

ELK GROVE UNIFIED SCHOOL DISTRICT
Elk Grove, California

FINANCIAL STATEMENTS
June 30, 2011

ELK GROVE UNIFIED SCHOOL DISTRICT

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2011

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ELK GROVE UNIFIED SCHOOL DISTRICT

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ELK GROVE UNIFIED SCHOOL DISTRICT

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INDEPENDENT AUDITORS' 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, 2011, which collectively comprise Elk Grove Unified School District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Elk Grove Unified School District as of June 30, 2011, and the respective change in financial position and cash flows, where applicable, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 13 to the financial statements, the District restated its beginning net assets to correct an error in the recognition of accreted interest on certain bonds at July 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2011 on our consideration of Elk Grove Unified School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

INDEPENDENT AUDITORS' 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.



Crowe Horwath LLP

Sacramento, California
November 30, 2011



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



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Management's Discussion and Analysis

The Management's Discussion and Analysis is reflecting the 2010/2011 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 District continued to grow during 2005/06 to 2007/08; however, there was a decrease in the rate of growth over the prior year. In 2008/09 the District experienced the first decline in the history of the district with a .23% decrease in enrollment over 2007/08. Enrollment during 2009/10 and 2010/11 resulted in a small increase in enrollment of approximately .5%.

For the 2010/11 school year the District employed on a regular basis 3,414 certificated employees, and 2,228 classified employees.

Mission Statement and Core Values

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

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

Coupled with this mission statement are the following Core Values:

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

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

Financial Reports

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

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

Statement of Net Assets

The *Statement of Net Assets* for the 2010/11 year shows the District's net assets as \$717,885,173. 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 2009/10 to 2010/11.

Statement of Net Assets		
	June 30, 2010	June 30, 2011
Assets other than capital	\$ 174,651,107	\$ 210,332,706
Capital assets net of accumulated depreciation	<u>787,273,354</u>	<u>760,770,443</u>
Total assets	<u>961,924,461</u>	<u>971,103,149</u>
Liabilities other than long term	44,381,907	46,204,534
Long term liabilities	<u>170,817,841</u>	<u>207,013,442</u>
Total liabilities	<u>215,199,748</u>	<u>253,217,976</u>
Ending Net Assets	<u>\$ 746,724,713</u>	<u>\$ 717,885,173</u>

Statement of Activities

Governmental Activities		
<u>Revenues</u>	June 30, 2010	June 30, 2011
Program Revenue:		
Charges for services	\$5,371,583	\$5,339,083
Operating grants & contributions	122,441,549	142,778,376
Capital grants & contributions	2,796,257	16,796,288
Taxes:		
Levied for general purpose	73,010,928	70,027,405
Levied for debt service	14,452,548	14,436,057
Levied for other specific purposes	557,852	717,325
Other Revenue:		
Federal and State aid	302,002,059	303,089,321
Interest and investment earnings	306,024	(10,872)
Interagency	1,898,090	2,687,253
Other	7,556,534	6,279,501
Total Revenue	\$530,393,424	\$562,139,737
<u>Expenses</u>		
Instruction	\$368,885,540	\$349,500,945
Instruction-related services	51,113,187	46,382,909
Pupil services	52,203,171	49,995,404
General administration	27,345,095	25,620,597
Plant services	49,610,836	46,826,347
Enterprise activities	(141)	18,050
Interest on long-term liabilities	8,372,370	10,653,967
Other outgo	14,505,850	21,758,241
Total Expenses	\$572,035,908	\$550,756,460
Change in Net Assets	(\$41,642,484)	\$11,383,277
Net Assets – Beginning	788,367,197	746,724,713
Restatement (see Note 13 of financial statements)		(40,222,817)
Net Assets – Ending	\$746,724,713	\$717,885,173

Financial Condition of the General Fund

In 2010/11 Elk Grove Unified School District received a negative statutory cost of living allowance (COLA) from the State of -0.39%. The State then applied a deficit of 17.963% to the total revenue limit. Instead of receiving \$6,383.90 per ADA as the District should have received, the District received a net of \$5,216.65 per ADA for the 2010/11 school year. This is approximately \$575 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 General Fund Financial Operations		
	June 30, 2010	June 30, 2011
Revenues	\$469,939,600	\$473,859,361
Expenditures	(478,958,924)	(446,602,237)
Difference	\$ (9,019,326)	\$27,257,124

General Fund Change in Fund Balance			
	Restricted	Unrestricted	Total
June 30, 2010	<u>\$17,530,561</u>	<u>\$20,652,231</u>	<u>\$38,182,792</u>
June 30, 2011	<u>18,627,544</u>	<u>46,812,372</u>	<u>65,439,916</u>
Change	\$1,096,983	\$ 26,160,141*	\$ 27,257,124

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.

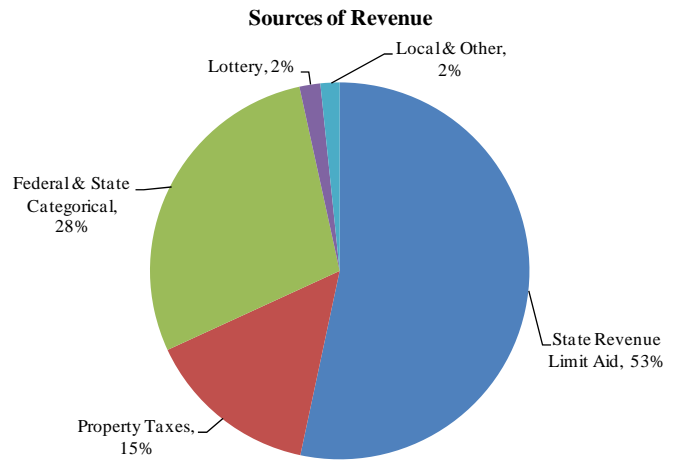
The second biggest source of revenue is state categorical income that must be spent for specific state determined programs. Categorical programs amounts to twenty-eight percent of the district's income. The two largest categorical programs are funding for a portion of Special Education services and the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

In 2010-11 the Federal government provided one-time Education Jobs Funding. A majority of the District employee groups were provided a portion (45%) of these funds as one-time, off schedule compensation.

The District's total resources for expenditures include a "beginning balance", which represents the unexpended balance from the prior year. During the 2010/11 school year, the District's ending fund balance increased by a little more than \$27 million. This increase was due in large part to the set aside of revenue limit deferral funds and receipt of one time revenues for Mandated Cost reimbursements.

General Fund Sources

Sources Available	
State Aid	\$252,758,865
Property Taxes	70,055,805
Total Revenue Limit	322,814,670
Federal Revenue	45,186,729
Lottery	8,806,114
Other State Revenue	89,592,792
Local Revenue	7,759,056
Total Revenue	\$473,859,361
Beginning Fund Balance	38,182,792
Total General Fund Sources	\$512,042,153

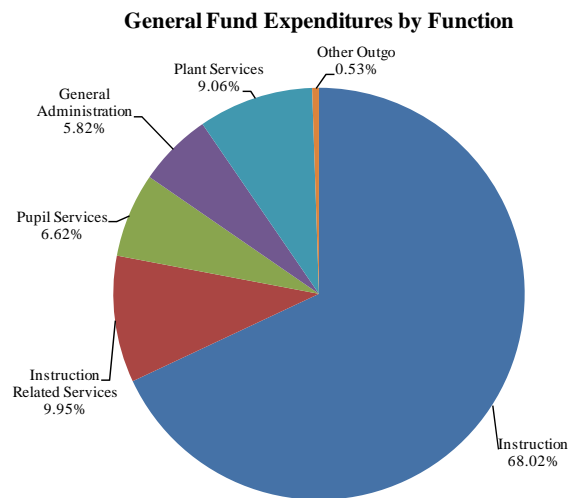
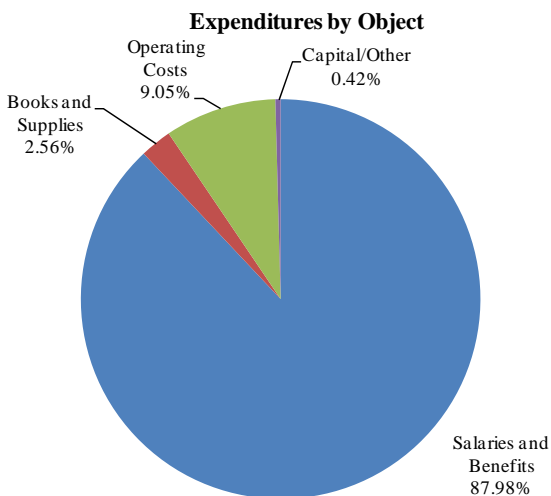


General Fund Expenditures

Employee salary and benefit costs consume 87.98% of the District's general fund expenditures. Over 68% of the District's expenditures go directly to the classroom for instructional purposes. A significant portion of California school district income is restricted income and, as such can only be expended for selected purposes as determined by the 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.

10/11 General Fund Expenditures	
Salaries and Benefits	\$391,637,547
Books and Supplies	11,379,373
Operating Costs	40,285,604
Capital/Other	3,115,807
Total Expenditures	\$446,418,326
Restricted Ending Fund Balance	\$18,627,544
Designated Reserves*	46,812,372
Total Ending Fund Balance	\$65,439,916

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



*Includes \$1.5 million for Supplemental Early Retirement Program (SERP) payment; adjusted General Administration 5.48%.

Other Funds

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

Fund Name	June 30, 2010 Ending Balance	June 30, 2011 Ending Balance	Change in Fund Balance
Charter School Special Revenue	\$1,171,794	\$1,259,302	\$87,508
Adult Education	1,802,891	2,509,995	707,104
Child Development	82,307	76,245	(6,062)
Cafeteria Special Revenue	1,498,929	1,080,760	(418,169)
Deferred Maintenance	3,196,817	3,118,349	(78,468)
Capital Facilities	15,700,927	23,066,340	7,365,413
County School Facilities	21,088,631	13,285,059	(7,803,572)
Special Reserve for Capital Outlay	139,628	168,675	29,047
Capital Projects	23,441,244	32,378,035	8,936,791
Debt Service	11,734,884	11,725,226	(9,658)

Post-Retirement Employee Benefits

Elk Grove Benefits Employee Retirement Trust (EGBERT) was established on February 20, 1996, pursuant to an agreement among the bargaining units representing District employees and the District. This trust was established to provide health and welfare benefits as defined in Sections 3543.2 and 53200 of the Government Code through a Health and Welfare Plan for the retired eligible employees of the District and their eligible dependents. Participation in EGBERT is limited to District employees, their respective dependents, and board members who qualify pursuant to appropriate Education Code and Board policies. Additionally, employees who are not subject to the terms of a collective bargaining agreement but who otherwise qualify for retirement health benefits pursuant to Education Code and school district policy can participate in EGBERT.

Mello-Roos and Construction of New School Facilities

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

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

In November of 1998, the District issued its first series of special tax bonds pursuant to the 1998 Authorization in the principal amount of \$28,954,336. In November of 2001, November 2003, November 2005 and November of 2008 the District issued the second, third, fourth and fifth series of special tax bonds pursuant to the 1998 Authorization in the amounts of \$21,343,383, \$28,000,828, \$43,540,000 and \$31,226,133 respectively. A total of \$153,064,700 has been issued to date from the 1998 Authorization. The total principal amount of outstanding special tax bonds that are repaid by the special tax levied on taxable land in the District is \$149,041,479. Over the next 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 District 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 are almost 4% and equipment is 2%.

