assets:				
Cash on hand and in banks	\$ 17,759	\$ 141,413	\$ 155,576	\$ 3,596
Inventory	-	42,656	42,656	-
	<u>\$ 17,759</u>	<u>\$ 184,069</u>	<u>\$ 198,232</u>	<u>\$ 3,596</u>
Liabilities:				
Due to students/student groups	<u>\$ 17,759</u>	<u>\$ 184,069</u>	<u>\$ 198,232</u>	<u>\$ 3,596</u>
<u>James Rutter Middle School</u>				
Assets:				
Cash on hand and in banks	\$ 37,885	\$ 245,527	\$ 225,919	\$ 57,493
Inventory	533	24,562	24,726	369
	<u>\$ 38,418</u>	<u>\$ 270,089</u>	<u>\$ 250,645</u>	<u>\$ 57,862</u>
Liabilities:				
Due to students/student groups	<u>\$ 38,418</u>	<u>\$ 270,089</u>	<u>\$ 250,645</u>	<u>\$ 57,862</u>
<u>Katherine L. Albiani Middle School</u>				
Assets:				
Cash on hand and in banks	\$ 108,767	\$ 321,637	\$ 266,621	\$ 163,783
Inventory	-	37,157	37,157	-
	<u>\$ 108,767</u>	<u>\$ 358,794</u>	<u>\$ 303,778</u>	<u>\$ 163,783</u>
Liabilities:				
Due to students/student groups	<u>\$ 108,767</u>	<u>\$ 358,794</u>	<u>\$ 303,778</u>	<u>\$ 163,783</u>

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

ALL AGENCY FUNDS
(Continued)
For the Year Ended June 30, 2012

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
<u>Student Body Funds</u>				
(Continued)				
<u>Samuel Jackman Middle School</u>				
Assets:				
Cash on hand and in banks	\$ 33,079	\$ 82,157	\$ 96,783	\$ 18,453
Inventory	<u>456</u>	<u>6,189</u>	<u>5,743</u>	<u>902</u>
	<u>\$ 33,535</u>	<u>\$ 88,346</u>	<u>\$ 102,526</u>	<u>\$ 19,355</u>
Liabilities:				
Due to students/student groups	<u>\$ 33,535</u>	<u>\$ 88,346</u>	<u>\$ 102,526</u>	<u>\$ 19,355</u>
<u>Pinkerton Middle School</u>				
Assets:				
Cash on hand and in banks	\$ 37,983	\$ 250,752	\$ 257,395	\$ 31,340
Inventory	<u>-</u>	<u>15,637</u>	<u>15,637</u>	<u>-</u>
	<u>\$ 37,983</u>	<u>\$ 266,389</u>	<u>\$ 273,032</u>	<u>\$ 31,340</u>
Liabilities:				
Due to students/student groups	<u>\$ 37,983</u>	<u>\$ 266,389</u>	<u>\$ 273,032</u>	<u>\$ 31,340</u>
<u>T. R. Smedberg Middle School</u>				
Assets:				
Cash on hand and in banks	\$ 144,666	\$ 198,134	\$ 204,921	\$ 137,879
Inventory	<u>-</u>	<u>34,763</u>	<u>34,763</u>	<u>-</u>
	<u>\$ 144,666</u>	<u>\$ 232,897</u>	<u>\$ 239,684</u>	<u>\$ 137,879</u>
Liabilities:				
Due to students/student groups	<u>\$ 144,666</u>	<u>\$ 232,897</u>	<u>\$ 239,684</u>	<u>\$ 137,879</u>

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

ALL AGENCY FUNDS
(Continued)
For the Year Ended June 30, 2012

	Balance July 1, <u>2011</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2012</u>
<u>Student Body Funds</u>				
(Continued)				
<u>Elementary and Other Schools</u>				
Assets:				
Cash on hand and in banks	\$ 1,161,692	\$ 3,407,102	\$ 3,289,071	\$ 1,279,723
Inventory	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,161,692</u>	<u>\$ 3,407,102</u>	<u>\$ 3,289,071</u>	<u>\$ 1,279,723</u>
Liabilities:				
Due to students/student groups	<u>\$ 1,161,692</u>	<u>\$ 3,407,102</u>	<u>\$ 3,289,071</u>	<u>\$ 1,279,723</u>
<u>Total Agency Funds</u>				
Assets:				
Cash on hand and in banks	\$ 4,277,049	\$ 11,761,539	\$ 11,365,200	\$ 4,673,388
Inventory	<u>29,735</u>	<u>653,171</u>	<u>651,230</u>	<u>31,676</u>
	<u>\$ 4,306,784</u>	<u>\$ 12,414,710</u>	<u>\$ 12,016,430</u>	<u>\$ 4,705,064</u>
Liabilities:				
Due to students/student groups	<u>\$ 4,306,784</u>	<u>\$ 12,414,710</u>	<u>\$ 12,016,430</u>	<u>\$ 4,705,064</u>

