

ELK GROVE UNIFIED SCHOOL DISTRICT
COUNTY OF SACRAMENTO
ELK GROVE, CALIFORNIA

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2009

AND

INDEPENDENT AUDITOR'S REPORT

ELK GROVE UNIFIED SCHOOL DISTRICT

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2009

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-9
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	10
Discretely Presented Component Unit - Elk Grove Benefits Employee Retirement Trust - Statement of Net Assets Available for Benefits	11
Statement of Activities	12
Discretely Presented Component Unit - Elk Grove Benefits Employee Retirement Trust - Statement of Change in Net Assets Available for Benefits	13
Fund Financial Statements:	
Balance Sheet - Governmental Funds	14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	15
Statement of Revenues, Expenditures and Change in Fund Balances - Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balances - Governmental Funds - to the Statement of Activities	17
Statement of Revenues, Expenditures and Change in Fund Balance - Budget (Non-GAAP) and Actual - Major Fund - General Fund	18
Statement of Fund Net Assets - Proprietary Fund - Self-Insurance Fund	19
Statement of Revenues, Expenses and Change in Fund Net Assets Proprietary Fund - Self-Insurance Fund	20

ELK GROVE UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2009

TABLE OF CONTENTS

(Continued)

	<u>Page</u>
Basic Financial Statements: (Continued)	
Fund Financial Statements: (Continued)	
Statement of Cash flows - Proprietary Fund - Self-Insurance Fund	21
Statement of Fiduciary Net Assets - Trust and Agency Funds	22
Statement of Revenues, Expenditures and Change in Fund Balances - Fiduciary Funds - Trust Funds	23
Notes to Basic Financial Statements	24-46
Supplementary Information:	
Combining Balance Sheet - All Non-Major Funds	47
Combining Statement of Revenues, Expenditures and Change in Fund Balances - All Non-Major Funds	48
Combining Statement of Changes in Assets and Liabilities - All Agency Funds	49-55
Organization	56
Schedule of Average Daily Attendance	57
Schedule of Instructional Time	58
Schedule of Expenditure of Federal Awards	59-61
Reconciliation of Unaudited Actual Financial Report with Audited Financial Statements	62
Schedule of Financial Trends and Analysis	63
Schedule of Charter Schools	64
Schedule of First 5 Revenues and Expenses	65
Schedule of School Community Violence Prevention Revenue and Expenses	66

ELK GROVE UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2009

TABLE OF CONTENTS

(Continued)

	<u>Page</u>
Supplementary Information: (Continued)	
Notes to Supplementary Information	67-68
Independent Auditor's Report on Compliance with State Laws and Regulations	69-71
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	72-73
Independent Auditor's Report on Compliance with Requirements Applicable to the First 5 Sacramento County Program and on Internal Control over Compliance in Accordance with a Program-Specific Audit	74-75
Independent Auditor's Report on Compliance with Requirements Applicable to the School Community Violence Prevention Program and on Internal Control over Compliance in Accordance with a Program-Specific Audit	76-77
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	78-79
Findings and Recommendations:	
Schedule of Audit Findings and Questioned Costs	80-87
Status of Prior Year Findings and Recommendations	88

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Elk Grove Unified School District, as of and for the year ended June 30, 2009, and the discretely presented component unit for the year ended December 31, 2008, which collectively comprise Elk Grove Unified School District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Elk Grove Unified School District as of June 30, 2009, and the respective change in financial position and cash flows, where applicable, for the year then ended, and the discretely presented component unit for the year ended December 31, 2008, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2009 on our consideration of Elk Grove Unified School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

INDEPENDENT AUDITOR'S REPORT

(Continued)

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Perry Smith LLP

Sacramento, California
November 30, 2009





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

Unified School District

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

(916) 686-7700

Management's Discussion and Analysis

The following discussion and analysis is reflecting the 2008/09 school year. Elk Grove Unified School District is the 5th largest school district in California. Located in southern Sacramento County, the District covers 320 square miles, which is one-third of the county. The District operates 64 schools, consisting of 39 elementary schools (grades K-6), 9 middle schools (grades 7-8), 9 comprehensive high schools (grades 9-12), 3 continuation high schools, 1 special education school, 1 adult school, 1 independent study program, and 1 charter school. The District serves a diverse student population and students speak more than 72 languages.

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

As of March 12, 2009, the District employed on a regular basis 3,292.1 F.T.E. certificated non-management employees, 1,533.1 F.T.E. classified non-management employees and 448.7 F.T.E. management, supervisory and confidential 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 Statement 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 GASB 34. Net assets, the difference between the District’s assets and liabilities, are one way to measure the District’s financial health or position. Over time, increases or decreases in the District’s net assets are one indicator of whether it’s financial position is improving or declining.

Statement of Net Assets

The *Statement of Net Assets* for the 2008-09 year shows the District's net assets as \$788,367,197. 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 2007-08 to 2008-09.

Statement of Net Assets		
	June 30, 2008	June 30, 2009
Assets other than capital	\$206,113,969	\$244,405,058
Capital assets net of accumulated depreciation	<u>789,220,463</u>	<u>779,008,082</u>
Total assets	\$995,334,432	\$1,023,413,140
Liabilities other than long term	37,049,487	66,780,751
Long term liabilities	<u>143,565,036</u>	<u>168,265,192</u>
Total liabilities	<u>\$180,614,523</u>	<u>\$235,045,943</u>
Ending Net Assets	\$ 814,719,909	\$ 788,367,197

Financial Condition of the General Fund

In 2008/09 Elk Grove Unified School District received a statutory cost of living allowance (COLA) from the State of 5.66%. This translated into an increase in the per unit of Average Daily Attendance (ADA) of \$329. The State then deficated the total revenue limit which resulted in the district having an effective decrease to its revenue limit of \$373 per ADA. Revenue limit income is the major component of the District's unrestricted income and the District relies on these revenues to cover cost increases for employee salaries and benefits, other fixed costs and also consider new programs from these monies. The following tables summarize fund balance changes and operational fund financial statements.

Summary of Financial Operations		
	June 30, 2008	June 30, 2009
Revenues	\$490,492,625	\$482,184,185
Expenditures	<u>(486,822,163)</u>	<u>(493,252,723)</u>
Difference	\$ 3,670,462	\$ (11,068,538)

Change in Fund Balance			
	Restricted	Unrestricted	Total
June 30, 2008	<u>25,513,228</u>	<u>32,757,428</u>	<u>58,270,656</u>
June 30, 2009	<u>33,923,856</u>	<u>13,278,261</u>	<u>47,202,118</u>
Change	\$ 8,410,628	\$(19,479,167)	\$(11,068,538)

General Fund Revenues

More than seventy 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.

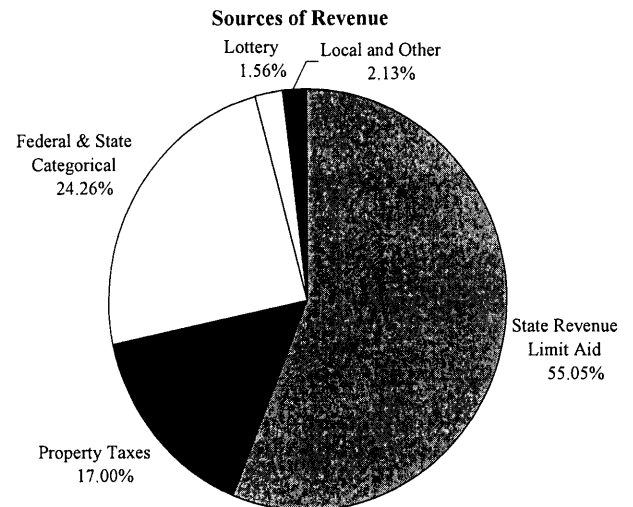
The second biggest source of revenue is state categorical income that must be spent for specific state determined programs. The two largest categorical programs are funding for a portion of Special Education services and the K-3 Class-Size Reduction program.

For 2008-09 and 2009-10 the Federal government is providing Fiscal Stabilization Funding to "backfill" on a one-time basis, cuts in funding provided to local educational agencies (LEAs) by states. California elected to calculate and distribute the funding based on the manner in which reductions were applied to revenue limits and categorical funding in the respective years. For the 2008-09 year this more than doubled the amount of Federal funding received by the district from \$23.5 million in 2007-08 to \$48.4 million in 2008-09. However, Federal income continues to be a small portion of the entire General Fund income.

The District's total resources for expenditures include a "beginning balance", which represents the unexpended balance from the prior year. During the 2008-09 school year, the District's ending fund balance decreased by a little more than \$11 million. This decrease was in large part due to a reduction in state revenues to the District, an increase in health benefit costs, a 1% salary increase for all staff and the slowing and resultant decrease in student growth. Because the District had been prudent with budget reserves in the past, the District still was able to end the year in a positive manner as required by law.

General Fund Sources

Sources Available	
State Aid	\$265,423,375
Property Taxes	81,980,714
Total Revenue Limit	347,404,089
Federal Revenue	48,357,536
Lottery	7,560,453
Other State Revenue	68,610,062
Local Revenue	10,252,045
Total Revenue	482,184,185
Beginning Fund Balance	58,270,656
Total General Fund Sources	\$540,454,841

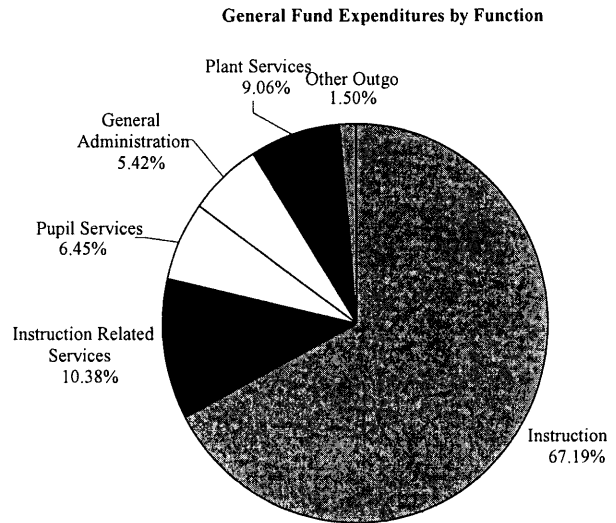
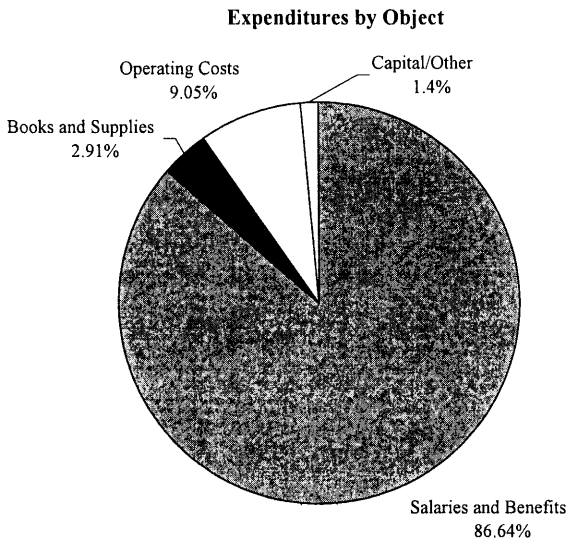


General Fund Expenditures

Employee salary and benefit costs consume 86.64% of the District's General Fund expenditures. Over 67.19% 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.

