

ELK GROVE UNIFIED SCHOOL DISTRICT
COUNTY OF SACRAMENTO
ELK GROVE, CALIFORNIA
FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2010
AND
INDEPENDENT AUDITOR'S REPORT

ELK GROVE UNIFIED SCHOOL DISTRICT

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2010

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ELK GROVE UNIFIED SCHOOL DISTRICT

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WITH SUPPLEMENTARY INFORMATION**

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ELK GROVE UNIFIED SCHOOL DISTRICT

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2010

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INDEPENDENT AUDITOR'S REPORT

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, 2010, 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 an opinion 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, 2010, and the respective change in financial position and cash flows, where applicable, for the year then ended, and the discretely presented component unit for the year ended December 31, 2009, 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 December 3, 2010 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 read in conjunction with this report in considering the results of our audit.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Management's Discussion and Analysis and the Required Supplementary Information, such as the General Fund Budgetary Comparison Schedule and the Schedule for Other Postemployment Benefits Funding Progress, are not required parts of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 financial and statistical information listed in the Table of Contents, including the Schedule of Expenditure of Federal Awards, which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements of Elk Grove Unified School District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Perry-Smith LLP

Sacramento, California
December 3, 2010





Unified School District

Members of the Board:
Jeanette J. Amavisca
Pollyanna Cooper-LeVangie
Priscilla S. Cox
Pamela A. Irely
William H. Lugg, Jr.
Chet Madison, Sr.
Al Rowlett

Steven M. Ladd, Ed. D.
Superintendent

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

(916) 686-7700

Management's Discussion and Analysis

The following discussion and analysis is reflecting the 2009/10 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 and students speak more than 72 languages.

During the last decade Elk Grove Unified School District was one of the fastest growing school districts in the nation. The current housing crisis and recession has slowed the District's growth dramatically. Up until fiscal year 2004/05 the average yearly growth for the District was 5.53%. The past five years have shown a decrease in the rate of growth over the prior year. 2008/09 actually experienced the first decline in the history of the district with a .23% decrease in enrollment over 2007/08. However, 2009/10 saw a small increase in enrollment of .51%.

For the 2009/10 school year the District employed on a regular basis 3,625 certificated employees, and 2,378 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 it’s financial position is improving or declining.

Statement of Net Assets

The *Statement of Net Assets* for the 2009-10 year shows the District's net assets as \$746,724,713. 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 2008-09 to 2009-10.

Statement of Net Assets		
	June 30, 2009	June 30, 2010
Assets other than capital	\$ 234,889,443	\$ 174,651,107
Capital assets net of accumulated depreciation	<u>779,008,082</u>	<u>787,273,354</u>
Total assets	<u>1,013,897,525</u>	<u>961,924,461</u>
Liabilities other than long term	66,780,751	44,381,907
Long term liabilities	<u>168,265,192</u>	<u>170,817,841</u>
Total liabilities	<u>235,045,943</u>	<u>215,199,748</u>
Ending Net Assets	\$ 778,851,582	\$ 746,724,713

Financial Condition of the General Fund

In 2009/10 Elk Grove Unified School District received a statutory cost of living allowance (COLA) from the State of 4.25%. The State then defunded the total revenue limit by 18.355%. The revenue limit was then further reduced by a one time amount of \$250.22 per ADA. Instead of receiving \$6,381.14 per ADA as the District should have received, the District received a net of \$4,956.89 per ADA for the 2009/10 school year. This is approximately \$850 less per ADA than what was received in 2007/08. Revenue limit income is the major component of the District’s unrestricted income and 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 Financial Operations		
	June 30, 2009	June 30, 2010
Revenues	\$482,184,182	\$469,939,600
Expenditures	<u>(493,252,720)</u>	<u>(478,958,924)</u>
Difference	\$ (11,068,538)	\$ (9,019,326)

Change in Fund Balance			
	Restricted	Unrestricted	Total
June 30, 2009	<u>33,923,856</u>	<u>13,278,261</u>	<u>47,202,117</u>
June 30, 2010	<u>17,530,561</u>	<u>20,652,231</u>	<u>38,182,792</u>
Change	(16,393,295)	\$ 7,373,970	\$ (9,019,325)

General Fund Revenues

More than sixty-five 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-four 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.

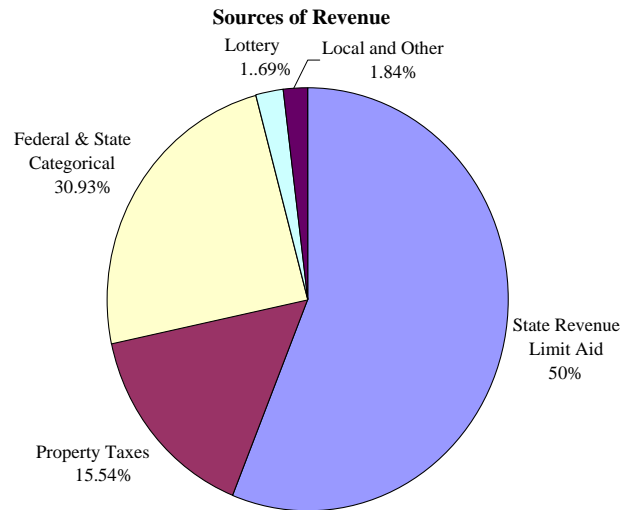
In 2008-09 and 2009-10 the Federal government provided Fiscal Stabilization Funding. The District used these one time funds to “backfill” for cuts in funding to local educational agencies (LEAs). California elected to calculate and distribute the funding based on the manner in which reductions were applied to revenue limits and categorical funding in the respective years.

When one considers the stimulus funds along with all other federal dollars (i.e. Title I and Special Education) the 2008-09 year more than doubled the amount of Federal funding received by the district from \$23.5 million in 2007-08 to \$48.4 million in 2008-09. While the amount received for 2009/10 was less than the 2008-09 amount, it still exceeded the 2007-08 amount by over \$17.25 million. However, Federal income continues to be less than nine percent of the entire general fund income.

The District’s total resources for expenditures include a “beginning balance”, which represents the unexpended balance from the prior year. During the 2009-10 school year, the District’s ending fund balance decreased for the second year in a row by a little more than \$9 million. This decrease was due to the large reduction in the State’s revenue limit funding to the district. Because the District had been prudent with budget reserves in the past, the District still was able to end the year in a positive manner as required by law.

General Fund Sources

Sources Available	
State Aid	\$234,973,265
Property Taxes	73,025,964
Total Revenue Limit	307,999,229
Federal Revenue	40,746,544
Lottery	7,958,509
Other State Revenue	104,606,773
Local Revenue	8,628,545
Total Revenue	\$469,939,600
Beginning Fund Balance	47,202,118
Total General Fund Sources	\$517,141,718

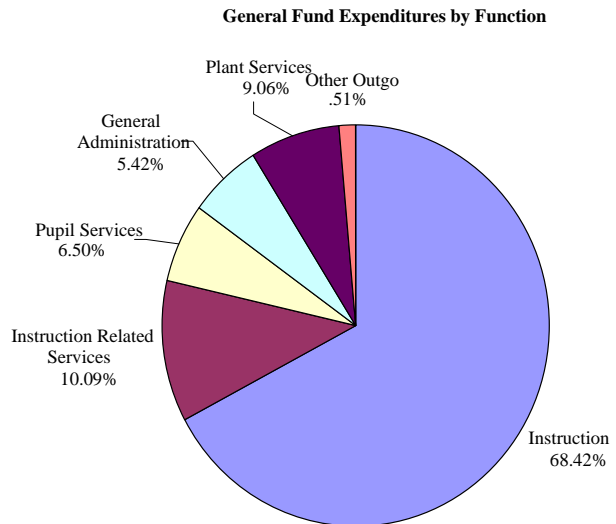
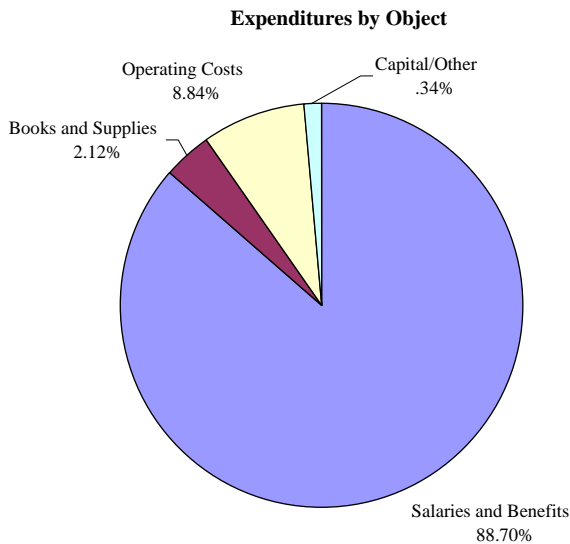


General Fund Expenditures

Employee salary and benefit costs consume 88.70% of the District’s general fund expenditures. Over 69.4% 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 granting 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.

09/10 General Fund Expenditures	
Salaries and Benefits	\$424,982,169
Books and Supplies	10,148,525
Operating Costs	42,351,126
Capital/Other	1,477,204
Total Expenditures	\$478,959,024
Restricted Ending Fund Balance	\$17,530,561
Unrestricted Undesignated Amount*	3,283,786
Designated Reserves*	17,368,445
Total Ending Fund Balance	\$38,182,792

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



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 and board members who qualify pursuant to appropriate Board policies, and their respective dependents. Additionally, employees who are not subject to the terms of a collective bargaining agreement but who otherwise qualify for retirement health benefits pursuant to 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 \$154,336,627. Over the next 5 to 8 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 76% of the district's capital assets. The work in progress on districts buildings, i.e. modernizations as well as new construction, makes up approximately 4% of the District's capital assets. The land is approximately 14%, land improvements is almost 4% and equipment is 2%.

Factors Bearing on the District's Future:

During the 2009/10 school year it was forecast by the UCLA Anderson School of Management as well as several state agencies, such as the Legislative Analyst's Office and the Department of Finance, that the worst of the recession was finally behind us and the U.S. economy was emerging from the depths of the recession. While this was good news, they all also forecast that the recovery was expected to be weak, characterized by persistently high unemployment and slow growth in the gross domestic product (GDP). California, in particular, faced an unemployment rate that was higher than the national average and it is projected to remain high for some time to come. Some of this is due to the state's demographic profile – a larger share of the state's population is in the 15-25 year old age group. California also had a greater exposure to the housing bust than most states.