ELK GROVE UNIFIED SCHOOL DISTRICT

ORGANIZATION

June 30, 2012

Elk Grove Unified School District was established in 1959. The District is a political subdivision of the State of California. The District is located in an area around the community of Elk Grove in Sacramento County, California. There were no changes in District boundaries during the current year. The District currently operates thirty-nine elementary schools, eight middle schools and eight high schools as well as three continuation high schools, one special education school, one adult school, one independent study school and one charter school.

The Board of Education of Elk Grove Unified School District is composed of seven members. Although all seven members are elected at large, the District is divided into seven geographical areas and the Board members representing an area must reside within its boundaries. The Board and the Cabinet manage and control the affairs of the District.

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Chet Madison, Sr.	President	November 2012
Alfred Rowlett	Clerk	November 2012
Jeanette J. Amavisca	Member	November 2014
Pollyanna Cooper-LeVangie	Member	November 2014
Priscilla Cox	Member	November 2014
William Lugg, Jr.	Member	November 2012
Jacob L. Rambo	Member	November 2012

ADMINISTRATION

Steven M. Ladd, Ed. D.
Superintendent

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

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

Richard Fagan
Associate Superintendent, Finance and School Support

Robert Pierce
Associate Superintendent, Facilities and Planning

Mark Cerutti
Associate Superintendent, Education Services

ELK GROVE UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE

For the Year Ended June 30, 2012

	<u>Original Second Period Report</u>	<u>Audited Second Period Report</u>	<u>Annual Report</u>
Elementary:			
Kindergarten	4,170	4,170	4,172
First through Third	13,090	13,090	13,071
Fourth through Eighth	22,584	22,585	22,535
Special Education	756	756	814
Home and Hospital	<u>15</u>	<u>15</u>	<u>17</u>
Total Elementary	<u>40,615</u>	<u>40,616</u>	<u>40,609</u>
Secondary:			
Regular Classes	16,996	16,998	16,835
Special Education	500	500	528
Continuation Education	669	669	646
Home and Hospital	<u>13</u>	<u>13</u>	<u>13</u>
Total Secondary	<u>18,178</u>	<u>18,180</u>	<u>18,022</u>
Classes for Adults:			
Not currently enrolled	<u>351</u>	<u>353</u>	<u>403</u>
Total District	<u><u>59,144</u></u>	<u><u>59,149</u></u>	<u><u>59,034</u></u>
Charter School - Non Classroom-Based:			
Secondary Education	<u><u>338</u></u>	<u><u>338</u></u>	<u><u>337</u></u>

See accompanying notes to supplementary information.

