

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

COUNTY OF SACRAMENTO

SACRAMENTO, CALIFORNIA

FINANCIAL STATEMENTS

WITH SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2010

AND

INDEPENDENT AUDITOR'S REPORT

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2010

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SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

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WITH SUPPLEMENTARY INFORMATION**

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SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2010

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Sacramento City Unified School District
Sacramento, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Sacramento City Unified School District, as of and for the year ended June 30, 2010, which collectively comprise Sacramento City Unified School District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Sacramento City Unified School District as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2010 on our consideration of Sacramento City Unified School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

INDEPENDENT AUDITOR'S REPORT
(Continued)

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

Our audit was conducted for the purposes of forming an opinion on the financial statements that collectively comprise Sacramento City 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 Sacramento City Unified School District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Perry-Smith LLP

Sacramento, California
December 13, 2010



Management's Discussion and Analysis

The Management's Discussion and Analysis (MD&A) Section of the audit report is District management's overall view of the District's financial condition, and provides an opportunity to discuss important fiscal issues with the Board and the public. The MD&A is an element of the reporting model adopted by the Governmental Accounting Standards Board. Certain comparative information is required to be presented in this document.

District Overview

Sacramento City Unified School District (the "District"), located in Sacramento County, is the twelfth largest school district in the State of California in terms of student enrollment. The District provides educational services to the residents in and around the City of Sacramento, the State capital. The District operates under the jurisdiction of the Superintendent of Schools of Sacramento County, although the District has attained "fiscal accountability" status under the State Education Code.

The District operates fifty elementary schools (grades K-6), five elementary/middle schools (grades K-8), nine middle schools (grades 7-8), one 7-12 middle/high school, seven high schools (grades 9-12), one independent study school, two continuation/ alternative schools, five adult education centers, one special education center and sixty-five children's centers, serving infants through age 12. Ten charter schools also operate in the District serving kindergarten through grade twelve.

For the 2009-10 school year, the District's CBEDs enrollment was 48,537. Much like the rest of the state, the District has experienced declining enrollment in past years. An increase in enrollment for 2009-10 was welcome news to the District.

The District is governed by a Board of Education consisting of seven members and one student member. The regular members are elected to staggered four-year terms every two years. As a result of the passage of two ballot measures at the November 7, 2006 election, Board member elections starting with the November 4, 2008 election, will no longer be held district-wide, but will instead be held among voters who reside in each of seven newly created trustee areas.

Vision, Mission and Strategic Plan

The District's Vision:

Let's take a simple idea and start a revolution.
Let's pledge that children come first in the Sacramento City Unified School District.
Let's promise to put a child's best interest at the heart of every decision we make.
Let's stand up together.

The District's Mission:

Students graduate as globally competitive lifelong learners, prepared to succeed in a career and higher education institution of their choice to secure gainful employment and contribute to society.

The District's *Strategic Plan 2010-14: Putting Children First*

- Career and College Ready Students: When children graduate from our schools, they will leave us as globally competitive, lifelong learners, prepared for college or a 21st Century career path of their choosing.
- Family and Community Engagement: Families are our most important allies, and we will develop opportunities for them to participate in their children's education. We will remake our campuses into welcoming, vibrant community hubs and seek out community partners who can provide broad learning opportunities for students.
- Organizational Transformation: Our structure will transform to better serve our school sites, provide acute focus on teaching and learning and create a culture of continuous improvement. We will recruit, train, retain and compensate a highly capable and diverse workforce. We will hold ourselves accountable for results.

District Practices

In 2005, the District received a three year ISO 9001:2000 certification by ABS Quality Evaluations, Inc. with respect to certain district central office operations found to be in conformity with international standards, including accounting, budget and information services, risk management, internal audit and seven other areas of management controls. The District was re-certified in May 2008. ISO 9001:2000 is an internationally recognized standard developed by ISO, the International Organization for Standardization, that provides organizations guidance for establishing, improving and maintaining effective management systems. ISO is a non-governmental network of the national standards institutes of 162 countries that develops standards for various industries and sectors through technical committees comprising experts from the relevant sector. The District is one of a very small number of school districts in the country to have received the certification, and is the first school district in California to have done so.

Financial Reports

The audit report consists of a series of financial reports. The Statement of Net Assets and Statement of Activities report the district-wide financial condition and activities of the District taken as a whole. These two financial statements start on page 11. The individual fund statements, which focus on reporting the District's operations in more detail, begin on page 13.

District-wide Financial Condition

The Statement of Net Assets is a district-wide financial statement that reports all that the District owns (assets) and owes (liabilities). Fiscal year 2001-2002 was the first year the District accounted for the value of fixed assets and included these values as part of financial statements. We display the book value of all district assets including buildings, land and equipment and related depreciation in this financial statement. The table below summarizes the value of district assets for the year ended June 30, 2010.

Beginning Net Assets	\$ 138,198,181
Change	\$ -40,667,200
Ending Net Assets	\$ 97,530,981

Land is accounted for at purchase cost, not market value, and is not depreciated. Many of our school sites have low values for even today's market because the district acquired the land many decades ago. School buildings are valued at their historical construction cost less depreciation.

Comparative financial information as of June 30, from the Statement of Net Assets is summarized in the following table:

	June 30, 2010	June 30, 2009
Capital Assets	\$514,345,753	\$514,664,438
Other Assets	\$174,243,952	\$213,791,415
Total Assets	\$688,589,705	\$728,455,853

Current and Other Liabilities	\$ 39,985,892	\$ 47,716,577
Long-Term Liabilities	\$551,072,832	\$542,541,095
Total Liabilities	\$591,058,724	\$590,257,672
Net Assets Invested in Capital Assets (net of related debt)	\$ 87,907,735	\$109,673,696
Restricted Net Assets	\$ 109,332,265	\$ 96,156,964
Unrestricted Net Assets	\$ -99,709,019	\$ -67,632,479
Total Net Assets	\$ 97,530,981	\$138,198,181

Total Net Assets decreased primarily in Other Assets which includes Cash and Investments. Due to the state funding deferrals, cash on hand has been significantly reduced.

The statement of activities is a district-wide financial statement that reports the District's cost of instruction and other district activities, and the resources that fund individual and general activities of the District. Comparative financial information for the year ended June 30 is presented in the following table:

	June 30, 2010	June 30, 2009
Expenses		
Governmental Activities:		
Instruction	\$306,531,018	\$321,168,287
Instruction-Related Services	\$ 69,444,467	\$ 78,993,618
Pupil Services	\$ 37,481,020	\$ 40,472,930
General Administration	\$ 19,035,982	\$ 21,540,858
Plant Services	\$ 47,505,231	\$ 55,717,495
Interest on Long-Term Debt	\$ 19,447,910	\$ 20,935,958
All Other Expenses and Outgo	\$ 2,979,651	\$ 2,841,077
Total Governmental Activity Expenses	\$502,425,279	\$541,670,223
Business Type Activities:		
Food Services	\$ 15,573,442	\$ 15,433,458
All Other Business Type Activities	\$ 1,097,110	\$ 1,429,142
Total Business Type Activity Expenses	\$ 16,670,552	\$ 16,862,600
Revenues		
Charges For Services	\$ 2,295,141	\$ 3,233,336
Operating Grants and Contributions	\$151,610,604	\$193,318,771
Capital Grants and Contributions	\$ 0	\$ 6,608,632
Taxes Levied for General Purposes	\$ 65,317,822	\$ 69,137,792
Taxes Levied for Debt and Special Purposes	\$ 28,510,184	\$ 30,629,581
Unrestricted Federal and State Aid	\$219,178,220	\$201,836,105
Interest and Investment Earnings	\$ 622,417	\$ 4,643,157
Interagency Revenues	\$ 0	\$ 0
Miscellaneous	\$ 10,894,243	\$ 10,685,462
Total Revenues	\$478,428,631	\$520,092,836
Change in Net Assets	\$ -40,667,220	\$ -38,439,987

Sacramento City Unified School District continued to maintain its sound financial condition. District-wide operations have been stable, with governmental activity expenses decreasing primarily due to expenditure reductions caused by budget constraints offset by increases in employee costs, particularly health and welfare costs. All expenditure categories reflect a reduction except for minimal increases in All Other Expenses and Outgo and Food Services.

Overall revenues decreased; however, there was an increase in Unrestricted Federal and State Aid due to state fiscal stabilization funds. Revenues for Capital Grants and Contributions were eliminated in 2009-10 compared to 2008-09 as a result of the apportionment for County School Facilities Fund not received in 2009-10. Interest and Investment Earnings were significantly lower due to deferrals from the state impacting the district cash flow and the continued low interest rates on investments.

General Fund Financial and Budgetary Highlights

The General Fund accounts for the primary operations of the District. The District's initial budget is adopted by July 1. Over the course of the year, the District's budget is revised several times to take into account revised and new categorical funding appropriations and related expenditures, and to update budgets for prior year carry over amounts. The budget may also be revised to reflect mid-year changes to the State Budget which affect district funding. Additionally, the District is required to prepare expenditure reports and must include multi-year projections at least twice a year. The following table summarizes the General Fund budget to actual information for the year ended June 30, 2010:

	Adopted Budget	Year End Budget	Actual
Total Revenues	\$379,156,446	\$412,507,196	\$395,133,213
Total Expenditures	\$351,243,832	\$431,362,503	\$397,165,833
Total Other Sources/(Uses)	\$ -14,305,059	\$ -9,876,560	\$ -11,294,734

The net revenue increase between Adopted and Year End budget was \$33,350,750 due to current year budgets for categorical funds, which are budgeted as grant award documents are received in addition to the large awards for the American Recovery and Reinvestment Act (ARRA) funds that carried over into 2009-10. Also, the budgets for prior year unspent restricted and unrestricted program funds (carry over) are appropriated mid-year.

The net increase to the total expenditure budget between Adopted and Year End budget was \$80,118,671, due to revisions to set up expenditures related to categorical program funds which are budgeted after July 1 as grant award documents are received and school site plans are approved.

The net change to the total Other Financing Sources and Uses budget between Adopted and Year End budget was \$4,428,499 due to accounting changes for the Adult Education Program and other Tier III programs.

Actual revenues were \$17,373,983 or 4.2%, below year end budget due primarily to unspent and unearned categorical revenue. Actual expenditures were \$34,196,670, or 7.93%, below year end budget due to unspent categorical revenue and unspent school site program funds.

The following table summarizes the General Fund operational fund financial statements for the year ended June 30, 2010:

Total Revenue	\$395,133,213
Total Expenditures	\$397,165,833
Other Financing Sources & Uses	\$ -11,294,734
Net Change	\$ -13,327,354

The General Fund ending balance decreased due to State Budget reductions after the adoption of the budget. The district relied on state fiscal stabilization funds to balance 2009-10. Through the District's efforts of improving attendance rates, the district should realize additional revenue maximization. Future financial performance is dependent on management's ability to continue to control expenses and maintain revenue levels. As evidenced in previous year's budget reductions, the Board has been proactive in making any necessary budget adjustments to maintain district fiscal integrity.

Capital Projects

Modernization and construction projects are scheduled to continue as we update our existing facilities and continue to close out construction on the School of Engineering and Science High School, John F. Kennedy High School Theater and the School of Engineering and Science Library which is a joint use venture with the City of Sacramento.

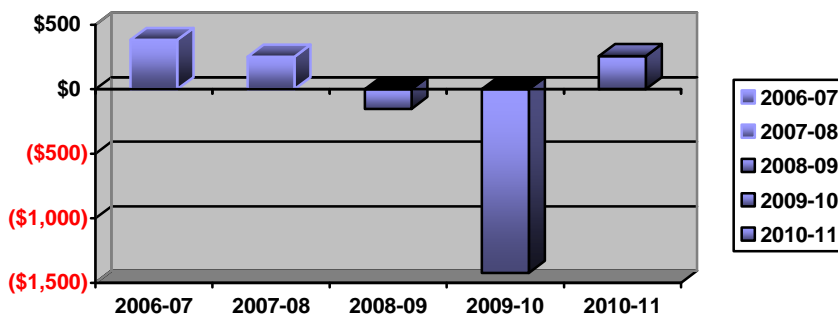
District Indebtedness

As of June 30, 2010 the District has incurred \$551,072,832 of long-term liabilities. Of this amount, \$350,082,966 is General Obligation Bonds backed by property tax increases voted on by district residents in 1999 and 2002, and \$2,400,000 is a Special Tax Bond, also backed by property tax increases voted on by residents.

Financial Issues

Over the last several years the State of California has experienced severe budget crises, causing fluctuations in available revenues. While there was a significant increase in funding for school districts for the 2006-07 fiscal year, the continuous variation makes it very difficult for planning and providing a high level of program and support for our students. The table below shows the unstable trend in state school funding:

Change in Per Pupil Funding



Funding

The District's average daily attendance decreased by 131 over the prior year. While enrollment numbers were up, two factors impacted our ADA. The implementation of a new attendance system impacted the district's ADA as well as the H1N1 flu virus that resulted in large numbers of absences.

Health Care Costs

District-Wide Health Care costs have been growing dramatically and continue to do so in this budget year. Rate increases continue to rise much faster than funding increases which negatively impacts the District's budget.

The District provides lifetime health benefits to all retired teachers and certain other employees who meet predetermined criteria. The annual actual payments for retiree benefits are included in the District-Wide Health Care costs. The District obtains an actuarial report at least every three years to determine the unfunded future liability for lifetime benefits.

December 2006 Liability	\$505.7 Million
December 2008 Liability	\$552.4 Million
Total Increase	\$ 46.7 Million

Through the negotiations process, efforts to fund the liability have started. Changes effective with the 2010-11 school year have been implemented.