A significant impact on the California economy is the state's ongoing budget problems. The California State budget has been a disaster for the most recent three years. There is an imbalance between revenues and expenditures that has not been resolved by the legislature nor the governor. For 2009/10, instead of solving a \$41 billion shortfall, a large portion of it was "deferred" until the next budget year. The revenue limit for districts was deficiated by the state by over 18%. In addition to this deficit all districts were hit with a one time reduction of \$250.22 per ADA. 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 \$100 million over the past three years.

For the 2008-09 budget, the District used its ending-fund balance and reserve funds to keep as many people working as possible during the school year. Upon receipt of approximately \$26 million in federal stimulus dollars, the District included these one-time dollars in the 2009-10 budget. However, due to California's declining state revenues and the end of the temporary flexibility of categorical funding, even with the investment of the new 2010 federal one-time dollars, the District will need to reduce its budget again for the 2011-12 and 2012-13 years.

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 passing the California High School Exit Exam, tackling higher mathematics and 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.

In looking forward we must plan for the worst case scenario and hope for the best. It is a travesty that students in California reside in a state in which public education is funded far below the national average and the fact that public education has received disproportionate budget cuts both in the past and present. These are tough times. While we work to address the financial crisis, it is critical that everyone remembers that our students are the future of California and as such the state must provide an adequate sustainable funding level to achieve this priority.

BASIC FINANCIAL STATEMENTS

ELK GROVE UNIFIED SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2010

	<u>Governmental Activities</u>
ASSETS	
Cash and investments (Note 2)	\$ 73,694,473
Accounts receivable	95,422,744
Prepaid expenditures	4,393,008
Stores inventory	1,140,882
Capital assets, net of accumulated depreciation (Note 4)	<u>787,273,354</u>
Total assets	<u>961,924,461</u>
LIABILITIES	
Accounts payable	19,187,328
Deferred revenue	10,863,579
Unpaid claims and claim adjustment expenses (Note 5)	14,331,000
Long-term liabilities (Note 6):	
Due within one year	7,877,745
Due after one year	<u>162,940,096</u>
Total liabilities	<u>215,199,748</u>
NET ASSETS	
Invested in capital assets, net of related debt	646,595,746
Restricted (Note 7)	88,068,048
Unrestricted	<u>12,060,919</u>
Total net assets	<u>\$ 746,724,713</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, 2010

	Program Revenues			Net (Expense) Revenues and Changes in Net Assets	
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Expenses				Governmental Activities	
Governmental activities (Note 4):					
Instruction	\$ 368,885,540	\$ 1,867,225	\$ 65,730,973	\$ 2,796,257	\$ (298,491,085)
Instruction-related services:					
Supervision of instruction	14,043,763	274,783	12,174,028		(1,594,952)
Instructional library, media and technology	4,361,528	3,738	346,244		(4,011,546)
School site administration	32,707,896	68,308	1,698,249		(30,941,339)
Pupil services:					
Home-to-school transportation	10,020,378	190,020	4,906,282		(4,924,076)
Food services	20,258,011	957	15,740,851		(4,516,203)
All other pupil services	21,924,782	85,912	8,766,439		(13,072,431)
General administration:					
Data processing	6,337,802	84,329	101,886		(6,151,587)
All other general administration	21,007,293	36,876	4,394,616		(16,575,801)
Plant services	49,610,836	504,685	5,050,962		(44,055,189)
Enterprise activities	(141)				141
Interest on long-term liabilities	8,372,370				(8,372,370)
Other outgo	14,505,850	2,254,750	3,531,019		(8,720,081)
Total governmental activities	\$ 572,035,908	\$ 5,371,583	\$ 122,441,549	\$ 2,796,257	(441,426,519)
General revenues:					
Taxes and subventions:					
Taxes levied for general purposes					73,010,928
Taxes levied for debt service					14,452,548
Taxes levied for other specific purposes					557,852
Federal and state aid not restricted to specific purposes					302,002,059
Interest and investment earnings					306,024
Interagency revenues					1,898,090
Miscellaneous					7,556,534
					<u>399,784,035</u>
					(41,642,484)
					<u>788,367,197</u>
					<u>\$ 746,724,713</u>

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

ELK GROVE UNIFIED SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2010

	<u>General Fund</u>	<u>State School 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	\$ 10,088,777	\$ 17,621,352	\$ 14,458,453	\$ 8,075,163	\$ 50,243,745
Cash with Fiscal Agent			9,881,233	11,666,891	21,548,124
Cash on hand and in banks	21,284			198,975	220,259
Cash in revolving fund	140,000			12,500	152,500
Cash awaiting deposit	340,414		166	90,576	431,156
Accounts receivable	90,910,762	69,884	114,642	4,270,609	95,365,897
Prepaid expenditures	1,833,357				1,833,357
Due from other funds	4,997,603	5,000,000		16,843,094	26,840,697
Stores inventory	<u>454,943</u>			<u>685,939</u>	<u>1,140,882</u>
Total assets	<u>\$ 108,787,140</u>	<u>\$ 22,691,236</u>	<u>\$ 24,454,494</u>	<u>\$ 41,843,747</u>	<u>\$ 197,776,617</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 14,848,814	\$ 1,601,783	\$ 979,172	\$ 1,249,225	\$ 18,678,994
Deferred revenue	10,756,537			107,042	10,863,579
Due to other funds	<u>44,998,997</u>	<u>822</u>	<u>34,078</u>	<u>5,159,303</u>	<u>50,193,200</u>
Total liabilities	<u>70,604,348</u>	<u>1,602,605</u>	<u>1,013,250</u>	<u>6,515,570</u>	<u>79,735,773</u>
Fund balances:					
Reserved for:					
Revolving fund	140,000			12,500	152,500
Prepaid expenditures	1,833,357				1,833,357
Stores inventory	454,943			685,939	1,140,882
Unspent categorical revenue	17,070,164			97,617	17,167,781
Unreserved, reported in:					
General Fund	18,684,328				18,684,328
Special Revenue Funds				22,657,609	22,657,609
Capital Projects Funds		21,088,631	23,441,244	139,628	44,669,503
Debt Service Funds				<u>11,734,884</u>	<u>11,734,884</u>
Total fund balances	<u>38,182,792</u>	<u>21,088,631</u>	<u>23,441,244</u>	<u>35,328,177</u>	<u>118,040,844</u>
Total liabilities and fund balances	<u>\$ 108,787,140</u>	<u>\$ 22,691,236</u>	<u>\$ 24,454,494</u>	<u>\$ 41,843,747</u>	<u>\$ 197,776,617</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, 2010

Total fund balances - Governmental Funds		\$ 118,040,844
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 \$1,066,540,173 and the accumulated depreciation is \$279,266,819 (Note 4).		787,273,354
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:		2,559,651
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, 2010 consisted of (Note 6):		
Mello-Roos bonds	\$ (154,336,627)	
Supplemental Employee Retirement Plan	(7,889,105)	
Post-employment benefits (Note 9)	(304,778)	
Compensated absences	<u>(8,287,331)</u>	(170,817,841)
Unmatured interest is not recognized until it is due and, therefore, is not accrued as a payable in governmental funds.		(466,334)
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:		<u>10,135,039</u>
Total net assets - governmental activities		<u>\$ 746,724,713</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 BALANCES

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2010

	General Fund	State School Facilities Fund	Capital Projects Fund for Blended Component Units	All Non-Major Funds	Total Governmental Funds
Revenues:					
Revenue limit sources:					
State apportionment	\$ 235,781,706			\$ 1,726,007	\$ 237,507,713
Local sources	<u>72,217,523</u>				<u>72,217,523</u>
Total revenue limit	<u>307,999,229</u>			<u>1,726,007</u>	<u>309,725,236</u>
Federal sources	40,746,544			19,745,861	60,492,405
Other state sources	112,565,282	\$ 2,497,826		4,709,225	119,772,333
Other local sources	<u>8,628,545</u>	<u>298,948</u>	<u>\$ 863,274</u>	<u>26,432,618</u>	<u>36,223,385</u>
Total revenues	<u>469,939,600</u>	<u>2,796,774</u>	<u>863,274</u>	<u>52,613,711</u>	<u>526,213,359</u>
Expenditures:					
Certificated salaries	245,259,722			4,731,511	249,991,233
Classified salaries	67,701,485		1,205,999	10,199,569	79,107,053
Employee benefits	112,020,862		484,688	6,522,431	119,027,981
Books and supplies	10,148,525	784,505	2,923,401	8,937,199	22,793,630
Contract services and operating expenditures	42,351,126	19,157	492,081	3,058,618	45,920,982
Capital outlay	521,397	25,937,562	12,294,143	429,355	39,182,457
Other outgo	2,436,551			61,781	2,498,332
Debt service:					
Principal retirement				5,398,184	5,398,184
Interest				<u>8,234,422</u>	<u>8,234,422</u>
Total expenditures	<u>480,439,668</u>	<u>26,741,224</u>	<u>17,400,312</u>	<u>47,573,070</u>	<u>572,154,274</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(10,500,068)</u>	<u>(23,944,450)</u>	<u>(16,537,038)</u>	<u>5,040,641</u>	<u>(45,940,915)</u>
Other financing sources (uses):					
Operating transfers in	4,715,238	7,117,700	1,553,310	3,208,061	16,594,309
Operating transfers out	<u>(3,234,496)</u>	<u>(92,069)</u>	<u>(4,094,813)</u>	<u>(9,172,931)</u>	<u>(16,594,309)</u>
Total other financing sources (uses)	<u>1,480,742</u>	<u>7,025,631</u>	<u>(2,541,503)</u>	<u>(5,964,870)</u>	
Net change in fund balances	(9,019,326)	(16,918,819)	(19,078,541)	(924,229)	(45,940,915)
Fund balances, July 1, 2009	<u>47,202,118</u>	<u>38,007,450</u>	<u>42,519,785</u>	<u>36,252,406</u>	<u>163,981,759</u>
Fund balances, June 30, 2010	<u>\$ 38,182,792</u>	<u>\$ 21,088,631</u>	<u>\$ 23,441,244</u>	<u>\$ 35,328,177</u>	<u>\$ 118,040,844</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, 2010