**ELK GROVE UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME**

For the Year Ended June 30, 2012

	<u>Statutory 1986-87 Minutes Require- ment</u>	<u>Reduced 1986-87 Minutes Require- ment</u>	<u>Statutory 1982-83 Minutes Require- ment</u>	<u>Reduced 1982-83 Actual Minutes</u>	<u>2011-12 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Number of Days Multitrack Calendar</u>	<u>Status</u>
<u>DISTRICT</u>								
Kindergarten	36,000	35,000	31,500	30,625	35,000	175	166	In Compliance
Grade 1	50,400	49,000	40,250	39,132	50,680	175	166	In Compliance
Grade 2	50,400	49,000	40,250	39,132	50,680	175	166	In Compliance
Grade 3	50,400	49,000	40,250	39,132	50,680	175	166	In Compliance
Grade 4	54,000	52,500	42,000	40,833	52,452	175	166	In Compliance
Grade 5	54,000	52,500	42,000	40,833	52,452	175	166	In Compliance
Grade 6	54,000	52,500	42,000	40,833	52,452	175	166	In Compliance
Grade 7	54,000	52,500	42,000	40,833	58,926	175	166	In Compliance
Grade 8	54,000	52,500	42,000	40,833	58,926	175	166	In Compliance
Grade 9	64,800	63,000	52,500	51,042	63,918	175	N/A	In Compliance
Grade 10	64,800	63,000	52,500	41,042	63,918	175	N/A	In Compliance
Grade 11	64,800	63,000	52,500	51,042	63,918	175	N/A	In Compliance
Grade 12	64,800	63,000	52,500	51,042	63,918	175	N/A	In Compliance
<u>CHARTER SCHOOL (NON-CLASSROOM BASED)</u>								
Grade 7	54,000	N/A	N/A	N/A	N/A	178	N/A	N/A
Grade 8	54,000	N/A	N/A	N/A	N/A	178	N/A	N/A
Grade 9	64,800	N/A	N/A	N/A	N/A	178	N/A	N/A
Grade 10	64,800	N/A	N/A	N/A	N/A	178	N/A	N/A

See accompanying notes to supplementary information.

ELK GROVE UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
For the Year Ended June 30, 2012

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education - Passed through California Department of Education</u>			
	Special Education Cluster:		
84.027	Special Education: Basic Local Assistance	13379	\$ 10,247,302
84.027A	Special Education: Preschool Local Entitlement	13682	435,229
84.173	Special Education: Preschool Grant	13430	208,480
84.173A	Special Education: Preschool Staff Development	13431	2,359
84.391	Special Education: ARRA IDEA Part B, Sec 611, Preschool Local Entitlement	15002	269,647
84.391	Special Education: ARRA IDEA Part B, Sec 611, Basic Local Assistance	15003	767,545
84.027	Special Education: IDEA Mental Health Allocation, Plan, Part B, Sec 611	14468	<u>464,420</u>
	Subtotal Special Education Cluster		<u>12,394,982</u>
	NCLB: Title I Cluster:		
84.010	NCLB: Title I: Basic Grants Low-Income and Neglected	13797	13,841,379
84.389	NCLB: ARRA Title I: Title I, Basic Grants Low-Income and Neglected	15005	1,306,879
84.010	NCLB: Title I, Part D, Subpart 2, Local Delinquent Programs	14357	21,331
84.010	NCLB: Title I, Part A, Program Improvement LEA Corrective Action, Extensive Performance Problems	14956	<u>23,463</u>
	Subtotal NCLB: Title I Cluster		<u>15,193,052</u>
	Educational Technology State Grants Cluster:		
84.318	NCLB: Title II: Part D, Enhancing Education Through Technology	14334	37,567
84.318	NCLB: Title II: Part D, Enhancing Education Through Technology	14368	3,074
84.386	NCLB: ARRA Title II: Part D, Enhancing Education Through Technology	15019	31,772
84.386	NCLB: ARRA Title II: Part D, Enhancing Education Through Technology	15126	<u>966,321</u>
	Subtotal Educational Technology State Grants Cluster		<u>1,038,734</u>

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS

(Continued)

For the Year Ended June 30, 2012

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education - Passed through California Department of Education (Continued)</u>			
	NCLB: Title II Cluster:		
84.367	NCLB: Title II: Teacher Quality	14341	\$ 1,373,180
84.367	NCLB: Title II, Part A, Administrator Training	14344	<u>13,750</u>
	Subtotal NCLB: Title II Cluster		<u>1,386,930</u>
	Title III Cluster:		
84.365	Title III: Immigrant Education Program	14346	132,412
84.365	Title III: Limited English Proficient Student Program	10084	<u>1,290,511</u>
	Subtotal Title III Cluster		<u>1,422,923</u>
	Adult Education Cluster:		
84.002A	Adult Education: Adult Basic Education	14508	158,579
84.002A	Adult Education: English Literacy & Civics Ed.	14109	170,523
84.002A	Adult Education: Institutionalized Adults	13971	58,560
84.002A	Adult Education: ASE/GED	13978	57,037
84.002	Adult Education: State Leadership Projects	13970	<u>73,982</u>
	Subtotal Adult Education Cluster		<u>518,681</u>
	Vocational Education Cluster:		
84.048	Vocational and Applied Technology Secondary II C	14894	293,879
84.048	Vocational Programs: Post Secondary & Adult II C	13923	<u>74,304</u>
	Subtotal Vocational Education Cluster		<u>368,183</u>
84.366	NCLB: Title II: Part B, CaMSP	14512	986,184
84.410	Education Jobs Fund	25152	7,349,755
84.181	Special Education: IDEA Early Intervention Grants	23761	53,605
84.186	NCLB: Title IV, Part A: Drug Free Schools	13453	943
84.158	Workability II Transitions Partnership	10006	262,604
84.060A	Indian Education	10011	2,897
84.215X	Teaching American History	-	335,727
84.287	21st Century Schools	14681	1,243,366
84.357A	NCLB: Title I: Reading First Program	14328	39,314
84.196	NCLB: Title X McKinney-Vento Homeless Children Assistance Grants	14332	38,403
84.390A	Rehabilitation Services-Vocational Rehabilitation Grants to States, Recovery Act	-	172
84.184E	Safe and Drug-Free Schools and Communities National Programs	-	100,375
84.334A	Gear Up	10088	<u>85,151</u>
	Total U.S. Department of Education		<u>42,821,981</u>