Categorical Funding

As school revenues increased during the boom times of the late 1990's, much of the funds came to schools with strings attached. The 2008-09 fiscal year was instrumental in freeing up some of the strings attached to many state categorical programs – known as Tier III programs. While most state programs received a reduction in funding, districts were provided flexibility to use these funds to support any educational program. The use of these funds was instrumental in allowing the district to maintain a balanced budget while facing mid-year reductions.

Additional assistance was provided to the District by the federal government in the form of the ARRA funds. Stabilization funds as well as IDEA Special Education funds were received in 2008-09 and used to help balance the 2009-10 budget. District management must continue to closely monitor the District's limited financial resources to ensure the students of today receive the benefits of the categorical dollars.

The District's Future

During many years of funding reductions and increasing costs, the District has had to significantly reduce expenditures. The Board of Education and Superintendent have made it a priority to limit reductions that affect the classroom. However, despite best efforts, budget reductions and revenue enhancements totaling \$174 million over nine years has had a negative impact on the classroom. These difficult decisions helped enable the District to bring its General Fund expenditures in line with its revenue.

With a new Governor elected in 2010, a number of new legislators, new financial and economic projections and new political priorities in place for the 2010-11 fiscal year, the District will be watching the state funding crisis closely. The 2010-11 State Budget relies heavily on improved economics and revenues and billions of dollars from the federal government. Any economic downturn or dollars not received from the federal government would lead to further funding reductions. As in the past, the state could turn to education for the reductions.

The District will be looking at its *Strategic Plan 2010-14: Putting Children First* to fund priorities as the budget cycle continues.

Additionally, the Board of Education, Superintendent and staff have dedicated substantial time reviewing and discussing criteria and process for school consolidation and closures. It is important that valid criteria for this process – created with community and stakeholder input – is in place before any discussions begin.

There is no doubt that the next several years will be difficult financially. As we continue to work with our stakeholders and partners, their input, ideas and support will be necessary to maintain a fiscally sound district. Staff will continue to work closely with the Board of Education to ensure the District maintains its solid fiscal status.

Contacting the District's Financial Management

If you have questions regarding this report or need additional financial information, contact the Chief Business Officer at (916) 643-7840.

BASIC FINANCIAL STATEMENTS

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2010

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments (Note 2)	\$ 76,114,632	\$ 2,787,183	\$ 78,901,815
Accounts receivable	85,807,359	2,909,414	88,716,773
Prepaid expenditures	3,863,112		3,863,112
Due from other funds (Note 3)	2,258,072		2,258,072
Stores inventory	150,479	353,701	504,180
Capital assets, net of accumulated depreciation (Note 4)	513,055,706	1,290,047	514,345,753
Total assets	681,249,360	7,340,345	688,589,705
LIABILITIES			
Accounts payable	20,428,792	326,922	20,755,714
Unpaid claims and claim adjustment expenses (Note 5)	3,202,693		3,202,693
Deferred compensation	6,503,281		6,503,281
Deferred revenue	7,266,132		7,266,132
Due to other funds (Note 3)		2,258,072	2,258,072
Long-term liabilities (Note 6):			
Due within one year	47,856,790		47,856,790
Due after one year	503,216,042		503,216,042
Total liabilities	588,473,730	2,584,994	591,058,724
NET ASSETS			
Invested in capital assets, net of related debt	86,617,688	1,290,047	87,907,735
Restricted (Note 7)	105,866,961	3,465,304	109,332,265
Unrestricted	(99,709,019)		(99,709,019)
Total net assets	\$ 92,775,630	\$ 4,755,351	\$ 97,530,981

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

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2010

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental activities (Note 4):							
Instruction	\$ 306,531,018	\$ 384,634	\$ 86,576,743		\$ (219,569,641)		\$ (219,569,641)
Instruction-related services:							
Supervision and administration	26,381,907	254,291	19,115,046		(7,012,570)		(7,012,570)
Library, media and technology	3,462,299	564	1,145,131		(2,316,604)		(2,316,604)
School site administration	39,600,261	18,824	4,057,633		(35,523,804)		(35,523,804)
Pupil services:							
Home-to-school transportation	11,973,211		4,202,793		(7,770,418)		(7,770,418)
Food services	1,613,847		144		(1,613,703)		(1,613,703)
All other pupil services	23,893,962	270,362	15,266,113		(8,357,487)		(8,357,487)
General administration:							
Centralized data processing	2,655,284				(2,655,284)		(2,655,284)
All other general administration	16,380,698	30,210	2,563,176		(13,787,312)		(13,787,312)
Plant services	47,505,231	137,245	1,455,619		(45,912,367)		(45,912,367)
Ancillary services	2,013,605	859	49,310		(1,963,436)		(1,963,436)
Community services	625,205	473	177,654		(447,078)		(447,078)
Enterprise activities	66,899				(66,899)		(66,899)
Other outgo	273,942	42,774	420,821		189,653		189,653
Interest on long-term liabilities	19,447,910				(19,447,910)		(19,447,910)
Business-type activities:							
Food services	15,573,442	1,054,567	15,029,715			\$ 510,840	510,840
Enterprise activities	191,424		191,424				
General administration	900,523	62,954	868,306			30,737	30,737
Plant services	5,163	344	5,033			214	214
Other outgo		37,040	485,943			522,983	522,983
Total governmental and business-type activities	<u>\$ 519,095,831</u>	<u>\$ 2,295,141</u>	<u>\$ 151,610,604</u>	<u>\$ -</u>	<u>(366,254,860)</u>	<u>1,064,774</u>	<u>(365,190,086)</u>
General revenues:							
Taxes and subventions:							
Taxes levied for general purposes					65,317,822		65,317,822
Taxes levied for debt service					25,737,268		25,737,268
Taxes levied for other specific purposes					2,772,916		2,772,916
Federal and state aid not restricted to specific purposes					219,178,220		219,178,220
Interest and investment earnings					622,417		622,417
Miscellaneous					10,894,243		10,894,243
Internal transfers					(500,000)	500,000	
Total general revenues					<u>324,022,886</u>	<u>500,000</u>	<u>324,522,886</u>
Change in net assets					(42,231,974)	1,564,774	(40,667,200)
Net assets, July 1, 2009					<u>135,007,604</u>	<u>3,190,577</u>	<u>138,198,181</u>
Net assets, June 30, 2010					<u>\$ 92,775,630</u>	<u>\$ 4,755,351</u>	<u>\$ 97,530,981</u>

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

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2010

	<u>General Fund</u>	<u>Building Fund</u>	<u>All Non-Major Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and investments:				
Cash in County Treasury	\$ 3,401,030	\$ 15,307,149	\$ 24,110,115	\$ 42,818,294
Cash in revolving fund	225,000			225,000
Cash awaiting deposit	365,684		2,691,403	3,057,087
Cash with Fiscal Agent		8,663,595	3,049,060	11,712,655
Local Agency Investment Fund (LAIF)		894,498		894,498
Deferred compensation	6,503,281			6,503,281
Accounts receivable	77,849,292	529,332	7,311,691	85,690,315
Due from other funds	7,934,575	35,131,633	9,680,524	52,746,732
Prepaid expenditures	10,450			10,450
Stores inventory	<u>150,479</u>			<u>150,479</u>
Total assets	<u>\$ 96,439,791</u>	<u>\$ 60,526,207</u>	<u>\$ 46,842,793</u>	<u>\$ 203,808,791</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 14,899,739	\$ 1,146,535	\$ 1,788,200	\$ 17,834,474
Deferred compensation	6,503,281			6,503,281
Deferred revenue	6,682,064		584,068	7,266,132
Due to other funds	<u>43,994,116</u>	<u>12,552</u>	<u>6,476,901</u>	<u>50,483,569</u>
Total liabilities	<u>72,079,200</u>	<u>1,159,087</u>	<u>8,849,169</u>	<u>82,087,456</u>
Fund balances:				
Reserved for:				
Revolving fund	225,000			225,000
Prepaid expenditures	10,450			10,450
Stores inventory	150,479			150,479
Unspent categorical revenue	11,072,355			11,072,355
Unreserved, reported in:				
General Fund	12,902,307			12,902,307
Special Revenue Funds			9,983,905	9,983,905
Capital Projects Funds		59,367,120	14,466,754	73,833,874
Debt Service Funds			<u>13,542,965</u>	<u>13,542,965</u>
Total fund balances	<u>24,360,591</u>	<u>59,367,120</u>	<u>37,993,624</u>	<u>121,721,335</u>
Total liabilities and fund balances	<u>\$ 96,439,791</u>	<u>\$ 60,526,207</u>	<u>\$ 46,842,793</u>	<u>\$ 203,808,791</u>

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

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET -
TO THE STATEMENT OF NET ASSETS**

June 30, 2010

Total fund balances - Governmental Funds \$ 121,721,335

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 \$848,521,603 and the accumulated depreciation is \$335,465,897 (Note 4). 513,055,706

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at June 30, 2010 consisted of (Note 6):

Special Tax Bonds	\$ (2,400,000)	
General Obligation Bonds	(350,082,966)	
Accreted interest	(3,367,973)	
Certificates of Participation	(83,105,000)	
Capitalized lease obligations	(89,232)	
PARS 403(b)	(12,168,655)	
Net OPEB liability (Note 9)	(91,761,722)	
Compensated absences	<u>(8,097,284)</u>	
		(551,072,832)

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 of the Self-Insurance Fund are: 5,802,424

In the governmental funds, interest on long-term liabilities is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred: (583,665)

Costs associated with the issuance of long-term liabilities are not financial resources and, therefore, are not reported as assets in governmental funds. 3,852,662

Total net assets - governmental activities \$ 92,775,630

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

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES**

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2010

	<u>General Fund</u>	<u>Building Fund</u>	<u>All Non-Major Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Revenue limit sources:				
State apportionment	\$ 154,299,252		\$ 7,442,700	\$ 161,741,952
Local sources	<u>60,544,496</u>			<u>60,544,496</u>
Total revenue limit	<u>214,843,748</u>		<u>7,442,700</u>	<u>222,286,448</u>
Federal sources	57,663,445		15,284,229	72,947,674
Other state sources	113,183,976		9,068,107	122,252,083
Other local sources	<u>9,442,044</u>	<u>\$ 178,471</u>	<u>33,586,608</u>	<u>43,207,123</u>
Total revenues	<u>395,133,213</u>	<u>178,471</u>	<u>65,381,644</u>	<u>460,693,328</u>
Expenditures:				
Certificated salaries	172,906,681		16,833,321	189,740,002
Classified salaries	54,043,150	399,071	7,764,845	62,207,066
Employee benefits	95,971,539	91,908	11,947,057	108,010,504
Books and supplies	12,699,281	93,978	2,606,214	15,399,473
Contract services and operating expenditures	58,552,553	3,087,087	5,513,023	67,152,663
Capital outlay	645,994	17,563,128	306,256	18,515,378
Other outgo	18,318		2,345	20,663
Debt service:				
Principal retirement	2,299,125		12,952,000	15,251,125
Interest	<u>29,192</u>	<u>23,244</u>	<u>18,095,380</u>	<u>18,147,816</u>
Total expenditures	<u>397,165,833</u>	<u>21,258,416</u>	<u>76,020,441</u>	<u>494,444,690</u>
Deficiency of revenues under expenditures	<u>(2,032,620)</u>	<u>(21,079,945)</u>	<u>(10,638,797)</u>	<u>(33,751,362)</u>
Other financing sources (uses):				
Operating transfers in	4,848,912		15,691,057	20,539,969
Operating transfers out	(16,191,057)		(3,948,390)	(20,139,447)
Proceeds from the issuance of capitalized lease obligations	<u>47,411</u>			<u>47,411</u>
Total other financing sources (uses)	<u>(11,294,734)</u>		<u>11,742,667</u>	<u>447,933</u>
Change in fund balances	(13,327,354)	(21,079,945)	1,103,870	(33,303,429)
Fund balances, July 1, 2009	<u>37,687,945</u>	<u>80,447,065</u>	<u>36,889,754</u>	<u>155,024,764</u>
Fund balances, June 30, 2010	<u>\$ 24,360,591</u>	<u>\$ 59,367,120</u>	<u>\$ 37,993,624</u>	<u>\$ 121,721,335</u>

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

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

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

For the Year Ended June 30, 2010

Net change in fund balances - Total Governmental Funds		\$ (33,303,429)
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).	\$ 18,436,461	
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(18,734,021)	
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).	15,251,125	
In governmental funds, proceeds from debt are recognized as other financing sources. In the statement of net assets, proceeds from debt are reported as increases to liabilities (Note 6).	(47,411)	
Accreted interest is an expense that is not reported in the governmental funds (Note 6).	(1,328,400)	
Issuance costs and discounts related to the issuance of long-term liabilities is an expenditure in the governmental funds, but increases the assets in the statement of net assets.	(248,468)	
In governmental funds, interest on long-term liabilities is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred.	70,907	
Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost recovery basis. The change in net assets for the Self-Insurance Fund was:	78,313	
In the statement of activities, expenses related to PARS 403(b), net OPEB liability and 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>(22,407,051)</u>	<u>(8,928,545)</u>
Change in net assets of governmental activities		<u>\$ (42,231,974)</u>

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

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND
SELF-INSURANCE FUND

June 30, 2010

ASSETS

Cash and investments:	
Cash in County Treasury	\$ 10,403,817
Cash with Fiscal Agent	500,000
Accounts receivable	<u>117,044</u>
 Total assets	 <u>11,020,861</u>

LIABILITIES

Accounts payable	2,007,344
Due to other funds	8,400
Unpaid claims and claim adjustment expenses	<u>3,202,693</u>
 Total liabilities	 <u>5,218,437</u>

NET ASSETS

Restricted	<u><u>\$ 5,802,424</u></u>
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The accompanying notes are an integral
part of these financial statements.