Net change in fund balances - Total Governmental Funds		\$ (45,940,915)
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).	\$ 40,137,696	
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(31,872,424)	
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:	(1,338,025)	
Issuance of long-term liabilities is an other financing source in governmental funds, but increases the long-term liabilities in the statement of net assets (Note 6).	(7,889,105)	
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.	(75,457)	
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 6).	5,398,184	
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:	(710)	
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 6).	(105,413)	
In the statement of activities, expenses related to compensated absences are measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used (Note 6).	<u>43,685</u>	<u>4,298,431</u>
Change in net assets of governmental activities		<u>\$ (41,642,484)</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, 2010

ASSETS

Cash and investments:	
Cash in County Treasury	\$ 536,575
Cash on hand and in banks	562,114
Accounts receivable	56,847
Due from District	<u>23,352,503</u>
 Total assets	 <u>24,508,039</u>

LIABILITIES

Accounts payable	42,000
Unpaid claims and claim adjustment expenses	<u>14,331,000</u>
 Total liabilities	 <u>14,373,000</u>

NET ASSETS

Total net assets	<u><u>\$ 10,135,039</u></u>
------------------	-----------------------------

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, 2010

Operating revenues:	
Self-insurance premiums	<u>\$ 4,960,853</u>
Operating expenses:	
Classified salaries	235,694
Employee benefits	83,966
Books and supplies	1,854
Provision for unpaid claims and claim adjustment expenses	<u>6,144,541</u>
Total operating expenses	<u>6,466,055</u>
Operating loss	(1,505,202)
Non-operating revenue:	
Interest income	166,502
Other income	<u>675</u>
Total non-operating revenue	<u>167,177</u>
Change in net assets	(1,338,025)
Net assets, July 1, 2009	<u>11,473,064</u>
Net assets, June 30, 2010	<u><u>\$ 10,135,039</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, 2010

Cash flows from operating activities:	
Cash received from self-insurance premiums	\$ 5,533,048
Cash paid for salaries and benefits	(4,525,541)
Cash paid services and supplies	(313,271)
Cash paid for claims	<u>(1,054)</u>
Net cash provided by operating activities	<u>693,182</u>
Cash flows provided by investing activities:	
Interest income received	<u>166,502</u>
Cash flows from financing activities:	
Cash paid to District	(16,419,809)
Other income	<u>675</u>
Net cash provided by financing activities	<u>(16,419,134)</u>
Increase in cash and cash equivalents	(15,559,450)
Cash and cash equivalents, July 1, 2009	<u>16,658,139</u>
Cash and cash equivalents, June 30, 2010	<u><u>\$ 1,098,689</u></u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ <u>(1,505,202)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities:	
(Increase) decrease in:	
Accounts receivable	572,195
Prepaid expenditures	800
Increase (decrease) in:	
Accounts payable	6,389
Unpaid claims and claim adjustment expenses	<u>1,619,000</u>
Total adjustments	<u>2,198,384</u>
Net cash provided by operating activities	<u><u>\$ 693,182</u></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, 2010

	Trust Funds			Agency Fund	
	Scholar- ship Fund	Deferred Compen- sation Fund	Total Trust	Student Body	Total
ASSETS					
Cash and investments (Note 2):					
Cash on hand and in banks	\$ 54,779		\$ 54,779	\$ 4,012,326	\$ 4,067,105
Investments		\$ 20,074,265	20,074,265		20,074,265
Stores inventory				35,210	35,210
Total assets	<u>54,779</u>	<u>20,074,265</u>	<u>20,129,044</u>	<u>4,047,536</u>	<u>24,176,580</u>
LIABILITIES					
Due to students/student groups				4,047,536	4,047,536
NET ASSETS					
Restricted (Note 7)	<u>\$ 54,779</u>	<u>\$ 20,074,265</u>	<u>\$ 20,129,044</u>	<u>\$ -</u>	<u>\$ 20,129,044</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 BALANCES - FIDUCIARY FUNDS

TRUST FUNDS

For the Year Ended June 30, 2010

	Scholarship Fund	Deferred Compensation Fund	Total
Revenues:			
Other local sources	\$ 6,763	\$ 3,791,592	\$ 3,798,355
Expenditures:			
Contract services and operating expenditures	9,119	682,060	691,179
Net change in fund balances	(2,356)	3,109,532	3,107,176
Fund balances, July 1, 2009	57,135	16,964,733	17,021,868
Fund balances, June 30, 2010	\$ 54,779	\$ 20,074,265	\$ 20,129,044

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 and the American Institute of Certified Public Accountants. 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 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 12).

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, Deferred Maintenance and Special Reserve for Other Than Capital Projects Funds.

3 - 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.

4 - 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 State School Facilities, Capital Projects Fund for Blended Component Units, Capital Facilities and Special Reserve for Capital Outlay Funds.

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.

The District employs budgetary control by major object code and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object code. The budgets are revised during the year by the Board of Education to provide for unanticipated revenues and expenditures. The originally adopted and final revised budgets of the General Fund are presented as Required Supplementary Information.

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 \$8,287,331 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 appropriable for expenditure or amounts legally segregated for a specific future use. The restrictions for revolving cash fund, prepaid expenditures and stores inventory reflect the portion of net assets represented by revolving fund cash, prepaid expenditures and stores inventory, respectively. These amounts are not available for appropriation and expenditure at the balance sheet date. 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. The restriction for deferred compensation represents fund balance that will be used for deferred compensation for current employees.

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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash, cash equivalents and investments at June 30, 2010 are reported at fair value and consisted of the following:

	Rating	2010
Cash and cash equivalents:		
Cash in County Treasury		\$ 50,780,320
Cash with Fiscal Agent		21,548,124
Cash on hand and in banks		4,849,478
Revolving cash fund		152,500
Cash awaiting deposit		431,156
Total cash and cash equivalents		77,761,578
Investments:		
Money Market	**	4,731,854
Mutual Funds	**	15,342,411
Total investments		20,074,265
Total cash, cash equivalents and investments		\$ 97,835,843
Reconciliation to Statement of Net Assets and Statement of Fiduciary Net Assets:		
Governmental Activities		\$ 73,694,473
Fiduciary Activities		24,141,370
Total		\$ 97,835,843

** The ratings are not available.

ELK GROVE UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

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, 2010.

Cash with Fiscal Agent

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

Custodial Credit Risk

Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2010, the carrying amount of the District's accounts was \$5,001,978, and the bank balances were \$7,508,058. The carrying value and the bank balance differ due to deposits in transit and outstanding checks. Of the bank balances, \$614,385 was covered by FDIC insurance, and \$6,893,673 was uninsured.

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, 2010, the District had no significant interest rate risk related to cash and investments held.

	<u>Fair Value</u>	<u>Maturity Less Than One Year</u>
Investment maturities:		
Money Market	\$ 4,731,854	\$ 4,731,854
Mutual Funds	<u>15,342,411</u>	<u>15,342,411</u>
	<u>\$ 20,074,265</u>	<u>\$ 20,074,265</u>

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

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

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.

Concentration of Investment Credit Risk

The District does not place limits on the amount it may invest in any one issuer. At June 30, 2010, the District had the following investments that represents more than five percent of the District's net investments:

Money Market	23.6%
Mutual Funds	76.4%

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, 2010 were as follows:

Fund	Interfund Receivables	Interfund Payables
Major Funds:		
General	\$ 4,997,603	\$ 44,998,997
State School Facilities	5,000,000	822
Capital Projects Fund for Blended Component Units		34,078
Non-Major Funds:		
Charter Schools	15,529	3,764
Adult Education	601,180	1,153,480
Child Development	130,097	630,063
Cafeteria	1,096,288	3,360,094
Special Reserve Other Than Capital Outlay		7,125
Capital Facilities	15,000,000	2,771
Special Reserve for Capital Outlay		2,006
Proprietary Fund:		
Self Insurance	23,352,503	
Total	\$ 50,193,200	\$ 50,193,200

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

3. INTERFUND TRANSACTIONS (Continued)

Interfund Transfers

Interfund transfers for the 2009-2010 fiscal year were as follows:

Transfer from the General Fund to the Adult Education Fund for current year apportionment.	\$ 1,366,937
Transfer from the General Fund to the Cafeteria Fund to set aside funds for capital outlay needs in fiscal year 2010/11.	800,000
Transfer from the General Fund to the Adult Education Fund for fund contribution.	585,337
Transfer from the General Fund to the Cafeteria Fund for meals to needy children and fund contribution.	411,605
Transfer from the General Fund to the Capital Projects for Blended Component Units Fund to offset bus purchase from SIA claim payment.	33,248
Transfer from the General Fund to the Charter School Fund for CAHSEE apportionment.	14,773
Transfer from the General Fund to the Child Development Fund for contribution to Cal Safe Child Care Services.	13,472
Transfer from the General Fund to the Child Development Fund for contribution for negative interest and vacation pay out.	9,081
Transfer from the General Fund to the Cafeteria Fund for ARRA Equipment Grant interest.	43
Transfer from State School Facilities Fund to the Capital Project for Blended Component Units Fund to transfer funds from a completed project to a new project at the same site.	92,069
Transfer from the Capital Projects Fund for Blended Component Units to the State School Facilities Fund for Samuel Kennedy Elementary School addition project.	2,588,000
Transfer from the Capital Projects Fund for Blended Component Units to the State School Facilities Fund for Pleasant Grove High School agriculture building project.	1,500,000
Transfer from the Capital Projects Fund for Blended Component Units to the Mello-Roos Administrative Fund for excess reserve fund earnings.	6,813
Transfer from the Charter Schools Fund to the General Fund for indirect support.	744
Transfer from the Adult Education Fund to the General Fund for 2008/09 Tier III flexible categorical funds.	1,000,000
Transfer from Adult Education Fund to the General Fund for indirect support.	179,478
Transfer from the Child Development Fund to the General Fund for indirect support.	224,293
Transfer from the Cafeteria Fund to the General Fund for indirect support.	935,031

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

3. INTERFUND TRANSACTIONS (Continued)

Interfund Transfers (Continued)

Transfer from the Special Reserve Fund for Other Than Capital Projects Fund to the General Fund to satisfy 2% contingency reserve requirement.	\$ 2,368,567
Transfer from the Special Reserve for Other Than Capital Projects Fund to the General Fund to move remaining fund balance.	7,125
Transfer from the Mello-Roos Administrative Fund to the Capital Project for Blended Component Units Fund for excess special taxes.	1,427,993
Transfer from the Capital Facilities Fund to the State School Facilities Fund to augment Consumnes River Elementary School Funding.	3,000,000
Transfer from the Capital Facilities Fund to the State School Facilities Fund to augment charter school facility lease.	<u>29,700</u>
	<u><u>\$ 16,594,309</u></u>

4. CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2010 is shown below:

	Balance July 1, 2009	Additions	Deletions and Transfers	Balance June 30, 2010
Non-depreciable:				
Land	\$ 147,585,221			\$ 147,585,221
Work in progress	147,114,938	\$ 28,614,826	\$ (130,594,982)	45,134,782
Depreciable:				
Improvement of sites	32,171,333	7,773,628	2,811,193	42,756,154
Buildings	675,172,310	2,646,237	127,783,789	805,602,336
Equipment	<u>24,358,675</u>	<u>1,103,005</u>	<u> </u>	<u>25,461,680</u>
Totals, at cost	<u>1,026,402,477</u>	<u>40,137,696</u>	<u> </u>	<u>1,066,540,173</u>
Less accumulated depreciation:				
Improvement of sites	9,079,994	1,697,349		10,777,343
Buildings	223,088,064	28,640,891		251,728,955
Equipment	<u>15,226,337</u>	<u>1,534,184</u>	<u> </u>	<u>16,760,521</u>
Total accumulated depreciation	<u>247,394,395</u>	<u>31,872,424</u>	<u> </u>	<u>279,266,819</u>
Capital assets, net	<u><u>\$ 779,008,082</u></u>	<u><u>\$ 8,265,272</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 787,273,354</u></u>

Depreciation expense was charged to governmental activities as follows:

Instruction	<u><u>\$ 31,872,424</u></u>
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ELK GROVE UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

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, 2010, 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 11). In fiscal year 2009-10 settled claims did not exceed the coverage level provided by the Fund and no claims were made of the excess coverage.

The claims liability of \$14,331,000 at June 30, 2010 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, 2010 and June 30, 2009 was as follows:

	Unpaid Claims and Claim Adjustment Expenses July 1	Incurred Claims	Claims Payments	Unpaid Claims and Claim Adjustment Expenses June 30
2009/2010	<u>\$ 12,712,000</u>	<u>\$ 6,144,541</u>	<u>\$ (4,525,541)</u>	<u>\$ 14,331,000</u>
2008/2009	<u>\$ 13,937,385</u>	<u>\$ 3,713,795</u>	<u>\$ (4,939,180)</u>	<u>\$ 12,712,000</u>

6. LONG-TERM LIABILITIES

Mello-Roos Bonds Payable

A summary of Mello-Roos Bonds payable at June 30, 2010 follows:

Series	Interest Rate	Balance July 1, 2009	Current Year Maturities	Balance June 30, 2010
1995	Various	\$ 21,935,112	\$ 1,184,619	\$ 20,750,493
1998	Various	25,334,336	1,728,565	23,605,771
2001	Various	15,033,383	1,015,000	14,018,383
2003	Various	23,930,847	985,000	22,945,847
2008	Various	42,275,000	485,000	41,790,000
2009	Various	<u>31,226,133</u>		<u>31,226,133</u>
		<u>\$159,734,811</u>	<u>\$ 5,398,184</u>	<u>\$154,336,627</u>

ELK GROVE UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

Mello-Roos Bonds Payable (Continued)

The Series 1995, 1998, 2001, 2003, 2005, 2008 and 2009 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 12).

The Serial Bonds mature serially in varying amounts during the succeeding years through December 2035.

The annual requirements to amortize the Mello-Roos Bonds payable outstanding as of June 30, 2010 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 5,295,146	\$ 8,635,888	\$ 13,931,034
2012	5,207,538	8,414,566	13,622,104
2013	4,713,009	8,927,534	13,640,543
2014	4,574,144	9,064,900	13,639,044
2015	4,470,988	9,168,854	13,639,842
2016-2020	23,333,358	44,737,233	68,070,591
2021-2025	26,981,542	41,433,274	68,414,816
2026-2030	14,994,761	52,709,854	67,704,615
2031-2035	22,485,006	45,501,996	67,987,002
2036-2040	<u>42,281,135</u>	<u>11,105,311</u>	<u>53,386,446</u>
	<u>\$ 154,336,627</u>	<u>\$ 239,699,410</u>	<u>\$ 394,036,037</u>

Schedule of Changes in Long-Term Liabilities

A schedule of changes in long-term liabilities for the year ended June 30, 2010 is shown below:

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2010</u>	<u>Amounts Due Within One Year</u>
Mello-Roos bonds	\$ 159,734,811		\$ 5,398,184	\$ 154,336,627	\$ 5,295,146
Supplemental Employee Retirement Plan		\$ 7,889,105		7,889,105	1,577,821
Post employment benefits	199,365	105,413		304,778	304,778
Compensated absences	<u>8,331,016</u>		<u>43,685</u>	<u>8,287,331</u>	<u>700,000</u>
Totals	<u>\$ 168,265,192</u>	<u>\$ 7,994,518</u>	<u>\$ 5,441,869</u>	<u>\$ 170,817,841</u>	<u>\$ 7,877,745</u>

Payments on the Mello-Roos bonds are made from the Mello-Roos Administrative Fund. Payments on the compensated absences and post employment benefits are made from the fund for which the related employee worked.

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

7. RESTRICTED NET ASSETS

Restricted net assets consisted of the following at June 30, 2010:

	Governmental Funds
Restricted for revolving cash fund	\$ 152,500
Restricted for prepaid expenditures	1,833,357
Restricted for stores inventory	1,140,882
Restricted for unspent categorical program revenues	17,167,781
Restricted for special revenues	7,081,299
Restricted for capital projects	50,489,197
Restricted for debt service	67,993
Restricted for self-insurance	10,135,039
	\$ 88,068,048
	Fiduciary Funds
Restricted for scholarships	\$ 54,779
Restricted for deferred compensation	20,074,265
	\$ 20,129,044

8. 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 P Street, Sacramento, California 95814.

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

8. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Plan Description and Provisions (Continued)

California Public Employees' Retirement System (CalPERS) (Continued)

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 2009-2010 was 9.709% 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, 2008, 2009 and 2010 were \$6,595,822, \$5,232,291 and \$7,129,421, 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.

Funding Policy

Active plan members are required to contribute 8.0% of their salary. The required employer contribution rate for fiscal year 2009-2010 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, 2008, 2009 and 2010 were \$20,243,319, \$20,370,842 and \$20,604,707, respectively, and equal 100% of the required contributions for each year.

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

9. POST-RETIREMENT EMPLOYEE BENEFITS

Plan Description

In addition to the pension benefits described in Note 8, the District provides post-retirement health care benefits to all District employees who retired from the District with ten years of service, and who immediately entered retirement status with STRS or PERS. As of June 30, 2010, 417 retirees are receiving these benefits. For employees who retired prior to July 1, 2000, 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, 2010, expenditures of \$2,170,738 were recognized for post-employment health care benefits.

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$ 2,276,151
Interest on net OPEB obligation	-
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost (expense)	2,276,151
Contributions made	<u>(2,170,738)</u>
Increase in net OPEB obligation	105,413
Net OPEB obligation - beginning of year	<u>199,365</u>
Net OPEB obligation - end of year	<u><u>\$ 304,778</u></u>

ELK GROVE UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

9. POST-RETIREMENT EMPLOYEE BENEFITS (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$ 2,276,151	95%	\$ 304,778
June 30, 2009	\$ 2,276,151	98%	\$ 199,365

Funded Status and Funding Progress

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.

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-seven years.

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

10. ELK GROVE BENEFITS EMPLOYEE RETIREMENT TRUST

Plan Description

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

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

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

See Elk Grove Benefits Employee Retirement Trust audited financial statements for the year ended December 31, 2009 for more discussion of EGBERT.

Funding Policy

The contribution requirements of plan members and the District are established through the negotiation process and approved by the District Board of Education. For calendar year 2009, the District contributed \$10.8 million to the Plan.

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

10. ELK GROVE BENEFITS EMPLOYEE RETIREMENT TRUST (Continued)

Annual OPEB Cost and Net OPEB Obligation

EGBERT's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the Plan (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 EGBERT's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in EGBERT's net OPEB obligation:

Annual required contribution	\$ 24,878,744
Interest on net OPEB obligation	-
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost (expense)	24,878,744
EGBERT assets available for contributions	<u>(24,878,744)</u>
Increase in net OPEB obligation	-
Net OPEB obligation - beginning of year	<u>-</u>
Net OPEB obligation - end of year	<u><u>\$ -</u></u>

EGBERT's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2010 and the preceding year were as follows:

<u>Calendar Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
December 31, 2008	\$ 24,878,744	0%	\$ -
December 31, 2009	\$ 24,878,744	0%	\$ -

ELK GROVE UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

10. ELK GROVE BENEFITS EMPLOYEE RETIREMENT TRUST (Continued)

Funded Status and Funding Progress

As of October 1, 2008, the most recent actuarial valuation date, the Plan was 18.8 percent funded. The actuarial accrued liability for benefits was \$263.4 million, and the actuarial value of assets was \$46.7 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$216.7 million. The covered payroll (annual payroll of active employees covered by the plan) was \$336.9 million, and the ratio of the UAAL to the covered payroll was 64.0 percent.

Actuarial valuations for 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. The schedule of funding progress, presented as required supplementary information following the notes to the EGBERT financial statements, present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumption

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 October 1, 2008 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 7.5 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on Plan assets calculated based on the funded level of the plan at the valuation date. Assumptions used also include an annual healthcare cost trend rate of 4.0 percent and a 3.0 percent inflation rate. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a fifteen-year period. For this initial UAAL amortization, the UAAL is being amortized as a level percentage of projected payroll on a closed basis using a 30 year amortization period.

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

11. 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, 2009, the most current information available:

Total assets	\$ 589,482,912
Total liabilities	\$ 443,689,539
Total net assets	\$ 145,793,373
Total revenue	\$ 403,523,680
Total expenses	\$ 395,441,125

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, 2009, the most current information available:

Total assets	\$ 92,203,291
Total liabilities	\$ 38,840,443
Total net assets	\$ 53,362,848
Total revenue	\$ 46,240,554
Total expenses	\$ 34,868,772

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)

12. ELK GROVE UNIFIED SCHOOL DISTRICT COMMUNITY FACILITIES DISTRICT NO. 1

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

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

13. 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.

14. SUBSEQUENT EVENTS

Tax and Revenue Anticipation Notes

On October 14, 2010, the District issued \$20,000,000 of Tax and Revenue Anticipation Notes (TRANS) maturing on February 1, 2011 with a coupon interest rate of 1.25% to provide for anticipated cash flow deficits from operations. The TRANS are a general obligation of the District during the fiscal year ending June 30, 2011. Repayment terms require the entire TRANS principal and accrued interest to be set aside.