Factors Bearing on the District's Future

For the 5th year in a row, school districts across California are reeling from the impact of state budget cuts and an U.S. economy struggling with the effects of the greatest recession since the Great Depression. Uncertainty about the future of public education funding is further exacerbated by unpredictable financial markets and growing concern regarding an economic debt crisis in Europe and a downgrade of the U.S. debt. Speculation abounds as to whether the country is at risk of heading back into a recession. School districts are watching the impact of the federal Budget Control Act of 2011, which authorizes incremental increases to the nation's debt ceiling through 2012, in exchange for a reduction of the national deficit by \$2.5 trillion over 10 years. Where those cuts will come from has yet to be decided. However, there is much speculation over the potential impact the cuts may have on Title I, Title III, Individuals with Disabilities Act (IDEA) and other federal education funding streams.

In California, unemployment rates have decreased slightly in the past few months, but in September California's unemployment rate was 11.9 percent, significantly higher than the national average of 9.1 percent. 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 past four years. There is an imbalance between revenues and expenditures that has gone unresolved by the lack of action by the legislature and the governor.

The 2011/2012 signed State budget called for flat funding and assumed an additional \$4 billion more in general fund revenues than anticipated in the Governor's May revise. Since the budget was signed, revenues have fallen shorter than predicted, according to School Services of California. The budget also includes \$2.1 billion in deferrals to public education and a \$5.1 billion transfer of sales tax revenue subject to Proposition 98 guarantee to cities and counties. The budget moves child development programs out of Prop 98, meaning that they are not subject to Prop 98 minimum guarantee in the future.

Finally, the signed state budget also includes "triggered cuts" should revenues fall short, recognizing the possibility of mid-year cuts. Triggers will go into effect based on forecasts released in November 2011 by the Legislative Analyst's Office (LAO) and in December 2011 by the Governor's Department of Finance (DOF). Should the forecasts fall \$2 billion or more short, then additional reductions of up to \$1.5 billion (4 percent) in school district revenue limits, \$248 million in home-to-school transportation, and \$72 million to community colleges are triggered. At the time of this writing, the possibility of mid-year cuts appears ever more likely, unless new legislation is passed to circumvent the triggers.

Our District, like every other school district in the state has experienced draconian cuts to our operating budget and our programs. The 2012/2013 year may likely be the fifth year in a row that California's school districts will undergo revenue reductions from the state. The District has cut its budget by \$110 million over the past four years.

For the 2008/2009 budget, the District made \$20 million in cuts and used \$21 million in ending-fund balance and reserve funds to keep as many people working as possible during the school year. For 2009/2010 instead of the state 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. In 2009/2010 EGUSD made \$24 million in cuts and used \$26 million in federal stimulus money to keep as many people as possible working during the school year. In 2010/2011, in addition to the \$20 million in employee concessions, EGUSD reduced its operating budget by an additional \$40 million.

In 2011/2012 Elk Grove Unified School District (EGUSD) reduced its operating budget by \$8 million in order to address an ongoing structural deficit. Due to three years of state deficits the district now faces \$90 million in deferrals from the state by the end of June 2012.

We face these budget reductions at a time when technology and the Common Core Standards are driving change. As we look towards the future we will need to financially prepare for the reallocation of funds currently used to survive for the adoption of new textbooks in order to align with the new standards. Whether we use the traditional printed textbook or one that is digital is a question that will need to be addressed as we move forward.

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

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

In middle school, our students move from a more sheltered educational environment to several periods of instruction a day. They continue to build language skills and add new knowledge in a variety of subjects that prepares them to be productive in their future endeavors. It is a time when they begin to harness the passion of studies and build on their foundation for the future. Social team work, collaboration and project-based learning take greater form. Our students participate in community service, give back to society and eagerly look forward to the next step in their education.

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

BASIC FINANCIAL STATEMENTS

ELK GROVE UNIFIED SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2011

	<u>Governmental Activities</u>
ASSETS	
Cash and investments (Note 2)	\$ 90,488,582
Receivables	114,124,439
Prepaid expenditures	4,396,605
Stores inventory	1,323,080
Non-depreciable capital assets (Note 4)	157,799,981
Depreciable capital assets, net of accumulated depreciation (Note 4)	<u>602,970,462</u>
Total assets	<u>971,103,149</u>
LIABILITIES	
Accounts payable	19,557,130
Deferred revenue	12,316,404
Unpaid claims and claim adjustment expenses (Note 5)	14,331,000
Long-term liabilities (Note 6):	
Due within one year	7,875,117
Due after one year	<u>199,138,325</u>
Total liabilities	<u>253,217,976</u>
NET ASSETS	
Invested in capital assets, net of related debt	588,270,429
Restricted (Note 7)	100,942,466
Unrestricted	<u>28,672,278</u>
Total net assets	<u>\$ 717,885,173</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, 2011

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Revenues and Changes in Net Assets</u>
					<u>Governmental Activities</u>
Governmental activities (Note 4):					
Instruction	\$ 349,500,945	\$ 1,292,668	\$ 72,037,219	\$ 16,796,288	\$ (259,374,770)
Instruction-related services:					
Supervision of instruction	14,619,031	168,899	13,021,091		(1,429,041)
Instructional library, media and technology	2,368,302	12,198	262,598		(2,093,506)
School site administration	29,395,576	109,774	4,951,543		(24,334,259)
Pupil services:					
Home-to-school transportation	10,272,009	295,853	3,854,340		(6,121,816)
Food services	19,682,813	1,403	15,510,463		(4,170,947)
All other pupil services	20,040,582	100,579	8,067,227		(11,872,776)
General administration:					
Data processing	5,899,027	896	5,687		(5,892,444)
All other general administration	19,721,570	40,825	4,877,609		(14,803,136)
Plant services	46,826,347	2,200,892	9,982,186		(34,643,269)
Enterprise activities	18,050	3,842	19,296		5,088
Interest on long-term liabilities	10,653,967				(10,653,967)
Other outgo	21,758,241	1,111,254	10,189,117		(10,457,870)
	<u>\$ 550,756,460</u>	<u>\$ 5,339,083</u>	<u>\$ 142,778,376</u>	<u>\$ 16,796,288</u>	<u>(385,842,713)</u>
Total governmental activities					
General revenues:					
Taxes and subventions:					
Taxes levied for general purposes					70,027,405
Taxes levied for debt service					14,436,057
Taxes levied for other specific purposes					717,325
Federal and state aid not restricted to specific purposes					303,089,321
Interest and investment earnings					(10,872)
Interagency revenues					2,687,253
Miscellaneous					6,279,501
					<u>397,225,990</u>
Total general revenues					<u>397,225,990</u>
Change in net assets					<u>11,383,277</u>
Net assets, July 1, 2010, as previously reported					746,724,713
Restatement (Note 13)					<u>(40,222,817)</u>
Net assets, July 1, 2010, as restated					<u>706,501,896</u>
Net assets, June 30, 2011					<u>\$ 717,885,173</u>

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

ELK GROVE UNIFIED SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2011

	<u>General Fund</u>	<u>Capital Facilities Fund</u>	<u>Capital Projects Fund for Blended Component Units</u>	<u>All Non-Major Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and investments:					
Cash in County Treasury	\$ 1,709,613	\$ 1,443,464	\$ 28,386,924	\$ 19,912,079	\$ 51,452,080
Cash with Fiscal Agent	49,482		7,283,484	11,660,505	18,993,471
Cash on hand and in banks	10,767			139,675	150,442
Cash in revolving fund	140,000			13,381	153,381
Cash awaiting deposit	184,659	111,787		150	296,596
Receivables	110,857,586	14,971	53,046	3,182,833	114,108,436
Prepaid expenditures	1,908,510			3,100	1,911,610
Due from other funds	1,635,992	21,500,541	9,857	1,297,538	24,443,928
Stores inventory	<u>486,153</u>			<u>836,927</u>	<u>1,323,080</u>
Total assets	<u>\$ 116,982,762</u>	<u>\$ 23,070,763</u>	<u>\$ 35,733,311</u>	<u>\$ 37,046,188</u>	<u>\$ 212,833,024</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 14,119,285	\$ 3,570	\$ 3,333,848	\$ 1,601,623	\$ 19,058,326
Deferred revenue	12,117,932			198,472	12,316,404
Due to other funds	<u>25,305,629</u>	<u>853</u>	<u>21,428</u>	<u>2,022,482</u>	<u>27,350,392</u>
Total liabilities	<u>51,542,846</u>	<u>4,423</u>	<u>3,355,276</u>	<u>3,822,577</u>	<u>58,725,122</u>
Fund balances:					
Nonspendable	2,534,663			853,408	3,388,071
Restricted	18,204,697	23,066,340	32,378,035	29,630,255	103,279,327
Assigned	35,156,881			2,739,948	37,896,829
Unassigned	<u>9,543,675</u>				<u>9,543,675</u>
Total fund balances	<u>65,439,916</u>	<u>23,066,340</u>	<u>32,378,035</u>	<u>33,223,611</u>	<u>154,107,902</u>
Total liabilities and fund balances	<u>\$ 116,982,762</u>	<u>\$ 23,070,763</u>	<u>\$ 35,733,311</u>	<u>\$ 37,046,188</u>	<u>\$ 212,833,024</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, 2011

Total fund balances - Governmental Funds		\$ 154,107,902
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 \$1,076,711,618 and the accumulated depreciation is \$315,941,175 (Note 4).		760,770,443
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:		2,484,195
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, 2011 consisted of (Note 6):		
Mello-Roos bonds	\$ (149,041,479)	
Accreted interest on bonds	(42,402,524)	
Supplemental Employee Retirement Plan	(6,311,284)	
Post-retirement employee benefits (Note 9)	(389,758)	
Compensated absences	(8,868,397)	(207,013,442)
Unmatured interest is not recognized until it is due and, therefore, is not accrued as a payable in governmental funds.		(458,839)
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:		7,994,914
Total net assets - governmental activities		\$ 717,885,173