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

SELF-INSURANCE FUND

For the Year Ended June 30, 2010

Operating revenues:	
Self-insurance premiums	<u>\$ 9,416,946</u>
Operating expenses:	
Classified salaries	307,403
Employee benefits	172,871
Books and supplies	10,110
Contract services	<u>8,955,740</u>
Total operating expenses	<u>9,446,124</u>
Operating loss	(29,178)
Non-operating income:	
Interest income	<u>107,491</u>
Change in net assets	78,313
Total net assets, July 1, 2009	<u>5,724,111</u>
Total net assets, June 30, 2010	<u><u>\$ 5,802,424</u></u>

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

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
SELF-INSURANCE FUND

For the Year Ended June 30, 2010

Cash flows from operating activities:	
Cash received from self-insurance premiums	\$ 9,604,892
Cash paid for employee benefits	(9,425,162)
Cash paid for other expenses	<u>(5,169,518)</u>
Net cash used in operating activities	<u>(4,989,788)</u>
Cash flows provided by investing activities:	
Interest income received	<u>107,491</u>
Change in cash and cash equivalents	(4,882,297)
Cash and cash equivalents, July 1, 2009	<u>15,786,114</u>
Cash and cash equivalents, June 30, 2010	<u><u>\$ 10,903,817</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	<u>\$ (29,178)</u>
Adjustments to reconcile operating loss to net cash used in operating activities:	
(Increase) decrease in:	
Accounts receivable	187,946
Due from other funds	15,702
(Decrease) increase in:	
Unpaid claims and claim adjustment expenses	(469,422)
Accounts payable	(4,484,462)
Due to other funds	<u>(210,374)</u>
Total adjustments	<u>(4,960,610)</u>
Net cash used in operating activities	<u><u>\$ (4,989,788)</u></u>

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

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND
CAFETERIA FUND

June 30, 2010

ASSETS

Cash and investments:	
Cash awaiting deposit	\$ 1,958
Cash on hand and in banks	2,783,225
Cash in revolving fund	2,000
Accounts receivable	2,909,414
Due from other funds	737,349
Stores inventory	353,701
Capital assets, net of accumulated depreciation	<u>1,290,047</u>
 Total assets	 <u>8,077,694</u>

LIABILITIES

Accounts payable	326,922
Due to other funds	<u>2,995,421</u>
 Total liabilities	 <u>3,322,343</u>

NET ASSETS

Invested in capital assets, net of related debt	1,290,047
Restricted	<u>3,465,304</u>
 Total net assets	 <u>\$ 4,755,351</u>

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

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

CAFETERIA FUND

For the Year Ended June 30, 2010

Operating revenues:	
Food service sales	\$ 1,154,426
Other local revenues	663,912
Child Nutrition Programs:	
Federal	14,739,825
State	<u>1,175,677</u>
Total operating revenues	<u>17,733,840</u>
Operating expenses:	
Classified salaries	6,190,639
Employee benefits	3,077,205
Contract services and operating expenses	79,890
Food and supplies expenses	<u>6,422,297</u>
Total operating expenses	<u>15,770,031</u>
Operating income	<u>1,963,809</u>
Non-operating income:	
Interest income	1,487
Transfers in from other funds	<u>500,000</u>
Total non-operating income	<u>501,487</u>
Non-operating expense:	
Transfers to other funds	<u>(900,522)</u>
Change in net assets	1,564,774
Net assets, July 1, 2009	<u>3,190,577</u>
Net assets, June 30, 2010	<u><u>\$ 4,755,351</u></u>

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

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
CAFETERIA FUND

For the Year Ended June 30, 2010

Cash flows from operating activities:	
Cash received from food sales	\$ 1,871,091
Cash received from Child Nutrition Programs	15,427,560
Cash paid for operating expenses	<u>(16,568,968)</u>
Net cash provided by operating activities	<u>729,683</u>
Cash flows provided by investing activities:	
Interest income received	<u>1,487</u>
Cash flows used in financing activities:	
Cash paid for capital assets	(117,384)
Cash transfer from other funds	<u>500,000</u>
Net cash provided by financing activities	<u>382,616</u>
Change in cash and cash equivalents	1,113,786
Cash and cash equivalents balance, July 1, 2009	<u>1,673,397</u>
Cash and cash equivalents balance, June 30, 2010	<u><u>\$ 2,787,183</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	<u>\$ 1,963,809</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	138,509
Increase (decrease) in:	
Accounts receivable	(435,189)
Due from other funds	(429,300)
Inventory	(40,223)
Increase in:	
Accounts payable	121,228
Due to other funds	<u>(589,151)</u>
Total adjustments	<u>(1,234,126)</u>
Net cash provided by operating activities	<u><u>\$ 729,683</u></u>

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

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS

TRUST AND AGENCY FUNDS

June 30, 2010

	Trust Funds		Agency Fund	
	Retiree Benefits Trust	Scholar- ship Trust	Student Body Funds	Total
ASSETS				
Cash and investments (Note 2):				
Cash in County Treasury	\$ 9,416,700			\$ 9,416,700
Cash on hand and in banks		\$ 196,232	\$ 1,530,008	1,726,240
Accounts receivable	39,340		27,249	66,589
Prepaid expenditures	400,000			400,000
Stores inventory			112,945	112,945
Capital assets			9,470	9,470
Due from other funds	<u>3,309</u>			<u>3,309</u>
Total assets	<u>9,859,349</u>	<u>196,232</u>	<u>1,679,672</u>	<u>11,735,253</u>
LIABILITIES				
Accounts payable	1,837,382		102,605	1,939,987
Due to student groups			<u>1,577,067</u>	<u>1,577,067</u>
Total liabilities	<u>1,837,382</u>		<u>1,679,672</u>	<u>3,517,054</u>
NET ASSETS				
Restricted (Note 7)	<u>\$ 8,021,967</u>	<u>\$ 196,232</u>	<u>\$ -</u>	<u>\$ 8,218,199</u>

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

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
STATEMENT OF CHANGE IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

For the Year Ended June 30, 2010

	<u>Retiree Benefits Trust</u>	<u>Scholarship Trust</u>	<u>Total</u>
Revenues:			
Other local sources	\$ 18,568,436	\$ 109,069	\$ 18,677,505
Expenditures:			
Contract services and operating expenditures	<u>17,057,507</u>	<u>135,935</u>	<u>17,193,442</u>
Change in net assets	1,510,929	(26,866)	1,484,063
Net assets, July 1, 2009	<u>6,511,038</u>	<u>223,098</u>	<u>6,734,136</u>
Net assets, June 30, 2010	<u>\$ 8,021,967</u>	<u>\$ 196,232</u>	<u>\$ 8,218,199</u>

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

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Sacramento City 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 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 District and Sacramento County Schools Education Facilities Financing Corporation (the "Corporation") have a financial and operational relationship which meet the reporting entity definition criteria of the *Codification of Governmental Accounting and Financial Reporting Standards, Section 2100*, for inclusion of the Corporation as a component unit of the District. Therefore, the financial activities of the Corporation have been included in the basic financial statements of the District.

The following are those aspects of the relationship between the District and the Corporation which satisfy *Codification of Governmental Accounting and Financial Reporting Standards, Section 2100*, criteria:

A - Manifestations of Oversight

1. The Corporation's Board of Directors were appointed by the District's Board of Education.
2. The Corporation has no employees. The District's Superintendent and Deputy Superintendent/Chief Financial Officer function as agents of the Corporation. Neither individual received additional compensation for work performed in this capacity.
3. The District exercises significant influence over operations of the Corporation as it is anticipated that the District will be the sole lessee of all facilities owned by the Corporation.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting Entity (Continued)

B - Accounting for Fiscal Matters

1. All major financing arrangements, contracts, and other transactions of the Corporation must have the consent of the District.
2. Any deficits incurred by the Corporation will be reflected in the lease payments of the District. Any surpluses of the Corporation revert to the District at the end of the lease period.
3. It is anticipated that the District's lease payments will be the sole revenue source of the Corporation.
4. The District has assumed a "moral obligation," and potentially a legal obligation, for any debt incurred by the Corporation.

C - Scope of Public Service and Financial Presentation

1. The Corporation was created for the sole purpose of financially assisting the District.
2. The Corporation is a nonprofit, public benefit corporation incorporated under the laws of the State of California and recorded by the Secretary of State. The Corporation was formed to provide financing assistance to the District for construction and acquisition of major capital facilities. Upon completion the District intends to occupy all Corporation facilities. When the Corporation's Certificates of Participation have been paid with state reimbursements and the District's developer fees, title of all Corporation property will pass to the District for no additional consideration.
3. The Corporation's financial activity is presented in the financial statements in the Building Fund. Certificates of Participation issued by the Corporation are included in the government-wide financial statements.

Basis of Presentation - Financial Statements

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

SACRAMENTO CITY 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 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 Governmental Accounting Standards Board Codification Section (GASB Cod. Sec.) N50.118-.121.

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

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

Basis of Presentation - Fund Accounting

The accounts of the District are organized on the basis of funds, 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 eight 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.

SACRAMENTO CITY 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 School, Adult Education, Child Development and Deferred Maintenance Funds.

3. Capital Projects Funds:

The Capital Projects Funds are used to account for resources used for the acquisition or construction of capital facilities by the District. This classification includes the Building, Developer Fees and Community Facilities Funds.

4. Debt Service Funds:

The Debt Service Funds are 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 Bond Interest and Redemption, South Pocket Facilities and Tax Override Funds.

All records relating to the Bond Interest and Redemption Fund are maintained by the Sacramento County Auditor-Controller. The revenue for this fund is raised by school district taxes which are levied, collected, and administered by County officials. The Education Code stipulates that the tax rate levied shall be sufficient to provide monies for the payment of principal and interest as they become due on outstanding school district bonds.

B - Proprietary Funds

1. Self-Insurance Fund:

The Self-Insurance Fund is an internal service fund used to account for services rendered on a cost-reimbursement basis within the District. The Self-Insurance Fund is used to provide workers' compensation, dental and vision benefits to employees of the District.

2. Cafeteria Fund:

The Cafeteria Fund is an enterprise fund which accounts for food service operations that are financed and operated in a manner similar to a private business enterprise with the objective of providing food services on a continuing basis with costs partially financed or recovered through user charges.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Fund Accounting (Continued)

C - Fiduciary Funds

1. Trust Funds:

Retiree Benefits Trust Fund:

The Retiree Benefits Trust Fund is a Trust Fund used to account for assets held by the District as Trustee.

Scholarship Trust Fund:

The Scholarship Trust Fund is a Trust Fund used to account for amounts held by the District as Trustee, to be used to provide scholarships to students of the District.

2. Agency Funds:

Student Body Funds:

Student Body Funds are used to account for revenues and expenditures of the various student body organizations. All cash activity, assets and liabilities of the various student bodies of the District are accounted for in Student Body Funds.

Basis of Accounting

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

Accrual

Both governmental and business-type 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.

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 within 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.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 budget 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 for the General Fund are presented as Required Supplementary Information.

Stores Inventory

Inventories in the General and Cafeteria Funds are valued at average cost. Inventory recorded in the General and Cafeteria Funds consists mainly of school supplies and consumable supplies. Inventories are recorded as an expenditure at the time the individual inventory items are transferred from the warehouse to schools and offices.

Cafeteria Food Purchases

Cafeteria purchases include food purchased through the State of California Office of Surplus Property, for which the District is required to pay only a handling charge. The state does not require the Cafeteria Fund to record the fair market value of these commodities. The expenditures for these items would have been greater had the District paid fair market value for the government surplus food commodities.

Capital Assets

Capital assets purchased or acquired, with an original cost of \$5,000 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 3 - 30 years depending on asset types.

Compensated Absences

Compensated absences totaling \$8,097,284 are recorded as a liability of the District. The liability is for the earned but unused benefits.

Accumulated Sick Leave

Sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expenditure or expense 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 certain STRS and CalPERS employees, when the employee retires.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Restricted Net Assets

Restrictions of the ending net assets indicate the portions of net assets not appropriate for expenditure or amounts legally segregated for a specific future use. The restrictions for revolving cash fund, prepaid expenditures and stores inventory reflect the portions of net assets represented by revolving cash fund, 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 and state programs represent programs where the revenue received is restricted for expenditures only in that particular program. The restriction for special revenues represents the portion of net assets restricted for special purposes. The restriction for debt service repayments represents the portion of net assets which the District plans to expend on debt repayment in the ensuing year. The restriction for capital projects represents the portion of net assets restricted for capital projects. The restriction for self insurance represents the portion of net assets restricted for paying insurance premiums. The restriction for cafeteria operations represents the portion of net assets restricted for future cafeteria operations. The restriction for retiree benefits represents the portion of net assets which will be used for payment of health insurance premiums for current and future retirees. The restriction for scholarships represents the portion of net assets to be used to provide financial assistance to students of the District.