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
(Continued)
For the Year Ended June 30, 2012

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Labor - Passed through California Department of Education</u>			
	SETA Cluster:		
17.258	SETA: One Stop Adult	-	\$ 337,292
17.258	SETA: Workforce Skills Preparation Services	-	122,816
17.259	SETA: One Stop Universal Services	-	71,428
17.259	SETA: One Stop Out of School Services	-	236,320
17.260	SETA: One Stop Dislocated Workers	-	<u>54,039</u>
	Total U.S. Department of Labor		<u>821,895</u>
<u>U.S. Department of Energy - Passed through California Department of Education</u>			
81.122	Electricity Delivery and Energy Reliability, Research, Development and Analysis	-	<u>168,860</u>
<u>U.S. Department of Health and Human Services - Passed through California Department of Education</u>			
	Head Start Cluster:		
93.600	Head Start - Basic	10016	2,393,003
93.600	Head Start - PA 20	10016	2,950
93.600	Head Start: ARRA: Expansion	10016	<u>274,078</u>
	Subtotal Head Start Cluster		<u>2,670,031</u>
93.596	Child Development: Federal Child Care Center Based	13609	298,231
93.778	Medi-Cal Billing Option (DHS)	10013	1,051,355
93.674	Chafee Foster Care Independence Program	-	<u>132,206</u>
	Total U.S. Department of Health and Human Services		<u>4,151,823</u>
<u>U.S. Department of Agriculture - Passed through California Department of Education</u>			
10.555	National School Lunch Program	13390	14,859,159
10.553	Child Nutrition: School Programs (School Breakfast Basic)	13390	2,214
10.574	Child Nutrition: Team Nutrition	1188	18,413
10.551	Cancer Prevention	-	<u>347,105</u>
	Total U.S. Department of Agriculture		<u>15,226,891</u>
	Total Federal Programs		<u>\$ 63,191,450</u>

** Program administered by the Department of Defense, which will not provide Federal Catalog Number.

See accompanying notes to supplementary information.

ELK GROVE UNIFIED SCHOOL DISTRICT
RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT
WITH AUDITED FINANCIAL STATEMENTS

For the Year Ended June 30, 2012

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

See accompanying notes to supplementary information.

ELK GROVE UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

For the Year Ended June 30, 2012

(UNAUDITED)