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, 2011

	<u>General Fund</u>	<u>Capital Facilities Fund</u>	<u>Capital Projects Fund for Blended Component Units</u>	<u>All Non-Major Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Revenue limit sources:					
State apportionment	\$ 253,430,596			\$ 1,354,091	\$ 254,784,687
Local sources	<u>69,384,074</u>				<u>69,384,074</u>
Total revenue limit	<u>322,814,670</u>			<u>1,354,091</u>	<u>324,168,761</u>
Federal sources	45,186,729			19,612,461	64,799,190
Other state sources	98,098,906			21,156,805	119,255,711
Other local sources	<u>7,759,056</u>	<u>\$ 5,149,244</u>	<u>\$ 915,516</u>	<u>20,404,426</u>	<u>34,228,242</u>
Total revenues	<u>473,859,361</u>	<u>5,149,244</u>	<u>915,516</u>	<u>62,527,783</u>	<u>542,451,904</u>
Expenditures:					
Certificated salaries	224,199,063			4,039,937	228,239,000
Classified salaries	60,003,619	54,193	1,025,206	8,965,072	70,048,090
Employee benefits	107,434,858	24,006	412,408	6,017,330	113,888,602
Books and supplies	11,379,375		228,610	9,933,828	21,541,813
Contract services and operating expenditures	40,285,604	176,005	3,833,582	2,607,435	46,902,626
Capital outlay	755,170		1,929,447	6,962,328	9,646,945
Other outgo	2,360,637			70,412	2,431,049
Debt service:					
Principal retirement				5,295,148	5,295,148
Interest				<u>8,335,887</u>	<u>8,335,887</u>
Total expenditures	<u>446,418,326</u>	<u>254,204</u>	<u>7,429,253</u>	<u>52,227,377</u>	<u>506,329,160</u>
Excess (deficiency) of revenues over (under) expenditures	<u>27,441,035</u>	<u>4,895,040</u>	<u>(6,513,737)</u>	<u>10,300,406</u>	<u>36,122,744</u>
Other financing sources (uses):					
Operating transfers in	1,974,068	3,470,373	17,806,976	5,458,741	28,710,158
Operating transfers out	<u>(2,157,979)</u>	<u>(1,000,000)</u>	<u>(2,356,448)</u>	<u>(23,251,417)</u>	<u>(28,765,844)</u>
Total other financing sources (uses)	<u>(183,911)</u>	<u>2,470,373</u>	<u>15,450,528</u>	<u>(17,792,676)</u>	<u>(55,686)</u>
Net change in fund balances	27,257,124	7,365,413	8,936,791	(7,492,270)	36,067,058
Fund balances, July 1, 2010	<u>38,182,792</u>	<u>15,700,927</u>	<u>23,441,244</u>	<u>40,715,881</u>	<u>118,040,844</u>
Fund balances, June 30, 2011	<u>\$ 65,439,916</u>	<u>\$ 23,066,340</u>	<u>\$ 32,378,035</u>	<u>\$ 33,223,611</u>	<u>\$ 154,107,902</u>

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, 2011

Net change in fund balances - Total Governmental Funds		\$ 36,067,058
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).	\$ 10,472,174	
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(36,975,085)	
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:	(2,140,125)	
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).	5,295,148	
Accreted interest is an expense that is not recorded in the governmental funds (Note 6).	(2,179,707)	
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:	7,496	
In government funds, expenses related to the supplemental employee retirement program are measured by the amounts paid in the year. In the statement of activities, SERP is recognized on the accrual basis (Note 6).	1,577,821	
Post employment benefits other than pension (OPEB) are recognized when employer contributions are made in the governmental funds, and in the statement of activities are recognized on the accrual basis (Note 6).	(84,980)	
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>(581,066)</u>	<u>(24,683,781)</u>
Change in net assets of governmental activities		\$ <u><u>11,383,277</u></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, 2011

ASSETS

Cash and investments:	
Cash in County Treasury	\$ 19,157,119
Cash on hand and in banks	285,493
Receivables	16,003
Prepaid expenditures	800
Due from District	<u>2,998,084</u>
 Total assets	 <u>22,457,499</u>

LIABILITIES

Accounts payable	39,965
Unpaid claims and claim adjustment expenses	14,331,000
Due to District	<u>91,620</u>
 Total liabilities	 <u>14,462,585</u>

NET ASSETS

Total net assets, restricted	<u><u>\$ 7,994,914</u></u>
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The accompanying notes are an integral
part of these financial statements.

ELK GROVE UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN
FUND NET ASSETS - PROPRIETARY FUND

SELF-INSURANCE FUND

For the Year Ended June 30, 2011

Operating revenues:	
Self-insurance premiums	<u>\$ 2,940,414</u>
Operating expenses:	
Classified salaries	201,046
Employee benefits	85,235
Books and supplies	2,735
Provision for unpaid claims and claim adjustment expenses	<u>4,947,595</u>
Total operating expenses	<u>5,236,611</u>
Operating loss	(2,296,197)
Non-operating revenue:	
Interest income	100,046
Other income	340
Interfund transfers in	<u>55,686</u>
Total non-operating revenue	<u>156,072</u>
Change in net assets	(2,140,125)
Net assets, July 1, 2010	<u>10,135,039</u>
Net assets, June 30, 2011	<u><u>\$ 7,994,914</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, 2011

Cash flows from operating activities:	
Cash received from self-insurance premiums	\$ 2,981,258
Cash paid for salaries and benefits	(286,281)
Cash paid for services and supplies	(5,570)
Cash paid for claims	<u>(4,947,595)</u>
Net cash used in operating activities	<u>(2,258,188)</u>
Cash flows provided by investing activities:	
Interest income received	<u>100,046</u>
Cash flows from financing activities:	
Cash received from District	20,501,725
Other income	<u>340</u>
Net cash provided by financing activities	<u>20,502,065</u>
Increase in cash and investments	18,343,923
Cash and investments, July 1, 2010	<u>1,098,689</u>
Cash and investments, June 30, 2011	<u><u>\$ 19,442,612</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ <u>(2,296,197)</u>
Adjustments to reconcile operating loss to net cash used in operating activities:	
Decrease (increase) in:	
Receivables	40,844
Prepaid expenditures	(800)
Decrease in:	
Accounts payable	<u>(2,035)</u>
Total adjustments	<u>38,009</u>
Net cash used in operating activities	<u><u>\$ (2,258,188)</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, 2011

	Trust Funds		Agency Fund	
	Scholar- ship Fund	Deferred Compen- sation Fund	Student Body	Total
		Total Trust		
ASSETS				
Cash and investments (Note 2):				
Cash on hand and in banks	\$ 53,695		\$ 4,277,049	\$ 4,330,744
Investments		\$ 23,677,246		23,677,246
Stores inventory			29,735	29,735
Total assets	<u>53,695</u>	<u>23,677,246</u>	<u>4,306,784</u>	<u>28,037,725</u>
LIABILITIES				
Due to students/student groups			4,306,784	4,306,784
NET ASSETS				
Restricted (Note 7)	<u>\$ 53,695</u>	<u>\$ 23,677,246</u>	<u>\$ -</u>	<u>\$ 23,730,941</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, 2011

	Scholarship Fund	Deferred Compensation Fund	Total
Revenues:			
Other local sources	\$ 67,150	\$ 5,545,961	\$ 5,613,111
Expenditures:			
Contract services and operating expenditures	68,234	1,942,980	2,011,214
Net change in fund balances	(1,084)	3,602,981	3,601,897
Fund balances, July 1, 2010	54,779	\$ 20,074,265	20,129,044
Fund balances, June 30, 2011	\$ 53,695	\$ 23,677,246	\$ 23,730,941

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

ELK GROVE UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

The District and Elk Grove Unified School District Community Facilities District No. 1 (the "Facilities District") have a financial and operational relationship such that the Facilities District is included as a 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 and Deferred Maintenance 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 Capital Facilities, Capital Projects for Blended Component Units, State School 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.

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 \$8,868,397 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.

Fund Balance Classifications

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

A - Nonspendable Fund Balance:

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

B - Restricted Fund Balance:

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classifications (Continued)

C - Committed Fund Balance:

The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Board of Education. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. Formal action by the Board of Education is required to remove any commitment from any fund balance. At June 30, 2011, the District had no committed fund balances.

D - Assigned Fund Balance:

The assigned fund balance classification reflects amounts that the District's Board of Education has approved to be used for specific purposes, based on the District's intent related to those specific purposes. The Board of Education can designate personnel within the District to assign fund balances, however, as of June 30, 2011, no such designation occurred.

E - Unassigned Fund Balance:

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

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

Fund Balance Policy

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

While GASB Cod. Sec. 1300 and 1800 do not require Districts to establish a minimum fund balance policy or a stabilization arrangement, GASB Cod. Sec. 1300 and 1800 do require the disclosure of a minimum fund balance policy and stabilization arrangements, if they have been adopted by the Board of Education. At June 30, 2011, the District has not established a minimum fund balance policy nor has it established a stabilization arrangement.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Custodial Relationships

The balance sheet for Fiduciary Funds represents the assets, liabilities and trust and agency accounts of various student organizations and scholarship funds within the District. As the funds are custodial in nature, no measurement of operating results is involved. The District's deferred compensation investment and liability is also recorded in the Fiduciary Funds.

Deferred Compensation

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

Property Taxes

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

Encumbrances

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

Estimates

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

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

2. CASH AND INVESTMENTS

Cash and investments at June 30, 2011 are reported at fair value and consisted of the following:

	Rating	2011
Cash:		
Cash in County Treasury		\$ 70,609,199
Cash with Fiscal Agent		18,993,471
Cash on hand and in banks		4,766,679
Revolving cash fund		153,381
Cash awaiting deposit		296,596
Total cash		94,819,326
Investments:		
Money Market	**	5,087,939
Mutual Funds	**	18,589,307
Total investments		23,677,246
Total cash and investments		\$ 118,496,572
Reconciliation to Statement of Net Assets and Statement of Fiduciary Net Assets:		
Governmental Activities		\$ 90,488,582
Fiduciary Activities		28,007,990
Total		\$ 118,496,572

** The ratings are not available.

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, 2011.

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

2. CASH AND INVESTMENTS (Continued)

Cash with Fiscal Agent

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

Custodial Credit Risk

The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Under Section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, interest-bearing cash balances held in banks are insured up to \$250,000 and noninterest-bearing cash balances held in banks are fully insured by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2011, the carrying amount of the District's accounts was \$4,290,060 and the bank balance was \$5,243,500. \$606,801 of the bank balance was FDIC insured and \$4,366,974 remained 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, 2011, the District had no significant interest rate risk related to cash and investments held.

	Fair Value	Maturity Less Than One Year
Investment maturities:		
Money Market	\$ 5,087,939	\$ 5,087,939
Mutual Funds	18,589,307	18,589,307
	\$ 23,677,246	\$ 23,677,246

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, 2011, the District had the following investments that represents more than five percent of the District's net investments:

Money Market	21%
Mutual Funds	79%

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

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, 2011 were as follows:

Fund	Interfund Receivables	Interfund Payables
Major Funds:		
General	\$ 1,635,992	\$ 25,305,629
Capital Facilities	21,500,541	853
Capital Projects for Blended Component Units	9,857	21,428
Non-Major Funds:		
Charter Schools	76,912	3,181
Adult Education	158,129	181,411
Child Development	189,464	420,321
Cafeteria	155,399	1,409,920
Deferred Maintenance	717,634	
State School Facilities		7,649
Proprietary Fund:		
Self-Insurance	2,998,084	91,620
Total	\$ 27,442,012	\$ 27,442,012

Interfund Transfers

Interfund transfers for the 2010-2011 fiscal year were as follows:

Transfer from the General Fund to the Adult Education Fund for apportionment funding.	\$ 800,000
Transfer from the General Fund to the Adult Education Fund for CalWorks apportionment funding.	439,864
Transfer from the General Fund to the Deferred Maintenance Fund to return funds to Deferred Maintenance.	717,634
Transfer from the General Fund to the Child Development Fund to pay for Cal Safe Support Services, interest and employee separation costs.	85,120
Transfer from the General Fund to the Charter Schools Fund for Federal Education Job funds.	59,675

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

3. INTERFUND TRANSACTIONS (Continued)

Interfund Transfers (Continued)