Property Taxes

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

Encumbrances

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

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Eliminations and Reclassifications

In the process of aggregating data for the Statement of Net Assets and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Estimates

The preparation of basic 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 AND INVESTMENTS

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

	Governmental Activities			Business-Type Activities	Fiduciary Activities
	Governmental Funds	Proprietary Fund	Total		
Pooled Funds:					
Cash in County Treasury	\$ 42,818,294	\$ 10,403,817	\$ 53,222,111		\$ 9,416,700
Cash awaiting deposit	<u>3,057,087</u>		<u>3,057,087</u>	\$ 1,958	
Total pooled funds	<u>45,875,381</u>	<u>10,403,817</u>	<u>56,279,198</u>	<u>1,958</u>	<u>9,416,700</u>
Deposits:					
Cash on hand and in banks				2,783,225	1,726,240
Cash in revolving fund	<u>225,000</u>		<u>225,000</u>	<u>2,000</u>	
Total deposits	<u>225,000</u>		<u>225,000</u>	<u>2,785,225</u>	<u>1,726,240</u>
Investments:					
Cash with Fiscal Agent	11,712,655	500,000	12,212,655		
Deferred compensation	6,503,281		6,503,281		
Local Agency Investment Fund	<u>894,498</u>		<u>894,498</u>		
Total investments	<u>19,110,434</u>	<u>500,000</u>	<u>19,610,434</u>		
Total cash and investments	<u>\$ 65,210,815</u>	<u>\$ 10,903,817</u>	<u>\$ 76,114,632</u>	<u>\$ 2,787,183</u>	<u>\$ 11,142,940</u>

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

2. CASH AND INVESTMENTS (Continued)

Pooled Funds

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Sacramento County Treasury. The County pools these funds with those of school districts in the County and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited monthly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

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 pooled investment fund 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 classifications is required.

In accordance with applicable state laws, the Sacramento County Treasurer may invest in derivative securities. However, at June 30, 2010, the Sacramento County Treasurer has represented that the Treasurer's pooled investment fund contained no derivatives or other investments with similar risk profiles.

Deposits - Custodial Credit Risk - Deposits

Cash balances held in banks and revolving funds are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). As of June 30, 2010, the carrying amount of the District's accounts were \$4,736,465, and the bank balances were \$5,229,078. Of the bank balances, \$1,288,898 was covered by the FDIC insurance and \$3,940,180 was uninsured. Uninsured balances are fully collateralized by the banks in accordance with applicable law.

Investments

The Cash with Fiscal Agent in the Building Fund and South Pocket Facilities Fund represents debt proceeds that have been set aside for capital asset expenditures and the repayment of long-term liabilities. These amounts are held by a third party custodian in the District's name.

The Cash with Fiscal Agent in the Self-Insurance Fund represents cash segregated for the future payment of self-insured benefits. These amounts are held by a third party custodian in the District's name.

The District has established a voluntary deferred compensation plan for its employees. The agreements provide for periodic payroll deductions from the participating employees. An amount equal to the reduction in compensation is invested by the District. The employees have no preferential right, title, or claim to the earnings of the assets of the Plan except as general creditors of the District.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

2. CASH AND INVESTMENTS (Continued)

Investments (continued)

Sacramento City Unified School District places certain funds with the State of California's Local Agency Investment Fund (LAIF). The District is a voluntary participant in LAIF, which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California and the Pooled Money Investment Board. The State Treasurer's Office pools these funds with those of other governmental agencies in the state and invests the cash. The fair value of the District's investment in the pool is reported in the accompanying financial statements based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The monies held in the pooled investments funds are not subject to categorization by risk category. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Funds are accessible and transferable to the master account within twenty-four hours notice. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, and floating rate securities issued by federal agencies, government-sponsored enterprises and corporations. LAIF is administered by the State Treasurer. LAIF investments are audited annually by the Pooled Money Investment Board and the State Controller's Office. Copies of this audit may be obtained from the State Treasurer's Office: 915 Capitol Mall; Sacramento, California 95814. The Pooled Money Investment Board has established policies, goals, and objectives to make certain that their goal of safety, liquidity and yield are not jeopardized.

Interest Rate Risk

The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2010, the District had no significant interest rate risk related to cash and investments held.

Credit Risk

The District does not have a formal investment policy that limits its investment choices other than the limitations of state law.

Concentration of Credit Risk

The District does not place limits on the amount it may invest in any one issuer. At June 30, 2010, the District had no concentration of credit risk.

3. INTERFUND TRANSACTIONS

Interfund Activity

Transactions between funds of the District are recorded as interfund transfers, except for the Self-Insurance Fund activity which is recorded as income and expenditures of the Self-Insurance Fund and the funds which incur payroll costs, respectively. The unpaid balances at year end, as a result of such transactions, are shown as due to and due from other funds.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

3. INTERFUND TRANSACTIONS (Continued)

Interfund Receivables/Payables

Individual interfund receivable and payable balances at June 30, 2010 were as follows:

Fund	Interfund Receivables	Interfund Payables
Major Funds:		
General	\$ 7,934,575	\$ 43,994,116
Building	35,131,633	12,552
Non-Major Funds:		
Charter School	2,402,394	1,060,460
Adult Education	5,018,558	2,667,961
Child Development	2,259,572	2,284,757
Capital Facilities		463,723
Proprietary Fund:		
Self-Insurance		8,400
Enterprise Fund:		
Cafeteria	737,349	2,995,421
Fiduciary Fund:		
Retiree Benefits Trust	3,309	
Totals	\$ 53,487,390	\$ 53,487,390

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended.

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

Transfer from the General Fund to the Charter School Fund for contribution.	\$ 500,000
Transfer from the General Fund to the Adult Education Fund for principal apportionment.	13,133,556
Transfer from the General Fund to the Child Development Fund for program apportionment.	731,603
Transfer from the General Fund to the Deferred Maintenance Fund for deferred maintenance projects.	1,325,898
Transfer from the General Fund to the Cafeteria Fund for repayment.	500,000
Transfer from the Cafeteria Fund to the General Fund for indirect support.	900,522

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

3. INTERFUND TRANSACTIONS (Continued)

Interfund Transfers (Continued)

Transfer from the Charter Schools Fund to the General Fund for charter school fees and indirect support.	\$ 613,471
Transfer from the Adult Education Fund to the General Fund for indirect support and Adult Education fees.	2,652,893
Transfer from the Child Development Fund to the General Fund for indirect support.	<u>682,026</u>
	<u><u>\$ 21,039,969</u></u>

4. CAPITAL ASSETS

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

	<u>Balance July 1, 2009</u>	<u>Transfers and Additions</u>	<u>Transfers and Deductions</u>	<u>Balance June 30, 2010</u>
<u>Governmental Activities</u>				
Non-depreciable:				
Land	\$ 19,873,250			\$ 19,873,250
Work-in-process	24,731,412	\$ 16,712,806	\$ 39,367,991	2,076,227
Depreciable:				
Buildings	644,087,655	39,530,167		683,617,822
Site improvements	115,604,127	1,378,682		116,982,809
Equipment	<u>25,788,698</u>	<u>182,797</u>		<u>25,971,495</u>
Totals, at cost	<u>830,085,142</u>	<u>57,804,452</u>	<u>39,367,991</u>	<u>848,521,603</u>
Less accumulated depreciation:				
Buildings	(251,292,906)	(13,996,833)		(265,289,739)
Site improvements	(41,318,202)	(4,325,675)		(45,643,877)
Equipment	<u>(24,120,768)</u>	<u>(411,513)</u>		<u>(24,532,281)</u>
Total accumulated depreciation	<u>(316,731,876)</u>	<u>(18,734,021)</u>		<u>(335,465,897)</u>
Capital assets, net	<u>\$ 513,353,266</u>	<u>\$ 39,070,431</u>	<u>39,367,991</u>	<u>\$ 513,055,706</u>
<u>Business-Type Activities</u>				
Capital assets, net	<u>\$ 1,311,172</u>	<u>\$ 117,385</u>	<u>\$ 138,510</u>	<u>\$ 1,290,047</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 17,457,251
Food services	7,995
All other pupil services	130,186
All other general administration	827,684
Plant services	103,969
Community services	<u>206,936</u>
Total depreciation expense	<u><u>\$ 18,734,021</u></u>

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

5. SELF-INSURANCE CLAIMS

The District has established a Self-Insurance Fund to account for employee vision benefits, employee dental benefits and workers' compensation plans. The employee vision and dental plans are self insured and contract with a third party administrator for benefits processing. Until July 31, 1998 and from July 1, 2001 through June 30, 2005, the workers' compensation plan provided coverage up to \$250,000 and purchased excess insurance for claims over the retained coverage limit. Between August 1, 1998 and June 30, 2001, and after July 1, 2005, the District purchased insurance for the workers' compensation coverage.

The liability for unpaid claims and claim adjustment expenses represents the ultimate cost of claims that have been reported but not settled and of claims that have been incurred but not reported. These claims will be paid in future years.

District management recomputes the liability annually using available updated claims data. Every three years, the District contracts with an actuary who performs an actuarial study using a variety of statistical techniques to produce current estimates that consider claim frequency and other economic factors. The liability for workers compensation is based on an actuarial study dated March 26, 2010.

The liabilities for unpaid claims and claim adjustment expenses are as follows:

	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Unpaid claim and claim adjustment expenses, beginning of year	\$ 3,672,115	\$ 4,171,358
Total incurred claims and claim adjustment expenses	8,955,740	9,542,946
Total payments	<u>(9,425,162)</u>	<u>(10,042,189)</u>
Total unpaid claims and claim adjustment expenses at end of year	<u>\$ 3,202,693</u>	<u>\$ 3,672,115</u>

6. LONG-TERM LIABILITIES

Special Tax Bonds

<u>Series</u>	<u>Interest Rate</u>	<u>Balance July 1, 2009</u>	<u>Current Year Proceeds</u>	<u>Current Year Maturities</u>	<u>Balance June 30, 2010</u>
1997 C	3.7% to 5.5%	<u>\$ 2,940,000</u>	<u>\$ -</u>	<u>\$ 540,000</u>	<u>\$ 2,400,000</u>

Special Tax Bonds outstanding represent the unpaid portion of a bond issuance by voters to finance construction of three school facilities. All records relating to bond redemption and payments of interest are maintained by the Sacramento County Auditor/Controller.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

Special Tax Bonds (Continued)

Scheduled payments on Series 1997 C Special Tax Bond are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 570,000	\$ 114,520	\$ 684,520
2012	600,000	83,215	683,215
2013	635,000	49,807	684,807
2014	<u>595,000</u>	<u>16,363</u>	<u>611,363</u>
	<u>\$ 2,400,000</u>	<u>\$ 263,905</u>	<u>\$ 2,663,905</u>

General Obligation Bonds

Refunding Bonds, Series 2001:

On October 12, 2001, the District issued General Obligation Refunding Bonds, Series 2001, totaling \$52,310,000. Bond proceeds were used to refund a portion of the Districts 1999 Series A. Repayment of the Bonds is made from special parcel tax revenues levied in connection with this bond issue. The bonds bear interest at rates ranging from 2.2% to 5.0% and are scheduled to mature through 2029 as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 1,540,000	\$ 2,143,088	\$ 3,683,088
2012	1,600,000	2,085,338	3,685,338
2013	1,660,000	2,022,938	3,682,938
2014	1,730,000	1,956,538	3,686,538
2015	1,805,000	1,883,013	3,688,013
2016-2020	10,395,000	8,086,365	18,481,365
2021-2025	13,305,000	5,242,065	18,547,065
2026-2029	<u>13,230,000</u>	<u>1,615,802</u>	<u>14,845,802</u>
	<u>\$ 45,265,000</u>	<u>\$ 25,035,147</u>	<u>\$ 70,300,147</u>

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

Series B:

On March 27, 2001, the District issued 1999 General Obligation Bonds, Series B, totaling \$45,000,000. Bond proceeds are being spent to construct, repair and expand local schools. Repayment of the bonds will be made from property taxes levied by the County of Sacramento. The bonds bear interest at rates ranging from 4.0% to 5.0% and are scheduled to mature through 2031 as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 1,135,000	\$ 1,836,675	\$ 2,971,675
2012	1,190,000	1,785,600	2,975,600
2013	1,240,000	1,732,050	2,972,050
2014	1,300,000	1,676,250	2,976,250
2015	1,365,000	1,611,250	2,976,250
2016-2020	7,900,000	6,963,750	14,863,750
2021-2025	8,090,000	4,780,500	12,870,500
2026-2030	12,870,000	1,993,000	14,863,000
2031	<u>2,000,000</u>	<u>78,500</u>	<u>2,078,500</u>
	<u>\$ 37,090,000</u>	<u>\$ 22,457,575</u>	<u>\$ 59,547,575</u>

Series C:

On May 7, 2002, the District issued 1999 General Obligation Bonds, Series C, totaling \$45,000,000. Bond proceeds are being spent to construct, repair and expand local schools. Repayment of the bonds will be made from property taxes levied by the County of Sacramento. The bonds bear interest at rates ranging from 4.0% to 5.0% and are scheduled to mature through 2031 as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 865,000	\$ 1,983,115	\$ 2,848,115
2012	890,000	1,948,515	2,838,515
2013	935,000	1,912,025	2,847,025
2014	965,000	1,872,288	2,837,288
2015	1,005,000	1,824,038	2,829,038
2016-2020	5,750,000	8,319,440	14,069,440
2021-2025	7,240,000	6,741,690	13,981,690
2026-2030	12,990,000	4,734,802	17,724,802
2031	<u>9,040,000</u>	<u>463,300</u>	<u>9,503,300</u>
	<u>\$ 39,680,000</u>	<u>\$ 29,799,213</u>	<u>\$ 69,479,213</u>

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

Series D:

On August 1, 2004, the District issued 1999 General Obligation Bonds, Series D, totaling \$55,000,000. Bond proceeds are being spent to construct, repair and expand local schools. Repayment of the bonds will be made from property taxes levied by the County of Sacramento. The bonds bear interest at rates ranging from 2.5% to 5.125% and are scheduled to mature through 2029 as follows:

Year Ended June 30,	Principal	Interest	Total
2011	\$ 1,110,000	\$ 2,439,544	\$ 3,549,544
2012	1,225,000	2,395,144	3,620,144
2013	1,345,000	2,346,144	3,691,144
2014	1,470,000	2,292,344	3,762,344
2015	1,605,000	2,233,544	3,838,544
2016-2020	10,375,000	10,014,713	20,389,713
2021-2025	15,615,000	6,890,662	22,505,662
2026-2029	17,405,000	2,276,350	19,681,350
	<u>\$ 50,150,000</u>	<u>\$ 30,888,445</u>	<u>\$ 81,038,445</u>

Series A:

On March 1, 2003, the District issued 2002 General Obligation Bonds, Series A, totaling \$80,000,000. Bond proceeds are being spent to construct, repair and expand local schools. Repayment of the bonds will be made from property taxes levied by the County of Sacramento. The bonds bear interest at rates ranging from 4.0% to 5.0% and are scheduled to mature through 2027 as follows:

Year Ended June 30,	Principal	Interest	Total
2011	\$ 400,000	\$ 1,903,950	\$ 2,303,950
2012	2,005,000	1,887,950	3,892,950
2013	2,000,000	1,807,750	3,807,750
2014	2,780,000	1,727,750	4,507,750
2015	3,010,000	1,616,550	4,626,550
2016-2020	19,980,000	6,011,775	25,991,775
2021-2025	13,440,000	1,677,356	15,117,356
2026-2027	1,290,000	67,250	1,357,250
	<u>\$ 44,905,000</u>	<u>\$ 16,700,331</u>	<u>\$ 61,605,331</u>

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

Series 2005:

On July 1, 2005, the District issued 2002 General Obligation Bonds, Series 2005, totaling \$80,000,000. Bond proceeds are being spent to construct, repair and expand local schools. Repayment of the bonds will be made from property taxes levied by the County of Sacramento. The bonds bear interest at rates ranging from 4.0% to 5.0% and are scheduled to mature through 2030 as follows:

Year Ended June 30,	Principal	Interest	Total
2011	\$ 2,300,000	\$ 3,740,500	\$ 6,040,500
2012	1,125,000	3,671,500	4,796,500
2013	1,330,000	3,615,250	4,945,250
2014	1,540,000	3,548,750	5,088,750
2015	1,770,000	3,471,750	5,241,750
2016-2020	12,900,000	15,771,250	28,671,250
2021-2025	21,495,000	11,741,750	33,236,750
2026-2030	<u>33,270,000</u>	<u>5,263,750</u>	<u>38,533,750</u>
	<u>\$ 75,730,000</u>	<u>\$ 50,824,500</u>	<u>\$ 126,554,500</u>

Series 2007:

On November 14, 2007, the District issued 2002 General Obligation Bonds, Series 2007, totaling \$64,997,966. Bond proceeds are being spent to construct, repair and expand local schools. Repayment of the bonds will be made from property taxes levied by the County of Sacramento. The bonds bear interest at rates ranging from 3.5% to 5.0% and are scheduled to mature through 2033 as follows:

Year Ended June 30,	Principal	Interest	Total
2011	\$ 4,920,000	\$ 1,411,956	\$ 6,331,956
2012	1,460,000	1,165,956	2,625,956
2013	1,690,000	1,092,956	2,782,956
2014	1,700,000	1,033,806	2,733,806
2015	1,880,000	965,806	2,845,806
2016-2020	12,560,000	3,268,542	15,828,542
2021-2025	14,409,519	8,832,074	23,241,593
2026-2030	12,392,605	19,917,395	32,310,000
2031-2033	<u>6,250,842</u>	<u>13,134,158</u>	<u>19,385,000</u>
	<u>\$ 57,262,966</u>	<u>\$ 50,822,649</u>	<u>\$ 108,085,615</u>

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

Certificates of Participation (COPs)

On April 18, 2001, COPs of \$43,580,000 were issued with variable interest rates ranging from 4.1% to 5.0% maturing on March 1, 2031, for the advance refunding of Series 1999C COPs (with remaining obligation of \$29,590,000) and to provide additional capital for construction projects. With the payment of \$30,000,000 to the Escrow Agent to advance refund and defease the District's 1999C COPs, the 1999C COPs are considered to be defeased, and the obligations have been removed from the District's financial statements.

On July 11, 2002, the District issued \$58,000,000 of Variable Rate Demand Certificates of Participation maturing on March 1, 2031, for the advance refunding of 1998 Series A COPs (with remaining obligation of \$13,750,000) and 1999 Series D COPs (with remaining obligation of \$15,480,000) and to provide additional capital for construction projects. The interest charges on these Variable Rate Demand COPs is determined weekly by the Remarketing Agent based on prevailing financial market conditions. With the payment of \$29,230,000 to the Escrow Agent to advance refund and defease the District's 1998 Series A COPs and the 1999 Series D COPs are considered to be defeased, and the obligations have been removed from the District's financial statements.

Scheduled payments for the COPs are as follows:

Year Ending June 30,	COPs Payments
2011	\$ 4,390,995
2012	4,386,795
2013	4,490,895
2014	4,491,175
2015	4,588,075
2016-2020	23,845,570
2021-2025	25,744,250
2026-2030	27,945,000
2031	5,887,750
Total payments	105,770,505
Less amount representing interest	(22,665,505)
Net present value of minimum payments	\$ 83,105,000

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

Capitalized Lease Obligations

The District leases equipment under capital lease agreements. Future minimum lease payments are as follows:

Year Ending June 30,	Lease Payments
2011	\$ 61,518
2012	9,482
2013	9,482
2014	9,483
Total payments	89,965
Less amount representing interest	(733)
Net minimum lease payments	\$ 89,232

PARS 403(b) Supplementary Retirement Plan

The District has adopted the PARS 403(b) Supplementary Retirement Plan (the "Plan") effective June 30, 2008 pursuant to Resolution No. 2521. The District shall make non-elective employer contributions into eligible Participant's 403(b) annuity contract held at Public Life Insurance Company. Future PARS payments are as follows:

Year Ending June 30,	PARS Payments
2011	\$ 3,708,721
2012	3,708,721
2013	3,708,721
2014	1,042,493
Total payments	\$ 12,168,656

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

Schedule of Changes in Long-Term Liabilities

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

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010	Amounts Due Within One Year
Governmental activities:					
Special Tax Bonds	\$ 2,940,000		\$ 540,000	\$ 2,400,000	\$ 570,000
General Obligation Bonds	362,182,966		12,100,000	350,082,966	12,270,000
Accreted interest	2,039,573	\$ 1,328,400		3,367,973	
Certificates of Participation	85,600,000		2,495,000	83,105,000	2,640,000
Capitalized lease obligations	157,946	47,411	116,125	89,232	60,785
PARS 403(b)	15,877,376		3,708,721	12,168,655	3,708,721
Net OPEB liability (Note 9)	66,186,442	44,061,864	18,486,584	91,761,722	20,510,000
Compensated absences	7,556,792	540,492		8,097,284	8,097,284
	<u>\$ 542,541,095</u>	<u>\$ 45,978,167</u>	<u>\$ 37,446,430</u>	<u>\$ 551,072,832</u>	<u>\$ 47,856,790</u>

Payments on the Special Tax Bonds are made from the South Pocket Facilities Fund. Payments on the General Obligation Bonds are made from the Bond Interest and Redemption Fund. Principal and interest payments on the Certificates of Participation are made from the General Fund and Developer Fee Fund. Payments on the capitalized lease obligations and PARS 403(b) are made from the General Fund. Payments on net OPEB liability and compensated absences are made from the fund for which the related employee worked.

7. RESTRICTED NET ASSETS

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

	Governmental Activities	Business- Type Activities	Fiduciary Funds
Restricted for revolving cash	\$ 225,000	\$ 2,000	
Restricted for prepaid expenditures	3,863,112		\$ 400,000
Restricted for stores inventory	150,479	353,701	
Restricted for unspent categorical program revenues and state programs	11,072,355		
Restricted for special revenues	9,983,905		
Restricted for debt service	10,493,905		
Restricted for capital projects	64,275,781		
Restricted for self insurance	5,802,424		
Restricted for cafeteria operations		3,109,603	
Restricted for retiree benefits			7,621,967
Restricted for scholarships			196,232
Total restricted net assets	<u>\$ 105,866,961</u>	<u>\$ 3,465,304</u>	<u>\$ 8,218,199</u>

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

8. EMPLOYEE RETIREMENT SYSTEMS

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

Plan Description and Provisions

California Public Employees' Retirement System (CalPERS)

Plan Description

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

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 2009-2010 was 9.709% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2008, 2009 and 2010 were \$6,307,183, \$6,332,705 and \$5,986,328, 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.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

8. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Plan Description and Provisions (Continued)

State Teachers' Retirement System (STRS) (Continued)

Funding Policy

Active plan members are required to contribute 8% of their salary. The required employer contribution rate for fiscal year 2009-2010 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal years ending June 30, 2008, 2009 and 2010 were \$17,096,524, \$16,104,807 and \$15,346,148, respectively, and equal 100% of the required contributions for each year.

9. OTHER POSTEMPLOYMENT HEALTHCARE PLAN

Plan Description

Sacramento City Unified School District's Retired Employees Healthcare Plan (REHP), is a single-employer defined benefit healthcare plan administered by the Sacramento City Unified School District. REHP provides medical insurance benefits to eligible retirees. Benefits are a negotiated component of each bargaining unit agreement. Currently, eligible retirees receive health care benefits that are paid 100% by the District. District teachers qualify for these benefits after attaining age 55 with at least ten years of consecutive service to the District. Other District employees qualify for benefits after attaining age 50 and meeting the requirements outlined in their respective bargaining agreements.

Funding Policy

The contribution requirements of the District are established and may be amended by the Board of Education. The required contribution is based in projected pay-as-you-go financing requirements, with an amount to fund the actuarial accrued liability as determined annually by the Board. For fiscal year ended June 30, 2010, the District contributed \$18.4 million to the plan. As of June 30, 2010, the Board designated an additional \$1 million of unrestricted General Fund dollars to fund the liability.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

9. OTHER POSTEMPLOYMENT HEALTHCARE PLAN (Continued)

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$ 43,541,716
Interest on net OPEB obligation	2,978,390
Adjustment to annual required contribution	<u>(2,458,242)</u>
Annual OPEB cost (expense)	44,061,864
Contributions made	<u>(18,486,584)</u>
Increase in net OPEB obligation	25,575,280
Net OPEB obligation - beginning of year	<u>66,186,442</u>
Net OPEB obligation - end of year	<u><u>\$ 91,761,722</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2010 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	\$ 50,295,381	34.6%	\$ 66,186,442
June 30, 2010	\$ 44,061,864	42.0%	\$ 91,761,722

Funded Status and Funding Progress

As of December 1, 2008 the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$552.4 million, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$552.4 million. For fiscal year ending June 30, 2010, the covered payroll (annual payroll of active employees covered by the plan) was \$227.1 million, and the ratio of the UAAL to the covered payroll was 243 percent.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

9. OTHER POSTEMPLOYMENT HEALTHCARE PLAN (Continued)

Funded Status and Funding Progress (Continued)

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

Actuarial Methods and Assumptions

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

In the December 1, 2008, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included an annual healthcare cost trend rate of 10 percent initially, reduced by decrements to an ultimate rate of 5 percent after ten years. The UAAL is being amortized as a level percentage of projected payroll. The remaining amortization period at June 30, 2010, was 27 years.

10. JOINT POWERS AGREEMENT

Schools Insurance Authority

The District is a member with other school districts of a Joint Powers Authority, Schools Insurance Authority (SIA), for the operation of a common risk management and insurance program for property and liability coverage. The following is a summary of financial information for SIA at June 30, 2010:

Total assets	\$ 101,105,311
Total liabilities	\$ 41,804,380
Total net assets	\$ 59,300,931
Total revenues	\$ 43,906,093
Total expenses	\$ 37,968,010
Change in net assets	\$ 5,938,083

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.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

11. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Fund	Excess Expenditures
General Fund:	
Certificated salaries	\$ 98,766

Budget revision for the expenditures in excess of the budgeted amount was not made at the end of the fiscal year.

12. CALIFORNIA ADMINISTRATIVE SERVICES AUTHORITY (CASA)

Formation of CASA and Pension System

In June 2000, the District entered into a joint exercise of powers agreement with the Yolo County Office of Education to form the California Administrative Services Authority (CASA), a California "joint powers authority", in order to provide administrative services to its members and to offer an alternative retirement system to replace CalPERS and Social Security for certain electing District classified personnel. In order to participate in the CASA retirement system, District employees took a leave of absence from the District to become employed by CASA, and were contracted back to the District to work in their old positions and functions. So long as a public employer offers an acceptable alternative to, and does not participate in, CalPERS and Social Security, neither the employer nor its employees are required to contribute to those systems. By recapturing the Social Security contributions, CASA expected to be able to afford enhanced retirement benefits compared to CalPERS, and thus to attract and retain highly qualified staff for the District.

On April 1, 2004, the Board of Trustees of the District (the "Board") notified CASA that it intended to terminate the District's Operating Agreement under which CASA provided staff services to the District, effectively returning those employees to District employment as of July 1, 2004. (The Yolo County Office of Education took similar action in April 2004). The District no longer has any employees working for or through CASA.