08/09 General Fund Expenditures	
Salaries and Benefits	\$427,359,347
Books and Supplies	14,335,591
Operating Costs	44,632,756
Capital/Other	6,925,029
Total Expenditures	493,252,723
Restricted Ending Fund Balance	33,923,856
Unrestricted Undesignated Amount*	282,070
Designated Reserves*	12,996,192
Total Ending Fund Balance	\$47,202,118

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



Post Retirement Employee Benefits

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

Mello Roos and Construction of New School Facilities

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

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

In November of 1998, the District issued its first series of special tax bonds pursuant to the 1998 Authorization in the principal amount of \$28,954,336. In November of 2001, November 2003, November 2005 and November of 2008 the District issued the second, third, fourth and fifth series of special tax bonds pursuant to the 1998 Authorization in the amounts of \$21,343,383, \$28,000,828, \$43,540,000 and \$31,226,133, respectively. A total of \$153,064,700 has been issued to date from the 1998 Authorization. The total principal amount of outstanding special tax bonds that are repaid by the special tax levied on taxable land in the District is \$159,734,811. Over the next five to six years, the District is projecting a need to construct 2-3 new elementary schools, 1 middle school and 1 high school.

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 58% of the District's capital assets. The work in progress on District's buildings, i.e. modernizations as well as new construction, makes up approximately 19% of the district's capital assets. The land is approximately 18.95%, land improvements are almost 3% and equipment is 1.17%.

Factors Bearing on the District's Future:

Forecasters with the UCLA Anderson Forecast and the National Bureau of Economic Research both issued reports in December 2008 acknowledging that the nation was in a recession and had been for a year. California followed the nation through the recession path. The State saw major decreases in its three major revenue sources; sales, income and corporate taxes. In addition, a 25 year history of increasing property tax revenues was broken with an overall significant decrease in property values due to the on-going housing crisis. The Sacramento Valley was one of the hardest hit regions during this downturn. Our area suffered from steep declines in residential construction, residential foreclosures, businesses shutting their doors and people losing their jobs.

It is projected that recovery will not occur until 2012 and California's volatile revenue picture is expected to continue until the state's revenue base is widened to include less cyclical portions of the economy. This boom-bust cycle hurts California's educational system by building instability into public education's revenue streams. California needs a formula that stabilizes education funding, and moves state-supported education up from being the 46th nationally in per-pupil expenditures.

The State of California's budget crisis has had a significant financial impact on Elk Grove Unified School District. Since the 1993-94 school year, the state has reduced school district funding in 12 out of 17 years. As a result of the continued decline in school district funding, the District has been forced to make various staffing and program reductions in past years. In 2002-03 and 2003-04, the District made significant cuts to various classified positions, including administrative assistants, transportation, custodians and maintenance and operations staff. Many of these positions have not been restored due to the continued lack of adequate funding. For the 2008-09 budget, the District cut \$10.3 million, including eliminating 78 positions and made additional mid-year cuts totaling \$10.1 million. This was a combined reduction in 2008-09 of \$20.4 million.

The District looked at budget cuts through the following lenses:

- Retain people before things
- Safety and security of district students and employees
- Maintain a clean and healthy school environment
- Continue the district's outstanding academic programs and services.

The District Board adopted \$19.8 million in reductions in April 09 and in June 09 adopted an additional \$4.4 million in reductions for 2009-10. The combined total reductions taken in 2008-09 and 2009-10 is \$44.6 million. The District goal, that everyone shares, is to forgo “things” in order to keep as many people as possible in the delivery of our work. The District is also exploring ways to enhance revenue and operate even more efficiently. The District has implemented an energy management program and is always finding ways to provide services in even more economic ways.

With all of this going on, there is still hard work, leadership, and support that takes place every day on behalf of the students. EGUSD teachers, administrators and staff continue to arrive to work each and every day ready to do their best to support teaching and learning. They know that the quality that the district has achieved must continue.

There have been good results from our efforts. For the past three years, Elk Grove Unified students’ results on the California Standardized Test demonstrate continuous growth for both English Language Arts and mathematics. We continue to score above state and county averages on the Academic Performance Index (API). At the high school level there are more and more students enrolling in advanced placement and honors classes. Ninety-four percent of the Class of 2008 passed the California High School Exit Exam. The District remains focuses on closing the achievement gap. Last year, every single subgroup showed growth on the California Standardized Tests and our English language learners continue to show progress on the California English Language Development Test (CELDT).

Teaching is our mission, and it is why we use the phrase “Excellence by Design” to illustrate the core of our daily work. The excellence of EGUSD is recognized locally and throughout California and the nation.

BASIC FINANCIAL STATEMENTS

ELK GROVE UNIFIED SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2009

	<u>Governmental Activities</u>
ASSETS	
Cash and investments (Note 2)	\$ 155,839,793
Accounts receivable	84,469,642
Prepaid expenditures	2,818,829
Stores inventory	1,276,794
Capital assets, net of accumulated depreciation (Note 4)	<u>779,008,082</u>
Total assets	<u>1,023,413,140</u>
LIABILITIES	
Accounts payable	26,095,617
Deferred revenue	27,973,134
Unpaid claims and claim adjustment expenses (Note 5)	12,712,000
Long-term liabilities (Note 6):	
Due within one year	6,347,549
Due after one year	<u>161,917,643</u>
Total liabilities	<u>235,045,943</u>
NET ASSETS	
Invested in capital assets, net of related debt	660,815,067
Restricted (Note 7)	123,634,412
Unrestricted	<u>3,917,718</u>
Total net assets	<u>\$ 788,367,197</u>

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

ELK GROVE UNIFIED SCHOOL DISTRICT
DISCRETELY PRESENTED COMPONENT UNIT -
ELK GROVE BENEFITS EMPLOYEE RETIREMENT TRUST
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS
For the Year Ended December 31, 2008

ASSETS

Cash	\$	118
Investments at fair value:		
Vanguard Prime Money Market Fund		1,230
Vanguard 500 Index Fund - Admiral Shares		6,637,298
Vanguard Total Bond Market Index		3,635,375
Vanguard REIT Index Fund Signal		1,107,766
Vanguard Total International Stock Index		3,746,977
Barclays Global Investment Equity Index B		334
Barclays Global Investment Alpha Tilts B		4,388,505
Mellon CF Global Alpha		3,225,897
Dodge and Cox Funds - International Funds		3,059,993
PIMCO Total Return Fund		9,947,378
Employer's contributions receivable		<u>726,358</u>
Total assets		<u>36,477,229</u>

LIABILITIES

Employee benefits payable		62,080
Accounts payable		<u>6,939</u>
Net assets available for benefits	\$	<u><u>36,408,210</u></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, 2009

	<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	\$ 367,049,938	\$ 725,427	\$ 93,481,988	\$ 587,051	\$ (272,255,472)
Instruction-related services:					
Supervision of instruction	14,885,017	173,479	10,592,571		(4,118,967)
Instructional library, media and technology	4,351,203	1,735	1,313,977		(3,035,491)
School site administration	35,924,803	36,037	3,004,302		(32,884,464)
Pupil services:					
Home-to-school transportation	9,994,916	208,004	3,836,364		(5,950,548)
Food services	20,997,250	17,649	14,033,760		(6,945,841)
All other pupil services	23,132,043	59,538	8,853,875		(14,218,630)
General administration:					
Data processing	6,447,444	62,492	144,393		(6,240,559)
All other general administration	21,634,683	12,426	3,919,420		(17,702,837)
Plant services	54,255,957	546,357	2,483,413		(51,226,187)
Ancillary services	2,483				(2,483)
Enterprise activities	5,705				(5,705)
Interest on long-term liabilities	3,796,255				(3,796,255)
Other outgo	20,545,505	3,845,351	22,623,241		5,923,087
	<u>\$ 583,023,202</u>	<u>\$ 5,688,495</u>	<u>\$ 164,287,304</u>	<u>\$ 587,051</u>	<u>(412,460,352)</u>
Total governmental activities					
General revenues:					
Taxes and subventions:					
Taxes levied for general purposes					82,756,161
Taxes levied for debt service					15,169,464
Taxes levied for other specific purposes					714,953
Federal and state aid not restricted to specific purposes					277,699,337
Interest and investment earnings					1,883,556
Interagency revenues					149,153
Miscellaneous					7,707,220
Special and extraordinary items					27,796
					<u>386,107,640</u>
Total general revenues					
Change in net assets					(26,352,712)
Net assets, July 1, 2008					<u>814,719,909</u>
Net assets, June 30, 2009					<u>\$ 788,367,197</u>

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

ELK GROVE UNIFIED SCHOOL DISTRICT
DISCRETELY PRESENTED COMPONENT UNIT -
ELK GROVE BENEFITS EMPLOYEE RETIREMENT TRUST

STATEMENT OF CHANGE IN NET ASSETS AVAILABLE FOR BENEFITS

For the Year Ended December 31, 2008

Additions:	
Employer contributions	<u>\$ 8,509,929</u>
Investment income:	
Dividends, net of fees	1,241,509
Capital gains realized	<u>655,290</u>
Total investment income	<u>1,896,799</u>
Total additions	<u>10,406,728</u>
Deductions:	
Net change in fair value of investments	(14,379,903)
Retiree benefit premium expense	(5,269,291)
Administrative expenses	<u>(129,296)</u>
Total deductions	<u>(19,778,490)</u>
Net decrease during the year	(9,371,762)
Net assets available for benefits:	
Beginning of year	<u>45,779,972</u>
End of year	<u><u>\$ 36,408,210</u></u>

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

ELK GROVE UNIFIED SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2009

	<u>General Fund</u>	<u>State School Facilities Fund</u>	<u>Capital Projects Fund for Blended Component Units</u>	<u>All Non-Major Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and investments:					
Cash in County Treasury	\$ 19,442,443	\$ 39,755,618	\$ 14,945,342	\$ 22,362,503	\$ 96,505,906
Cash with Fiscal Agent			29,239,301	12,302,495	41,541,796
Cash on hand and in banks	18,720			116,351	135,071
Cash in revolving fund	140,000			6,925	146,925
Cash awaiting deposit	476,282		4,125	371,549	851,956
Accounts receivable	77,818,617	118,708	253,146	5,650,129	83,840,600
Prepaid expenditures	129,625			53,299	182,924
Due from other funds	6,701,625		73,939	5,336,658	12,112,222
Stores inventory	<u>379,243</u>			<u>897,551</u>	<u>1,276,794</u>
Total assets	<u>\$ 105,106,555</u>	<u>\$ 39,874,326</u>	<u>\$ 44,515,853</u>	<u>\$ 47,097,460</u>	<u>\$ 236,594,194</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 20,350,171	\$ 1,866,310	\$ 1,784,259	\$ 1,593,645	\$ 25,594,385
Deferred revenue	27,864,257			108,877	27,973,134
Due to other funds	<u>9,690,009</u>	<u>566</u>	<u>211,809</u>	<u>9,142,532</u>	<u>19,044,916</u>
Total liabilities	57,904,437	1,866,876	1,996,068	10,845,054	72,612,435
Fund balances	<u>47,202,118</u>	<u>38,007,450</u>	<u>42,519,785</u>	<u>36,252,406</u>	<u>163,981,759</u>
Total liabilities and fund balances	<u>\$ 105,106,555</u>	<u>\$ 39,874,326</u>	<u>\$ 44,515,853</u>	<u>\$ 47,097,460</u>	<u>\$ 236,594,194</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, 2009

Total fund balances - Governmental Funds		\$ 163,981,759
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 \$1,026,402,477 and the accumulated depreciation is \$247,394,395 (Note 4).		779,008,082
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:		2,635,108
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, 2009 consisted of (Note 6):		
Mello-Roos bonds	\$ (159,734,811)	
Net OPEB obligation	(199,365)	
Compensated absences	<u>(8,331,016)</u>	(168,265,192)
Unmatured interest is not recognized until it is due and, therefore, is not accrued as a payable in governmental funds.		(465,624)
Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Net assets for the Self-Insurance Fund total:		<u>11,473,064</u>
Total net assets - governmental activities		<u>\$ 788,367,197</u>