Transfer from the General Fund to the Workers' Compensation - Self Insurance Fund for CPR/First Aid Certification.	\$ 55,686
Transfer from the Capital Facilities Fund to the State School Facilities Fund to augment Pleasant Grove High School agriculture building funding.	1,000,000
Transfer from the Capital Projects for Blended Component Units Fund to the State School Facilities Fund to augment AD-UP house at Cosumnes Oaks High School.	1,819,016
Transfer from the Capital Projects for Blended Component Units Fund to the State School Facilities Fund for Miwok Village assessment.	5,000
Transfer from the Capital Projects for Blended Component Units Fund to the State School Facilities Fund to augment the Pleasant Grove High School agriculture building.	475,000
Transfer from the Capital Projects Fund to the State School Facilities Fund to restore OPSC savings to 100% for project.	57,432
Transfer from the Charter School Fund to the General Fund for indirect costs.	895
Transfer from the Adult Education Fund to the General Fund for indirect support.	136,313
Transfer from the Child Development Fund to the General Fund for indirect costs.	235,070
Transfer from the Cafeteria Fund to the General Fund for indirect costs.	884,156
Transfer from the Deferred Maintenance Fund to the General Fund to start up the Special Projects crew.	717,634
Transfer from the State School Facilities Fund to the Capital Projects for Blended Component Units Fund to return Cosumnes River Elementary School front end funding.	10,000,000
Transfer from the State School Facilities Fund to the Capital Projects for Blended Component Units Fund to return COHS/EPMS funding.	3,375,000
Transfer from the State School Facilities Fund to the Capital Projects for Blended Component Units Fund to return Kennedy Elementary School project front end funding.	2,755,648
Transfer from the State School Facilities Fund to the Capital Facilities Fund to return Elk Grove Charter School front end funding.	2,279,634
Transfer from the State School Facilities Fund to the Capital Facilities Fund to return Cosumnes River Elementary School funding.	953,739
Transfer from the State School Facilities Fund to the Capital Projects for Blended Component Units Fund to return Culinary Arts front end funding.	900,000

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

3. INTERFUND TRANSACTIONS (Continued)

Interfund Transfers (Continued)

Transfer from the State School Facilities Fund to the Capital Facilities Fund to return Kennedy Elementary School front end funding.	\$ 237,000
Transfer from the State School Facilities Fund to the Capital Projects Fund to close completed projects.	5
Transfer from the Capital Projects for Blended Component Units Fund to the Mello-Roos Administrative Fund for excess special tax monies.	<u>776,323</u>
	<u><u>\$ 28,765,844</u></u>

4. CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2011 is shown below:

	Balance July 1, 2010	Additions	Deletions and Transfers	Balance June 30, 2011
Non-depreciable:				
Land	\$ 147,585,221			\$ 147,585,221
Work in progress	45,134,782	\$ 4,156,754	\$ (39,076,776)	10,214,760
Depreciable:				
Improvement of sites	42,756,154	9,536,273		52,292,427
Buildings	805,602,336	34,873,782		840,476,118
Equipment	<u>25,461,680</u>	<u>982,141</u>	<u>(300,729)</u>	<u>26,143,092</u>
Totals, at cost	<u>1,066,540,173</u>	<u>49,548,950</u>	<u>(39,377,505)</u>	<u>1,076,711,618</u>
Less accumulated depreciation:				
Improvement of sites	10,777,343	2,067,876		12,845,219
Buildings	251,728,955	33,341,620		285,070,575
Equipment	<u>16,760,521</u>	<u>1,565,589</u>	<u>(300,729)</u>	<u>18,025,381</u>
Total accumulated depreciation	<u>279,266,819</u>	<u>36,975,085</u>	<u>(300,729)</u>	<u>315,941,175</u>
Capital assets, net	<u>\$ 787,273,354</u>	<u>\$ 12,573,865</u>	<u>\$ (39,076,776)</u>	<u>\$ 760,770,443</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	<u><u>\$ 36,975,085</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, 2011, 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 2010-11 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, 2011 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, 2011 and June 30, 2010 was as follows:

	Unpaid Claims and Claim Adjustment Expenses July 1	Incurred Claims	Claims Payments	Unpaid Claims and Claim Adjustment Expenses June 30
2010/2011	<u>\$ 14,331,000</u>	<u>\$ 4,947,595</u>	<u>\$ (4,947,595)</u>	<u>\$ 14,331,000</u>
2009/2010	<u>\$ 12,712,000</u>	<u>\$ 6,144,541</u>	<u>\$ (4,525,541)</u>	<u>\$ 14,331,000</u>

6. LONG-TERM LIABILITIES

Mello-Roos Bonds Payable

A summary of Mello-Roos Bonds payable at June 30, 2011 follows:

Series	Interest Rate	Balance July 1, 2010	Current Year Maturities	Balance June 30, 2011
1995	4.0% to 6.5%	\$ 20,750,493	\$ 1,104,474	\$ 19,646,019
1998	4.0% to 8.0%	23,605,771	1,620,674	21,985,097
2001	3.0% to 3.6%	14,018,383	1,050,000	12,968,383
2003	2.1% to 4.6%	22,945,847	1,015,000	21,930,847
2005	4.0% to 4.6%	41,790,000	505,000	41,285,000
2009	6.75%	<u>31,226,133</u>		<u>31,226,133</u>
		<u>\$154,336,627</u>	<u>\$ 5,295,148</u>	<u>\$149,041,479</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 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 2039.

The annual requirements to amortize the Mello-Roos Bonds payable outstanding as of June 30, 2011 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	4,374,901	9,262,942	13,637,843
2017-2021	25,419,612	42,539,711	67,959,323
2022-2026	23,756,520	44,785,369	68,541,889
2027-2031	14,781,497	52,917,126	67,698,623
2032-2036	30,517,137	37,217,397	67,734,534
2037-2040	<u>31,226,133</u>	<u>9,041,498</u>	<u>40,267,631</u>
	<u>\$ 149,041,479</u>	<u>\$ 231,339,897</u>	<u>\$ 380,381,376</u>

Supplemental Employee Retirement Plan Liability

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

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

6. LONG-TERM LIABILITIES (Continued)

Supplemental Employee Retirement Plan Liability (Continued)

The annual requirements to amortize the SERP liability outstanding as of June 30, 2011 are as follows:

<u>Year Ending June 30,</u>	
2012	\$ 1,577,821
2013	1,577,821
2014	1,577,821
2015	<u>1,577,821</u>
	<u><u>\$ 6,311,284</u></u>

Schedule of Changes in Long-Term Liabilities

A schedule of changes in long-term liabilities for the year ended June 30, 2011 is shown below:

	<u>Balance July 1, 2010</u>	<u>Restatement (Note 13)</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2011</u>	<u>Amounts Due Within One Year</u>
Mello-Roos bonds	\$ 154,336,627			\$ 5,295,148	\$ 149,041,479	\$ 5,207,538
Accreted Interest on bonds		\$ 40,222,817	\$ 2,666,531	486,824	42,402,524	
Supplemental Employee Retirement Plan	7,889,105			1,577,821	6,311,284	1,577,821
Post-retirement employee benefits (Note 9)	304,778		2,276,151	2,191,171	389,758	389,758
Compensated absences	<u>8,287,331</u>		<u>581,066</u>		<u>8,868,397</u>	<u>700,000</u>
Totals	<u>\$ 170,817,841</u>	<u>\$ 40,222,817</u>	<u>\$ 5,523,748</u>	<u>\$ 9,550,964</u>	<u>\$ 207,013,442</u>	<u>\$ 7,875,117</u>

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

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

7. NET ASSETS / FUND BALANCES

Restricted net assets consisted of the following at June 30, 2011:

	Governmental Funds
Restricted for revolving cash fund	\$ 153,381
Restricted for prepaid expenditures	4,395,805
Restricted for stores inventory	1,323,080
Restricted for unspent categorical program revenues	18,204,697
Restricted for special revenues	7,191,243
Restricted for capital projects	61,614,625
Restricted for debt service	64,721
Restricted for self-insurance	7,994,914
	\$ 100,942,466
	Fiduciary Funds
Restricted for scholarships	\$ 53,695
Restricted for deferred compensation	23,677,246
	\$ 23,730,941

Fund balances, by category, at June 30, 2011 consisted of the following:

	General Fund	Capital Facilities Fund	Capital Projects for Blended Component Units Fund	All Non-Major Funds	Total
Nonspendable:					
Revolving cash fund	\$ 140,000			\$ 13,381	\$ 153,381
Prepaid expenditures	1,908,510			3,100	1,911,610
Stores inventory	486,153			836,927	1,323,080
Subtotal nonspendable	2,534,663			853,408	3,388,071
Restricted:					
Unspent categorical revenues	18,204,697			1,102,494	19,307,191
Capital projects		\$ 23,066,340	\$ 32,378,035	13,453,734	68,898,109
Special revenues				3,348,801	3,348,801
Debt service				11,725,226	11,725,226
Subtotal restricted	18,204,697	23,066,340	32,378,035	29,630,255	103,279,327
Assigned:					
Board assigned	35,156,881			2,739,948	37,896,829
Unassigned:					
Designated for economic uncertainty	9,543,675				9,543,675
Total fund balances	\$ 65,439,916	\$ 23,066,340	\$ 32,378,035	\$ 33,223,611	\$154,107,902

ELK GROVE UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

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 Q Street, Sacramento, California 95811.

Funding Policy

Active plan members are required to contribute 7% 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 2010-2011 was 10.707% 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, 2009, 2010 and 2011 were \$5,232,291, \$7,129,421 and \$6,959,902, respectively, and equal 100% of the required contributions for each year.

State Teachers' Retirement System (STRS)

Plan Description

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

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

8. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Plan Description and Provisions (Continued)

State Teachers' Retirement System (STRS) (Continued)

Funding Policy

Active plan members are required to contribute 8% of their salary. The required employer contribution rate for fiscal year 2010-2011 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, 2009, 2010 and 2011 were \$20,370,842, \$20,604,707 and \$18,486,056, respectively, and equal 100% of the required contributions for each year.

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 prior to July 1, 2000 with ten years of service, and who immediately entered retirement status with STRS or PERS. As of June 30, 2011, 399 retirees are receiving these benefits. For these retired employees, the District pays the insurance premiums for the lowest cost health plan for the retiree and one dependent.

Funding Policy

Expenditures for post-employment health care benefits are recognized as the premiums are paid. During the year ended June 30, 2011, expenditures of \$2,191,171 were recognized for post-employment health care benefits.

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

9. POST-RETIREMENT EMPLOYEE BENEFITS (Continued)

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$ 2,276,151
Interest on net OPEB obligation	-
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost (expense)	2,276,151
Contributions made	<u>(2,191,171)</u>
Increase in net OPEB obligation	84,980
Net OPEB obligation - beginning of year	<u>304,778</u>
Net OPEB obligation - end of year	<u><u>\$ 389,758</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended June 30, 2011 and the preceding two years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	\$ 2,276,151	98%	\$ 199,365
June 30, 2010	\$ 2,276,151	95%	\$ 304,778
June 30, 2011	\$ 2,276,151	96%	\$ 389,758

Funded Status and Funding Progress

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

ELK GROVE UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

9. POST-RETIREMENT EMPLOYEE BENEFITS (Continued)

Funded Status and Funding Progress (Continued)

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

Actuarial Methods and Assumptions

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

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

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.

ELK GROVE UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

10. ELK GROVE BENEFITS EMPLOYEE RETIREMENT TRUST (Continued)

Plan Description (Continued)

See Elk Grove Benefits Employee Retirement Trust audited financial statements for the year ended December 31, 2010 for more discussion of EGBERT.