Investigation of CASA and Potential District Liability

On December 16, 2003, MGT issued its report regarding the District's potential exposure as a result of its participation in CASA. In addition to the amount requested by CalPERS, MGT identified that the District could owe up to \$2.5 million to the State Department of Education to refund unearned "PERS Reduction" income received on account of District employees transferred to CASA employment, and \$3.2 million to the Social Security Administration in unpaid employer and employee contributions.

Since July 1, 2004, the District has resumed making ordinary contributions to CalPERS and Social Security for its former CASA employees. In a settlement agreement with CalPERS reached in January 2007, the District has also agreed to retroactively enroll former CASA employees into CalPERS for the time they were employed by CASA. The retroactive adjustments have been completed and payment to CalPERS for the additional service credit has been made.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

12. CALIFORNIA ADMINISTRATIVE SERVICES AUTHORITY (CASA) (Continued)

Investigation of CASA and Potential District Liability (Continued)

Meanwhile, the District is also making full payments to the bonds trustee under the loan agreement to provide for current payment of the outstanding CASA bonds. Although the District has the right under the loan agreement to prepay its obligation in full at any time in the amount of the principal, accrued interest and a prepayment penalty, the District cannot be assured that by doing so it will be able to obtain the bond proceeds and other CASA assets. Those assets are now under the control of the Superior Court of the State of California, which has been asked to settle the various claims of CalPERS, the District, CASA, and its bondholders, including who is entitled to the pension contributions previously made on behalf of CASA employees. The court was also asked to determine proper disposition of the \$5 million in net bond proceeds that were to have been loaned to the District, but were instead invested by CASA in its pension fund.

The administrative proceeding between the District and CalPERS was dismissed as part of the January 2007 settlement agreement; however, litigation before the Superior Court is ongoing. The District cannot definitively estimate the potential cost of any negative outcome in the litigation and any ongoing negotiations. The District's liability to pay enhanced retirement benefits to members of CASA will depend on legal determinations as to the validity of the CASA plan and the benefits promised thereunder. The District does not believe that the final outcome after all obligations are satisfied will impair the District's ability to repay the Bonds in a timely manner.

13. CONTINGENCIES

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

The District has received federal and state funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could result in expenditure disallowances under terms of the grants, it is management's opinion that any required reimbursements of future revenue offsets subsequently determined will not have a material effect on the District's financial position.

14. SUBSEQUENT EVENTS

The District has reviewed all events occurring from June 30, 2010 through December 13, 2010, the date the financial statements were issued. No subsequent events occurred requiring accrual or disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended June 30, 2010

	<u>Budget</u>			Variance
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Favorable (Unfavorable)
Revenues:				
Revenue limit sources:				
State apportionment	\$ 161,452,450	\$ 150,065,698	\$ 154,299,252	\$ 4,233,554
Local sources	<u>67,045,471</u>	<u>62,886,872</u>	<u>60,544,496</u>	<u>(2,342,376)</u>
Total revenue limit	<u>228,497,921</u>	<u>212,952,570</u>	<u>214,843,748</u>	<u>1,891,178</u>
Federal sources	47,273,723	85,164,027	57,663,445	(27,500,582)
Other state sources	97,722,964	106,650,804	113,183,976	6,533,172
Other local sources	<u>5,661,838</u>	<u>7,739,795</u>	<u>9,442,044</u>	<u>1,702,249</u>
Total revenues	<u>379,156,446</u>	<u>412,507,196</u>	<u>395,133,213</u>	<u>(17,373,983)</u>
Expenditures:				
Certificated salaries	153,142,509	172,807,915	172,906,681	(98,766)
Classified salaries	49,750,262	57,837,200	54,043,150	3,794,050
Employee benefits	90,681,144	98,607,767	95,971,539	2,636,228
Books and supplies	11,187,868	37,142,776	12,699,281	24,443,495
Contract services and operating expenditures	45,776,924	60,065,555	58,552,553	1,513,002
Capital outlay	217,254	1,884,231	645,994	1,238,237
Other outgo	(2,137,129)	261,059	18,318	242,741
Debt service:				
Principal retirement	2,625,000	2,625,000	2,299,125	325,875
Interest	<u> </u>	<u>131,000</u>	<u>29,192</u>	<u>101,808</u>
Total expenditures	<u>351,243,832</u>	<u>431,362,503</u>	<u>397,165,833</u>	<u>34,196,670</u>
Excess (deficiency) of revenues over (under) expenditures	<u>27,912,614</u>	<u>(18,855,307)</u>	<u>(2,032,620)</u>	<u>16,822,687</u>
Other financing sources (uses):				
Operating transfers in	520,839	6,375,333	4,848,912	(1,526,421)
Operating transfers out	(14,825,898)	(16,251,893)	(16,191,057)	60,836
Proceeds from the issuance of capitalized lease obligations	<u> </u>	<u> </u>	<u>47,411</u>	<u>47,411</u>
Total other financing sources	<u>(14,305,059)</u>	<u>(9,876,560)</u>	<u>(11,294,734)</u>	<u>(1,418,174)</u>
Change in fund balance	13,607,555	(28,731,867)	(13,327,354)	15,404,513
Fund balance, July 1, 2009	<u>37,687,945</u>	<u>37,687,945</u>	<u>37,687,945</u>	<u> </u>
Fund balance, June 30, 2010	<u>\$ 51,295,500</u>	<u>\$ 8,956,078</u>	<u>\$ 24,360,591</u>	<u>\$ 15,404,513</u>

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

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)
FUNDING PROGRESS

For the Year Ended June 30, 2010

<u>Schedule of Funding Progress</u>							
<u>Fiscal Year Ended</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
6/30/2008	December 1, 2006	\$ -	\$ 505,700,000	\$ 505,700,000	0%	\$ 242,700,000	208.4%
6/30/2009	December 1, 2006	\$ -	\$ 505,700,000	\$ 505,700,000	0%	\$ 255,900,000	197.6%
6/30/2010	December 1, 2008	\$ -	\$ 552,400,000	\$ 552,400,000	0%	\$ 227,100,000	243.2%

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

SUPPLEMENTARY INFORMATION

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET

ALL NON-MAJOR FUNDS

June 30, 2010

	<u>Charter School Fund</u>	<u>Adult Education Fund</u>	<u>Child Development Fund</u>	<u>Deferred Maintenance Fund</u>	<u>Developer Fees Fund</u>	<u>Community Facilities Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>South Pocket Facilities Fund</u>	<u>Tax Override Fund</u>	<u>Total</u>
ASSETS										
Cash in County Treasury	\$ (2,828,159)	\$ (1,808,756)	\$ 181,892	\$ 3,680,233	\$ 4,817,405	\$ 9,735,347	\$ 10,168,396		\$ 163,757	\$ 24,110,115
Cash awaiting deposit	35,377	1,922,554	555,188		166,243	12,041				2,691,403
Cash with Fiscal Agent								\$ 3,049,060		3,049,060
Accounts receivable	2,386,940	1,118,384	3,399,248	11,517	197,399	29,803	168,400			7,311,691
Due from other funds	<u>2,402,394</u>	<u>5,018,558</u>	<u>2,259,572</u>							<u>9,680,524</u>
Total assets	<u>\$ 1,996,552</u>	<u>\$ 6,250,740</u>	<u>\$ 6,395,900</u>	<u>\$ 3,691,750</u>	<u>\$ 5,181,047</u>	<u>\$ 9,777,191</u>	<u>\$ 10,336,796</u>	<u>\$ 3,049,060</u>	<u>\$ 163,757</u>	<u>\$ 46,842,793</u>
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts payable	\$ 284,560	\$ 943,393	\$ 460,566	\$ 71,920	\$ 27,761					\$ 1,788,200
Deferred revenue	228,994	1,646	346,780				\$ 6,648			584,068
Due to other funds	<u>1,060,460</u>	<u>2,667,961</u>	<u>2,284,757</u>		<u>463,723</u>					<u>6,476,901</u>
Total liabilities	1,574,014	3,613,000	3,092,103	71,920	491,484		6,648			8,849,169
Fund balances	<u>422,538</u>	<u>2,637,740</u>	<u>3,303,797</u>	<u>3,619,830</u>	<u>4,689,563</u>	<u>\$ 9,777,191</u>	<u>10,330,148</u>	<u>\$ 3,049,060</u>	<u>\$ 163,757</u>	<u>37,993,624</u>
Total liabilities and fund balances	<u>\$ 1,996,552</u>	<u>\$ 6,250,740</u>	<u>\$ 6,395,900</u>	<u>\$ 3,691,750</u>	<u>\$ 5,181,047</u>	<u>\$ 9,777,191</u>	<u>\$ 10,336,796</u>	<u>\$ 3,049,060</u>	<u>\$ 163,757</u>	<u>\$ 46,842,793</u>

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

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES

ALL NON-MAJOR FUNDS

For the Year Ended June 30, 2010

	<u>Charter School Fund</u>	<u>Adult Education Fund</u>	<u>Child Development Fund</u>	<u>Deferred Maintenance Fund</u>	<u>Developer Fees Fund</u>	<u>Community Facilities Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>South Pocket Facilities Fund</u>	<u>Tax Override Fund</u>	<u>Total</u>
Revenues:										
Revenue limit sources:										
State apportionment	\$ 7,442,700									\$ 7,442,700
Federal sources	424,625	\$ 4,762,638	\$ 10,096,966							15,284,229
Other state sources	1,757,397	138,235	6,829,774				\$ 342,701			9,068,107
Other local sources	<u>208,905</u>	<u>2,306,794</u>	<u>2,084,697</u>	<u>\$ 40,771</u>	<u>\$ 1,146,778</u>	<u>\$ 1,298,508</u>	<u>25,587,803</u>	<u>\$ 912,352</u>		<u>33,586,608</u>
Total revenues	<u>9,833,627</u>	<u>7,207,667</u>	<u>19,011,437</u>	<u>40,771</u>	<u>1,146,778</u>	<u>1,298,508</u>	<u>25,930,504</u>	<u>912,352</u>		<u>65,381,644</u>
Expenditures:										
Certificated salaries	4,986,630	5,744,604	6,102,087							16,833,321
Classified salaries	798,475	2,012,993	4,832,071	68,568	52,738					7,764,845
Employee benefits	2,554,707	3,225,098	6,130,863	31,063	5,326					11,947,057
Books and supplies	488,595	1,254,655	665,800	197,164						2,606,214
Contract services and operating expenditures	1,307,204	3,467,405	329,682	52,907	354,325	1,500				5,513,023
Capital outlay	14,300	285,289	97,063	46,587	(136,983)					306,256
Other outgo							2,345			2,345
Debt service:										
Principal retirement					312,000		12,100,000	540,000		12,952,000
Interest					<u>2,009,202</u>		<u>15,942,378</u>	<u>143,800</u>		<u>18,095,380</u>
Total expenditures	<u>10,149,911</u>	<u>15,990,044</u>	<u>18,157,566</u>	<u>396,289</u>	<u>2,596,608</u>	<u>1,500</u>	<u>28,044,723</u>	<u>683,800</u>		<u>76,020,441</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(316,284)</u>	<u>(8,782,377)</u>	<u>853,871</u>	<u>(355,518)</u>	<u>(1,449,830)</u>	<u>1,297,008</u>	<u>(2,114,219)</u>	<u>228,552</u>		<u>(10,638,797)</u>
Other financing sources (uses):										
Operating transfers in	500,000	13,133,556	731,603	1,325,898						15,691,057
Operating transfers out	<u>(613,471)</u>	<u>(2,652,893)</u>	<u>(682,026)</u>							<u>(3,948,390)</u>
Total other financing sources (uses)	<u>(113,471)</u>	<u>10,480,663</u>	<u>49,577</u>	<u>1,325,898</u>						<u>11,742,667</u>
Net change in fund balances	(429,755)	1,698,286	903,448	970,380	(1,449,830)	1,297,008	(2,114,219)	228,552		1,103,870
Fund balances, July 1, 2009	<u>852,293</u>	<u>939,454</u>	<u>2,400,349</u>	<u>2,649,450</u>	<u>6,139,393</u>	<u>8,480,183</u>	<u>12,444,367</u>	<u>2,820,508</u>	<u>\$ 163,757</u>	<u>36,889,754</u>
Fund balances, June 30, 2010	<u>\$ 422,538</u>	<u>\$ 2,637,740</u>	<u>\$ 3,303,797</u>	<u>\$ 3,619,830</u>	<u>\$ 4,689,563</u>	<u>\$ 9,777,191</u>	<u>\$ 10,330,148</u>	<u>\$ 3,049,060</u>	<u>\$ 163,757</u>	<u>\$ 37,993,624</u>

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

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS
AND LIABILITIES

ALL AGENCY FUNDS

For the Year Ended June 30, 2010

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2010</u>
Student Body Funds				
<u>C.K. McClatchy High School</u>				
Assets:				
Cash on hand and in banks	\$ 347,323	\$ 343,507	\$ 360,082	\$ 330,748
Accounts receivable:				
Local governments and other				
Stores inventory	5,065		5,065	
Capital assets	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 352,388</u>	<u>\$ 343,507</u>	<u>\$ 365,147</u>	<u>\$ 330,748</u>
Liabilities:				
Accounts payable	\$ 123	\$ 11,965	\$ 12,088	
Due to student groups	<u>352,265</u>	<u>331,542</u>	<u>353,059</u>	<u>\$ 330,748</u>
Total liabilities	<u>\$ 352,388</u>	<u>\$ 343,507</u>	<u>\$ 365,147</u>	<u>\$ 330,748</u>
<u>Hiram Johnson High School</u>				
Assets:				
Cash on hand and in banks	\$ 70,016	\$ 190,379	\$ 223,547	\$ 36,848
Accounts receivable:				
Local governments and other				
Stores inventory	3,500			3,500
Capital assets	<u>9,470</u>	<u> </u>	<u> </u>	<u>9,470</u>
Total assets	<u>\$ 82,986</u>	<u>\$ 190,379</u>	<u>\$ 223,547</u>	<u>\$ 49,818</u>
Liabilities:				
Accounts payable	\$ 480		\$ 480	
Due to student groups	<u>82,506</u>	<u>\$ 190,379</u>	<u>223,067</u>	<u>\$ 49,818</u>
Total liabilities	<u>\$ 82,986</u>	<u>\$ 190,379</u>	<u>\$ 223,547</u>	<u>\$ 49,818</u>