Subsequent Events

The District has reviewed all events occurring from June 30, 2010 through December 3, 2010, the date the financial statements were issued. No subsequent events occurred requiring accrual or disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

ELK GROVE UNIFIED SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended June 30, 2010

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
Revenue limit sources:				
State apportionment	\$ 222,504,441	\$ 232,611,169	\$ 235,781,706	\$ 3,170,537
Local sources	<u>81,996,667</u>	<u>73,748,346</u>	<u>72,217,523</u>	<u>(1,530,823)</u>
Total revenue limit	<u>304,501,108</u>	<u>306,359,515</u>	<u>307,999,229</u>	<u>1,639,714</u>
Federal sources	51,506,470	55,330,952	40,746,544	(14,584,408)
Other state sources	118,813,837	121,613,769	112,565,282	(9,048,487)
Other local sources	<u>4,673,761</u>	<u>7,993,979</u>	<u>8,628,545</u>	<u>634,566</u>
Total revenues	<u>479,495,176</u>	<u>491,298,215</u>	<u>469,939,600</u>	<u>(21,358,615)</u>
Expenditures:				
Certificated salaries	239,355,446	246,313,610	245,259,722	1,053,888
Classified salaries	66,473,637	69,028,131	67,701,485	1,326,646
Employee benefits	116,385,543	116,162,234	112,020,862	4,141,372
Books and supplies	13,414,123	41,978,190	10,148,525	31,829,665
Contract services and operating expenditures	41,467,768	45,954,514	42,351,126	3,603,388
Capital outlay	155,720	622,331	521,397	100,934
Other outgo	<u>2,136,864</u>	<u>2,181,258</u>	<u>2,436,551</u>	<u>(255,293)</u>
Total expenditures	<u>479,389,101</u>	<u>522,240,268</u>	<u>480,439,668</u>	<u>41,800,600</u>
Excess (deficiency) of revenues over (under) expenditures	<u>106,075</u>	<u>(30,942,053)</u>	<u>(10,500,068)</u>	<u>20,441,985</u>
Other financing sources (uses):				
Operating transfers in	2,294,522	4,689,682	4,715,238	25,556
Operating transfers out	<u>(4,808,169)</u>	<u>(4,856,191)</u>	<u>(3,234,496)</u>	<u>1,621,695</u>
Total other financing sources (uses)	<u>(2,513,647)</u>	<u>(166,509)</u>	<u>1,480,742</u>	<u>1,647,251</u>
Net change in fund balance	(2,407,572)	(31,108,562)	(9,019,326)	22,089,236
Fund balance, July 1, 2009	<u>47,202,118</u>	<u>47,202,118</u>	<u>47,202,118</u>	<u> </u>
Fund balance, June 30, 2010	<u>\$ 44,794,546</u>	<u>\$ 16,093,556</u>	<u>\$ 38,182,792</u>	<u>\$ 22,089,236</u>

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

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

For the Year Ended June 30, 2010

Schedule of Funding Progress							
Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
<u>Pre-2000 Plan</u>							
6/30/2010	November 1, 2006	\$ -	\$33.3 million	\$33.3 million	0%	\$ -	0%
6/30/2009	November 1, 2006	\$ -	\$33.3 million	\$33.3 million	0%	\$ -	0%
<u>EGBERT Plan</u>							
6/30/2010	October 1, 2008	\$46.7 million	\$263.4 million	\$214.7 million	18.8%	\$336.9 million	64.0%
6/30/2009	November 1, 2007	\$46.7 million	\$229.7 million	\$183.0 million	20.3%	\$326.5 million	56.0%

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

SUPPLEMENTARY INFORMATION

ELK GROVE UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET

ALL NON-MAJOR FUNDS

June 30, 2010

	<u>Charter Schools Fund</u>	<u>Adult Education Fund</u>	<u>Child Develop- ment Fund</u>	<u>Cafeteria Fund</u>	<u>Deferred Maintenance Fund</u>	<u>Special Reserve for Other Than Capital Projects Fund</u>	<u>Mello-Roos Adminis- trative Fund</u>	<u>Capital Facilities Fund</u>	<u>Special Reserve for Capital Outlay Fund</u>	<u>Total</u>
ASSETS										
Cash in County Treasury	\$ 1,022,990	\$ 1,673,271	\$ 16,967	\$ 1,377,310	\$ 3,187,168	\$ 6,354	\$ 60,395	\$ 589,498	\$ 141,210	\$ 8,075,163
Cash with Fiscal Agent							11,666,891			11,666,891
Cash on hand and in banks		52,560		146,415						198,975
Cash in revolving fund				12,500						12,500
Cash awaiting deposit		23,179		306				67,091		90,576
Accounts receivable	432,939	1,002,091	842,901	1,923,203	9,649	771	7,598	51,033	424	4,270,609
Due from other funds	15,529	601,180	130,097	1,096,288				15,000,000		16,843,094
Stores inventory				685,939						685,939
Total assets	<u>\$ 1,471,458</u>	<u>\$ 3,352,281</u>	<u>\$ 989,965</u>	<u>\$ 5,241,961</u>	<u>\$ 3,196,817</u>	<u>\$ 7,125</u>	<u>\$ 11,734,884</u>	<u>\$ 15,707,622</u>	<u>\$ 141,634</u>	<u>\$ 41,843,747</u>
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts payable	\$ 295,900	\$ 395,910	\$ 170,553	\$ 382,938				\$ 3,924		\$ 1,249,225
Deferred revenue			107,042							107,042
Due to other funds	3,764	1,153,480	630,063	3,360,094		7,125		2,771	2,006	5,159,303
Total liabilities	299,664	1,549,390	907,658	3,743,032		7,125		6,695	2,006	6,515,570
Fund balances	<u>1,171,794</u>	<u>1,802,891</u>	<u>82,307</u>	<u>1,498,929</u>	<u>\$ 3,196,817</u>		<u>\$ 11,734,884</u>	<u>15,700,927</u>	<u>139,628</u>	<u>35,328,177</u>
Total liabilities and fund balances	<u>\$ 1,471,458</u>	<u>\$ 3,352,281</u>	<u>\$ 989,965</u>	<u>\$ 5,241,961</u>	<u>\$ 3,196,817</u>	<u>\$ 7,125</u>	<u>\$ 11,734,884</u>	<u>\$ 15,707,622</u>	<u>\$ 141,634</u>	<u>\$ 41,843,747</u>

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

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, 2010

	<u>Charter Schools Fund</u>	<u>Adult Education Fund</u>	<u>Child Develop- ment Fund</u>	<u>Cafeteria Fund</u>	<u>Deferred Maintenance Fund</u>	<u>Special Reserve for Other Than Capital Projects Fund</u>	<u>Mello-Roos Adminis- trative Fund</u>	<u>Capital Facilities Fund</u>	<u>Special Reserve for Capital Outlay Fund</u>	<u>Total</u>
Revenues:										
Revenue limit sources:										
State apportionment	\$ 1,726,007									\$ 1,726,007
Federal sources		\$ 1,721,855	\$ 2,969,315	\$ 15,054,691						19,745,861
Other state sources	217,592	1,318,025	1,800,721	1,372,887						4,709,225
Other local sources	10,504	903,550	857,460	4,911,239	\$ 32,909	\$ 10,759	\$ 14,483,358	\$ 5,139,306	\$ 83,533	26,432,618
Total revenues	<u>1,954,103</u>	<u>3,943,430</u>	<u>5,627,496</u>	<u>21,338,817</u>	<u>32,909</u>	<u>10,759</u>	<u>14,483,358</u>	<u>5,139,306</u>	<u>83,533</u>	<u>52,613,711</u>
Expenditures:										
Certificated salaries	1,120,845	1,815,885	1,794,781							4,731,511
Classified salaries	131,795	1,382,068	1,068,410	7,559,072	212			58,012		10,199,569
Employee benefits	270,214	1,266,367	1,139,577	3,821,897	22			24,354		6,522,431
Books and supplies	39,081	291,112	92,621	8,496,888				17,497		8,937,199
Contract services and operating expenditures	20,260	352,385	1,299,386	836,996	236,056			313,535		3,058,618
Capital outlay		40,566	15,857	355,547				17,385		429,355
Other outgo							61,781			61,781
Debt service:										
Principal retirement							5,398,184			5,398,184
Interest							8,234,422			8,234,422
Total expenditures	<u>1,582,195</u>	<u>5,148,383</u>	<u>5,410,632</u>	<u>21,070,400</u>	<u>236,290</u>		<u>13,694,387</u>	<u>430,783</u>		<u>47,573,070</u>
Excess (deficiency) of revenues over (under) expenditures	<u>371,908</u>	<u>(1,204,953)</u>	<u>216,864</u>	<u>268,417</u>	<u>(203,381)</u>	<u>10,759</u>	<u>788,971</u>	<u>4,708,523</u>	<u>83,533</u>	<u>5,040,641</u>
Other financing sources (uses):										
Operating transfers in	14,773	1,952,274	22,553	1,211,648			6,813			3,208,061
Operating transfers out	(744)	(1,179,478)	(224,293)	(935,031)		(2,375,692)	(1,427,993)	(3,029,700)		(9,172,931)
Total other financing sources (uses)	<u>14,029</u>	<u>772,796</u>	<u>(201,740)</u>	<u>276,617</u>		<u>(2,375,692)</u>	<u>(1,421,180)</u>	<u>(3,029,700)</u>		<u>(5,964,870)</u>
Net change in fund balances	385,937	(432,157)	15,124	545,034	(203,381)	(2,364,933)	(632,209)	1,678,823	83,533	(924,229)
Fund balances, July 1, 2009	<u>785,857</u>	<u>2,235,048</u>	<u>67,183</u>	<u>953,895</u>	<u>3,400,198</u>	<u>2,364,933</u>	<u>12,367,093</u>	<u>14,022,104</u>	<u>56,095</u>	<u>36,252,406</u>
Fund balances, June 30, 2010	<u>\$ 1,171,794</u>	<u>\$ 1,802,891</u>	<u>\$ 82,307</u>	<u>\$ 1,498,929</u>	<u>\$ 3,196,817</u>	<u>\$ -</u>	<u>\$ 11,734,884</u>	<u>\$ 15,700,927</u>	<u>\$ 139,628</u>	<u>\$ 35,328,177</u>