	(Budgeted)			
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<u>General Fund</u>				
Revenues and other financing sources	\$ 432,264,889	\$ 473,067,670	\$ 475,833,429	\$ 474,654,838
Expenditures	457,169,834	452,834,081	446,418,326	480,439,668
Other uses and transfers out	<u>1,705,797</u>	<u>1,901,423</u>	<u>2,157,979</u>	<u>3,234,496</u>
Total outgo	<u>458,875,631</u>	<u>454,735,504</u>	<u>448,576,305</u>	<u>483,674,164</u>
Change in fund balance	<u>\$ (26,610,742)</u>	<u>\$ 18,332,166</u>	<u>\$ 27,257,124</u>	<u>\$ (9,019,326)</u>
Ending fund balance	<u>\$ 57,161,340</u>	<u>\$ 83,772,082</u>	<u>\$ 65,439,916</u>	<u>\$ 38,182,792</u>
Available reserves	<u>\$ 9,500,000</u>	<u>\$ 9,500,000</u>	<u>\$ 9,543,675</u>	<u>\$ 13,922,795</u>
Designated for economic uncertainties	<u>\$ 9,500,000</u>	<u>\$ 9,500,000</u>	<u>\$ 9,543,675</u>	<u>\$ 10,639,009</u>
Undesignated fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,283,786</u>
Available reserves as percentages of total outgo	<u>2.1%</u>	<u>2.1%</u>	<u>2.1%</u>	<u>2.9%</u>
<u>All Funds</u>				
Total long-term liabilities	<u>\$ 196,319,428</u>	<u>\$ 203,128,682</u>	<u>\$ 207,013,442</u>	<u>\$ 211,040,658</u>
Average daily attendance at P-2 (excluding adult and Charter School)	<u>58,935</u>	<u>58,796</u>	<u>58,922</u>	<u>58,736</u>

The General Fund fund balance has increased by \$36,569,964 over the past three years. The fiscal year 2012-2013 budget, as originally adopted, projects an decrease of \$26,610,742. For a district this size (budgeted ADA in excess of 30,000), the state recommends available reserves of at least two percent of total General Fund expenditures, transfers out, and other uses (total outgo). The District has met this requirement.

The District has incurred operating surpluses in two of the past three years, and anticipates an operating deficit during the 2012-13 fiscal year.

Total long-term liabilities have decreased by \$7,911,976 over the past two years, as shown in Note 6 to the basic financial statements.

Average daily attendance has increased by 60 over the past two years. An increase of 139 ADA is projected for the 2012-13 fiscal year.

See accompanying notes to supplementary information.

ELK GROVE UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS

For the Year Ended June 30, 2012

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 EXPENSES

For the Year Ended June 30, 2012

	<u>First 5/ School Readiness</u>	<u>All Other Programs</u>	<u>Total Child Development Fund</u>
Revenues:			
Federal revenue sources	\$ -	\$ 2,968,262	\$ 2,968,262
State revenue sources	-	1,526,261	1,526,261
Local revenues sources	<u>460,276</u>	<u>3,389</u>	<u>463,665</u>
 Total revenues	 <u>460,276</u>	 <u>4,497,912</u>	 <u>4,958,188</u>
Expenses:			
Certificated salaries	200,776	1,408,081	1,608,857
Classified salaries	69,227	878,409	947,636
Employee benefits	100,875	1,039,639	1,140,514
Books and supplies	54,569	71,368	125,937
Contract services and operating expenditures	<u>10,049</u>	<u>1,029,673</u>	<u>1,039,722</u>
 Total expenses	 <u>435,496</u>	 <u>4,427,170</u>	 <u>4,862,666</u>
 Excess of revenues over expenses	 <u>24,780</u>	 <u>70,742</u>	 <u>95,522</u>
Other financing sources (uses):			
Operating transfers in	-	75,673	75,673
Operating transfers out	<u>(24,780)</u>	<u>(202,786)</u>	<u>(227,566)</u>
 Total other financing sources (uses)	 <u>(24,780)</u>	 <u>(127,113)</u>	 <u>(151,893)</u>
 Net change in fund balances	 -	 (56,371)	 (56,371)
 Fund balances, July 1, 2010	 <u>-</u>	 <u>76,245</u>	 <u>76,245</u>
 Fund balances, June 30, 2012	 <u>\$ -</u>	 <u>\$ 19,874</u>	 <u>\$ 19,874</u>

See accompanying notes to supplementary information.

ELK GROVE UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION

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, 2012.

<u>Description</u>	<u>CFDA Number</u>	<u>Amount</u>
Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances		\$ 63,262,621
Add: Special Education: Basic Local Assistance spent from prior year awards	84.027A	1,034,109
NCLB: Title I, Part A, Basic Grants Low- Income and Neglected Funds spent from prior year awards	84.010	160,621
Less: Medi-Cal Billing Funds not spent	93.778	(1,082,693)
Advanced Placement Funds not spent	-	(62,348)
NJROTC Funds not spent	-	(40,205)
Air Force ROTC Funds not spent	-	<u>(80,655)</u>
Total Schedule of Expenditure of Federal Awards		<u>\$ 63,191,450</u>

ELK GROVE UNIFIED SCHOOL DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION

(Continued)

1. PURPOSE OF SCHEDULES (Continued)

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

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

E - Schedule of Financial Trends and Analysis - Unaudited

This schedule provides trend information on the District's financial condition over the past three years and its anticipated condition for the 2012-2013 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 Expenses

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

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, 2012, the District did not adopt this program.

**INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS**

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

We have audited the compliance of Elk Grove Unified School District with the types of compliance requirements described in the State of California's *Standards and Procedures for Audits of California K-12 Local Educational Agencies* (the "Audit Guide") to the state laws and regulations listed below for the year ended June 30, 2012. Compliance with the requirements of state laws and regulations is the responsibility of Elk Grove Unified School District's management. Our responsibility is to express an opinion on Elk Grove Unified School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State of California's *Standards and Procedures for Audits of California K-12 Local Educational Agencies*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state laws and regulations listed below 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. Our audit does not provide a legal determination of Elk Grove Unified School District's compliance with those requirements.

<u>Description</u>	<u>Audit Guide Procedures</u>	<u>Procedures Performed</u>
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	Yes
Continuation Education	10	Yes
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	No, see below
Instructional Materials:		
General requirements	8	Yes
Ratio of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive Program	4	No, see below
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	No, see below
Public Hearing Requirements - Receipt of Funds	1	Yes
Juvenile Court Schools	8	No, see below
Exclusion of Pupils - Pertussis Immunization	2	Yes
Class Size Reduction Program:		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	No, see below
Districts with only one school serving K-3	4	No, see below

<u>Description</u>	<u>Audit Guide Procedures</u>	<u>Procedures Performed</u>
After School Education and Safety Program		
General requirements	4	Yes
After School	5	Yes
Before School	6	No, see below
Contemporaneous Records of Attendance, for charter schools	3	Yes
Mode of Instruction, for charter schools	1	No, see below
Nonclassroom-Based Instruction/Independent Study, for charter schools	15	Yes
Determination of Funding for Nonclassroom-Based Instruction, for charter schools	3	Yes
Annual Instructional Minutes - Classroom-Based, for charter schools	4	No, see below

The School District is not a County Office of Education; therefore, we did not perform any procedures related to County Office of Education Instructional Time Incentives.

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

The 2011-2012 School Accountability Report Cards specified by Education Code Section 33126 are not required to be completed, nor were they completed, prior to the completion of our audit procedures for the year ended June 30, 2012. Accordingly, we could not perform the portions of the audit steps (a), (b) and (c) of Section 19837 of the 2011-2012 Audit Guide relating to the comparison of tested data from the 2011-2012 fiscal year to the 2011-2012 School Accountability Report Cards.

The District does not operate a Juvenile Court Schools Program; therefore, we did not perform any procedures related to the program.

The District does not participate in Option Two of the Class Size Reduction Program; therefore, we did not perform any procedures related to CSR - Option Two.

The District does not have only one school serving grades K through 3; therefore, we did not perform any procedures relating to one school serving grades K through 3.

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.

In our opinion, 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, 2012. Further, based on our examination, for items not tested, nothing came to our attention to indicate the Elk Grove Unified School District had not complied with the state laws and regulations.

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

Crowe Horwath LLP
Crowe Horwath LLP

Sacramento, California
November 30, 2012

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

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

We have audited the financial statements of Elk Grove Unified School District as of and for the year ended June 30, 2012, and have issued our report thereon dated November 30, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Elk Grove Unified School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Elk Grove Unified School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion 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 over financial reporting. Accordingly, we do not express an opinion of the effectiveness of Elk Grove Unified School District's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However we noted other matters involving internal control that we have communicated to management as identified in the accompanying Schedule of Audit Findings and Questioned Costs as Findings 2012-01 and 2012-02.

Compliance and Other Matters

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

Elk Grove Unified School District's responses to the findings identified in our audit are included in the accompanying Schedule of Audit Findings and Questioned Costs. We did not audit the District's responses and, accordingly, express no opinion on them.

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

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
November 30, 2012

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON THE FIRST 5
SACRAMENTO COUNTY PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH A PROGRAM-SPECIFIC AUDIT

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

Compliance

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, 2012. Compliance with the requirements of laws, regulations, contracts and grants applicable to its First 5 Sacramento County Program is the responsibility of Elk Grove Unified School District's management. Our responsibility is to express an opinion on Elk Grove Unified School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America 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 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. Our audit does not provide a legal determination of Elk Grove Unified School District's compliance with those requirements.