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

ELK GROVE UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2009

	General Fund	State School Facilities Fund	Capital Projects Fund for Blended Component Units	All Non-Major Funds	Total Governmental Funds
Revenues:					
Revenue limit sources:					
State apportionment	\$ 265,423,375			\$ 1,614,842	\$ 267,038,217
Local sources	81,980,714				81,980,714
Total revenue limit	347,404,089			1,614,842	349,018,931
Federal sources	48,357,536			17,754,967	66,112,503
Other state sources	76,170,515			6,208,114	82,378,629
Other local sources	10,252,045	\$ 588,773	\$ 1,596,201	28,581,905	41,018,924
Total revenues	482,184,185	588,773	1,596,201	54,159,828	538,528,987
Expenditures:					
Certificated salaries	250,808,563			4,919,373	255,727,936
Classified salaries	68,405,971		1,245,045	10,175,359	79,826,375
Employee benefits	108,144,813		463,995	6,327,922	114,936,730
Books and supplies	14,335,591	1,368,383	3,048,429	9,856,680	28,609,083
Contract services and operating expenditures	44,632,756	10,893	2,989,272	5,482,400	53,115,321
Capital outlay	950,884	11,568,053	5,613,437	397,681	18,530,055
Other outgo	2,377,239			193,653	2,570,892
Debt service:					
Principal retirement				7,645,000	7,645,000
Interest				4,775,312	4,775,312
Total expenditures	489,655,817	12,947,329	13,360,178	49,773,380	565,736,704
(Deficiency) excess of revenues (under) over expenditures	(7,471,632)	(12,358,556)	(11,763,977)	4,386,448	(27,207,717)
Other financing sources (uses):					
Operating transfers in	1,410,007	29,573,915	9,009,530	7,087,351	47,080,803
Operating transfers out	(5,006,913)	(7,668,990)	(12,000,000)	(22,415,549)	(47,091,452)
Proceeds from sale of capital assets				27,800	27,800
Proceeds from sale of bonds			31,226,133		31,226,133
Total other financing sources (uses)	(3,596,906)	21,904,925	28,235,663	(15,300,398)	31,243,284
Net change in fund balances	(11,068,538)	9,546,369	16,471,686	(10,913,950)	4,035,567
Fund balances, July 1, 2008	58,270,656	28,461,081	26,048,099	47,166,356	159,946,192
Fund balances, June 30, 2009	\$ 47,202,118	\$ 38,007,450	\$ 42,519,785	\$ 36,252,406	\$ 163,981,759

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, 2009

Net change in fund balances - Total Governmental Funds		\$ 4,035,567
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).	\$ 19,933,251	
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(30,145,632)	
Issuance of long-term liabilities is an other financing source in governmental funds, but increases the long-term liabilities in the statement of net assets (Note 6).	(31,226,133)	
Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Change in net assets for the Self-Insurance Fund is:	3,351,547	
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.	1,308,070	
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).	7,645,000	
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:	(135,359)	
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.	(53,613)	
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>(1,065,410)</u>	<u>(30,388,279)</u>
Change in net assets of governmental activities		\$ <u><u>(26,352,712)</u></u>

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

ELK GROVE UNIFIED SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE - BUDGET (NON-GAAP) AND ACTUAL**

MAJOR FUND - GENERAL FUND

For the Year Ended June 30, 2009

	Budget			Variance
	Original	Final	Actual	Favorable (Unfavorable)
Revenues:				
Revenue limit sources:				
State apportionment	\$ 264,629,504	\$ 261,516,095	\$ 265,423,375	\$ 3,907,280
Local sources	<u>88,389,352</u>	<u>83,909,197</u>	<u>81,980,714</u>	<u>(1,928,483)</u>
Total revenue limit	<u>353,018,856</u>	<u>345,425,292</u>	<u>347,404,089</u>	<u>1,978,797</u>
Federal sources	24,495,001	71,652,894	48,357,536	(23,295,358)
Other state sources	91,015,680	95,714,098	76,170,515	(19,543,583)
Other local sources	<u>7,045,870</u>	<u>11,918,295</u>	<u>10,252,045</u>	<u>(1,666,250)</u>
Total revenues	<u>475,575,407</u>	<u>524,710,579</u>	<u>482,184,185</u>	<u>(42,526,394)</u>
Expenditures:				
Certificated salaries	235,710,744	251,260,537	250,808,563	451,974
Classified salaries	65,042,152	68,776,202	68,405,971	370,231
Employee benefits	109,302,218	112,118,509	108,144,813	3,973,696
Books and supplies	20,084,481	43,278,238	14,335,591	28,942,647
Contract services and operating expenditures	41,799,958	43,842,974	44,632,756	(789,782)
Capital outlay	206,210	843,155	950,884	(107,729)
Other outgo	<u>1,744,689</u>	<u>2,300,600</u>	<u>2,377,239</u>	<u>(76,639)</u>
Total expenditures	<u>473,890,452</u>	<u>522,420,215</u>	<u>489,655,817</u>	<u>32,764,398</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,684,955</u>	<u>2,290,364</u>	<u>(7,471,632)</u>	<u>(9,761,996)</u>
Other financing sources (uses):				
Operating transfers in	1,371,574	1,418,470	1,410,007	(8,463)
Operating transfers out	<u>(2,696,162)</u>	<u>(5,528,550)</u>	<u>(5,006,913)</u>	<u>521,637</u>
Total other financing sources (uses)	<u>(1,324,588)</u>	<u>(4,110,080)</u>	<u>(3,596,906)</u>	<u>513,174</u>
Net change in fund balance	360,367	(1,819,716)	(11,068,538)	(9,248,822)
Fund balance, July 1, 2008	<u>58,270,656</u>	<u>58,270,656</u>	<u>58,270,656</u>	
Fund balance, June 30, 2009	<u>\$ 58,631,023</u>	<u>\$ 56,450,940</u>	<u>\$ 47,202,118</u>	<u>\$ (9,248,822)</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, 2009

ASSETS

Cash and investments:	
Cash in County Treasury	\$ 16,441,190
Cash on hand and in banks	216,949
Accounts receivable	629,042
Prepaid expenditures	800
Due from District	<u>6,932,694</u>
 Total assets	 <u>24,220,675</u>

LIABILITIES

Accounts payable	35,611
Unpaid claims and claim adjustment expenses	<u>12,712,000</u>
 Total liabilities	 <u>12,747,611</u>

NET ASSETS

Total net assets	<u><u>\$ 11,473,064</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, 2009

Operating revenues:	
Self-insurance premiums	<u>\$ 6,924,594</u>
Operating expenses:	
Classified salaries	221,331
Employee benefits	84,737
Books and supplies	6,802
Provision for unpaid claims and claim adjustment expenses	<u>3,713,795</u>
Total operating expenses	<u>4,026,665</u>
Operating income	2,897,929
Non-operating revenue:	
Interest income	436,455
Other income	6,514
Transfer from District	<u>10,649</u>
Total non-operating revenue	<u>453,618</u>
Change in net assets	3,351,547
Net assets, July 1, 2008	<u>8,121,517</u>
Net assets, June 30, 2009	<u><u>\$ 11,473,064</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, 2009

Cash flows from operating activities:	
Cash received from self-insurance premiums	\$ 6,551,301
Cash paid for salaries and benefits	(305,457)
Cash paid services and supplies	292,398
Cash paid for claims	<u>(4,939,180)</u>
Net cash provided by operating activities	<u>1,599,062</u>
Cash flows from investing activities:	
Interest income received	<u>436,455</u>
Cash flows from financing activities:	
Cash paid to District	403,946
Other income	<u>6,514</u>
Net cash provided by financing activities	<u>410,460</u>
Increase in cash and cash equivalents	2,445,977
Cash and cash equivalents, July 1, 2008	<u>14,212,162</u>
Cash and cash equivalents, June 30, 2009	<u><u>\$ 16,658,139</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	<u>\$ 2,897,929</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
(Increase) decrease in:	
Accounts receivable	(373,293)
Prepaid expenditures	299,200
Increase (decrease) in:	
Accounts payable	611
Unpaid claims and claim adjustment expenses	<u>(1,225,385)</u>
Total adjustments	<u>(1,298,867)</u>
Net cash provided by operating activities	<u><u>\$ 1,599,062</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, 2009

	Trust Funds		Agency Fund		
	Scholar- ship Fund	Deferred Compen- sation Fund	Total Trust	Student Body	Total
ASSETS					
Cash and investments (Note 2):					
Cash on hand and in banks	\$ 57,135		\$ 57,135	\$ 3,628,050	\$ 3,685,185
Investments		\$ 16,964,733	16,964,733		16,964,733
Stores inventory				25,307	25,307
Total assets	<u>57,135</u>	<u>16,964,733</u>	<u>17,021,868</u>	<u>3,653,357</u>	<u>20,675,225</u>
LIABILITIES					
Due to students/student groups				<u>3,653,357</u>	<u>3,653,357</u>
NET ASSETS					
Restricted (Note 7)	<u>\$ 57,135</u>	<u>\$ 16,964,733</u>	<u>\$ 17,021,868</u>	<u>\$ -</u>	<u>\$ 17,021,868</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, 2009

	<u>Scholarship Fund</u>	<u>Deferred Compensation Fund</u>	<u>Total</u>
Revenues:			
Other local sources	\$ 8,869		\$ 8,869
Expenditures:			
Contract services and operating expenditures	<u>17,920</u>	<u>\$ 1,762,123</u>	<u>1,780,043</u>
Net change in fund balances	(9,051)	(1,762,123)	(1,771,174)
Fund balances, July 1, 2008	<u>66,186</u>	<u>18,726,856</u>	<u>18,793,042</u>
Fund balances, June 30, 2009	<u>\$ 57,135</u>	<u>\$ 16,964,733</u>	<u>\$ 17,021,868</u>

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

ELK GROVE UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

The decision to include potential component units in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America and Governmental Accounting Standards Statement No. 14, as amended by Statement No. 39. 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 identified the Elk Grove Benefits Employee Retirement Trust as a potential component unit. This potential component unit is presented as a Discretely Presented Component Unit in the Basic Financial Statements.

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

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*.

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.

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

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.

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 GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

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

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

Basis of Presentation - Fund Accounting

The accounts of the District are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized into three broad categories which, in aggregate include seven fund types as follows:

A - Governmental Fund Types

1 - General Fund:

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Fund Accounting (Continued)

A - Governmental Fund Types (Continued)

2 - Special Revenue Funds:

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

3 - Debt Service Fund:

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

4 - Capital Projects Funds:

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

B - Proprietary Fund Type

1 - Internal Service Fund:

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

C - Fiduciary Fund Types

1 - Expendable Trust Funds:

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Fund Accounting (Continued)

C - Fiduciary Fund Types (Continued)

2 - Agency Funds:

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

Basis of Accounting

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

A - Accrual

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

B - Modified Accrual

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

Budgets and Budgetary Accounting

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

The District employs budgetary control by major object code and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object code. The budgets are revised during the year by the Board of Education to provide for unanticipated revenues and expenditures. The originally adopted and final revised budgets of the General and Cafeteria Funds are presented in the basic financial statements.

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 \$8,331,016 are recorded as a liability of the District.

Accumulated Sick Leave

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

Deferred Revenue

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Net Assets

Restrictions of the ending net assets indicate the portions of net assets not appropriable for expenditure or amounts legally segregated for a specific future use. The restrictions for revolving cash fund, prepaid expenditures and stores inventory reflect the portion of net assets represented by revolving fund cash, prepaid expenditures and stores inventory, respectively. These amounts are not available for appropriation and expenditure at the balance sheet date. The restriction for unspent categorical program revenues represents the portion of net assets restricted to specific program expenditures. The restriction for special revenues represents the portion of net assets restricted for special purposes. The restriction for capital projects represents the portion of net assets restricted for capital projects. The restriction for debt service represents that portion of net assets which the District plans to expend on debt repayment. The restriction for self-insurance represents the portion of net assets restricted for self-insured workers' compensation claims. The restriction for scholarships represents fund balance which is to be used to provide financial assistance to students of the District. The restriction for deferred compensation represents fund balance that will be used for deferred compensation for current employees.