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

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

For the Year Ended June 30, 2010

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2010</u>
<u>Student Body Funds</u>				
<u>Elk Grove High School</u>				
Assets:				
Cash on hand and in banks	\$ 89,487	\$ 1,126,760	\$ 1,024,867	\$ 191,380
Inventory	<u>7,888</u>	<u>56,356</u>	<u>53,425</u>	<u>10,819</u>
	<u>\$ 97,375</u>	<u>\$ 1,183,116</u>	<u>\$ 1,078,292</u>	<u>\$ 202,199</u>
Liabilities:				
Due to students/student groups	<u>\$ 97,375</u>	<u>\$ 1,183,116</u>	<u>\$ 1,078,292</u>	<u>\$ 202,199</u>
<u>Florin High School</u>				
Assets:				
Cash on hand and in banks	\$ 249,097	\$ 383,599	\$ 323,398	\$ 309,298
Inventory	<u>477</u>	<u>19,156</u>	<u>18,176</u>	<u>1,457</u>
	<u>\$ 249,574</u>	<u>\$ 402,755</u>	<u>\$ 341,574</u>	<u>\$ 310,755</u>
Liabilities:				
Due to students/student groups	<u>\$ 249,574</u>	<u>\$ 402,755</u>	<u>\$ 341,574</u>	<u>\$ 310,755</u>
<u>Franklin High School</u>				
Assets:				
Cash on hand and in banks	\$ 231,675	\$ 1,153,499	\$ 1,088,378	\$ 296,796
Inventory	<u> </u>	<u>44,458</u>	<u>44,458</u>	<u> </u>
	<u>\$ 231,675</u>	<u>\$ 1,197,957</u>	<u>\$ 1,132,836</u>	<u>\$ 296,796</u>
Liabilities:				
Due to students/student groups	<u>\$ 231,675</u>	<u>\$ 1,197,957</u>	<u>\$ 1,132,836</u>	<u>\$ 296,796</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, 2010

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2010</u>
<u>Student Body Funds</u>				
(Continued)				
<u>Laguna Creek High School</u>				
Assets:				
Cash on hand and in banks	\$ 254,195	\$ 537,950	\$ 455,599	\$ 336,546
Inventory	<u>7,472</u>	<u>44,059</u>	<u>39,075</u>	<u>12,456</u>
	<u>\$ 261,667</u>	<u>\$ 582,009</u>	<u>\$ 494,674</u>	<u>\$ 349,002</u>
Liabilities:				
Due to students/student groups	<u>\$ 261,667</u>	<u>\$ 582,009</u>	<u>\$ 494,674</u>	<u>\$ 349,002</u>
<u>Monterey Trail High School</u>				
Assets:				
Cash on hand and in banks	\$ 173,526	\$ 580,798	\$ 517,407	\$ 236,917
Inventory	<u> </u>	<u>40,395</u>	<u>40,395</u>	<u> </u>
	<u>\$ 173,526</u>	<u>\$ 621,193</u>	<u>\$ 557,802</u>	<u>\$ 236,917</u>
Liabilities:				
Due to students/student groups	<u>\$ 173,526</u>	<u>\$ 621,193</u>	<u>\$ 557,802</u>	<u>\$ 236,917</u>
<u>Pleasant Grove High School</u>				
Assets:				
Cash on hand and in banks	\$ 285,190	\$ 840,858	\$ 843,131	\$ 282,917
Inventory	<u>3,340</u>	<u>54,217</u>	<u>55,078</u>	<u>2,479</u>
	<u>\$ 288,530</u>	<u>\$ 895,075</u>	<u>\$ 898,209</u>	<u>\$ 285,396</u>
Liabilities:				
Due to students/student groups	<u>\$ 288,530</u>	<u>\$ 895,075</u>	<u>\$ 898,209</u>	<u>\$ 285,396</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, 2010

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2010</u>
<u>Student Body Funds</u>				
(Continued)				
<u>Sheldon High School</u>				
Assets:				
Cash on hand and in banks	\$ 399,026	\$ 830,166	\$ 830,323	\$ 398,869
Inventory	<u>5,700</u>	<u>51,846</u>	<u>50,724</u>	<u>6,822</u>
	<u>\$ 404,726</u>	<u>\$ 882,012</u>	<u>\$ 881,047</u>	<u>\$ 405,691</u>
Liabilities:				
Due to students/student groups	<u>\$ 404,726</u>	<u>\$ 882,012</u>	<u>\$ 881,047</u>	<u>\$ 405,691</u>
<u>Valley High School</u>				
Assets:				
Cash on hand and in banks	\$ 124,066	\$ 406,800	\$ 444,542	\$ 86,324
Inventory	<u></u>	<u>61,611</u>	<u>61,611</u>	<u></u>
	<u>\$ 124,066</u>	<u>\$ 468,411</u>	<u>\$ 506,153</u>	<u>\$ 86,324</u>
Liabilities:				
Due to students/student groups	<u>\$ 124,066</u>	<u>\$ 468,411</u>	<u>\$ 506,153</u>	<u>\$ 86,324</u>
<u>Consumnes Oaks High School</u>				
Assets:				
Cash on hand and in banks	\$ 34,510	\$ 430,997	\$ 400,680	\$ 64,827
Inventory	<u></u>	<u></u>	<u></u>	<u></u>
	<u>\$ 34,510</u>	<u>\$ 430,997</u>	<u>\$ 400,680</u>	<u>\$ 64,827</u>
Liabilities:				
Due to students/student groups	<u>\$ 34,510</u>	<u>\$ 430,997</u>	<u>\$ 400,680</u>	<u>\$ 64,827</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, 2010

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2010</u>
<u>Student Body Funds</u>				
(Continued)				
<u>Edward Harris, Jr. Middle School</u>				
Assets:				
Cash on hand and in banks	\$ 67,077	\$ 201,809	\$ 203,003	\$ 65,883
Inventory		<u>28,740</u>	<u>28,740</u>	
	<u>\$ 67,077</u>	<u>\$ 230,549</u>	<u>\$ 231,743</u>	<u>\$ 65,883</u>
Liabilities:				
Due to students/student groups	<u>\$ 67,077</u>	<u>\$ 230,549</u>	<u>\$ 231,743</u>	<u>\$ 65,883</u>
<u>Toby Johnson Middle School</u>				
Assets:				
Cash on hand and in banks	\$ 287,833	\$ 404,452	\$ 492,111	\$ 200,174
Inventory		<u>45,305</u>	<u>45,305</u>	
	<u>\$ 287,833</u>	<u>\$ 449,757</u>	<u>\$ 537,416</u>	<u>\$ 200,174</u>
Liabilities:				
Due to students/student groups	<u>\$ 287,833</u>	<u>\$ 449,757</u>	<u>\$ 537,416</u>	<u>\$ 200,174</u>
<u>Joseph Kerr Middle School</u>				
Assets:				
Cash on hand and in banks	\$ 135,355	\$ 183,114	\$ 179,256	\$ 139,213
Inventory		<u>16,892</u>	<u>16,809</u>	<u>83</u>
	<u>\$ 135,355</u>	<u>\$ 200,006</u>	<u>\$ 196,065</u>	<u>\$ 139,296</u>
Liabilities:				
Due to students/student groups	<u>\$ 135,355</u>	<u>\$ 200,006</u>	<u>\$ 196,065</u>	<u>\$ 139,296</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, 2010

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
<u>Student Body Funds</u>				
(Continued)				
 <u>Harriet Eddy Middle School</u>				
Assets:				
Cash on hand and in banks	\$ 92,249	\$ 248,915	\$ 295,450	\$ 45,714
Inventory	31,398	31,398	31,398	31,398
	\$ 92,249	\$ 280,313	\$ 326,848	\$ 45,714
Liabilities:				
Due to students/student groups	\$ 92,249	\$ 280,313	\$ 326,848	\$ 45,714
 <u>James Rutter Middle School</u>				
Assets:				
Cash on hand and in banks	\$ 47,467	\$ 293,691	\$ 310,330	\$ 30,828
Inventory	313	30,126	30,126	313
	\$ 47,780	\$ 323,817	\$ 340,456	\$ 31,141
Liabilities:				
Due to students/student groups	\$ 47,780	\$ 323,817	\$ 340,456	\$ 31,141
 <u>Katherine L. Albiani Middle School</u>				
Assets:				
Cash on hand and in banks	\$ 107,220	\$ 221,445	\$ 233,366	\$ 95,299
Inventory	29,603	29,603	29,603	29,603
	\$ 107,220	\$ 251,048	\$ 262,969	\$ 95,299
Liabilities:				
Due to students/student groups	\$ 107,220	\$ 251,048	\$ 262,969	\$ 95,299

(Continued)

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

ALL AGENCY FUNDS
(Continued)
For the Year Ended June 30, 2010

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
<u>Student Body Funds</u>				
(Continued)				
 <u>Samuel Jackman Middle School</u>				
Assets:				
Cash on hand and in banks	\$ 17,529	\$ 81,267	\$ 82,452	\$ 16,344
Inventory	117	10,184	9,520	781
	\$ 17,646	\$ 91,451	\$ 91,972	\$ 17,125
Liabilities:				
Due to students/student groups	\$ 17,646	\$ 91,451	\$ 91,972	\$ 17,125
 <u>Pinkerton Middle School</u>				
Assets:				
Cash on hand and in banks	\$ 11,698	\$ 221,530	\$ 161,637	\$ 71,591
Inventory		19,214	19,214	
	\$ 11,698	\$ 240,744	\$ 180,851	\$ 71,591
Liabilities:				
Due to students/student groups	\$ 11,698	\$ 240,744	\$ 180,851	\$ 71,591
 <u>T. R. Smedberg Middle School</u>				
Assets:				
Cash on hand and in banks	\$ 119,786	\$ 220,794	\$ 209,325	\$ 131,255
Inventory		23,280	23,280	
	\$ 119,786	\$ 244,074	\$ 232,605	\$ 131,255
Liabilities:				
Due to students/student groups	\$ 119,786	\$ 244,074	\$ 232,605	\$ 131,255

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

ALL AGENCY FUNDS

(Continued)