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, 2012.

Internal Control Over Compliance

Management of Elk Grove Unified School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to the First 5 Sacramento Program. In planning and performing our audit, 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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the First 5 Sacramento County Program, 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.

Internal Control Over Compliance (Continued)

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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Audit Committee, Board of Education, management and First 5 Sacramento County and is not intended to be and should not be used by anyone other than these specified parties.



Crowe Horwath LLP

Sacramento, California
November 30, 2012

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited Elk Grove Unified School District's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (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, 2012. Elk Grove Unified School District's major federal programs are identified in the Summary of Auditors' Results section of the accompanying schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Elk Grove Unified School District's management. Our responsibility is to express an opinion on Elk Grove Unified School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. 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. Our audit does not provide a legal determination on Elk Grove Unified School District's compliance with those requirements.

In our opinion, Elk Grove Unified School District complied, in all material respects, with the 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, 2012.

Internal Control Over Compliance

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

Internal Control Over Compliance (Continued)

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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

A handwritten signature in black ink that reads "Crowe Horwath LLP". The signature is written in a cursive, flowing style.

Crowe Horwath LLP

Sacramento, California
November 30, 2012

FINDINGS AND RECOMMENDATIONS

ELK GROVE UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued: Unqualified

Internal control over financial reporting:
 Material weakness(es) identified? Yes No
 Significant deficiency(ies) identified not considered to be material weakness(es)? Yes None reported

Noncompliance material to financial statements noted? Yes No

FEDERAL AWARDS

Internal control over major programs:
 Material weakness(es) identified? Yes No
 Significant deficiency(ies) identified not considered to be material weakness(es)? Yes None reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? Yes No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010, 84.389 84.318, 84.386	NCLB: Title I Cluster (including ARRA) Educational Technology State Grants Cluster (including ARRA)
84.410 10.555	Education Jobs Fund National School Lunch Program

Dollar threshold used to distinguish between Type A and Type B programs: \$ 1,895,744

Auditee qualified as low-risk auditee? Yes No

STATE AWARDS

Type of auditors' report issued on compliance for state programs: Unqualified

ELK GROVE UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2012

SECTION II - FINANCIAL STATEMENT FINDINGS

2012-01 DEFICIENCY – STUDENT BODY ACCOUNTING (30000)

Criteria

Internal Controls – Safeguarding of Assets

Condition

At the various school sites selected for testing, the following was noted:

- Sub receipts are not used for the initial receipt of cash.
- Deposits are not supported by detailed schedules defining the number of items received and the unit price per item.
- Deposits are not being made timely.
- Fundraiser monies were not turned into the office for deposit and were used to directly pay for fundraiser expenses.
- No evidence of approval of fundraising activities.
- Monthly report of financial transactions and profit and loss statements are not reviewed by school site personnel.
- Bank reconciliations were not performed timely. In many instances, the bank reconciliations were done two or three months after receipt of the bank statement.
- Bank reconciliations did not contain evidence of review and/or approval by an individual independent of the reconciliation process.
- There is no evidence of dual signatures on check disbursements.
- A log of receipt books issued to the clubs is not maintained.
- There is no evidence that student store inventories had been performed and/or reviewed.

Effect

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

Cause

Adequate internal control procedures have not been implemented and enforced.

Fiscal Impact

Not determinable.

ELK GROVE UNIFIED SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

(Continued)

Year Ended June 30, 2012

Recommendations

School sites should implement the proper control procedures in order to protect ASB funds from misappropriation:

- Sub receipts should be used for the initial receipt of cash.
- A log of receipt books issued to the clubs should be maintained.
- All monies collected should be turned into the office for deposit and not directly spent to pay unapproved expenses.
- All expenses should be supported by invoices or receipts.
- Deposits should be supported by detailed schedules defining the number of items received and the price per item.
- Check disbursements should require two authorized signers
- Check copies should be available upon request to verify this process is being followed.
- All revenue producing activities should be formally authorized by appropriate personnel.
- Student store inventory, profit-loss and monthly activity summaries should also be performed regularly and reviewed/approved by the Principal or other designated site personnel.
- Bank Reconciliations should be reviewed by the Principal or other designated site personnel in a timely manner.