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, 2010, the most current information available:

Total assets	\$ 546,764,817
Total liabilities	\$ 428,407,212
Total net assets	\$ 118,357,605
Total revenue	\$ 416,002,742
Total expenses	\$ 443,438,510

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, 2010, the most current information available:

Total assets	\$ 101,105,311
Total liabilities	\$ 41,804,380
Total net assets	\$ 59,300,931
Total revenue	\$ 43,906,093
Total expenses	\$ 37,968,010

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. RESTATEMENT

During the year ended June 30, 2011 District management determined that accreted interest on certain Capital Appreciation Mello Roos Bonds had not been accrued since the issuance of the related bonds, totaling \$40,222,817 at June 30, 2010. Accordingly, Long-Term Liabilities were increased and Net Assets were decreased by this amount as of July 1, 2010.

14. CONTINGENCIES

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

Also, the District has received federal and state funds for specific purposes that are subject to review or audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

REQUIRED SUPPLEMENTARY INFORMATION

ELK GROVE UNIFIED SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended June 30, 2011

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
Revenue limit sources:				
State apportionment	\$ 231,964,026	\$ 253,430,596	\$ 253,430,596	
Local sources	74,480,349	69,060,448	69,384,074	\$ 323,626
Total revenue limit	306,444,375	322,491,044	322,814,670	323,626
Federal sources	25,597,052	62,752,199	45,186,729	(17,565,470)
Other state sources	91,462,024	100,747,447	98,098,906	(2,648,541)
Other local sources	4,335,364	9,356,175	7,759,056	(1,597,119)
Total revenues	427,838,815	495,346,865	473,859,361	(21,487,504)
Expenditures:				
Certificated salaries	208,781,173	226,224,696	224,199,063	2,025,633
Classified salaries	60,405,435	65,092,317	60,003,619	5,088,698
Employee benefits	106,725,195	108,530,838	107,434,858	1,095,980
Books and supplies	10,695,196	25,473,958	11,379,375	14,094,583
Contract services and operating expenditures	41,002,516	49,629,837	40,285,604	9,344,233
Capital outlay	129,693	497,354	755,170	(257,816)
Other outgo	3,364,689	2,089,526	2,360,637	(271,111)
Total expenditures	431,103,897	477,538,526	446,418,326	31,120,200
(Deficiency) excess of revenues (under) over expenditures	(3,265,082)	17,808,339	27,441,035	9,632,696
Other financing sources (uses):				
Operating transfers in	1,415,285	1,473,539	1,974,068	500,529
Operating transfers out	(3,336,179)	(1,715,724)	(2,157,979)	(442,255)
Total other financing sources (uses)	(1,920,894)	(242,185)	(183,911)	58,274
Net change in fund balance	(5,185,976)	17,566,154	27,257,124	9,690,970
Fund balance, July 1, 2010	38,182,791	38,182,792	38,182,792	
Fund balance, June 30, 2011	\$ 32,996,815	\$ 55,748,946	\$ 65,439,916	\$ 9,690,970

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, 2011

Schedule of Funding Progress							
<u>Fiscal Year Ended</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
<u>Pre-2000 Plan</u>							
6/30/2009	November 1, 2006	\$ -	\$33.3 million	\$33.3 million	0%	\$ -	0%
6/30/2010	November 1, 2006	\$ -	\$33.3 million	\$33.3 million	0%	\$ -	0%
6/30/2011	November 1, 2006	\$ -	\$33.3 million	\$33.3 million	0%	\$ -	0%

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

ELK GROVE UNIFIED SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. PURPOSE OF SCHEDULES

A - Budgetary Comparison Schedule

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

Excess of expenditures over appropriations for the year ended June 30, 2011 were as follows:

<u>Fund</u>	<u>Excess Expenditures</u>
General Fund:	
Capital outlay	257,816

These excesses are not in accordance with education Code 42600.

B - Schedule of Other Postemployment Benefits Funding Progress

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

SUPPLEMENTARY INFORMATION

ELK GROVE UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET

ALL NON-MAJOR FUNDS

June 30, 2011

	<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>State School Facilities Fund</u>	<u>Mello-Roos Adminis- trative Fund</u>	<u>Special Reserve for Capital Outlay Fund</u>	<u>Total</u>
ASSETS									
Cash in County Treasury	\$ 1,331,464	\$ 2,017,781	\$ 14,567	\$ 27,874	\$ 2,449,806	\$ 13,841,650	\$ 60,395	\$ 168,542	\$ 19,912,079
Cash with Fiscal Agent							11,660,505		11,660,505
Cash on hand and in banks		46,585		93,090					139,675
Cash in revolving fund				13,381					13,381
Cash awaiting deposit				150					150
Receivables	203,002	671,939	582,567	1,689,563	1,657	29,646	4,326	133	3,182,833
Prepaid expenditures		3,100							3,100
Due from other funds	76,912	158,129	189,464	155,399	717,634				1,297,538
Stores inventory				836,927					836,927
Total assets	<u>\$ 1,611,378</u>	<u>\$ 2,897,534</u>	<u>\$ 786,598</u>	<u>\$ 2,816,384</u>	<u>\$ 3,169,097</u>	<u>\$ 13,871,296</u>	<u>\$ 11,725,226</u>	<u>\$ 168,675</u>	<u>\$ 37,046,188</u>
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ 289,220	\$ 206,128	\$ 151,235	\$ 325,704	\$ 50,748	\$ 578,588			\$ 1,601,623
Deferred revenue	59,675		138,797						198,472
Due to other funds	3,181	181,411	420,321	1,409,920		7,649			2,022,482
Total liabilities	<u>352,076</u>	<u>387,539</u>	<u>710,353</u>	<u>1,735,624</u>	<u>50,748</u>	<u>586,237</u>			<u>3,822,577</u>
Fund balances:									
Nonspendable		3,100		850,308					853,408
Restricted	3,705	1,024,062	74,727	230,452	3,118,349	13,285,059	\$ 11,725,226	\$ 168,675	29,630,255
Assigned	1,255,597	1,482,833	1,518						2,739,948
Total fund balances	<u>1,259,302</u>	<u>2,509,995</u>	<u>76,245</u>	<u>1,080,760</u>	<u>3,118,349</u>	<u>13,285,059</u>	<u>11,725,226</u>	<u>168,675</u>	<u>33,223,611</u>
Total liabilities and fund balances	<u>\$ 1,611,378</u>	<u>\$ 2,897,534</u>	<u>\$ 786,598</u>	<u>\$ 2,816,384</u>	<u>\$ 3,169,097</u>	<u>\$ 13,871,296</u>	<u>\$ 11,725,226</u>	<u>\$ 168,675</u>	<u>\$ 37,046,188</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, 2011

	<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>State School Facilities Fund</u>	<u>Mello-Roos Adminis- trative Fund</u>	<u>Special Reserve for Capital Outlay Fund</u>	<u>Total</u>
Revenues:									
Revenue limit sources:									
State apportionment	\$ 1,354,091								\$ 1,354,091
Federal sources	(59,675)	\$ 1,958,787	\$ 3,026,403	\$ 14,686,946					19,612,461
Other state sources	332,458	1,003,414	1,787,954	1,353,630		\$ 16,679,349			21,156,805
Other local sources	<u>7,355</u>	<u>801,135</u>	<u>446,640</u>	<u>4,507,415</u>	<u>\$ 13,064</u>	<u>131,658</u>	<u>\$ 14,468,112</u>	<u>\$ 29,047</u>	<u>20,404,426</u>
Total revenues	<u>1,634,229</u>	<u>3,763,336</u>	<u>5,260,997</u>	<u>20,547,991</u>	<u>13,064</u>	<u>16,811,007</u>	<u>14,468,112</u>	<u>29,047</u>	<u>62,527,783</u>
Expenditures:									
Certificated salaries	1,057,846	1,403,235	1,578,856						4,039,937
Classified salaries	124,583	1,085,870	968,549	6,786,070					8,965,072
Employee benefits	277,338	934,263	1,103,841	3,701,888					6,017,330
Books and supplies	98,939	350,779	326,401	8,455,225		702,484			9,933,828
Contract services and operating expenditures	46,795	385,636	1,139,462	875,706	71,859	87,977			2,607,435
Capital outlay				263,115	19,673	6,679,540			6,962,328
Other outgo							70,412		70,412
Debt service:									
Principal retirement							5,295,148		5,295,148
Interest							<u>8,335,887</u>		<u>8,335,887</u>
Total expenditures	<u>1,605,501</u>	<u>4,159,783</u>	<u>5,117,109</u>	<u>20,082,004</u>	<u>91,532</u>	<u>7,470,001</u>	<u>13,701,447</u>		<u>52,227,377</u>
Excess (deficiency) of revenues over (under) expenditures	<u>28,728</u>	<u>(396,447)</u>	<u>143,888</u>	<u>465,987</u>	<u>(78,468)</u>	<u>9,341,006</u>	<u>766,665</u>	<u>29,047</u>	<u>10,300,406</u>
Other financing sources (uses):									
Operating transfers in	59,675	1,239,864	85,120		717,634	3,356,448			5,458,741
Operating transfers out	<u>(895)</u>	<u>(136,313)</u>	<u>(235,070)</u>	<u>(884,156)</u>	<u>(717,634)</u>	<u>(20,501,026)</u>	<u>(776,323)</u>		<u>(23,251,417)</u>
Total other financing sources (uses)	<u>58,780</u>	<u>1,103,551</u>	<u>(149,950)</u>	<u>(884,156)</u>		<u>(17,144,578)</u>	<u>(776,323)</u>		<u>(17,792,676)</u>
Net change in fund balances	87,508	707,104	(6,062)	(418,169)	(78,468)	(7,803,572)	(9,658)	29,047	(7,492,270)
Fund balances, July 1, 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>21,088,631</u>	<u>11,734,884</u>	<u>139,628</u>	<u>40,715,881</u>
Fund balances, June 30, 2011	<u>\$ 1,259,302</u>	<u>\$ 2,509,995</u>	<u>\$ 76,245</u>	<u>\$ 1,080,760</u>	<u>\$ 3,118,349</u>	<u>\$ 13,285,059</u>	<u>\$ 11,725,226</u>	<u>\$ 168,675</u>	<u>\$ 33,223,611</u>

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, 2011

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
<u>Student Body Funds</u>				
<u>Elk Grove High School</u>				
Assets:				
Cash on hand and in banks	\$ 191,380	\$ 1,041,754	\$ 1,015,036	\$ 218,098
Inventory	10,819	7,508	12,925	5,402
	\$ 202,199	\$ 1,049,262	\$ 1,027,961	\$ 223,500
Liabilities:				
Due to students/student groups	\$ 202,199	\$ 1,049,262	\$ 1,027,961	\$ 223,500
<u>Florin High School</u>				
Assets:				
Cash on hand and in banks	\$ 309,298	\$ 375,494	\$ 412,245	\$ 272,547
Inventory	1,457	22,074	22,386	1,145
	\$ 310,755	\$ 397,568	\$ 434,631	\$ 273,692
Liabilities:				
Due to students/student groups	\$ 310,755	\$ 397,568	\$ 434,631	\$ 273,692
<u>Franklin High School</u>				
Assets:				
Cash on hand and in banks	\$ 296,796	\$ 1,162,263	\$ 1,108,708	\$ 350,351
Inventory		50,073	50,073	
	\$ 296,796	\$ 1,212,336	\$ 1,158,781	\$ 350,351
Liabilities:				
Due to students/student groups	\$ 296,796	\$ 1,212,336	\$ 1,158,781	\$ 350,351

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

ALL AGENCY FUNDS

(Continued)