For the Year Ended June 30, 2010

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2010</u>
<u>Student Body Funds</u>				
(Continued)				
<u>Elementary and Other Schools</u>				
Assets:				
Cash on hand and in banks	\$ 901,064	\$ 3,335,388	\$ 3,224,301	\$ 1,012,151
Inventory				
	<u>\$ 901,064</u>	<u>\$ 3,335,388</u>	<u>\$ 3,224,301</u>	<u>\$ 1,012,151</u>
Liabilities:				
Due to students/student groups	<u>\$ 901,064</u>	<u>\$ 3,335,388</u>	<u>\$ 3,224,301</u>	<u>\$ 1,012,151</u>
<u>Total Agency Funds</u>				
Assets:				
Cash on hand and in banks	\$ 3,628,050	\$ 11,703,832	\$ 11,319,556	\$ 4,012,326
Inventory	25,307	618,538	608,635	35,210
	<u>\$ 3,653,357</u>	<u>\$ 12,322,370</u>	<u>\$ 11,928,191</u>	<u>\$ 4,047,536</u>
Liabilities:				
Due to students/student groups	<u>\$ 3,653,357</u>	<u>\$ 12,322,370</u>	<u>\$ 11,928,191</u>	<u>\$ 4,047,536</u>

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

ELK GROVE UNIFIED SCHOOL DISTRICT

ORGANIZATION

June 30, 2010

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>
Jeanette J. Amavisca	President	November 2012
Priscilla S. Cox	Clerk	November 2012
Pollyanna Cooper-LeVangie	Member	November 2010
Pamela A. Irely	Member	November 2012
William Lugg, Jr.	Member	November 2012
Chet Madison, Sr.	Member	November 2010
Alfred Rowlett	Member	November 2010

ADMINISTRATION

Steven M. Ladd, Ed. D.
Superintendent

L. Steven Winlock, Ed. D.
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

Nancy Lucia
Associate Superintendent, Education Services

ELK GROVE UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE

For the Year Ended June 30, 2010

	<u>Second Period Report</u>	<u>Annual Report</u>
Elementary:		
Kindergarten	4,184	4,195
First through Third	12,968	12,952
Fourth through Eighth	22,691	22,673
Special Education	766	793
Home and Hospital	<u>10</u>	<u>12</u>
Total Elementary	<u>40,619</u>	<u>40,625</u>
Secondary:		
Regular Classes	16,864	16,720
Special Education	454	466
Continuation Education	784	758
Home and Hospital	<u>15</u>	<u>17</u>
Total Secondary	<u>18,117</u>	<u>17,961</u>
Classes for Adults:		
Not currently enrolled	<u>342</u>	<u>373</u>
Total District	<u>59,078</u>	<u>58,959</u>
Charter School - Secondary Education	<u>296</u>	<u>303</u>

See accompanying notes to
supplementary information.

ELK GROVE UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME

For the Year Ended June 30, 2010

<u>Grade Level</u>	<u>1986-87 Minutes Require- ment</u>	<u>1982-83 Actual Minutes</u>	<u>2009-10 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Number of Days Multitrack Calendar</u>	<u>Status</u>
DISTRICT						
Kindergarten	35,600	31,150	35,600	178	169	In Compliance
Grade 1	49,811	39,779	50,390	178	169	In Compliance
Grade 2	49,811	39,779	50,390	178	169	In Compliance
Grade 3	49,811	39,779	50,390	178	169	In Compliance
Grade 4	53,368	41,509	53,388	178	169	In Compliance
Grade 5	53,368	41,509	53,388	178	169	In Compliance
Grade 6	53,368	41,509	53,388	178	169	In Compliance
Grade 7	53,400	41,533	58,446	178	169	In Compliance
Grade 8	53,400	41,533	58,446	178	169	In Compliance
Grade 9	64,080	51,917	64,352	178	Not Applicable	In Compliance
Grade 10	64,080	51,917	64,352	178	Not Applicable	In Compliance
Grade 11	64,080	51,917	64,352	178	Not Applicable	In Compliance
Grade 12	64,080	51,917	64,352	178	Applicable	In Compliance
CHARTER SCHOOL (NON CLASSROOM-BASED)						
Grade 7	54,000	Not Applicable	Not Applicable	178	Not Applicable	Not Applicable
Grade 8	54,000	Not Applicable	Not Applicable	178	Not Applicable	Not Applicable
Grade 9	64,800	Not Applicable	Not Applicable	178	Not Applicable	Not Applicable
Grade 10	64,800	Not Applicable	Not Applicable	178	Not Applicable	Not Applicable

See accompanying notes to
supplementary information.

ELK GROVE UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS

For the Year Ended June 30, 2010

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Education - Passed through California Department of Education</u>			
	Special Education Cluster:		
84.027	Special Education: Basic Local Assistance	13379	\$ 9,099,947
84.027A	Special Education: Preschool Local Entitlement	13682	429,884
84.173	Special Education: Preschool Grant	13430	200,555
84.391	Special Education: ARRA IDEA Part B, Sec 611, Preschool Local Entitlement	15002	41,900
84.391	Special Education: ARRA IDEA Part B, Sec 611, Basic Local Assistance	15003	7,365,837
84.392	Special Education: ARRA IDEA Part B, Sec 619, Preschool Grants	15000	<u>247,493</u>
	Subtotal Special Education Cluster		<u>17,385,616</u>
	NCLB: Title I Cluster:		
84.010	NCLB: Title I: Basic Grants Low-Income and Neglected	13797	8,164,557
84.010	NCLB: Title I: Local Delinquents Programs	13798	44,370
84.389	NCLB: Title I: ARRA, Title I, Part D, Local Delinquent Programs	15009	<u>3,117</u>
	Subtotal NCLB: Title I Cluster		<u>8,212,044</u>
84.366	NCLB: Title II: Part B, CaMSP	14512	866,502
84.367	NCLB: Title II: Teacher Quality	14341	1,513,590
84.318	NCLB: Title II: Part D, Enhancing Ed. Thr. Tech.	14334	90,198
84.318	NCLB: Title II: Part D, Enhancing Ed. Thr. Tech.	14368	205,492
84.365	Title III: Immigrant Education Program	14346	75,709
84.365	Title III: Limited English Proficient Student Program	10084	709,307
84.002A	Adult Education: Adult Basic Education	14508	181,600
84.002A	Adult Education: English Literacy & Civics Ed.	14109	172,776
84.002A	Adult Education: Institutionalized Adults	13971	110,872
84.002A	Adult Education: ASE/GED	13978	47,627
84.394	ARRA: State Fiscal Stabilization Fund	25008	24,959,899
84.181	Special Education: IDEA Early Intervention Grants	23761	53,605
84.186	NCLB: Title IV, Part A: Drug Free Schools	13453	149,920
84.196A	Title X: McKinney-Vento Homeless Assistance Grant	13697	54,123
84.387	NCLB: ARRA Title X, McKinney-Vento Homeless Assistance	15007	80,126
84.048	Vocation and Applied Technology Secondary II C	03577	316,670
84.048	Vocational Programs: Post Secondary & Adult II C	13923	84,409
84.158	Workability II Transitions Partnership	10006	311,414
84.060A	Indian Education	10011	34,582
84.215X	Teaching American History	-	320,780
84.287	21st Century Schools	14681	1,397,969

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS

(Continued)

For the Year Ended June 30, 2010

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Education - Passed through California Department of Education (Continued)</u>			
84.357A	NCLB: Title I: Reading First Program	14328	\$ 95,933
84.357	NCLB: Title I: Title I Part B, Reading First Pilot Project, Special Education Teachers	14911	1,578,666
84.213	NCLB: Title I: Even Start Family Literacy	13001	125,360
84.213	Even Start: Migrant Ed	14381	4,108
84.390A	Rehabilitation Services-Vocational Rehabilitation Grants to States, Recovery Act	-	20,302
84.184E	Safe and Drug-Free Schools and Communities National Programs	-	205,800
84.334A	Gear Up	10088	<u>75,675</u>
	Total U.S. Department of Education		<u>59,440,674</u>
<u>U.S. Department of Labor - Passed through California Department of Education</u>			
	SETA Cluster:		
17.258	SETA: One Stop Adult	-	328,843
17.258	SETA: Workforce Skills Preparation Services	-	19,737
17.259	SETA: One Stop Universal Services	-	57,994
17.259	SETA: One Stop Out of School Services	-	355,667
17.260	SETA: One Stop Dislocated Workers	-	42,642
17.269	SETA: Employment Training Program (ETP)	-	<u>54,110</u>
	Subtotal SETA Cluster		<u>858,993</u>
	Total U.S. Department of Labor		<u>858,993</u>
<u>U.S. Department of Health and Human Services - Passed through California Department of Education</u>			
	Child Development Cluster:		
93.596	Child Development: Federal Child Care Center Based	13609	324,999
93.575	Child Development: Quality Improvement	13979	<u>4,213</u>
	Subtotal Child Development Cluster		<u>329,212</u>
93.778	Medi-Cal Billing Option (DHS)	10013	868,175
93.569	CSBG - Foster Youth	10055	6,829
93.600	Head Start	10016	2,640,102
93.674	Chafee Foster Care Independence Program	-	<u>60,368</u>
	Total U.S. Department of Health and Human Services		<u>3,904,686</u>

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS

(Continued)

For the Year Ended June 30, 2010

<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. Corporation for National and Community Service - Passed through California Department of Education</u>			
94.004	CalServe: Learn and Serve America	13161	\$ <u>7,612</u>
	Total U.S. Corporation for National and Community Service		<u>7,612</u>
<u>U.S. Department of Agriculture - Passed through California Department of Education</u>			
10.555	National School Lunch Program	13390	14,909,548
10.579	ARRA Equipment Assistance Grants	15006	145,143
10.551	Cancer Prevention	-	<u>312,131</u>
	Total U.S. Department of Agriculture		<u>15,366,822</u>
<u>U.S. Department of Defense</u>			
**	NJROTC	-	3,491
**	Air Force ROTC	-	<u>(278)</u>
	Total U.S. Department of Defense		<u>3,213</u>
<u>National Aeronautics and Space Administration</u>			
43.001	NASA Explorer	-	<u>2,500</u>
	Total National Aeronautics and Space Administration		<u>2,500</u>
	Total Federal Programs		<u>\$ 79,584,500</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, 2010