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS
AND LIABILITIES

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

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2010</u>
Student Body Funds				
<u>Luther Burbank High School</u>				
Assets:				
Cash on hand and in banks	\$ 135,871	\$ 202,801	\$ 195,794	\$ 142,878
Accounts receivable:				
Local governments and other				
Stores inventory	949		604	345
Capital assets				
Total assets	<u>\$ 136,820</u>	<u>\$ 202,801</u>	<u>\$ 196,398</u>	<u>\$ 143,223</u>
Liabilities:				
Accounts payable	\$ 19,354	\$ 12,468	\$ 2,543	\$ 29,279
Due to student groups	<u>117,466</u>	<u>190,333</u>	<u>193,855</u>	<u>113,944</u>
Total liabilities	<u>\$ 136,820</u>	<u>\$ 202,801</u>	<u>\$ 196,398</u>	<u>\$ 143,223</u>
<u>John F. Kennedy High School</u>				
Assets:				
Cash on hand and in banks	\$ 218,977	\$ 359,543	\$ 406,144	\$ 172,376
Accounts receivable:				
Local governments and other	272	(1,446)		(1,174)
Stores inventory				
Capital assets				
Total assets	<u>\$ 219,249</u>	<u>\$ 358,097</u>	<u>\$ 406,144</u>	<u>\$ 171,202</u>
Liabilities:				
Accounts payable	\$ 18,519	\$ 28,302	\$ 27,433	\$ 19,388
Due to student groups	<u>200,730</u>	<u>329,795</u>	<u>378,711</u>	<u>151,814</u>
Total liabilities	<u>\$ 219,249</u>	<u>\$ 358,097</u>	<u>\$ 406,144</u>	<u>\$ 171,202</u>

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS
AND LIABILITIES

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

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2010</u>
Student Body Funds (Continued)				
<u>Rosemont High School</u>				
Assets:				
Cash on hand and in banks	\$ 134,082	\$ 320,501	\$ 321,095	\$ 133,488
Accounts receivable:				
Local governments and other				
Stores inventory				
Capital assets				
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 134,082</u>	<u>\$ 320,501</u>	<u>\$ 321,095</u>	<u>\$ 133,488</u>
Liabilities:				
Accounts payable				
Due to student groups	<u>\$ 134,082</u>	<u>\$ 320,501</u>	<u>\$ 321,095</u>	<u>\$ 133,488</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>\$ 134,082</u>	<u>\$ 320,501</u>	<u>\$ 321,095</u>	<u>\$ 133,488</u>
<u>Hiram Johnson West Campus</u>				
Assets:				
Cash on hand and in banks	\$ 104,307	\$ 281,521	\$ 293,362	\$ 92,466
Accounts receivable:				
Local governments and other				
Stores inventory				
Capital assets				
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 104,307</u>	<u>\$ 281,521</u>	<u>\$ 293,362</u>	<u>\$ 92,466</u>
Liabilities:				
Accounts payable				
Due to student groups	<u>\$ 104,307</u>	<u>\$ 281,521</u>	<u>\$ 293,362</u>	<u>\$ 92,466</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>\$ 104,307</u>	<u>\$ 281,521</u>	<u>\$ 293,362</u>	<u>\$ 92,466</u>

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS
AND LIABILITIES

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

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2010</u>
Student Body Funds (Continued)				
<u>Charles A. Jones Skills and Education Center</u>				
Assets:				
Cash on hand and in banks	\$ 82,135	\$ 693,902	\$ 658,214	\$ 117,823
Accounts receivable:				
Local governments and other	59,220		30,797	28,423
Stores inventory	144,204		35,104	109,100
Capital assets	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 285,559</u>	<u>\$ 693,902</u>	<u>\$ 724,115</u>	<u>\$ 255,346</u>
Liabilities:				
Accounts payable	\$ 53,938			\$ 53,938
Due to student groups	<u>231,621</u>	<u>\$ 693,902</u>	<u>\$ 724,115</u>	<u>\$ 201,408</u>
Total liabilities	<u>\$ 285,559</u>	<u>\$ 693,902</u>	<u>\$ 724,115</u>	<u>\$ 255,346</u>
<u>Fremont School for Adults</u>				
Assets:				
Cash on hand and in banks	\$ 2,082	\$ 1,803	\$ 2,600	\$ 1,285
Accounts receivable:				
Local governments and other				
Stores inventory				
Capital assets	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 2,082</u>	<u>\$ 1,803</u>	<u>\$ 2,600</u>	<u>\$ 1,285</u>
Liabilities:				
Accounts payable				
Due to student groups	<u>\$ 2,082</u>	<u>\$ 1,803</u>	<u>\$ 2,600</u>	<u>\$ 1,285</u>
Total liabilities	<u>\$ 2,082</u>	<u>\$ 1,803</u>	<u>\$ 2,600</u>	<u>\$ 1,285</u>

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS
AND LIABILITIES

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

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
Student Body Funds (Continued)				
<u>A. Warren McClaskey Adult Center</u>				
Assets:				
Cash on hand and in banks	\$ 17,848	\$ 16,234	\$ 11,046	\$ 23,036
Accounts receivable:				
Local governments and other				
Stores inventory				
Capital assets				
Total assets	<u>\$ 17,848</u>	<u>\$ 16,234</u>	<u>\$ 11,046</u>	<u>\$ 23,036</u>
Liabilities:				
Accounts payable				
Due to student groups	\$ 17,848	\$ 16,234	\$ 11,046	\$ 23,036
Total liabilities	<u>\$ 17,848</u>	<u>\$ 16,234</u>	<u>\$ 11,046</u>	<u>\$ 23,036</u>
<u>Old Marshall</u>				
Assets:				
Cash on hand and in banks	\$ 17,387	\$ 438	\$ 1,133	\$ 16,692
Accounts receivable:				
Local governments and other				
Stores inventory				
Capital assets				
Total assets	<u>\$ 17,387</u>	<u>\$ 438</u>	<u>\$ 1,133</u>	<u>\$ 16,692</u>
Liabilities:				
Accounts payable				
Due to student groups	\$ 17,387	\$ 438	\$ 1,133	\$ 16,692
Total liabilities	<u>\$ 17,387</u>	<u>\$ 438</u>	<u>\$ 1,133</u>	<u>\$ 16,692</u>

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS
AND LIABILITIES

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

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2010</u>
Student Body Funds (Continued)				
<u>Elementary and Middle Schools</u>				
Assets:				
Cash on hand and in banks	\$ 459,955	\$ 1,282,862	\$ 1,280,449	\$ 462,368
Accounts receivable:				
Local governments and other				
Stores inventory				
Capital assets				
Total assets	<u>\$ 459,955</u>	<u>\$ 1,282,862</u>	<u>\$ 1,280,449</u>	<u>\$ 462,368</u>
Liabilities:				
Accounts payable				
Due to student groups	<u>\$ 459,955</u>	<u>\$ 1,282,862</u>	<u>\$ 1,280,449</u>	<u>\$ 462,368</u>
Total liabilities	<u>\$ 459,955</u>	<u>\$ 1,282,862</u>	<u>\$ 1,280,449</u>	<u>\$ 462,368</u>
<u>Total Agency Funds</u>				
Assets:				
Cash on hand and in banks	\$ 1,589,983	\$ 3,693,491	\$ 3,753,466	\$ 1,530,008
Accounts receivable:				
Local governments and other	59,492	(1,446)	30,797	27,249
Stores inventory	153,718		40,773	112,945
Capital assets	<u>9,470</u>			<u>9,470</u>
Total assets	<u>\$ 1,812,663</u>	<u>\$ 3,692,045</u>	<u>\$ 3,825,036</u>	<u>\$ 1,679,672</u>
Liabilities:				
Accounts payable	\$ 92,414	\$ 52,735	\$ 42,544	\$ 102,605
Due to student groups	<u>1,720,249</u>	<u>3,639,310</u>	<u>3,782,492</u>	<u>1,577,067</u>
Total liabilities	<u>\$ 1,812,663</u>	<u>\$ 3,692,045</u>	<u>\$ 3,825,036</u>	<u>\$ 1,679,672</u>

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

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

ORGANIZATION

June 30, 2010

Sacramento City Unified School District, a political subdivision of the State of California, was established on July 7, 1936. The territory covered by the District does not include certain areas of the City of Sacramento, but does include some contiguous territory located outside city boundaries, but within Sacramento County boundaries. The District operated fifty elementary schools (grades K-6), five elementary/middle schools (grades K-8), nine middle schools (grades 7-8), one 7-12 middle/high school, seven high schools (grades 9-12), one independent study school, two continuation/alternative schools, five adult education centers, one special education center and sixty-five children's centers, serving infants through age 12. Ten charter schools also operated in the District serving kindergarten through grade twelve, four of which were governed by the District Board of Education. There were no changes to District boundaries for the current year.

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Ellyne Bell	President	November 2010
Patrick Kennedy	First Vice President	November 2012
Roy Grimes	Second Vice President	November 2010
Gustavo Arroyo	Member	November 2012
Jerry Houseman	Member	November 2010
Diana Rodriguez	Member	November 2012
Donald Terry	Member	November 2012
Arthur Fong	Student Member	June 2010

ADMINISTRATION

Jonathan P. Raymond
Superintendent

Mary Shelton
Chief Accountability Officer

Olivine Roberts, Ed.D.
Chief Academic Officer*

Robert Garcia
Chief Human Resource Officer

Koua Franz
Chief Family and Community Engineer**

Patricia Hagemeyer
Chief Business Officer

Gabe Ross
Chief Communications Officer

Teresa Cummings, Ph.D.
Chief of Staff

* Appointed effective July 27, 2010

** Appointed effective October 1, 2010

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE

For the Year Ended June 30, 2010

<u>District</u>	<u>Second Period Report</u>	<u>Annual Report</u>
Elementary:		
Kindergarten	3,348	3,356
First through Third	9,968	9,980
Fourth through Eighth	15,608	15,534
Home and Hospital	38	38
Special Education	1,234	1,245
Community Day School	<u>17</u>	<u>24</u>
Total Elementary	<u>30,213</u>	<u>30,177</u>
Secondary:		
Regular Classes	10,813	10,636
Special Education	630	628
Compulsory Continuation Education	182	187
Home and Hospital	<u>26</u>	<u>25</u>
Total Secondary	<u>11,651</u>	<u>11,476</u>
District ADA Totals	<u><u>41,864</u></u>	<u><u>41,653</u></u>
<u>Charter Schools</u>		
Classroom-Based:		
Kindergarten	191	203
First through Third	240	237
Fourth through Sixth	242	238
Ninth through Twelfth	<u>683</u>	<u>679</u>
Total Charter	<u><u>1,356</u></u>	<u><u>1,357</u></u>

See accompanying notes to
supplementary information.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME

For the Year Ended June 30, 2010

<u>Grade Level</u>	<u>1986-87 Minutes Require- ment</u>	<u>1982-83 Actual Minutes</u>	<u>2009-10 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Number of Days Year-Round Calendar</u>	<u>Status</u>
DISTRICT						
Kindergarten	36,000	35,094	36,000	180	180	In Compliance
Grade 1	50,400	44,137	50,530	180	180	In Compliance
Grade 2	50,400	44,137	50,530	180	180	In Compliance
Grade 3	50,400	44,137	50,530	180	180	In Compliance
Grade 4	54,000	52,875	54,004	180	180	In Compliance
Grade 5	54,000	52,875	54,004	180	180	In Compliance
Grade 6	54,000	52,875	54,004	180	180	In Compliance
Grade 7	54,000	58,163	58,164	180	180	In Compliance
Grade 8	54,000	58,163	58,164	180	180	In Compliance
Grade 9	64,800	60,549	64,808	180	180	In Compliance
Grade 10	64,800	60,549	64,808	180	180	In Compliance
Grade 11	64,800	60,549	64,808	180	180	In Compliance
Grade 12	64,800	60,549	64,808	180	180	In Compliance
CHARTER SCHOOLS						
Kindergarten	36,000	N/A	36,000	180	N/A	In Compliance
Grade 1	50,400	N/A	50,600	180	N/A	In Compliance
Grade 2	50,400	N/A	50,600	180	N/A	In Compliance
Grade 3	50,400	N/A	50,600	180	N/A	In Compliance
Grade 4	54,000	N/A	54,004	180	N/A	In Compliance
Grade 5	54,000	N/A	54,004	180	N/A	In Compliance
Grade 6	54,000	N/A	54,004	180	N/A	In Compliance
Grade 7	54,000	N/A	N/A	180	N/A	In Compliance
Grade 8	54,000	N/A	N/A	180	N/A	In Compliance
Grade 9	64,800	N/A	64,872	180	N/A	In Compliance
Grade 10	64,800	N/A	64,872	180	N/A	In Compliance
Grade 11	64,800	N/A	64,872	180	N/A	In Compliance
Grade 12	64,800	N/A	64,872	180	N/A	In Compliance