For the Year Ended June 30, 2011

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2011</u>
<u>Student Body Funds</u>				
(Continued)				
<u>Laguna Creek High School</u>				
Assets:				
Cash on hand and in banks	\$ 336,546	\$ 590,891	\$ 591,776	\$ 335,661
Inventory	<u>12,456</u>	<u>48,793</u>	<u>46,696</u>	<u>14,553</u>
	<u>\$ 349,002</u>	<u>\$ 639,684</u>	<u>\$ 638,472</u>	<u>\$ 350,214</u>
Liabilities:				
Due to students/student groups	<u>\$ 349,002</u>	<u>\$ 639,684</u>	<u>\$ 638,472</u>	<u>\$ 350,214</u>
<u>Monterey Trail High School</u>				
Assets:				
Cash on hand and in banks	\$ 236,917	\$ 536,031	\$ 567,373	\$ 205,575
Inventory	<u> </u>	<u>41,750</u>	<u>41,750</u>	<u> </u>
	<u>\$ 236,917</u>	<u>\$ 577,781</u>	<u>\$ 609,123</u>	<u>\$ 205,575</u>
Liabilities:				
Due to students/student groups	<u>\$ 236,917</u>	<u>\$ 577,781</u>	<u>\$ 609,123</u>	<u>\$ 205,575</u>
<u>Pleasant Grove High School</u>				
Assets:				
Cash on hand and in banks	\$ 282,917	\$ 976,872	\$ 993,449	\$ 266,340
Inventory	<u>2,479</u>	<u>60,240</u>	<u>60,592</u>	<u>2,127</u>
	<u>\$ 285,396</u>	<u>\$ 1,037,112</u>	<u>\$ 1,054,041</u>	<u>\$ 268,467</u>
Liabilities:				
Due to students/student groups	<u>\$ 285,396</u>	<u>\$ 1,037,112</u>	<u>\$ 1,054,041</u>	<u>\$ 268,467</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, 2011

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2011</u>
<u>Student Body Funds</u>				
(Continued)				
<u>Sheldon High School</u>				
Assets:				
Cash on hand and in banks	\$ 398,869	\$ 847,114	\$ 832,026	\$ 413,957
Inventory	<u>6,822</u>	<u>43,762</u>	<u>47,683</u>	<u>2,901</u>
	<u>\$ 405,691</u>	<u>\$ 890,876</u>	<u>\$ 879,709</u>	<u>\$ 416,858</u>
Liabilities:				
Due to students/student groups	<u>\$ 405,691</u>	<u>\$ 890,876</u>	<u>\$ 879,709</u>	<u>\$ 416,858</u>
<u>Valley High School</u>				
Assets:				
Cash on hand and in banks	\$ 86,324	\$ 458,486	\$ 430,102	\$ 114,708
Inventory	<u> </u>	<u>67,204</u>	<u>64,663</u>	<u>2,541</u>
	<u>\$ 86,324</u>	<u>\$ 525,690</u>	<u>\$ 494,765</u>	<u>\$ 117,249</u>
Liabilities:				
Due to students/student groups	<u>\$ 86,324</u>	<u>\$ 525,690</u>	<u>\$ 494,765</u>	<u>\$ 117,249</u>
<u>Cosumnes Oaks High School</u>				
Assets:				
Cash on hand and in banks	\$ 64,827	\$ 647,125	\$ 583,816	\$ 128,136
Inventory	<u> </u>	<u>10,070</u>	<u>10,070</u>	<u> </u>
	<u>\$ 64,827</u>	<u>\$ 657,195</u>	<u>\$ 593,886</u>	<u>\$ 128,136</u>
Liabilities:				
Due to students/student groups	<u>\$ 64,827</u>	<u>\$ 657,195</u>	<u>\$ 593,886</u>	<u>\$ 128,136</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, 2011

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2011</u>
<u>Student Body Funds</u>				
(Continued)				
<u>Edward Harris, Jr. Middle School</u>				
Assets:				
Cash on hand and in banks	\$ 65,883	\$ 196,273	\$ 212,172	\$ 49,984
Inventory		<u>27,624</u>	<u>27,624</u>	
	<u>\$ 65,883</u>	<u>\$ 223,897</u>	<u>\$ 239,796</u>	<u>\$ 49,984</u>
Liabilities:				
Due to students/student groups	<u>\$ 65,883</u>	<u>\$ 223,897</u>	<u>\$ 239,796</u>	<u>\$ 49,984</u>
<u>Toby Johnson Middle School</u>				
Assets:				
Cash on hand and in banks	\$ 200,174	\$ 331,887	\$ 294,397	\$ 237,664
Inventory		<u>37,915</u>	<u>37,915</u>	
	<u>\$ 200,174</u>	<u>\$ 369,802</u>	<u>\$ 332,312</u>	<u>\$ 237,664</u>
Liabilities:				
Due to students/student groups	<u>\$ 200,174</u>	<u>\$ 369,802</u>	<u>\$ 332,312</u>	<u>\$ 237,664</u>
<u>Joseph Kerr Middle School</u>				
Assets:				
Cash on hand and in banks	\$ 139,213	\$ 211,529	\$ 208,545	\$ 142,197
Inventory	<u>83</u>	<u>14,100</u>	<u>14,106</u>	<u>77</u>
	<u>\$ 139,296</u>	<u>\$ 225,629</u>	<u>\$ 222,651</u>	<u>\$ 142,274</u>
Liabilities:				
Due to students/student groups	<u>\$ 139,296</u>	<u>\$ 225,629</u>	<u>\$ 222,651</u>	<u>\$ 142,274</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, 2011

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2011</u>
<u>Student Body Funds</u>				
(Continued)				
<u>Harriet Eddy Middle School</u>				
Assets:				
Cash on hand and in banks	\$ 45,714	\$ 141,431	\$ 169,386	\$ 17,759
Inventory		<u>41,715</u>	<u>41,715</u>	
	<u>\$ 45,714</u>	<u>\$ 183,146</u>	<u>\$ 211,101</u>	<u>\$ 17,759</u>
Liabilities:				
Due to students/student groups	<u>\$ 45,714</u>	<u>\$ 183,146</u>	<u>\$ 211,101</u>	<u>\$ 17,759</u>
<u>James Rutter Middle School</u>				
Assets:				
Cash on hand and in banks	\$ 30,828	\$ 243,953	\$ 236,896	\$ 37,885
Inventory	<u>313</u>	<u>25,032</u>	<u>24,812</u>	<u>533</u>
	<u>\$ 31,141</u>	<u>\$ 268,985</u>	<u>\$ 261,708</u>	<u>\$ 38,418</u>
Liabilities:				
Due to students/student groups	<u>\$ 31,141</u>	<u>\$ 268,985</u>	<u>\$ 261,708</u>	<u>\$ 38,418</u>
<u>Katherine L. Albiani Middle School</u>				
Assets:				
Cash on hand and in banks	\$ 95,299	\$ 361,531	\$ 348,063	\$ 108,767
Inventory		<u>30,788</u>	<u>30,788</u>	
	<u>\$ 95,299</u>	<u>\$ 392,319</u>	<u>\$ 378,851</u>	<u>\$ 108,767</u>
Liabilities:				
Due to students/student groups	<u>\$ 95,299</u>	<u>\$ 392,319</u>	<u>\$ 378,851</u>	<u>\$ 108,767</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, 2011

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2011</u>
<u>Student Body Funds</u> (Continued)				
<u>Samuel Jackman Middle School</u>				
Assets:				
Cash on hand and in banks	\$ 16,344	\$ 84,480	\$ 67,745	\$ 33,079
Inventory	<u>781</u>	<u>5,824</u>	<u>6,149</u>	<u>456</u>
	<u>\$ 17,125</u>	<u>\$ 90,304</u>	<u>\$ 73,894</u>	<u>\$ 33,535</u>
Liabilities:				
Due to students/student groups	<u>\$ 17,125</u>	<u>\$ 90,304</u>	<u>\$ 73,894</u>	<u>\$ 33,535</u>
<u>Pinkerton Middle School</u>				
Assets:				
Cash on hand and in banks	\$ 71,591	\$ 217,353	\$ 250,961	\$ 37,983
Inventory	<u> </u>	<u>16,769</u>	<u>16,769</u>	<u> </u>
	<u>\$ 71,591</u>	<u>\$ 234,122</u>	<u>\$ 267,730</u>	<u>\$ 37,983</u>
Liabilities:				
Due to students/student groups	<u>\$ 71,591</u>	<u>\$ 234,122</u>	<u>\$ 267,730</u>	<u>\$ 37,983</u>
<u>T. R. Smedberg Middle School</u>				
Assets:				
Cash on hand and in banks	\$ 131,255	\$ 212,997	\$ 199,586	\$ 144,666
Inventory	<u> </u>	<u>29,193</u>	<u>29,193</u>	<u> </u>
	<u>\$ 131,255</u>	<u>\$ 242,190</u>	<u>\$ 228,779</u>	<u>\$ 144,666</u>
Liabilities:				
Due to students/student groups	<u>\$ 131,255</u>	<u>\$ 242,190</u>	<u>\$ 228,779</u>	<u>\$ 144,666</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, 2011

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2011</u>
<u>Student Body Funds</u>				
(Continued)				
<u>Elementary and Other Schools</u>				
Assets:				
Cash on hand and in banks	\$ 1,012,151	\$ 3,275,708	\$ 3,126,167	\$ 1,161,692
Inventory				
	<u>\$ 1,012,151</u>	<u>\$ 3,275,708</u>	<u>\$ 3,126,167</u>	<u>\$ 1,161,692</u>
Liabilities:				
Due to students/student groups	<u>\$ 1,012,151</u>	<u>\$ 3,275,708</u>	<u>\$ 3,126,167</u>	<u>\$ 1,161,692</u>
<u>Total Agency Funds</u>				
Assets:				
Cash on hand and in banks	\$ 4,012,326	\$ 11,913,172	\$ 11,648,449	\$ 4,277,049
Inventory	35,210	641,955	647,430	29,735
	<u>\$ 4,047,536</u>	<u>\$ 12,555,127</u>	<u>\$ 12,295,879</u>	<u>\$ 4,306,784</u>
Liabilities:				
Due to students/student groups	<u>\$ 4,047,536</u>	<u>\$ 12,555,127</u>	<u>\$ 12,295,879</u>	<u>\$ 4,306,784</u>

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

ELK GROVE UNIFIED SCHOOL DISTRICT

ORGANIZATION

June 30, 2011

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>
Priscilla S. Cox	President	November 2012
Chet Madison, Sr.	Clerk	November 2014
Pollyanna Cooper-LeVangie	Member	November 2014
Pamela A. Irey	Member	November 2012
William Lugg, Jr.	Member	November 2012
Jeanette J. Amavisca	Member	November 2012
Alfred Rowlett	Member	November 2014

ADMINISTRATION

Steven M. Ladd, Ed. D.
Superintendent

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

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

Richard Fagan
Associate Superintendent, Finance and School Support

Robert Pierce
Associate Superintendent, Facilities and Planning

Nancy Lucia
Associate Superintendent, Education Services

ELK GROVE UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE

For the Year Ended June 30, 2011

	<u>Second Period Report</u>	<u>Annual Report</u>
Elementary:		
Kindergarten	4,127	4,127
First through Third	13,090	13,084
Fourth through Eighth	22,856	22,807
Special Education	765	800
Home and Hospital	<u>6</u>	<u>9</u>
Total Elementary	<u>40,844</u>	<u>40,827</u>
Secondary:		
Regular Classes	16,897	16,726
Special Education	428	457
Continuation Education	740	712
Home and Hospital	<u>13</u>	<u>15</u>
Total Secondary	<u>18,078</u>	<u>17,910</u>
Classes for Adults:		
Not currently enrolled	<u>297</u>	<u>343</u>
Total District	<u>59,219</u>	<u>59,080</u>
Charter School - Non Classroom-Based:		
Secondary Education	<u>300</u>	<u>309</u>

See accompanying notes to
supplementary information.