Custodial Relationships

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

Deferred Compensation

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

Property Taxes

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash, cash equivalents and investments at June 30, 2009 are reported at fair value and consisted of the following:

	Rating	2009
Cash and cash equivalents:		
Cash in County Treasury		\$ 112,947,096
Cash with Fiscal Agent		41,541,796
Cash on hand and in banks		4,037,205
Revolving cash fund		146,925
Cash awaiting deposit		851,956
Total cash and cash equivalents		159,524,978
Investments:		
Money Market	**	4,306,859
Mutual Funds	**	12,657,874
Total investments		16,964,733
Total cash, cash equivalents and investments		\$ 176,489,711
Reconciliation to Statement of Net Assets and Statement of		
Fiduciary Net Assets:		
Governmental Activities		\$ 155,839,793
Fiduciary Activities		20,649,918
Total		\$ 176,489,711

** The ratings are not available.

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

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

Cash in County Treasury

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Sacramento County Treasury. Cash in Sacramento County Treasury consists of cash deposited in the interest-bearing Sacramento County Treasurer's Pooled Surplus Investment Fund. Investments are recorded at cost which approximates fair value. Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classification is required. The District's deposits in the Fund are considered to be highly liquid. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool. The Sacramento County Treasurer has indicated there are no derivatives in the pool as of June 30, 2009.

Cash with Fiscal Agent

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

Custodial Credit Risk

Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2009, the carrying amount of the District's accounts was \$4,184,130, and the bank balances were \$5,373,902. The carrying value and the bank balance differ due to deposits in transit and outstanding checks. Of the bank balances, \$578,072 was covered by FDIC insurance, and \$4,795,830 was uninsured.

Investment Interest Rate Risk

The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2009, 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	\$ 4,306,859	\$ 4,306,859
Mutual Funds	12,657,874	12,657,874
	\$ 16,964,733	\$ 16,964,733

ELK GROVE UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

Investment Credit Risk

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

Concentration of Investment Credit Risk

The District does not place limits on the amount it may invest in any one issuer. At June 30, 2009, the District had the following investments that represents more than five percent of the District's net investments:

Money Market	25%
Mutual Funds	75%

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, 2009 were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Funds:		
General	\$ 6,701,625	\$ 9,690,009
State School Facilities		566
Capital Projects Fund for Blended Component Units	73,939	211,809
Non-Major Funds:		
Charter Schools	191,879	4,323
Adult Education	444,946	43,684
Child Development	76,945	567,956
Cafeteria	164,271	3,590,514
Deferred Maintenance	4,385,959	4,752,150
Capital Facilities	72,658	183,905
Proprietary Fund:		
Self Insurance	<u>6,932,694</u>	
Total	<u>\$ 19,044,916</u>	<u>\$ 19,044,916</u>

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

3. INTERFUND TRANSACTIONS (Continued)

Interfund Transfers

Interfund transfers for the 2008-2009 fiscal year were as follows:

Transfer from the General Fund to the Child Development Fund for CalSAFE shortfalls, child development reserves and fourth quarter interest posting.	\$ 62,870
Transfer from the General Fund to the Cafeteria Fund for meals to needy children and fund contribution.	2,470,593
Transfer from the General Fund to the Deferred Maintenance Fund for the annual contributions.	2,009,884
Transfer from the Adult Education Fund to the General Fund for indirect support.	184,302
Transfer from the Child Development Fund to the General Fund for indirect support.	167,003
Transfer from the Charter School Fund to the General Fund for indirect support.	1,010
Transfer from the Cafeteria Fund to the General Fund for indirect support.	1,057,692
Transfer from the State School Facilities Fund to the Capital Facilities Fund to return construction funds for Miwok Village, Markofer addition funding, Anatolia funding and High School/ Middle School funding due to postponed projects.	2,091,087
Transfer from the General Fund to the Adult Education Fund for apportionment.	421,447
Transfer from the General Fund to the Charter School Fund for apportionment.	31,470
Transfer from the Capital Facilities Fund to the State School Facilities fund for expenses, CRES funding and to augment Charter school funding.	17,573,915
Transfer from the General Fund to the Self Insurance Fund for fund contribution.	10,649
Transfer from Capital Projects for Blended Component Unit Fund to State School Facilities Fund for school modernization projects.	12,000,000
Transfer from Special Reserve for Capital Outlay Fund to Capital Projects for Blended Component Unit Fund to move excess funds.	27,800
Transfer State School Facilities Fund to Capital Projects for Blended Component Unit Fund for modernization projects.	5,577,903
Transfer from the Debt Service Fund to the Capital Project for Blended Component Unit Fund for excess special taxes.	<u>3,403,827</u>
	<u><u>\$ 47,091,452</u></u>

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

4. CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2009 is shown below:

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
Land	\$ 145,784,581	\$ 1,800,640		\$ 147,585,221
Work in progress	145,309,910	1,805,028		147,114,938
Improvement of sites	31,261,692	909,641		32,171,333
Buildings	661,649,835	13,522,475		675,172,310
Equipment	<u>22,767,306</u>	<u>1,895,467</u>	<u>\$ (304,098)</u>	<u>24,358,675</u>
Totals, at cost	<u>1,006,773,324</u>	<u>19,933,251</u>	<u>(304,098)</u>	<u>1,026,402,477</u>
Less accumulated depreciation:				
Improvement of sites	7,517,816	1,562,178		9,079,994
Buildings	196,081,172	27,006,892		223,088,064
Equipment	<u>13,953,873</u>	<u>1,576,562</u>	<u>(304,098)</u>	<u>15,226,337</u>
Total accumulated depreciation	<u>217,552,861</u>	<u>30,145,632</u>	<u>(304,098)</u>	<u>247,394,395</u>
Capital assets, net	<u>\$ 789,220,463</u>	<u>\$ (10,212,381)</u>	<u>\$ -</u>	<u>\$ 779,008,082</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	<u>\$ 30,145,632</u>
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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, 2009, 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 2008-09 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 \$12,712,000 at June 30, 2009 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.

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

5. SELF-INSURANCE (Continued)

Changes in the District's unpaid claims and claim adjustment expenses for the years ended June 30, 2009 and June 30, 2008 was as follows:

	Unpaid Claims and Claim Adjustment Expenses July 1	Incurred Claims	Claims Payments	Unpaid Claims and Claim Adjustment Expenses June 30
2008/2009	<u>\$ 13,937,385</u>	<u>\$ 3,713,795</u>	<u>\$ (4,939,180)</u>	<u>\$ 12,712,000</u>
2007/2008	<u>\$ 12,117,916</u>	<u>\$ 6,024,724</u>	<u>\$ (4,205,255)</u>	<u>\$ 13,937,385</u>

6. LONG-TERM LIABILITIES

Mello-Roos Bonds Payable

A summary of Mello-Roos Bonds payable at June 30, 2009 follows:

Series	Interest Rate	Balance July 1, 2008	Current Year Proceeds	Current Year Maturities	Balance June 30, 2009
1995	Various	\$ 24,435,112		\$ 2,500,000	\$ 21,935,112
1998	Various	28,069,336		2,735,000	25,334,336
2001	Various	16,018,383		985,000	15,033,383
2003	Various	24,890,847		960,000	23,930,847
2008	Various	42,740,000		465,000	42,275,000
2009	Various		<u>\$ 31,226,133</u>		<u>31,226,133</u>
		<u>\$136,153,678</u>	<u>\$ 31,226,133</u>	<u>\$ 7,645,000</u>	<u>\$159,734,811</u>

The Series 1995, 1998, 2001, 2003, 2005, 2008 and 2009 Serial Bonds are authorized pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, and are payable from the proceeds of an annual Special Tax to be levied and collected from property within the District or from escrow accounts in the case of refunding bonds. The Special Tax is to be levied according to the rate and method of apportionment determined by a formula approved by the Board, as the legislative body of the District, and by the registered voters within the District (see Note 12).

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

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

6. LONG-TERM LIABILITIES (Continued)

Mello-Roos Bonds Payable (Continued)

The annual requirements to amortize the Mello-Roos Bonds payable outstanding as of June 30, 2009 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 5,398,184	\$ 8,234,422	\$ 13,632,606
2011	5,295,146	8,635,888	13,931,034
2012	5,207,538	8,414,566	13,622,104
2013	4,713,009	8,927,534	13,640,543
2014	4,574,144	9,064,900	13,639,044
2015-2019	21,543,656	46,628,082	68,171,738
2020-2024	27,891,668	39,927,844	67,819,512
2025-2029	17,271,233	50,921,388	68,192,621
2030-2034	15,029,099	53,194,084	68,223,183
2035-2039	<u>52,811,134</u>	<u>13,985,123</u>	<u>66,796,257</u>
	<u>\$ 159,734,811</u>	<u>\$ 247,933,831</u>	<u>\$ 407,668,642</u>

Schedule of Changes in Long-Term Liabilities

A schedule of changes in long-term liabilities for the year ended June 30, 2009 is shown below:

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2009</u>	<u>Amounts Due Within One Year</u>
Mello-Roos bonds	\$ 136,153,678	\$ 31,226,133	\$ 7,645,000	\$ 159,734,811	\$ 5,398,184
Post employment benefits	145,752	53,613		199,365	199,365
Compensated absences	<u>7,265,606</u>	<u>1,065,410</u>		<u>8,331,016</u>	<u>750,000</u>
Totals	<u>\$ 143,565,036</u>	<u>\$ 32,345,156</u>	<u>\$ 7,645,000</u>	<u>\$ 168,265,192</u>	<u>\$ 6,347,549</u>

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

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

7. RESTRICTED NET ASSETS

Restricted net assets consisted of the following at June 30, 2009:

	Governmental Funds
Restricted for revolving cash fund	\$ 146,925
Restricted for prepaid expenditures	2,818,829
Restricted for stores inventory	1,276,794
Restricted for unspent categorical program revenues	33,638,730
Restricted for special revenues	8,849,339
Restricted for capital projects	65,366,133
Restricted for debt service	64,598
Restricted for self-insurance	11,473,064
	\$ 123,634,412
	Fiduciary Funds
Restricted for scholarships	\$ 57,135
Restricted for deferred compensation	16,964,733
	\$ 17,021,868

8. EMPLOYEE RETIREMENT SYSTEMS

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

Plan Description and Provisions

California Public Employees' Retirement System (CalPERS)

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

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

8. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Plan Description and Provisions (Continued)

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

Funding Policy

Active plan members are required to contribute 7% 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 2008-2009 was 9.428% 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, 2007, 2008 and 2009 were \$4,809,606, \$6,595,822 and \$5,232,291, respectively, and equal 100% of the required contributions for each year.

State Teachers' Retirement System (STRS)

Plan Description

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

Funding Policy

Active plan members are required to contribute 8% of their salary. The required employer contribution rate for fiscal year 2008-2009 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, 2007, 2008 and 2009 were \$19,098,999, \$20,243,319 and \$20,370,842, respectively, and equal 100% of the required contributions for each year.

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

9. POST-RETIREMENT EMPLOYEE BENEFITS

Plan Description

In addition to the pension benefits described in Note 8, the District provides post-retirement health care benefits to all District employees who retired from the District with ten years of service, and who immediately entered retirement status with STRS or PERS. As of December 31, 2008, 417 retirees are receiving these benefits. For employees who retired prior to July 1, 2000, the District pays the insurance premiums for the lowest cost health plan for the retiree and one dependent.

Funding Policy

Expenditures for post-employment health care benefits are recognized as the premiums are paid. During the year ended June 30, 2009, expenditures of \$2,222,538 were recognized for post-employment health care benefits.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. 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>2,222,538</u>
Increase in net OPEB obligation	53,613
Net OPEB obligation - beginning of year	<u>145,752</u>
Net OPEB obligation - end of year	<u><u>\$ 199,365</u></u>

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

9. POST-RETIREMENT EMPLOYEE BENEFITS (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2009 were as follows (dollar amounts in thousands):

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

Funded Status and Funding Progress

As of November 1, 2006, the most recent actuarial valuation date, the plan was funded on a pay-as-you-go basis. The actuarial accrued liability for benefits was \$33.3 million, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$33.3 million.