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, 2010

	<u>(Budgeted)</u> <u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<u>General Fund</u>				
Revenues and other financing sources	\$ 429,254,100	\$ 474,654,838	\$ 483,594,192	\$ 491,934,899
Expenditures	431,103,897	480,439,668	489,655,817	482,681,232
Other uses and transfers out	<u>3,336,179</u>	<u>3,234,496</u>	<u>5,006,913</u>	<u>5,583,205</u>
Total outgo	<u>434,440,076</u>	<u>483,674,164</u>	<u>494,662,730</u>	<u>488,264,437</u>
Change in fund balance	<u>\$ (5,185,976)</u>	<u>\$ (9,019,326)</u>	<u>\$ (11,068,538)</u>	<u>\$ 3,670,462</u>
Ending fund balance	<u>\$ 32,996,816</u>	<u>\$ 38,182,792</u>	<u>\$ 47,202,118</u>	<u>\$ 58,270,656</u>
Available reserves	<u>\$ 10,639,009</u>	<u>\$ 13,922,795</u>	<u>\$ 10,147,123</u>	<u>\$ 24,256,268</u>
Designated for economic uncertainties	<u>\$ 10,639,009</u>	<u>\$ 10,639,009</u>	<u>\$ 9,865,054</u>	<u>\$ 9,736,443</u>
Undesignated fund balance	<u>\$ -</u>	<u>\$ 3,283,786</u>	<u>\$ 282,069</u>	<u>\$ 14,519,825</u>
Available reserves as percentages of total outgo	<u>2.4%</u>	<u>2.9%</u>	<u>2.1%</u>	<u>4.9%</u>
<u>All Funds</u>				
Total long-term liabilities	<u>\$ 162,940,095</u>	<u>\$ 170,817,841</u>	<u>\$ 168,265,192</u>	<u>\$ 143,454,035</u>
Average daily attendance at P-2 (excluding adult and Charter School)	<u>58,807</u>	<u>59,078</u>	<u>58,598</u>	<u>58,508</u>

The General Fund fund balance has decreased by \$16,417,402 over the past three years. The fiscal year 2010-2011 budget, as originally adopted, projects a decrease of \$5,185,976. For a district this size (budgeted ADA in excess of 30,000), the state recommends available reserves of at least two percent of total General Fund expenditures, transfers out, and other uses (total outgo). The District has met this requirement.

The District has incurred operating deficits in two of the past three years, and anticipates an operating deficit during the 2010-11 fiscal year.

Total long-term liabilities have increased by \$27,363,806 over the past two years, as shown in Note 6 to the basic financial statements.

Average daily attendance has increased by 570 over the past two years. A decrease of 271 ADA is projected for the 2010-11 fiscal year.

See accompanying notes to
supplementary information.

ELK GROVE UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS

For the Year Ended June 30, 2010

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

See accompanying notes to
supplementary information.

ELK GROVE UNIFIED SCHOOL DISTRICT
SCHEDULE OF FIRST 5 REVENUES AND EXPENSES
For the Year Ended June 30, 2010

	<u>School Readiness</u>	<u>Power of Parenting</u>
Revenues		
Other local sources	\$ 429,510	\$ 403,935
Expenses:		
Certificated salaries	179,787	125,920
Classified salaries	59,987	124,443
Employee benefits	94,882	90,105
Books and supplies	34,642	6,103
Contract services and operating expenditures	40,192	37,443
Indirect costs	<u>20,020</u>	<u>19,921</u>
Total expenses	<u>429,510</u>	<u>403,935</u>
Net income	<u>\$ -</u>	<u>\$ -</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, 2010.

<u>Description</u>	<u>CFDA Number</u>	<u>Amount</u>
Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances		\$ 60,492,405
Add: State Fiscal Stabilization Funds spent from prior year awards	84.394	20,579,402
Less: Medi-Cal Billing Funds not spent	93.778	(1,100,480)
ARRA SFSF Funds not spent	84.394	<u>(386,827)</u>
Total Schedule of Expenditure of Federal Awards		<u>\$ 79,584,500</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

This schedule provides trend information on District's financial condition over the past three years and its anticipated condition for the 2010-2011 fiscal year.

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, 2010, the District did not adopt this program.

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

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

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, 2010. 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>
Regular and Special Day Classes	8	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
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
After School Education and Safety Program		
General requirements	4	Yes
After School	4	Yes
Before School	5	No, see below

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

(Continued)

<u>Description</u>	<u>Audit Guide Procedures</u>	<u>Procedures Performed</u>
Contemporaneous Records of Attendance, for charter schools	1	No, see below
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	3	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 2009-2010 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, 2010. Accordingly, we could not perform the portions of the audit steps (a), (b) and (c) of Section 19837 of the 2009-2010 Audit Guide relating to the comparison of tested data from the 2009-2010 fiscal year to the 2009-2010 School Accountability Report Cards.

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 Contemporaneous Records of Attendance, Mode of Instruction and Annual Instructional Minutes - Classroom-Based, for charter schools.

The District is not required to maintain instructional minutes for charter schools, as they offer an independent study program.

In our opinion, Elk Grove Unified School District complied with the state laws and regulations referred to above for the year ended June 30, 2010. Further, based on our examination, for items not tested, nothing came to our attention to indicate that Elk Grove Unified School District had not complied with the state laws and regulations.

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

(Continued)

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. However, this report is a matter of public record and its distribution is not limited.

Perry-Smith LLP

Sacramento, California
December 3, 2010

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

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

We have audited the financial statements of Elk Grove Unified School District as of and for the year ended June 30, 2010, and have issued our report thereon dated December 3, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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.

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.

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

(Continued)

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. However, this report is a matter of public record and its distribution is not limited.

Perry-Smith LLP

Sacramento, California
December 3, 2010

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO 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 the compliance of Elk Grove Unified School District with the types of compliance requirements described in the Program Guidelines for the First 5 Sacramento County Program that are applicable to First 5 Sacramento County Program for the year ended June 30, 2010. 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 requirements referred to above that are applicable to its First 5 Sacramento County Program for the year ended June 30, 2010.

Internal Control Over Compliance

The 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.

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

(Continued)

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 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.

Perry-Smith LLP

Sacramento, California
December 3, 2010

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO 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 the compliance of Elk Grove Unified School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. Elk Grove Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Audit 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, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Elk Grove Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. 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 requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The 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 federal programs. 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 a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

(Continued)

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 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. However, this report is a matter of public record and its distribution is not limited.

Perry - Smith LLP

Sacramento, California
December 3, 2010

FINDINGS AND RECOMMENDATIONS

ELK GROVE UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

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

Noncompliance material to financial statements noted? _____ Yes X No

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027, 84.027A, 84.173, 84.391, 84.392 84.010, 84.389 84.394 10.555 93.600	Special Education Cluster NCLB: Title I Cluster ARRA: State Fiscal Stabilization Funds National School Lunch Program Head Start

Dollar threshold used to distinguish between Type A and Type B programs: \$ 2,387,535

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

STATE AWARDS

Internal control over state programs:

Material weakness(es) identified? _____ Yes X No

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

Type of auditor's 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, 2010

SECTION II - FINANCIAL STATEMENT FINDINGS

INTERNAL CONTROL (30000)

1. GENERAL

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 more than two years of vacation.

Condition

Several employees have vacation accrued in excess of the limits specified by the District policies.

Effect

Increase liability for the District, to be paid in future years.

Cause

Lack of enforcement of accrual policy.

Fiscal Impact

Not determinable.

Recommendation

All employees should be required to take some 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.

Corrective Action Plan

The District is working on a way to enforce the accrual policy and limit hours that can be accrued by stopping accrual when it reaches maximum.

ELK GROVE UNIFIED SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

(Continued)

Year Ended June 30, 2010

SECTION II - FINANCIAL STATEMENT FINDINGS

(Continued)

INTERNAL CONTROL (30000) (Continued)

2. STUDENT BODY ACCOUNTING

Criteria

Internal Controls - Safeguarding of Assets

Condition

At Katherine Albiani Middle School, physical inventories of the student store is performed but not reviewed.

At Calvine Continuation High School, the site does not have procedures in place for approving revenue - producing activities. In addition, monthly reconciliations and financial statements are not reviewed by an individual independent of the preparation of the reconciliation and financial statements.

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.

Recommendation

The District should administer District-wide guidelines to ensure cash receipts and disbursements are accounted for accurately and record retention at each site is consistent.

Corrective Action Plan

The District has administered District-wide guidelines in conjunction with FCMAT. Additionally, District staff have visited every school site to go over the proper handling of ASB monies and ASB accounting.

ELK GROVE UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2010

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, 2010

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, 2010

Finding/Recommendation	Current Status	District Explanation If Not Implemented
2009-1 Several employees have vacation accrued in excess of the limits specified by District policies. In addition, the District used July 1, 2008 rates in calculating the liability rather than June 30, 2009 rates.	Not implemented.	See current year Finding Number 1.
All employees are required to take some vacation hours/days each year. District's vacation accrual policy should be enforced. Also the District should consider a policy that vacation accrual should stop once an employee has reached maximum permitted by the current policy. The District should ensure the proper rate is used to calculate liability.		
2009-2 At C.W. Dillard Elementary School there is no evidence that each expenditure is approved by the principal. No approval is required for revenue producing activities.	Not implemented.	See current year Finding Number 2.
At William Daylor High School bank reconciliations are not performed in a timely manner and there is no evidence that the bank reconciliations are reviewed.		
The District should administer District-wide guidelines to ensure cash receipts and disbursement are accounted for accurately and record retention at each site is consistent.		
2009-3 For fixed assets placed into service during the current fiscal year, the District depreciated the asset for a full year. There were several additions to fixed assets that were purchased mid year and should have not been depreciated for a full year. The District should be depreciating assets based on the month placed into service.	Implemented.	

ELK GROVE UNIFIED SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

(Continued)

Year Ended June 30, 2010

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
<p>2009-4</p> <p>During our reperformance of the District's internal audit testing at Valley High School one student was claimed for apportionment for three days; however, the District had an absence note on site indicating the student would be absent.</p>	<p>Implemented.</p>	
<p>The District should revise and resubmit the Second Period Report of Attendance, reflecting this disallowance of the above ADA.</p>	<p>Implemented.</p>	
<p>2009-5</p> <p>The total days reported for continuation education students engaged in independent study exceeded the allowable ADA cap by 3.15 ADA.</p>	<p>Implemented.</p>	
<p>The District should revise and resubmit the J-18/19 P-2 Report of Attendance to remove the overstatement of independent study ADA.</p>	<p>Implemented.</p>	
<p>2009-6</p> <p>The reported number of students served for Florin Elementary and Edward Harris, Jr. Middle School did not match the documented number of students served.</p>	<p>Implemented.</p>	
<p>The program should implement a system to ensure the proper attendance numbers are reported.</p>		