ELK GROVE UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME

For the Year Ended June 30, 2011

	<u>Statutory 1986-87 Minutes Require- ment</u>	<u>Reduced 1986-87 Minutes Require- ment</u>	<u>Statutory 1982-83 Minutes Require- ment</u>	<u>Reduced 1982-83 Actual Minutes</u>	<u>2010-11 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Number of Days Multitrack Calendar</u>	<u>Status</u>
<u>DISTRICT</u>								
Kindergarten	36,000	35,000	31,500	30,625	35,000	175	166	In Compliance
Grade 1	50,400	49,000	40,250	39,132	49,580	175	166	In Compliance
Grade 2	50,400	49,000	40,250	39,132	49,580	175	166	In Compliance
Grade 3	50,400	49,000	40,250	39,132	49,580	175	166	In Compliance
Grade 4	54,000	52,500	42,000	40,833	52,576	175	166	In Compliance
Grade 5	54,000	52,500	42,000	40,833	52,576	175	166	In Compliance
Grade 6	54,000	52,500	42,000	40,833	52,576	175	166	In Compliance
Grade 7	54,000	52,500	42,000	40,833	59,389	175	166	In Compliance
Grade 8	54,000	52,500	42,000	40,833	59,389	175	166	In Compliance
Grade 9	64,800	63,000	52,500	51,042	63,035	175	N/A	In Compliance
Grade 10	64,800	63,000	52,500	41,042	63,035	175	N/A	In Compliance
Grade 11	64,800	63,000	52,500	51,042	63,035	175	N/A	In Compliance
Grade 12	64,800	63,000	52,500	51,042	63,035	175	N/A	In Compliance
<u>CHARTER SCHOOL (NON-CLASSROOM BASED)</u>								
Grade 7	54,000	N/A	N/A	N/A	N/A	178	N/A	N/A
Grade 8	54,000	N/A	N/A	N/A	N/A	178	N/A	N/A
Grade 9	64,800	N/A	N/A	N/A	N/A	178	N/A	N/A
Grade 10	64,800	N/A	N/A	N/A	N/A	178	N/A	N/A

See accompanying notes to
supplementary information.

ELK GROVE UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
For the Year Ended June 30, 2011

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass- Through Entity Identifying Number	Federal Expend- itures
<u>U.S. Department of Education - Passed through California Department of Education</u>			
	Special Education Cluster:		
84.027	Special Education: Basic Local Assistance	13379	\$ 9,197,161
84.027A	Special Education: Preschool Local Entitlement	13682	434,476
84.173	Special Education: Preschool Grant	13430	201,513
84.173A	Special Education: Preschool Staff Development	13431	3,921
84.391	Special Education: ARRA IDEA Part B, Sec 611, Preschool Local Entitlement	15002	210,238
84.391	Special Education: ARRA IDEA Part B, Sec 611, Basic Local Assistance	15003	2,912,534
84.392	Special Education: ARRA IDEA Part B, Sec 619, Preschool Grants	15000	<u>142,684</u>
	Subtotal Special Education Cluster		<u>13,102,527</u>
	NCLB: Title I Cluster:		
84.010	NCLB: Title I: Basic Grants Low-Income and Neglected	13797	8,216,106
84.389	NCLB: Title I: ARRA, Title I, Basic Grants Low-Income and Neglected	15005	5,414,443
84.389	NCLB: Title I: ARRA, Title I, Part D, Local Delinquent Programs	15009	<u>387</u>
	Subtotal NCLB: Title I Cluster		<u>13,630,936</u>
	Educational Technology State Grants Cluster:		
84.318	NCLB: Title II: Part D, Enhancing Ed. Thr. Tech.	14334	83,268
84.318	NCLB: Title II: Part D, Enhancing Ed. Thr. Tech.	14368	64,572
84.386	NCLB: Title II: ARRA, Part D, Enhancing Ed. Thr. Tech.	15019	182,801
84.386	NCLB: Title II: ARRA, Part D, Enhancing Ed. Thr. Tech.	15126	<u>33,679</u>
	Subtotal Educational Technology State Grants Cluster		<u>364,320</u>
	Education of Homeless Children and Youth Cluster:		
84.196A	Title X: McKinney-Vento Homeless Assistance Grant	13697	56,236
84.387	NCLB: ARRA Title X, McKinney-Vento Homeless Assistance	15007	<u>103,524</u>
	Subtotal Education of Homeless Children and Youth Cluster		<u>159,760</u>

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS

(Continued)

For the Year Ended June 30, 2011

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education - Passed through California Department of Education (Continued)</u>			
84.366	NCLB: Title II: Part B, CaMSP	14512	\$ 845,242
84.367	NCLB: Title II: Teacher Quality	14341	1,650,225
84.365	Title III: Immigrant Education Program	14346	59,679
84.365	Title III: Limited English Proficient Student Program	10084	956,784
84.002A	Adult Education: Adult Basic Education	14508	238,216
84.002A	Adult Education: English Literacy & Civics Ed.	14109	217,909
84.002A	Adult Education: Institutionalized Adults	13971	70,794
84.002A	Adult Education: ASE/GED	13978	23,301
84.394	ARRA: State Fiscal Stabilization Fund	25008	3,709,889
84.410	Education Jobs Fund	25152	4,808,859
84.181	Special Education: IDEA Early Intervention Grants	23761	53,605
84.186	NCLB: Title IV, Part A: Drug Free Schools	13453	57,318
84.048	Vocation and Applied Technology Secondary II C	13924	308,278
84.048	Vocational Programs: Post Secondary & Adult II C	13923	97,895
84.158	Workability II Transitions Partnership	10006	153,052
84.060A	Indian Education	10011	39,885
84.215X	Teaching American History	-	248,638
84.287	21st Century Schools	14681	1,072,813
84.357A	NCLB: Title I: Reading First Program	14328	235,543
84.357	NCLB: Title I: Title I Part B, Reading First Pilot Project, Special Education Teachers	14911	441,068
84.213	NCLB: Title I: Even Start Family Literacy	13001	133,285
84.243	Perkins IV Tech Prep Grant	14899	90,924
84.390A	Rehabilitation Services-Vocational Rehabilitation Grants to States, Recovery Act	-	40,438
84.184E	Safe and Drug-Free Schools and Communities National Programs	-	145,372
84.334A	Gear Up	10088	<u>156,845</u>
	Total U.S. Department of Education		<u>43,113,400</u>
<u>U.S. Department of Labor - Passed through California Department of Education</u>			
	SETA Cluster:		
17.258	SETA: One Stop Adult	-	324,918
17.258	SETA: Workforce Skills Preparation Services	-	451,483
17.259	SETA: One Stop Universal Services	-	54,779
17.259	SETA: One Stop Out of School Services	-	272,916
17.260	SETA: One Stop Dislocated Workers	-	51,289
17.269	SETA: Employment Training Program (ETP)	-	<u>22,352</u>
	Subtotal SETA Cluster		<u>1,177,737</u>
	Total U.S. Department of Labor		<u>1,177,737</u>

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS

(Continued)

For the Year Ended June 30, 2011

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Health and Human Services - Passed through California Department of Education</u>			
	Child Development Cluster:		
93.596	Child Development: Federal Child Care Center Based	13609	\$ 321,462
93.713	Child Development: ARRA, Infant toddler Resource	15011	<u>349</u>
	Subtotal Child Development Cluster		<u>321,811</u>
93.778	Medi-Cal Billing Option (DHS)	10013	603,591
93.600	Head Start	10016	2,704,592
93.674	Chafee Foster Care Independence Program	-	<u>111,977</u>
	Total U.S. Department of Health and Human Services		<u>3,741,971</u>
<u>U.S. Department of Agriculture - Passed through California Department of Education</u>			
10.555	National School Lunch Program	13390	14,686,946
10.551	Cancer Prevention	-	<u>327,504</u>
	Total U.S. Department of Agriculture		<u>15,014,450</u>
<u>U.S. Department of Defense</u>			
**	NJROTC	-	15,909
**	Air Force ROTC	-	<u>66,554</u>
	Total U.S. Department of Defense		<u>82,463</u>
	Total Federal Programs		<u>\$ 63,130,021</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, 2011

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, 2011

	<u>(Budgeted)</u> <u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
<u>General Fund</u>				
Revenues and other financing sources	\$ 409,721,380	\$ 475,833,429	\$ 474,654,838	\$ 483,594,192
Expenditures	401,725,382	446,418,326	480,439,668	489,655,817
Other uses and transfers out	<u>1,232,784</u>	<u>2,157,979</u>	<u>3,234,496</u>	<u>5,006,913</u>
Total outgo	<u>402,958,166</u>	<u>448,576,305</u>	<u>483,674,164</u>	<u>494,662,730</u>
Change in fund balance	<u>\$ 6,763,214</u>	<u>\$ 27,257,124</u>	<u>\$ (9,019,326)</u>	<u>\$ (11,068,538)</u>
Ending fund balance	<u>\$ 72,203,130</u>	<u>\$ 65,439,916</u>	<u>\$ 38,182,792</u>	<u>\$ 47,202,118</u>
Available reserves	<u>\$ 9,500,000</u>	<u>\$ 9,543,675</u>	<u>\$ 13,922,795</u>	<u>\$ 10,147,123</u>
Designated for economic uncertainties	<u>\$ 9,500,000</u>	<u>\$ 9,543,675</u>	<u>\$ 10,639,009</u>	<u>\$ 9,865,054</u>
Undesignated fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,283,786</u>	<u>\$ 282,069</u>
Available reserves as percentages of total outgo	<u>2.4%</u>	<u>2.1%</u>	<u>2.9%</u>	<u>2.1%</u>
<u>All Funds</u>				
Total long-term liabilities (as restated)	<u>\$ 199,138,325</u>	<u>\$ 207,013,442</u>	<u>\$ 211,040,658</u>	<u>\$ 206,107,691</u>
Average daily attendance at P-2 (excluding adult and Charter School)	<u>58,927</u>	<u>58,922</u>	<u>58,736</u>	<u>58,598</u>

The General Fund fund balance has increased by \$7,169,260 over the past three years. The fiscal year 2011-2012 budget, as originally adopted, projects an increase of \$6,763,214. For a district this size (budgeted ADA in excess of 30,000), the state recommends available reserves of at least two percent of total General Fund expenditures, transfers out, and other uses (total outgo). The District has met this requirement.

The District has incurred operating deficits in two of the past three years, and anticipates an operating surplus during the 2011-12 fiscal year.

Total long-term liabilities have increased by \$905,751 over the past two years, as shown in Note 6 to the basic financial statements.

Average daily attendance has increased by 324 over the past two years. An increase of 5 ADA is projected for the 2011-12 fiscal year.

See accompanying notes to
supplementary information.

ELK GROVE UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS

For the Year Ended June 30, 2011

<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, 2011

	<u>School Readiness</u>
Revenues	
Other local sources	<u>\$ 440,432</u>
Expenses:	
Certificated salaries	165,898
Classified salaries	73,232
Employee benefits	81,339
Books and supplies	37,716
Contract services and operating expenditures	58,457
Indirect costs	<u>23,790</u>
Total expenses	<u>440,432</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, 2011.