Corrective Action Plan

The District has administered District-wide guidelines in conjunction with Fiscal Crisis Management Assistance Team (FCMAT). Additionally, the District is planning an in-service workshop for staff which will provide helpful information regarding internal controls. The establishment of the new Fiscal Services Compliance Specialist position will include site visits to go over proper handling of ASB monies and ASB accounting, and will provide a greater level of support to school sites.

ELK GROVE UNIFIED SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

(Continued)

Year Ended June 30, 2012

2012-02 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, 2012, there are approximately 492 employees who exceed the maximum days permitted by policy, by a total of approximately 13,531 excess days, representing an excess vacation accrual of \$2,251,496.

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, 2012, the excess vacation accrual is \$2,251,496.

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 2013/2014 negotiations with employee groups.

ELK GROVE UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2012

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

ELK GROVE UNIFIED SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

(Continued)

Year Ended June 30, 2012

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

**STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS**

ELK GROVE UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2012

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
<p>2011-01</p> <p>The District did not recognize accreted interest on outstanding General Obligation Bonds.</p> <p>The District should establish the requisite internal control procedures to maintain adequate records regarding accreted interest.</p>	<p>Implemented.</p>	
<p>2011-02</p> <p>Approximately 600 employees have vacation accrued in excess of the limits specified by the District policies, totaling approximately 12,780 hours of excess vacation.</p> <p>All employees should be required to take some number of vacation hours/days each year. District's vacation accrual policy should be enforced. Also, the District should consider a policy that vacation accrual will stop once an employee has reached a maximum permitted by the current policy.</p>	<p>Not implemented</p>	<p>See current year finding 2012-02.</p>
<p>2011-03</p> <p>At various school ASB:</p> <ul style="list-style-type: none"> • There is no formal approval process for documenting approval of revenue producing activities. • Physical inventories of the student store are performed however there is no sign-off indicating preparer or reviewer. • Student store register tapes are not being reconciled to cashier's drawer counts. • There is no evidence of review over the monthly report of activity or profit and loss statements for the various clubs. • There is no indication that bank reconciliations are reviewed by a person independent of preparation or done in a timely manner. 	<p>Not implemented.</p>	<p>See current year finding 2012-01.</p>

ELK GROVE UNIFIED SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

Year Ended June 30, 2012

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
2011-03 (Continued)		
<ul style="list-style-type: none">• Cash deposits are not supported by receipts or tally sheets detailing the number of items sold.• Cash disbursement request forms are not utilized to document approval of disbursements prior to checks being issued.• An invoice was paid directly with cash receipts collected instead of going through the cash disbursement process.• There is no indication that bank reconciliations are reviewed by a person independent of preparation in a timely manner.• There is no evidence of review over monthly report of activity for the various clubs or of the profit and loss statements for the various clubs.		
We recommend the following:		
<ul style="list-style-type: none">• Revenue producing activities should be approved by the principal and documented in writing.• The inventory count should be signed by the preparer and reviewer as evidence of review.• A reconciliation of register tapes to cash in the cash drawer should be performed.• Evidence of review of the monthly activity or profit and loss statements should be documented.• Bank reconciliations should include evidence of review, by someone other than preparer.• Cash deposits should be supported by receipts or tally sheets.• All invoices should go through the normal cash disbursement or payment process.• Approval of payment should be documented before checks are issued.• Invoice or other support should be maintained for checks issued.		

ELK GROVE UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2012

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
<p>2011-03 (Continued)</p> <ul style="list-style-type: none"> • Items purchased with ASB funds should promote the general welfare of the students. • Receipt book(s) should be used upon collection of cash. • Cash deposits should be performed timely. • A reconciliation of sales to cash received and reconciliation of sales to inventory remaining should be performed and reviewed. • Revenue producing activities should be approved by the principal and documented in writing. 	Implemented	
<p>2011-04</p> <p>At Helen Carr Castello Elementary School one student was marked present per teacher's attendance roster and in the attendance summary report for one day of a four day absence. However, an absence note supported the student's absence for all four days.</p> <p>We recommend that the attendance clerk reconcile absence notes with attendance records to ensure attendance is accurately recorded.</p>		