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

Actuarial Methods and Assumptions

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

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

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

10. ELK GROVE BENEFITS EMPLOYEE RETIREMENT TRUST

Plan Description

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

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

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

See Elk Grove Benefits Employee Retirement Trust audited financial statements for the year ended December 31, 2008 for more discussion of EGBERT.

Funding Policy

The contribution requirements of plan members and the District are established through the negotiation process and approved by the District Board of Education. For calendar year 2008, the District contributed \$8.5 million to the Plan.

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

10. ELK GROVE BENEFITS EMPLOYEE RETIREMENT TRUST (Continued)

Annual OPEB Cost and Net OPEB Obligation

EGBERT's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the Plan (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of EGBERT's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in EGBERT's net OPEB obligation:

Annual required contribution	\$ 24,878,744
Interest on net OPEB obligation	-
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost (expense)	24,878,744
Contributions made	<u>-</u>
Increase in net OPEB obligation	24,878,744
Net OPEB obligation (assets) - beginning of year	<u>(24,374,790)</u>
Net OPEB obligation (assets) - end of year	<u><u>\$ 503,954</u></u>

EGBERT's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2009 and the preceding year were as follows:

Calendar Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2007	\$ 22,360,976	37%	\$ -
December 31, 2008	\$ 24,878,744	37%	\$ 503,954

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

10. ELK GROVE BENEFITS EMPLOYEE RETIREMENT TRUST (Continued)

Funded Status and Funding Progress

As of November 1, 2007, the most recent actuarial valuation date, the Plan was 20.3 percent funded. The actuarial accrued liability for benefits was \$229.7 million, and the actuarial value of assets was \$46.7 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$182.9 million. The covered payroll (annual payroll of active employees covered by the plan) was \$326.5 million, and the ratio of the UAAL to the covered payroll was 56.0 percent.

Actuarial valuations for an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the EGBERT financial statements, present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumption

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

In the November 1, 2007 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 7.5 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on Plan assets calculated based on the funded level of the plan at the valuation date. Assumptions used also include an annual healthcare cost trend rate of 4.0 percent and a 3.0 percent inflation rate. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a fifteen-year period. For this initial UAAL amortization, the UAAL is being amortized as a level percentage of projected payroll on a closed basis using a 30 year amortization period.

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

11. JOINT POWERS AGREEMENTS

CSAC Excess Insurance Authority

The District is a member with other school districts of a Joint Powers Agreement, CSAC Excess Insurance Authority, for the operation of a common risk management and insurance program for workers' compensation. The following is a summary of financial information of CSAC Excess Insurance Authority at June 30, 2008, the most current information available:

Total assets	\$ 539,919,068
Total liabilities	\$ 402,208,250
Total net assets	\$ 137,710,818
Total revenue	\$ 407,690,806
Total expenses	\$ 381,084,125

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

Schools Insurance Authority

The District is a member with other school districts of a Joint Powers Agreement, Schools Insurance Authority, for the operation of a common risk management and insurance program for property and liability coverage. The following is a summary of financial information of Schools Insurance Authority at June 30, 2008, the most current information available:

Total assets	\$ 77,826,990
Total liabilities	\$ 37,445,090
Total net assets	\$ 40,381,900
Total revenue	\$ 41,348,613
Total expenses	\$ 31,233,569

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. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Excess of expenditures over appropriations in individual funds for the year ended June 30, 2009 were as follows:

<u>Fund</u>	<u>Excess Expenditures</u>
Cafeteria Fund:	
Contract services and operating expenditures	\$ 789,782
Capital outlay	\$ 107,729

These excesses are not in accordance with Education Code Section 42600.

Budget revisions for expenditures in excess of budgeted amounts were not made at the end of the fiscal year.

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.

ELK GROVE UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

15. SUBSEQUENT EVENT

On July 28, 2009, Governor Schwarzenegger signed a package of bills amending the 2008-09 and 2009-10 California State budgets. The budget amendments were designed to address the State's budget gap of \$24 billion that had developed as a result of the deepening recession since the State's last budget actions in February 2009.

The July budget package reduced, on a State-wide basis, \$1.6 billion in 2008-09 Proposition 98 funding through a reversion of undistributed categorical program balances. The budget language identified 51 specific programs and required the amounts associated with these programs that were "unallocated, unexpended, or not liquidated as of June 30, 2009" to revert to the State's General Fund. The July budget package also provided an appropriation in 2009-10 to backfill \$1.5 billion of these cuts to repay the 2008-09 reversion of the undistributed categorical program balances.

In accordance with the requirements of Government Accounting Standards Board Statement No. 33, the District has not recorded the revenue and related receivable associated with the District's portion of the unallocated, unexpended or unliquidated categorical program balances identified in the July 2009 State Budget package.

SUPPLEMENTARY INFORMATION

ELK GROVE UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NON-MAJOR FUNDS

June 30, 2009

		Charter Schools Fund	Adult Education Fund	Child Develop- ment Fund	Cafeteria Fund	Deferred Maintenance Fund	Special Reserve for Other Than Capital Projects Fund	Mello-Roos Adminis- trative Fund	Capital Facilities Fund	Special Reserve for Capital Outlay Fund	Total
ASSETS											
Cash in County Treasury	\$	705,601	1,073,849	2,545	19,393	4,143,096	2,348,087	60,395	13,953,957	55,580	22,362,503
Cash with Fiscal Agent			29,947		86,404			12,302,495			12,302,495
Cash on hand and in banks					6,925						6,925
Cash in revolving fund				216,439	1,272						371,549
Cash awaiting deposit		345,828	834,829	590,783	3,632,371	29,210	16,846	4,203	78,525	515	5,650,129
Accounts receivable					41,706						53,299
Prepaid expenditures		11,593									11,593
Due from other funds		191,879	444,946	76,945	164,271	4,385,959			72,658		5,336,658
Stores inventory					897,551						897,551
Total assets		<u>\$ 1,254,901</u>	<u>\$ 2,458,884</u>	<u>\$ 886,712</u>	<u>\$ 4,849,893</u>	<u>\$ 8,558,265</u>	<u>\$ 2,364,933</u>	<u>\$ 12,367,093</u>	<u>\$ 14,300,684</u>	<u>\$ 56,095</u>	<u>\$ 47,097,460</u>
LIABILITIES AND FUND BALANCES											
Liabilities:											
Accounts payable	\$	464,721	179,571	143,277	305,484	405,917			94,675		1,593,645
Deferred revenue			581	108,296							108,877
Due to other funds		<u>4,323</u>	<u>43,684</u>	<u>567,956</u>	<u>3,590,514</u>	<u>4,752,150</u>			<u>183,905</u>		<u>9,142,532</u>
Total liabilities		469,044	223,836	819,529	3,895,998	5,158,067			278,580		10,845,054
Fund balances		<u>785,857</u>	<u>2,235,048</u>	<u>67,183</u>	<u>953,895</u>	<u>3,400,198</u>	<u>\$ 2,364,933</u>	<u>\$ 12,367,093</u>	<u>14,022,104</u>	<u>\$ 56,095</u>	<u>36,252,406</u>
Total liabilities and fund balances		<u>\$ 1,254,901</u>	<u>\$ 2,458,884</u>	<u>\$ 886,712</u>	<u>\$ 4,849,893</u>	<u>\$ 8,558,265</u>	<u>\$ 2,364,933</u>	<u>\$ 12,367,093</u>	<u>\$ 14,300,684</u>	<u>\$ 56,095</u>	<u>\$ 47,097,460</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, 2009

	Charter Schools Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Special Reserve for Other Than Capital Projects Fund	Mello-Roos Administrative Fund	Capital Facilities Fund	Special Reserve for Capital Outlay Fund	Total
Revenues:										
Revenue limit sources:										
State apportionment	\$ 1,614,842	\$ 1,650,524	\$ 2,606,987	\$ 13,497,456						\$ 1,614,842
Federal sources	189,340	3,080,101	1,769,604	1,169,069						17,754,967
Other state sources	20,512	993,015	801,300	5,376,798	\$ 101,321	\$ 56,189	\$ 15,335,175	\$ 5,860,098	\$ 37,497	6,208,114
Other local sources	1,824,694	5,723,640	5,177,891	20,043,323	101,321	56,189	15,335,175	5,860,098	37,497	28,581,905
Total revenues										54,159,828
Expenditures:										
Certificated salaries	1,129,527	2,016,054	1,773,291	501						4,919,373
Classified salaries	145,566	1,436,013	930,546	7,590,815	731			71,688		10,175,359
Employee benefits	254,273	1,269,123	1,038,067	3,738,705	80			27,674		6,327,922
Books and supplies	61,805	425,314	125,629	9,236,525				7,407		9,856,680
Contract services and operating expenditures	53,491	412,734	1,233,455	625,607	2,895,954			256,359	4,800	5,482,400
Capital outlay		34,760		137,784				225,137		397,681
Other outgo							193,653			193,653
Debt service:										
Principal retirement										7,645,000
Interest										4,775,312
Total expenditures	1,644,662	5,593,998	5,100,988	21,329,937	2,896,765		12,613,965	588,265	4,800	49,773,380
Excess (deficiency) of revenues over (under) expenditures	180,032	129,642	76,903	(1,286,614)	(2,795,444)	56,189	2,721,210	5,271,833	32,697	4,386,448
Other financing sources (uses):										
Operating transfers in	31,470	421,447	62,870	2,470,593	2,009,884			2,091,087		7,087,351
Operating transfers out	(1,010)	(184,302)	(167,003)	(1,057,692)			(3,403,827)	(17,573,915)	(27,800)	(22,415,549)
Proceeds from sale of capital assets									27,800	27,800
Total other financing sources (uses)	30,460	237,145	(104,133)	1,412,901	2,009,884		(3,403,827)	(15,482,828)		(15,300,398)
Net change in fund balances	210,492	366,787	(27,230)	126,287	(785,560)	56,189	(682,617)	(10,210,995)	32,697	(10,913,950)
Fund balances, July 1, 2008	575,365	1,868,261	94,413	827,608	4,185,758	2,308,744	13,049,710	24,233,099	23,398	47,166,356
Fund balances, June 30, 2009	\$ 785,857	\$ 2,235,048	\$ 67,183	\$ 953,895	\$ 3,400,198	\$ 2,364,933	\$ 12,367,093	\$ 14,022,104	\$ 56,095	\$ 36,252,406

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, 2009

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2009</u>
<u>Student Body Funds</u>				
<u>Elk Grove High School</u>				
Assets:				
Cash on hand and in banks	\$ 210,194	\$ 1,051,719	\$ 1,172,426	\$ 89,487
Inventory	<u>3,766</u>	<u>66,823</u>	<u>62,701</u>	<u>7,888</u>
	<u>\$ 213,960</u>	<u>\$ 1,118,542</u>	<u>\$ 1,235,127</u>	<u>\$ 97,375</u>
Liabilities:				
Due to students/student groups	<u>\$ 213,960</u>	<u>\$ 1,118,542</u>	<u>\$ 1,235,127</u>	<u>\$ 97,375</u>
<u>Florin High School</u>				
Assets:				
Cash on hand and in banks	\$ 215,949	\$ 475,922	\$ 442,774	\$ 249,097
Inventory	<u>1,732</u>	<u>25,565</u>	<u>26,820</u>	<u>477</u>
	<u>\$ 217,681</u>	<u>\$ 501,487</u>	<u>\$ 469,594</u>	<u>\$ 249,574</u>
Liabilities:				
Due to students/student groups	<u>\$ 217,681</u>	<u>\$ 501,487</u>	<u>\$ 469,594</u>	<u>\$ 249,574</u>
<u>Franklin High School</u>				
Assets:				
Cash on hand and in banks	\$ 344,198	\$ 1,123,762	\$ 1,236,285	\$ 231,675
Inventory	<u> </u>	<u>52,987</u>	<u>52,987</u>	<u> </u>
	<u>\$ 344,198</u>	<u>\$ 1,176,749</u>	<u>\$ 1,289,272</u>	<u>\$ 231,675</u>
Liabilities:				
Due to students/student groups	<u>\$ 344,198</u>	<u>\$ 1,176,749</u>	<u>\$ 1,289,272</u>	<u>\$ 231,675</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, 2009