<u>Description</u>	<u>CFDA Number</u>	<u>Amount</u>
Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances		\$ 64,799,190
Add: State Fiscal Stabilization Funds spent from prior year awards	84.394	858,951
Less: Medi-Cal Billing Funds not spent	93.778	<u>(2,528,120)</u>
Total Schedule of Expenditure of Federal Awards		<u>\$ 63,130,021</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 2011-2012 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, 2011, the District did not adopt this program.

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

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

We have audited the compliance of Elk Grove Unified School District with the types of compliance requirements described in the State of California's *Standards and Procedures for Audits of California K-12 Local Educational Agencies* (the "Audit Guide") to the state laws and regulations listed below for the year ended June 30, 2011. 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 AUDITORS' 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 2010-2011 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, 2011. Accordingly, we could not perform the portions of the audit steps (a), (b) and (c) of Section 19837 of the 2010-2011 Audit Guide relating to the comparison of tested data from the 2010-2011 fiscal year to the 2010-2011 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.

As described in Finding 2011-04 in the accompanying Schedule of Audit Findings and Questioned Costs, Elk Grove Unified School District did not comply with requirements regarding Excuse Note Documentation. Compliance with such requirements is necessary, in our opinion, for Elk Grove Unified School District to comply with state laws and regulations applicable to Attendance Accounting and Reporting requirements.

In our opinion, except for the noncompliance with Excuse Note Documentation identified in the Schedule of Audit Findings and Questioned Costs as Finding 2011-04, Elk Grove Unified School District complied with the state laws and regulations referred to above for the year ended June 30, 2011. Further, based on our examination, for items not tested, nothing came to our attention to indicate the Elk Grove Unified School District had not complied with the state laws and regulations.

INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

(Continued)

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

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

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
November 30, 2011

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

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

We have audited the financial statements of Elk Grove Unified School District as of and for the year ended June 30, 2011, and have issued our report thereon dated November 30, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Elk Grove Unified School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Elk Grove Unified School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Elk Grove Unified School District's internal control over financial reporting. Accordingly, we do not express an opinion on 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 significant deficiencies or material weaknesses, and therefore, there can be no assurance that all significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Audit Findings and Questioned Costs as Finding 2011-01, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness. We also noted other matters involving internal control that we have communicated to management as identified in the accompanying Schedule of Audit Findings and Questioned Costs as Findings 2011-02 and 2011-03.

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

(Continued)

Compliance and Other Matters

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

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

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



Crowe Horwath LLP

Sacramento, California
November 30, 2011

**INDEPENDENT AUDITORS' 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 Elk Grove Unified School District's compliance with the types of compliance requirements described in the Program Guidelines for the First 5 Sacramento County Program that have a direct and material effect on its First 5 Sacramento County Program for the year ended June 30, 2011. Compliance with the requirements of laws, regulations, contracts and grants applicable to its First 5 Sacramento County Program is the responsibility of Elk Grove Unified School District's management. Our responsibility is to express an opinion on Elk Grove Unified School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on First 5 Sacramento County Program occurred. An audit includes examining, on a test basis, evidence about Elk Grove Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Elk Grove Unified School District's compliance with those requirements.

In our opinion, Elk Grove Unified School District complied, in all material respects, with the compliance requirements referred to above that have a direct and material effect on its First 5 Sacramento County Program for the year ended June 30, 2011.

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 AUDITORS' 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.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
November 30, 2011

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

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

Compliance

We have audited Elk Grove Unified School District's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Elk Grove Unified School District's major federal programs for the year ended June 30, 2011. Elk Grove Unified School District's major federal programs are identified in the Summary of Auditors' Results section of the accompanying schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Elk Grove Unified School District's management. Our responsibility is to express an opinion on Elk Grove Unified School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Elk Grove Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Elk Grove Unified School District's compliance with those requirements.

In our opinion, Elk Grove Unified School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of Elk Grove Unified School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Elk Grove Unified School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Elk Grove Unified School District's internal control over compliance.

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

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

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


Crowe Horwath LLP

Sacramento, California
November 30, 2011

FINDINGS AND RECOMMENDATIONS

ELK GROVE UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? X Yes 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 auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? Yes 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, 84.173A, 84.391, 84.392 84.010, 84.389 84.394 10.555 93.600 84.410	Special Education Cluster (including ARRA) NCLB: Title I Cluster (including ARRA) ARRA: State Fiscal Stabilization Funds National School Lunch Program Head Start Education Jobs Fund

Dollar threshold used to distinguish between Type A and Type B programs: \$ 1,893,901

Auditee qualified as low-risk auditee? Yes X 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 auditors' report issued on compliance for state programs: Qualified

ELK GROVE UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2011

SECTION II - FINANCIAL STATEMENT FINDINGS

2011-01 MATERIAL WEAKNESS - LONG-TERM LIABILITIES (30000)

Criteria

Accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board, require entities to establish and maintain effective internal control over financial reporting.

Condition

The District did not recognize accreted interest on outstanding General Obligation Bonds.

Effect

The District's long-term liabilities were understated.

Cause

The District did not establish the requisite internal control procedures.

Fiscal Impact

While there is no impact on the District's ending fund balances, the District's long-term liabilities on the Statement of Net Assets were understated by \$40,222,817 at June 30, 2010.

Recommendation

The District should establish the requisite internal control procedures to maintain adequate records regarding accreted interest.

Corrective Action Plan

The District has spreadsheets that calculate the accreted interest on each General Obligation Bond issue, and has established procedures to ensure that the appropriate adjustments are made at the end of each fiscal year.

ELK GROVE UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2011

SECTION II - FINANCIAL STATEMENT FINDINGS
(Continued)

2011-02 DEFICIENCY - ACCRUED VACATION (30000)

Criteria

Vacation accrual is governed by collective bargaining contracts as well as board policies 4162, 4262 and 4362. All contracts and board policies prohibit accumulation of more than two years of vacation.

Condition

Approximately 600 employees have vacation accrued in excess of the limits specified by the District policies, totaling approximately 12,780 hours of excess vacation.

Effect

Increased 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 number of vacation hours/days each year. District's vacation accrual policy should be enforced. Also, the District should consider a policy that vacation accrual will stop once an employee has reached a maximum permitted by the current policy.

Corrective Action Plan

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

ELK GROVE UNIFIED SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

(Continued)

Year Ended June 30, 2011

SECTION II - FINANCIAL STATEMENT FINDINGS

(Continued)

2011-03 DEFICIENCY - STUDENT BODY ACCOUNTING (30000)

Criteria

Internal Controls – Safeguarding of assets

Condition

At E. Harris Middle School there is no formal approval process for documenting approval of revenue producing activities. Physical inventories of the student store are performed however there is no sign-off indicating preparer or reviewer. Student store register tapes are not being reconciled to cashier's drawer counts. There is no evidence of review over the monthly report of activity or profit and loss statements for the various clubs.

At Ellen Feickert Elementary School there is not a process in place for documenting approval of revenue producing activities. There is no evidence of review over the monthly report of activity for the various clubs. There is no indication that bank reconciliations are reviewed by a person independent of preparation or done in a timely manner. Cash deposits are not supported by receipts or tally sheets detailing the number of items sold. Cash disbursement request forms are not utilized to document approval of disbursements prior to checks being issued. An invoice was paid directly with cash receipts collected instead of going through the cash disbursement process.

At Arlene Hein Elementary School there is no formal approval process for documenting approval of revenue producing activities. There is no evidence of review over the monthly report of activity for the various clubs. There is no indication that bank reconciliations are reviewed by a person independent of preparation in a timely manner. Cash deposits are not supported by receipts or tally sheets detailing the number of items sold. Cash disbursement request forms are not utilized to document approval of disbursements prior to checks being issued. For the transaction selected, a supporting invoice or receipt was not retained with the disbursement issued.

At Cosumnes Oaks High School there is no evidence of review over monthly report of activity for the various clubs or of the profit and loss statements for the various clubs. There is no evidence of review of the student store inventory count. The purchase of the lawn mower does not promote the general welfare of the student population.

At Helen Carr Costello Elementary School cash receipt books are not utilized to track the initial collection of cash. There is no indication that cash deposits are reconciled to supporting documentation. No indication that bank reconciliations are prepared or reviewed by a person independent of preparation in a timely manner. Cash deposits are not performed in a timely manner.

At Rio Cazadero High School no reconciliation of student store activity including sales, inventory and purchases had been performed. No evidence of review over the monthly report of activity for the various clubs. There is no evidence of approval of fundraising activities.

ELK GROVE UNIFIED SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

(Continued)

Year Ended June 30, 2011

SECTION II - FINANCIAL STATEMENT FINDINGS

(Continued)

2011-03 DEFICIENCY - STUDENT BODY ACCOUNTING (30000) (Continued)

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.

Recommendations

- Revenue producing activities should be approved by the principal and documented in writing.
- The inventory count should be signed by the preparer and reviewer as evidence of review.
- A reconciliation of register tapes to cash in the cash drawer should be performed.
- Evidence of review of the monthly activity or profit and loss statements should be documented.
- Bank reconciliations should include evidence of review, by someone other than preparer.
- Cash deposits should be supported by receipts or tally sheets.
- All invoices should go through the normal cash disbursement or payment process.
- Approval of payment should be documented before checks are issued.
- Invoice or other support should be maintained for checks issued.
- Items purchased with ASB funds should promote the general welfare of the students.
- Receipt book(s) should be used upon collection of cash.
- Cash deposits should be performed timely.
- A reconciliation of sales to cash received and reconciliation of sales to inventory remaining should be performed and reviewed.
- Revenue producing activities should be approved by the principal and documented in writing.

Corrective Action Plan

The District has administered District-wide guidelines along with Fiscal Crisis Management Assistance Team (FCMAT). Additionally, District staff has performed site visits to go over 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, 2011

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, 2011

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2011-04 ATTENDANCE (40000)

Criteria

Attendance Accounting and Reporting in California Public Schools, Title 5, CCR, Sections 401 and 421 (b), and Education Code Section 44809 – Each LEA must develop and maintain accurate and adequate records to support the attendance reported to the State.

Condition

At Helen Carr Castello Elementary School one student was marked present per teacher's attendance roster and in the attendance summary report for one day of a four day absence. However, an absence note supported the student's absence for all four days.

Effect

The extrapolated effect of the error is an overstatement of 0.49 ADA.

Cause

Attendance procedures are manual in nature and proper internal controls are not implemented.

Fiscal Impact

The extrapolated ADA impact is below 0.50 ADA, therefore District is not required to revise Second Period Report for the finding.

Recommendation

We recommend that the attendance clerk reconcile absence notes with attendance records to ensure attendance is accurately recorded.

Corrective Action Plan

District staff will continue to perform site visits to review attendance implications and help ensure that attendance is not claimed for students who were absent.

**STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS**

ELK GROVE UNIFIED SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

Year Ended June 30, 2011

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
<p>2010-1</p> <p>Several employees have vacation accrued in excess of the limits specified by the District policies.</p> <p>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.</p>	<p>Not implemented.</p>	<p>See current year Finding 2011-01</p>
<p>2010-2</p> <p>At Katherine Albiani Middle School, physical inventories of the student store is performed but not reviewed.</p> <p>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.</p> <p>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.</p>	<p>Not implemented.</p>	<p>See current year Finding 2011-02.</p>