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2009</u>
<u>Student Body Funds</u>				
(Continued)				
<u>Laguna Creek High School</u>				
Assets:				
Cash on hand and in banks	\$ 351,319	\$ 587,002	\$ 684,126	\$ 254,195
Inventory	<u>6,893</u>	<u>38,785</u>	<u>38,206</u>	<u>7,472</u>
	<u>\$ 358,212</u>	<u>\$ 625,787</u>	<u>\$ 722,332</u>	<u>\$ 261,667</u>
Liabilities:				
Due to students/student groups	<u>\$ 358,212</u>	<u>\$ 625,787</u>	<u>\$ 722,332</u>	<u>\$ 261,667</u>
<u>Monterey Trail High School</u>				
Assets:				
Cash on hand and in banks	\$ 175,518	\$ 561,983	\$ 563,975	\$ 173,526
Inventory	<u> </u>	<u>51,156</u>	<u>51,156</u>	<u> </u>
	<u>\$ 175,518</u>	<u>\$ 613,139</u>	<u>\$ 615,131</u>	<u>\$ 173,526</u>
Liabilities:				
Due to students/student groups	<u>\$ 175,518</u>	<u>\$ 613,139</u>	<u>\$ 615,131</u>	<u>\$ 173,526</u>
<u>Pleasant Grove High School</u>				
Assets:				
Cash on hand and in banks	\$ 285,105	\$ 926,445	\$ 926,360	\$ 285,190
Inventory	<u>2,192</u>	<u>44,199</u>	<u>43,051</u>	<u>3,340</u>
	<u>\$ 287,297</u>	<u>\$ 970,644</u>	<u>\$ 969,411</u>	<u>\$ 288,530</u>
Liabilities:				
Due to students/student groups	<u>\$ 287,297</u>	<u>\$ 970,644</u>	<u>\$ 969,411</u>	<u>\$ 288,530</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, 2009

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2009</u>
<u>Student Body Funds</u>				
(Continued)				
<u>Sheldon High School</u>				
Assets:				
Cash on hand and in banks	\$ 416,712	\$ 869,140	\$ 886,826	\$ 399,026
Inventory	<u>5,339</u>	<u>57,992</u>	<u>57,631</u>	<u>5,700</u>
	<u>\$ 422,051</u>	<u>\$ 927,132</u>	<u>\$ 944,457</u>	<u>\$ 404,726</u>
Liabilities:				
Due to students/student groups	<u>\$ 422,051</u>	<u>\$ 927,132</u>	<u>\$ 944,457</u>	<u>\$ 404,726</u>
<u>Valley High School</u>				
Assets:				
Cash on hand and in banks	\$ 134,668	\$ 430,189	\$ 440,791	\$ 124,066
Inventory		<u>50,081</u>	<u>50,081</u>	
	<u>\$ 134,668</u>	<u>\$ 480,270</u>	<u>\$ 490,872</u>	<u>\$ 124,066</u>
Liabilities:				
Due to students/student groups	<u>\$ 134,668</u>	<u>\$ 480,270</u>	<u>\$ 490,872</u>	<u>\$ 124,066</u>
<u>Consumnes Oaks High School</u>				
Assets:				
Cash on hand and in banks	\$ 2,910	\$ 322,499	\$ 290,899	\$ 34,510
Inventory		<u>28,703</u>	<u>28,703</u>	
	<u>\$ 2,910</u>	<u>\$ 351,202</u>	<u>\$ 319,602</u>	<u>\$ 34,510</u>
Liabilities:				
Due to students/student groups	<u>\$ 2,910</u>	<u>\$ 351,202</u>	<u>\$ 319,602</u>	<u>\$ 34,510</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, 2009

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2009</u>
<u>Student Body Funds</u>				
(Continued)				
<u>Edward Harris, Jr. Middle School</u>				
Assets:				
Cash on hand and in banks	\$ 53,756	\$ 226,031	\$ 212,710	\$ 67,077
Inventory		32,219	32,219	
	<u>\$ 53,756</u>	<u>\$ 258,250</u>	<u>\$ 244,929</u>	<u>\$ 67,077</u>
Liabilities:				
Due to students/student groups	<u>\$ 53,756</u>	<u>\$ 258,250</u>	<u>\$ 244,929</u>	<u>\$ 67,077</u>
<u>Toby Johnson Middle School</u>				
Assets:				
Cash on hand and in banks	\$ 249,396	\$ 468,488	\$ 430,051	\$ 287,833
Inventory		50,046	50,046	
	<u>\$ 249,396</u>	<u>\$ 518,534</u>	<u>\$ 480,097</u>	<u>\$ 287,833</u>
Liabilities:				
Due to students/student groups	<u>\$ 249,396</u>	<u>\$ 518,534</u>	<u>\$ 480,097</u>	<u>\$ 287,833</u>
<u>Joseph Kerr Middle School</u>				
Assets:				
Cash on hand and in banks	\$ 127,249	\$ 222,718	\$ 214,612	\$ 135,355
Inventory		13,917	13,917	
	<u>\$ 127,249</u>	<u>\$ 236,635</u>	<u>\$ 228,529</u>	<u>\$ 135,355</u>
Liabilities:				
Due to students/student groups	<u>\$ 127,249</u>	<u>\$ 236,635</u>	<u>\$ 228,529</u>	<u>\$ 135,355</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, 2009

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009
<u>Student Body Funds</u>				
(Continued)				
<u>Harriet Eddy Middle School</u>				
Assets:				
Cash on hand and in banks	\$ 173,547	\$ 140,531	\$ 221,829	\$ 92,249
Inventory	7,315	29,450	36,765	
	\$ 180,862	\$ 169,981	\$ 258,594	\$ 92,249
Liabilities:				
Due to students/student groups	\$ 180,862	\$ 169,981	\$ 258,594	\$ 92,249
<u>James Rutter Middle School</u>				
Assets:				
Cash on hand and in banks	\$ 56,665	\$ 333,567	\$ 342,765	\$ 47,467
Inventory	298	36,641	36,626	313
	\$ 56,963	\$ 370,208	\$ 379,391	\$ 47,780
Liabilities:				
Due to students/student groups	\$ 56,963	\$ 370,208	\$ 379,391	\$ 47,780
<u>Katherine L. Albiani Middle School</u>				
Assets:				
Cash on hand and in banks	\$ 74,361	\$ 260,788	\$ 227,929	\$ 107,220
Inventory		32,559	32,559	
	\$ 74,361	\$ 293,347	\$ 260,488	\$ 107,220
Liabilities:				
Due to students/student groups	\$ 74,361	\$ 293,347	\$ 260,488	\$ 107,220

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

ALL AGENCY FUNDS

(Continued)

For the Year Ended June 30, 2009

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2009</u>
<u>Student Body Funds</u>				
(Continued)				
<u>Samuel Jackman Middle School</u>				
Assets:				
Cash on hand and in banks	\$ 1,873	\$ 95,700	\$ 80,044	\$ 17,529
Inventory	<u>469</u>	<u>7,806</u>	<u>8,158</u>	<u>117</u>
	<u>\$ 2,342</u>	<u>\$ 103,506</u>	<u>\$ 88,202</u>	<u>\$ 17,646</u>
Liabilities:				
Due to students/student groups	<u>\$ 2,342</u>	<u>\$ 103,506</u>	<u>\$ 88,202</u>	<u>\$ 17,646</u>
<u>Pinkerton Middle School</u>				
Assets:				
Cash on hand and in banks	\$ 9,931	\$ 162,794	\$ 161,027	\$ 11,698
Inventory				
	<u>\$ 9,931</u>	<u>\$ 162,794</u>	<u>\$ 161,027</u>	<u>\$ 11,698</u>
Liabilities:				
Due to students/student groups	<u>\$ 9,931</u>	<u>\$ 162,794</u>	<u>\$ 161,027</u>	<u>\$ 11,698</u>
<u>T. R. Smedberg Middle School</u>				
Assets:				
Cash on hand and in banks	\$ 144,257	\$ 231,918	\$ 256,389	\$ 119,786
Inventory		<u>31,729</u>	<u>31,729</u>	
	<u>\$ 144,257</u>	<u>\$ 263,647</u>	<u>\$ 288,118</u>	<u>\$ 119,786</u>
Liabilities:				
Due to students/student groups	<u>\$ 144,257</u>	<u>\$ 263,647</u>	<u>\$ 288,118</u>	<u>\$ 119,786</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, 2009

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2009</u>
<u>Student Body Funds</u>				
(Continued)				
<u>Elementary and Other Schools</u>				
Assets:				
Cash on hand and in banks	\$ 1,086,704	\$ 3,402,993	\$ 3,588,633	\$ 901,064
Inventory				
	<u>\$ 1,086,704</u>	<u>\$ 3,402,993</u>	<u>\$ 3,588,633</u>	<u>\$ 901,064</u>
Liabilities:				
Due to students/student groups	<u>\$ 1,086,704</u>	<u>\$ 3,402,993</u>	<u>\$ 3,588,633</u>	<u>\$ 901,064</u>
<u>Total Agency Funds</u>				
Assets:				
Cash on hand and in banks	\$ 4,114,312	\$ 11,894,189	\$ 12,380,451	\$ 3,628,050
Inventory	<u>28,004</u>	<u>631,886</u>	<u>634,583</u>	<u>25,307</u>
	<u>\$ 4,142,316</u>	<u>\$ 12,526,075</u>	<u>\$ 13,015,034</u>	<u>\$ 3,653,357</u>
Liabilities:				
Due to students/student groups	<u>\$ 4,142,316</u>	<u>\$ 12,526,075</u>	<u>\$ 13,015,034</u>	<u>\$ 3,653,357</u>

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

ELK GROVE UNIFIED SCHOOL DISTRICT

ORGANIZATION

June 30, 2009

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

ADMINISTRATION

Steven M. Ladd, Ed. D.
Superintendent

L. Steven Winlock, Ed. D.
Associate Superintendent, Elementary (Pre K-6) Education

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

Richard Odegaard
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, 2009

	<u>Second Period Report</u>	<u>Annual Report</u>
Elementary:		
Kindergarten	4,074	4,080
First through Third	13,014	12,977
Fourth through Eighth	22,838	22,771
Special Education	743	769
Home and Hospital	<u>10</u>	<u>11</u>
Total Elementary	<u>40,679</u>	<u>40,608</u>
Secondary:		
Regular Classes	16,681	16,501
Special Education	450	459
Continuation Education	778	762
Home and Hospital	<u>10</u>	<u>13</u>
Total Secondary	<u>17,919</u>	<u>17,735</u>
Classes for Adults:		
Concurrently enrolled	6	7
Not currently enrolled	<u>1,414</u>	<u>1,419</u>
Total Classes for adults	<u>1,420</u>	<u>1,426</u>
Total District	<u>60,018</u>	<u>59,769</u>
Charter School	<u>286</u>	<u>293</u>
	<u>Hours of Attendance</u>	
Summer School:		
Elementary	<u>128,812</u>	<u>235,438</u>
Secondary	<u>379,432</u>	<u>616,500</u>

See accompanying notes to
supplementary information.

ELK GROVE UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME

For the Year Ended June 30, 2009

<u>Grade Level</u>	<u>1986-87 Minutes Require- ment</u>	<u>1982-83 Actual Minutes</u>	<u>2008-09 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Number of Days Multitrack Calendar</u>	<u>Status</u>
DISTRICT						
Kindergarten	36,000	31,500	36,000	180	171	In Compliance
Grade 1	50,400	40,250	51,000	180	171	In Compliance
Grade 2	50,400	40,250	51,000	180	171	In Compliance
Grade 3	50,400	40,250	51,000	180	171	In Compliance
Grade 4	54,000	42,000	54,000	180	171	In Compliance
Grade 5	54,000	42,000	54,000	180	171	In Compliance
Grade 6	54,000	42,000	54,000	180	171	In Compliance
Grade 7	54,000	42,000	58,930	180	171	In Compliance
Grade 8	54,000	42,000	58,930	180	171	In Compliance
Grade 9	64,800	52,500	65,350	180	Not Applicable	In Compliance
Grade 10	64,800	52,500	65,350	180	Not Applicable	In Compliance
Grade 11	64,800	52,500	65,350	180	Not Applicable	In Compliance
Grade 12	64,800	52,500	65,350	180	Not Applicable	In Compliance
CHARTER SCHOOL (NON CLASSROOM-BASED)						
Grade 7	54,000	Not Applicable	Not Applicable	180	Not Applicable	Not Applicable
Grade 8	54,000	Not Applicable	Not Applicable	180	Not Applicable	Not Applicable
Grade 9	64,800	Not Applicable	Not Applicable	180	Not Applicable	Not Applicable
Grade 10	64,800	Not Applicable	Not Applicable	180	Not Applicable	Not Applicable

See accompanying notes to
supplementary information.

ELK GROVE UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
For the Year Ended June 30, 2009

<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</u>			
	Special Education Cluster:		
84.027A	Special Education: Basic Local Assistance	13379	\$ 8,633,047
84.173A	Special Education: Preschool Grant	13430	216,108
84.173A	Special Education: Preschool Staff Development	13431	632
84.027A	Special Education: Preschool Local Entitlement	13682	407,827
84.18A	Special Education: IDEA Early Intervention Grants	23761	<u>53,605</u>
	Subtotal Special Education Cluster		<u>9,311,219</u>
	Title I Cluster:		
84.010	NCLB: Title I: Basic Grants Low-Income and Neglected	13797	8,174,825
84.010	NCLB: Title I: Local Delinquents Programs	13798	110,157
84.357A	NCLB: Title I: Reading First Program	14328	553,644
84.357	NCLB: Title I: Spec Ed	14911	917,712
84.213	NCLB: Title I: Even Start Family Literacy	13001	<u>160,930</u>
	Subtotal Title I Cluster		<u>9,917,268</u>
	Title II Cluster:		
84.366	NCLB: Title II: Part B, CaMSP	14512	808,637
84.367	NCLB: Title II: Teacher Quality	14341	1,852,739
84.367	NCLB: Title II: EETT Competitive	14344	8,150
84.318	NCLB: Title II: Part D, Enhancing Ed. Thr. Tech.	14334	89,109
84.318	NCLB: Title II: Part D, Enhancing Ed. Thr. Tech.	14368	<u>162,014</u>
	Subtotal Title II Cluster		<u>2,920,649</u>
	Title III Cluster:		
84.365	Title III: Immigrant Education Program	14346	235,380
84.365	Title III: Limited English Proficient Student Program	10084	<u>954,159</u>
	Subtotal Title III Cluster		<u>1,189,539</u>
	Adult Education Cluster:		
84.002A	Adult Education: Adult Basic Education	14508	151,632
84.002A	Adult Education: Priority 4, Family Literacy	13977	22,500
84.002A	Adult Education: English Literacy & Civics Ed.	14109	192,876
84.002A	Adult Education: Institutionalized Adults	13971	101,877
84.002A	Adult Education: ASE/GED	13978	<u>43,433</u>
	Subtotal Adult Education Cluster		<u>512,318</u>

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
(Continued)
For the Year Ended June 30, 2009

<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 (Continued)</u>			
84.394	ARRA: State Fiscal Stabilization Fund	25008	\$ 21,051,528
84.186	NCLB: Title IV, Part A: Drug Free Schools	13453	190,306
84.298	Title V: Innovative Education Strategies	13340	73,827
84.196A	Title X: McKinney-Vento Homeless Assistance Grant	13697	95,000
84.048	Vocation and Applied Technology Secondary II C	03577	282,892
84.048	Vocational Programs: Post Secondary & Adult IIC	13923	82,606
84.048	Vocational Programs Perkins/Adult Education	13923	27,137
84.158	Workability II Transitions Partnership	10006	290,416
84.060A	Indian Education	10011	43,862
84.215X	Teaching American History	-	332,738
84.287	21st Century Schools	14681	1,580,241
84.213	Even Start: Migrant Ed	14381	33,415
84.132	Independent Living	-	82,952
84.330	NCLB: Advanced Placement Test Fee Program	-	41,897
84.334A	Gear Up	10088	<u>42,745</u>
Total U.S. Department of Education			<u>48,102,555</u>
<u>U.S. Department of Labor</u>			
SETA Cluster:			
17.258	SETA: One Stop Adult	-	307,733
17.259	SETA: One Stop Universal Services	-	57,403
17.259	SETA: One Stop Out of School Services	-	347,156
17.269	SETA: Employment Training Program (ETP)	-	<u>5,838</u>
Subtotal SETA Cluster			<u>718,130</u>
Total U.S. Department of Labor			<u>718,130</u>
<u>U.S. Department of Health and Human Services</u>			
Child Development Cluster:			
93.596	Child Development: Federal Child Care Center Based	13609	331,113
93.575	Child Development: Quality Improvement	13979	6,177
93.575	Child Development: School Age Resource Contracts	13979	<u>2,143</u>
Subtotal Child Development Cluster			<u>339,433</u>
93.778	Medi-Cal Billing Option (DHS)	10013	733,249
93.569	CSBG - Foster Youth	10055	13,099
93.600	Head Start	10016	<u>2,267,556</u>
Total U.S. Department of Health and Human Services			<u>3,353,337</u>

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
(Continued)
For the Year Ended June 30, 2009

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Corporation for National and Community Service</u>			
94.004	CalServe: Learn and Serve America	13161	\$ <u>68,787</u>
	Total U.S. Corporation for National and Community Service		<u>68,787</u>
<u>U.S. Department of Agriculture</u>			
10.555	National School Lunch Program	13390	13,497,456
10.551	Cancer Prevention	-	<u>264,084</u>
	Total U.S. Department of Agriculture		<u>13,761,540</u>
<u>U.S. Department of Defense</u>			
**	NJROTC	-	9,215
**	NJROTC - Instruction	-	33,482
**	Air Force ROTC	-	<u>60,450</u>
	Total U.S. Department of Defense		<u>103,147</u>
<u>National Aeronautics and Space Administration</u>			
43.001	NASA Explorer	-	<u>5,007</u>
	Total National Aeronautics and Space Administration		<u>5,007</u>
	Total Federal Programs		<u>\$ 66,112,503</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, 2009

	<u>Self- Insurance Fund</u>
June 30, 2009 Unaudited Actual Financial Report Ending Fund Balance	\$ 10,247,679
Audit adjustment to reduce estimated self-insurance liability per actuarial report	<u>1,225,385</u>
June 30, 2009 Audited Financial Statements Ending Fund Balance	<u>\$ 11,473,064</u>

There were no audit adjustments proposed to any other 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, 2009

	<u>(Budgeted)</u> <u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<u>General Fund</u>				
Revenues and other financing sources	\$ 480,789,698	\$ 483,594,192	\$ 491,934,899	\$ 478,861,222
Expenditures	478,094,579	489,655,817	482,681,232	447,698,983
Other uses and transfers out	<u>4,808,169</u>	<u>5,006,913</u>	<u>5,583,205</u>	<u>4,272,619</u>
Total outgo	<u>482,902,748</u>	<u>494,662,730</u>	<u>488,264,437</u>	<u>451,971,602</u>
Change in fund balance	<u>\$ (2,113,050)</u>	<u>\$ (11,068,538)</u>	<u>\$ 3,670,462</u>	<u>\$ 26,889,620</u>
Ending fund balance	<u>\$ 45,089,068</u>	<u>\$ 47,202,118</u>	<u>\$ 58,270,656</u>	<u>\$ 54,600,194</u>
Available reserves	<u>\$ 7,720,764</u>	<u>\$ 10,147,123</u>	<u>\$ 24,256,268</u>	<u>\$ 20,440,499</u>
Designated for economic uncertainties	<u>\$ 7,720,764</u>	<u>\$ 9,865,054</u>	<u>\$ 9,736,443</u>	<u>\$ 9,003,553</u>
Unrestricted fund balance	<u>\$ -</u>	<u>\$ 282,069</u>	<u>\$ 14,519,825</u>	<u>\$ 11,436,946</u>
Available reserves as percentages of total outgo	<u>1.6%</u>	<u>2.1%</u>	<u>4.9%</u>	<u>4.5%</u>
<u>All Funds</u>				
Total long-term liabilities	<u>\$ 161,917,643</u>	<u>\$ 168,265,192</u>	<u>\$ 143,565,036</u>	<u>\$ 148,769,493</u>
Average daily attendance at P-2 (excluding adult)	<u>58,102</u>	<u>58,598</u>	<u>58,508</u>	<u>58,136</u>

The General Fund fund balance has increased by \$19,491,544 over the past three years. The fiscal year 2009-2010 budget, as originally adopted, projects a decrease of \$2,113,050. For a district this size (budgeted ADA in excess of 30,000), the state recommends available reserves of at least two percent of total General Fund expenditures, transfers out, and other uses (total outgo). The District has met this requirement.

The District has incurred operating surpluses in two of the past three years, but anticipates an operating deficit during the 2009-10 fiscal year.

Total long-term liabilities have increased by \$19,495,699 over the past two years, as shown in Note 6 to the basic financial statements.

Average daily attendance has increased by 462 over the past two years. A decrease of 496 ADA is projected for the 2009-10 fiscal year.

See accompanying notes to
supplementary information.

ELK GROVE UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS

For the Year Ended June 30, 2009

<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, 2009

	<u>School Readiness</u>	<u>Power of Parenting</u>
Revenues		
Other local sources	\$ 414,407	\$ 362,668
Expenses:		
Certificated salaries	177,139	144,964
Classified salaries	50,668	89,087
Employee benefits	85,202	70,016
Books and supplies	46,983	10,636
Contract services and operating expenditures	38,852	33,598
Indirect costs	<u>15,563</u>	<u>14,367</u>
Total expenses	<u>414,407</u>	<u>362,668</u>
Net income	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to
supplementary information.

ELK GROVE UNIFIED SCHOOL DISTRICT

SCHEDULE OF SCHOOL COMMUNITY VIOLENCE PREVENTION REVENUES AND EXPENSES

For the Year Ended June 30, 2009

Revenues	
Other local sources	<u>\$ 93,415</u>
Expenses:	
Classified salaries	31,491
Employee benefits	18,601
Books and supplies	4,282
Contract services and operating expenditures	35,496
Indirect costs	<u>3,545</u>
Total expenses	<u>93,415</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.

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 2009-2010 fiscal year.

F - Schedule of Charter Schools

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

H - Schedule of First 5 Revenues and Expenses

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

G - Schedule of School Community Violence Prevention Revenues and Expenses

This schedule provides information about the School Community Violence Prevention Revenues and Expenses Program.

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
(Continued)

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, 2009, the District did not adopt this program.

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

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

We have audited the compliance of Elk Grove Unified School District with the types of compliance requirements described in the State of California's *Standards and Procedures for Audits of California K-12 Local Educational Agencies* (the "Audit Guide") to the state laws and regulations listed below for the year ended June 30, 2009. 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
Independent Study	23	Yes
Continuation Education	10	Yes
Adult Education	9	No, see below
Regional Occupational Center and Programs	6	No, see below
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	No, see below
Community Day Schools	9	No, see below
Morgan-Hart Class Size Reduction Program	7	No, see below
Instructional Materials:		
General requirements	12	No, see below
Grades K-8	1	No, see below
Grades 9-12	1	No, see below
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
Mathematics and Reading Professional Development	4	No, see below
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

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

(Continued)

<u>Description</u>	<u>Audit Guide Procedures</u>	<u>Procedures Performed</u>
After School Education and Safety Program		
General requirements	4	Yes
After School	4	Yes
Before School	5	No, see below
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

We performed procedure (a) of Section 19828.3 related to Instructional Materials: General Requirements. However, we did not perform procedures (b), (c) and (e) of Section 19828.3 for the Instructional Materials per the flexibility provisions in SBx3 4.

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 operate any Community Day Schools; therefore, we did not perform any procedures related to this program.

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

The 2008-2009 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, 2009. Accordingly, we could not perform the portions of the audit steps (a), (b) and (c) of Section 19837 of the 2008-2009 Audit Guide relating to the comparison of tested data from the 2008-2009 fiscal year to the 2008-2009 School Accountability Report Cards.

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

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

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

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

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

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

(Continued)

We did not perform any procedures related to Adult Education, Regional Occupational Center and Programs, Morgan Hart Class Size Reduction Program, Instructional Materials: Grades K-8 Only, Instructional Materials: Grades 9-12 Only, or Mathematics Reading and Professional Development as these programs are not required to be audited per flexibility provisions in SBx3 4.

In our opinion, Elk Grove Unified School District complied with the state laws and regulations referred to above for the year ended June 30, 2009, except as described in the Schedule of Audit Findings and Questioned Costs section of this report. Further, based on our examination, for items not tested, nothing came to our attention to indicate that Elk Grove Unified School District had not complied with the state laws and regulations.

This report is intended solely for the information of the Board of Education, management, the State Controller's Office, the California Department of Education and the California Department of Finance, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Perry-Smith up

Sacramento, California
November 30, 2009

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

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

We have audited the financial statements of Elk Grove Unified School District as of and for the year ended June 30, 2009, and have issued our report thereon dated November 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

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

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

(Continued)

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*.

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

Perry-Smith LLP

Sacramento, California
November 30, 2009

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

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

Compliance

We have audited the compliance of Elk Grove Unified School District with the types of compliance requirements described in the Program Guidelines for the First 5 Sacramento County Program that are applicable to First 5 Sacramento County Program for the year ended June 30, 2009. Compliance with the requirements of laws, regulations, contracts and grants applicable to its First 5 Sacramento County Program is the responsibility of Elk Grove Unified School District's management. Our responsibility is to express an opinion on Elk Grove Unified School District's compliance based on our audit.

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

In our opinion, Elk Grove Unified School District complied, in all material respects, with the requirements referred to above that are applicable to its First 5 Sacramento County Program for the year ended June 30, 2009.

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 but, not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Elk Grove Unified School District's internal control over compliance.

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

(Continued)

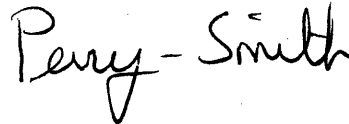
Internal Control Over Compliance (Continued)

A control deficiency in the District's internal control over compliance 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 noncompliance with a type of compliance requirement of the First 5 Sacramento County Program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer the First 5 Sacramento County Program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of the First 5 Sacramento County Program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of the First 5 Sacramento County Program will not be prevented or detected by the District's internal control.

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 that might be 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.



Sacramento, California
November 30, 2009

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE SCHOOL COMMUNITY VIOLENCE PREVENTION PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH A
PROGRAM-SPECIFIC AUDIT**

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

Compliance

We have audited the compliance of Elk Grove Unified School District with the types of compliance requirements described in the Program Guidelines for the School Community Violence Prevention Program that are applicable to School Community Violence Prevention Program for the year ended June 30, 2009. Compliance with the requirements of laws, regulations, contracts and grants applicable to its School Community Violence Prevention 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 School Community Violence Prevention Program occurred. An audit includes examining, on a test basis, evidence about Elk Grove Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Elk Grove Unified School District's compliance with those requirements.

In our opinion, Elk Grove Unified School District complied, in all material respects, with the requirements referred to above that are applicable to its School Community Violence Prevention Program for the year ended June 30, 2009.

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 School Community Violence Prevention 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 School Community Violence Prevention Program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but, not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Elk Grove Unified School District's internal control over compliance.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE SCHOOL COMMUNITY VIOLENCE PREVENTION PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH A
PROGRAM-SPECIFIC AUDIT**

(Continued)

Internal Control Over Compliance (Continued)

A control deficiency in the District's internal control over compliance 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 noncompliance with a type of compliance requirement of the School Community Violence Prevention Program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer the School Community Violence Prevention Program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of the School Community Violence Prevention Program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of the School Community Violence Prevention Program will not be prevented or detected by the District's internal control.

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 that might be 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 School Community Violence Prevention Program and is not intended to be and should not be used by anyone other than these specified parties.

Perry-Smith LLP

Sacramento, California
November 30, 2009

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

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

Compliance

We have audited the compliance of Elk Grove Unified School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. Elk Grove Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Audit Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Elk Grove Unified School District's management. Our responsibility is to express an opinion on Elk Grove Unified School District's compliance based on our audit.

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

In our opinion, Elk Grove Unified School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

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

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

(Continued)

Internal Control Over Compliance (Continued)

A control deficiency in the District's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

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

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

Perry-Smith LLP

Sacramento, California
November 30, 2009

FINDINGS AND RECOMMENDATIONS

ELK GROVE UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2009

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

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

Noncompliance material to financial statements noted? _____ Yes X No

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027A, 84.173A	Special Education Cluster
93.600	Head Start
84.367	Title II: Teacher Quality
84.394	ARRA: State Fiscal Stabilization Funds

Dollar threshold used to distinguish between Type A and Type B programs: \$ 1,983,375

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

STATE AWARDS

Internal control over state programs:

Material weakness(es) identified? _____ Yes X No

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

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

ELK GROVE UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2009

SECTION II - FINANCIAL STATEMENT FINDINGS

1. INTERNAL CONTROL - VACATION ACCRUAL (30000)

Criteria

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

Condition

Several employees have vacation accrued in excess of the limits specified by District policies. In addition, the District used July 1, 2008 rates in calculating the liability rather than June 30, 2009 rates.

Effect

Increased liability for District, to be paid in future years. The liability as of June 30, 2009 is understated due to the incorrect rate used.

Cause

Lack of enforcement of accrual policy.

Fiscal Impact

The liability is understated by \$132,336.

Recommendation

All employees are required to take some vacation hours/days each year. District's vacation accrual policy should be enforced. Also the District should consider a policy that vacation accrual should stop once an employee has reached maximum permitted by the current policy. The District should ensure the proper rate is used to calculate liability.

Corrective Action Plan

The District is working on a way to enforce the accrual policy and limit the hours that can be accrued by stopping accrual when it reaches the maximum. In addition, the District will ensure the proper rate to calculate the year-end accrual.

ELK GROVE UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2009

SECTION II - FINANCIAL STATEMENT FINDINGS
(Continued)

2. INTERNAL CONTROL - ASSOCIATED STUDENT BODY (30000)

Criteria

Internal controls - Safeguarding of Assets

Condition

At C.W. Dillard Elementary School there is no evidence that each expenditure is approved by the principal. No approval is required for revenue producing activities.

At William Daylor High School bank reconciliations are not performed in a timely manner and there is no evidence that the bank reconciliations are reviewed.

Effect

ASB funds could potentially be misappropriated.

Cause

Adequate internal controls have not been implemented and enforced.

Fiscal Impact

Not determinable.

Recommendation

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

Corrective Action Plan

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

3. DEPRECIATION (30000)

Criteria

Internal controls - Depreciation of Capital Assets

ELK GROVE UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2009

SECTION II - FINANCIAL STATEMENT FINDINGS
(Continued)

3. DEPRECIATION (30000) (Continued)

Condition

For fixed assets placed into service during the current fiscal year, the District depreciated the asset for a full year. There were several additions to fixed assets that were purchased mid year and should have not been depreciated for a full year.

Effect

Depreciation expense for the current fiscal year is overstated.

Cause

Due to oversight by management in the applications of GAAP for financial reporting purposes.

Fiscal Impact

The extrapolated error is \$719,401.

Recommendation

The District should be depreciating assets based on the month placed into service.

Corrective Action Plan

The District will start depreciating assets based on the month placed into service.

ELK GROVE UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2009

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, 2009

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

4. REGULAR AND SPECIAL DAY CLASSES (10000)

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

During our reperformance of the District's internal audit testing at Valley High School one student was claimed for apportionment for three days; however, the District had an absence note on site indicating the student would be absent.

Effect

Overstatement of ADA.

Cause

The site attendance clerk believed the note was forged and did not accept it; therefore, the attendance records were not updated to reflect the absence.

Fiscal Impact

The extrapolated effect of this funding is 0.87 ADA being disallowed representing approximately \$5,057 in funding.

Recommendation

The District should revise and resubmit the Second Period Report of Attendance, reflecting this disallowance of the above ADA.

Corrective Action Plan

The District will revise and resubmit the P2.

ELK GROVE UNIFIED SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

(Continued)

Year Ended June 30, 2009

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

(Continued)

5. ATTENDANCE REPORTING - CONTINUATION EDUCATION (10000)

Criteria

Education Code Section 51745 (b) states: Not more than 10 percent of the pupils participating in an opportunity school or program, or a continuation high school, calculated as specified by the State Department of Education, shall be eligible for apportionment credit for independent study pursuant to this article. A pupil who is pregnant or is a parent who is the primary caregiver for one or more of his or her children shall not be counted within the 10 percent cap.

Condition

The total days reported for continuation education students engaged in independent study exceeded the allowable ADA cap by 3.15 ADA.

Effect

The District overstated their continuation education independent study ADA.

Cause

It may have been an oversight on the administrator's part.

Fiscal Impact

The District overstated ADA by 3.15 ADA or approximately \$18,247.

Recommendation

The District should revise and resubmit the J-18/19 P-2 Report of Attendance to remove the overstatement of independent study ADA.

Corrective Action Plan

The District will review the independent study ADA reported prior to being submitted to ensure it does not exceed the threshold.

6. AFTER SCHOOL EDUCATION AND SAFETY PROGRAM (10000)

Criteria

The District is required to report the number of students served consistent with Education Code Sections 8482.3 and 8483.7.

ELK GROVE UNIFIED SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

(Continued)

Year Ended June 30, 2009

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

(Continued)

6. AFTER SCHOOL EDUCATION AND SAFETY PROGRAM (10000) (Continued)

Condition

The reported number of students served for Florin Elementary and Edward Harris, Jr. Middle School did not match the documented number of students served.

Effect

No fiscal impact.

Cause

The difference in ADA reported and documented was due to changes in attendance reports after the numbers were submitted.

Fiscal Impact

No fiscal impact.

Recommendation

The program should implement a system to ensure the proper attendance numbers are reported.

Corrective Action Plan

The District will ensure that the correct attendance numbers will be reported.

**STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS**

ELK GROVE UNIFIED SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

Year Ended June 30, 2009

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
<p>2008-1</p> <p>Several employees have vacation accrued in excess of the limits specified by 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 the reached maximum permitted by the current policy.</p>	<p>Not implemented.</p>	<p>See current year Finding # 1.</p>
<p>2008-2</p> <p>At Elk Grove High School, inventory is not periodically counted and reviewed to determine if the character and quantity of the inventory is correct. The profit and loss report had not been updated since December 31, 2007, and further there is no evidence of an independent review.</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 # 2.</p>
<p>2008-3</p> <p>The District was unable to provide the membership election form for one out of seven employees selected for testing.</p> <p>The District should maintain the election form in the employees' Personnel File and use a checklist to verify that all necessary paper work is completed and included the file.</p>	<p>Implemented.</p>	