See accompanying notes to
supplementary information.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS

For the Year Ended June 30, 2010

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Education - Passed through California Department of Education</u>			
	Special Education Cluster:		
84.027	Special Ed IDEA: Basic and Local Assistance Entitlement, Part B, Sec 611 (Formerly 94-142)	13379	\$ 8,990,998
84.173	Special Education Preschool Grants	13430	270,981
84.027A	Special Ed IDEA: Preschool Local Entitlement, Part B, Sec 611 (Age 3-5)	13682	421,127
84.173A	Special Ed: IDEA Preschool Staff Development, Part B, Sec 619	13431	2,092
84.027	Special Ed - Alternative Dispute Resolution, Part B, Sec 611	13007	15,000
84.0391A	Special Ed - ARRA IDEA, Part B, Sec 611, Basic Local Assistance	15003	6,059,167
84.0392A	Special Ed - ARRA IDEA, Part B, Sec 611, Preschool Grants	15000	173,315
84.0391A	Special Ed - ARRA IDEA, Part B, Sec 611, Preschool Local Entitlement	15002	<u>389,706</u>
	Subtotal Special Education Cluster		<u>16,322,386</u>
	NCLB: Title I Cluster:		
84.010	NCLB: Title I, Part D, Local Delinquent Program	14357	43,809
84.010	NCLB: Title I Grants to Local Educational Agencies	14329	19,784,220
84.389	NCLB: ARRA Title I, Part A, School Improvement Grant for QEIA Schools	15004	146,208
84.389	NCLB: ARRA Title I, Part A, Basic Grants Low Income and Neglected	15005	2,680,754
84.389A	NCLB: ARRA Title I, Part A, Local Delinquent Programs	15009	<u>501</u>
	Subtotal NCLB: Title I Cluster		<u>22,655,492</u>
84.357A	NCLB: Title I, Part B, Reading First Program-LEA Subgrant	14328	251,348
84.377	NCLB: Title I, Part A, School Improvement Grant for QEIA Schools	14971	638,386
84.181	Special Ed - Early Intervention Grants	23761	139,420
84.365	Title III Limited English Proficiency	14346	350,254
84.365	Title III Immigrant Education Student Program	10084	934,917
84.002A	Adult Education: Adult Basic Education & ESL	14508	764,757
84.002A	Adult Education: Adult Secondary Education	13978	75,379
84.002A	Adult Education: English Literacy and Civic Education	14109	234,195
84.048	Vocational Programs Postsecondary and Adult II C, Sec. 132 (Carl Perkins Act)	14893	244,375

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
(Continued)

For the Year Ended June 30, 2010

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Education - Passed through California Department of Education (Continued)</u>			
84.048	Vocational Programs: Voc & Appl Tech Secondary II C, Sec 131 (Carl Perkins Act)	2149464	\$ 487,776
84.060	Indian Education Grants to Local Educational Agencies	10011	110,472
84.063	Pell Grants	*	2,149,464
84.186	NCLB: Title IV, Safe and Drug Free Schools and Communities, Formula Grants	14347	387,795
84196A	NCLB: Title X, Mckinney-Vento Homeless Assistance Grants	14332	68,512
84.215L	Smaller Learning Community	*	956,487
84.287	NCLB: Title IV 21st Century Community Centers Learning Program	14535, 14349	1,732,893
84.318	NCLB: Title II, Part D, Administrator Training (Formerly Principal Training)	14368	1,816
84.318	NCLB: Title II, Part D, Enhancing Education Through Technology, Formula Grants	14334	261,161
84.330	Advanced Placement Program	14831	40,904
84.366	NCLB: Title II, Part B, CA Mathematics & Science Partnerships (CalMSP)	14512	182,706
84.367	NCLB: Title II, Part A, Improving Teacher Quality Local Grants	14341	5,022,357
84.298A	NCLB: Title V, Part A, Innovative Education Strategies	14354	44,155
84.387	NCLB: ARRA Title X, McKinney-Vento Homeless Assistance Grants	15007	20,990
84.215X	Teaching American History Grant	*	130,033
84.394A	ARRA: State Fiscal Stabilization Fund	25008	<u>21,980,694</u>
Total U.S. Department of Education			<u>76,189,124</u>
<u>U.S. Department of Health and Human Services - Passed through California Department of Education</u>			
93.575	Child Development: Quality Improvement Activities	14130, 13942	2,840
93.576	Refugee and Entrant Assistance Discretionary Grants	24791	133,219
93.584	Refugee and Entrant Assistance Targeted Assistance Discretionary and ES Grants	24791	59,363
93.596	Child Development: Federal Child Care, Center Based	13609	393,573
93.600	Head Start	10016	9,700,553
93.674	Chafee Foster Care Independent Living	*	41,332
94.018	Corporation for National and Community Service	*	26,890
93.778	Medical assistance Program	10013	<u>2,355,656</u>
Total U.S. Department Health and Human Services			<u>12,713,426</u>

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
(Continued)
For the Year Ended June 30, 2010

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>			
10.555	National School Lunch Program	13396	\$ <u>14,739,825</u>
<u>U.S. Department of Defense</u>			
12.UKN	ROTC	*	<u>333,819</u>
<u>U.S. Department of Labor</u>			
17.726	Gang Prevention Youth Mentoring Program Grants	*	121,485
17.258	WIA / WtW Pre Vocational Training	*	526,155
17.259	A Title I Youth-Out-of-School Ind. Ser	*	<u>726,219</u>
	Total U.S. Department of Labor		<u>1,373,859</u>
	Total Federal Programs		<u>\$ 105,350,053</u>

* District is unable to provide PCA numbers.

See accompanying notes to supplementary information.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT
WITH AUDITED FINANCIAL STATEMENTS

For the Year Ended June 30, 2010

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

See accompanying notes to
supplementary information.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

For the Year Ended June 30, 2010

	(Budget) <u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<u>General Fund</u>				
Revenues and other financing sources	\$ 362,831,282	\$ 400,029,552	\$ 412,596,585	\$ 418,708,834
Expenditures	338,085,057	397,165,849	410,550,526	416,172,865
Other uses and transfers out	<u>8,545,136</u>	<u>16,191,057</u>	<u> </u>	<u>1,700,000</u>
Total outgo	<u>346,630,193</u>	<u>413,356,906</u>	<u>410,550,526</u>	<u>417,872,865</u>
Change in fund balance	<u>\$ 16,201,089</u>	<u>\$ (13,327,354)</u>	<u>\$ 2,046,059</u>	<u>\$ 835,969</u>
Ending fund balance	<u>\$ 40,561,680</u>	<u>\$ 24,360,591</u>	<u>\$ 37,687,945</u>	<u>\$ 35,641,886</u>
Available reserves	<u>\$ 8,589,000</u>	<u>\$ 8,589,000</u>	<u>\$ 8,589,000</u>	<u>\$ 7,389,000</u>
Designated for economic uncertainties	<u>\$ 8,589,000</u>	<u>\$ 8,589,000</u>	<u>\$ 8,589,000</u>	<u>\$ 7,389,000</u>
Undesignated fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Available reserves as percentages of total outgo	<u>2.48%</u>	<u>2.1%</u>	<u>2.1%</u>	<u>1.8%</u>
<u>All Funds</u>				
Total long-term liabilities	<u>\$ 503,216,042</u>	<u>\$ 551,264,852</u>	<u>\$ 542,541,095</u>	<u>\$ 520,056,234</u>
Average daily attendance at P-2, excluding Adult and Charter School	<u>42,165</u>	<u>41,864</u>	<u>41,995</u>	<u>42,220</u>

The General Fund fund balance has decreased by \$10,445,326 over the past three years. The District has incurred operating deficits in one of the past three years, and anticipates incurring an operating surplus during the 2010-2011 fiscal year. The fiscal year 2010-2011 budget projects an increase of \$16,201,089. For a district this size, the state recommends available reserves of at least 2% of total General Fund expenditures, transfers out, and other uses. For the year ended June 30, 2010, the District has met this requirement.

Total long-term liabilities have increased by \$31,208,618 over the past two years, due primarily to the issuance of General Obligation Bonds (Note 6 to the financial statements).

Average daily attendance has decreased by 356 over the past two years. The District anticipates an increase of 301 ADA for the 2010-2011 fiscal year.

See accompanying notes to
supplementary information.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS

For the Year Ended June 30, 2010

Charter Schools Chartered by District	Included in District Financial Statements, or Separate Report
Bowling Green Charter Elementary	Included as Charter School Fund
California Montessori Project Capitol Campus	Separate Report
Capitol Heights Academy	Separate Report
George Washington Carver School of Arts and Science (formerly America's Choice High School)	Included as Charter School Fund
Language Academy of Sacramento	Separate Report
MET Sacramento Charter High School	Included as Charter School Fund
New Technology High School	Included as Charter School Fund
Sacramento Charter High School	Separate Report
Sol Aureus College Preparatory	Separate Report
St. HOPE Public School 7	Separate Report

See accompanying notes to
supplementary information.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FIRST 5 REVENUES AND EXPENSES

For the Year Ended June 30, 2010

	<u>Academic and Support Services</u>	<u>Child Care</u>
Revenues		
Other local sources	<u>\$ 285,601</u>	<u>\$ 696,898</u>
Expenditures:		
Certificated salaries	107,748	178,331
Classified salaries	20,015	239,014
Employee benefits	45,322	172,823
Books and supplies	104,592	28,710
Contract services and operating expenditures	7,924	42,143
Indirect costs	<u> </u>	<u>35,877</u>
	<u>285,601</u>	<u>696,898</u>
Net income	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying notes to
supplementary information.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
SCHEDULE OF SCHOOL COMMUNITY VIOLENCE PREVENTION PROGRAM
REVENUES AND EXPENSES

For the Year Ended June 30, 2010

	<u>Support Services</u>
Revenues	
Other local sources	<u>\$ 109,735</u>
Expenditures:	
Certificated salaries	17,084
Classified salaries	44,864
Employee benefits	20,382
Books and supplies	1,803
Contract services and operating expenditures	7,095
Indirect costs	<u>3,458</u>
	<u>94,686</u>
Net income	<u><u>\$ 15,049</u></u>

See accompanying notes to
supplementary information.

SACRAMENTO CITY 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 requirements, and is presented on the modified accrual basis of accounting.

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures and Change in Fund Balances and the related expenditures reported on the Schedule of Expenditure of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2010.

Description	CFDA Number	Amount
Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances		\$ 87,687,499
Add: State Fiscal Stabilization Funds spent from prior year awards	84.394	18,355,302
Less: Medi-Cal Billing Funds not spent	93.778	<u>(692,748)</u>
Total Schedule of Expenditure of Federal Awards		<u>\$105,350,053</u>

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.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION

(Continued)

1. PURPOSE OF SCHEDULES (Continued)

E - Schedule of Financial Trends and Analysis

This schedule provides information on the District's financial condition over the past three years and its anticipated condition for the 2009-2010 fiscal year, as required by the State Controller's Office.

F - Schedule of Charter Schools

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

G - Schedule of First 5 Revenues and Expenses

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

H - Schedule of School Community Violence Prevention Program Revenues and Expenses

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

2. EARLY RETIREMENT INCENTIVE PROGRAM

Education Code Section 14502 requires certain disclosure in the financial statements of districts which adopt Early Retirement Incentive Programs pursuant to Education Code Sections 22714 and 44929. For the fiscal year ended June 30, 2010, the District did not adopt this program.

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

Board of Education
Sacramento City Unified School District
Sacramento, California

We have audited the compliance of Sacramento City Unified School District with the types of compliance requirements described in the State of California's *Standards and Procedures for Audits of California K-12 Local Educational Agencies* (the "Audit Guide") to the state laws and regulations listed below for the year ended June 30, 2010. Compliance with the requirements of state laws and regulations is the responsibility of Sacramento City Unified School District's management. Our responsibility is to express an opinion on Sacramento City 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 Sacramento City 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 Sacramento City Unified School District's compliance with those requirements.

<u>Description</u>	<u>Audit Guide Procedures</u>	<u>Procedures Performed</u>
Regular and Special Day Classes	8	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	Yes
Continuation Education	10	Yes
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	No, see below
Instructional Materials:		
General requirements	8	Yes
Ratio of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive Program	4	No, see below
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	No, see below
Public Hearing Requirements - Receipt of Funds	1	Yes
Class Size Reduction Program:		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	No, see below
Districts with only one school serving K-3	4	No, see below
After School Education and Safety Program:		
General requirements	4	Yes
After school	4	Yes
Before school	5	No, see below

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

(Continued)

<u>Description</u>	<u>Audit Guide Procedures</u>	<u>Procedures Performed</u>
Contemporaneous Records of Attendance, for charter schools	1	Yes
Mode of Instruction, for charter schools	1	Yes
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	Yes

We did not perform any procedures related to Instructional Time for County Offices of Education because the District is not a County Office of Education.

We did not perform any procedures related to Early Retirement Incentive Program because the District did not offer this program in the current year.

The 2009-2010 School Accountability Report Cards specified by Education Code Section 33126 are not required to be completed, nor were they completed, prior to the completion of our audit procedures for the year ended June 30, 2010. Accordingly, we could not perform the portions of audit steps (a), (b) and (c) of Section 19837 of the 2009-2010 Audit Guide relating to the comparison of tested data from the 2009-2010 fiscal year to the 2009-2010 School Accountability Report Cards.

The District does not offer Class Size Reduction - Option Two classes and have more than one school serving grades K through 3; therefore, we did not perform any procedures relating to Class Size Reduction Program - Option Two and Districts with only one school serving grades K through 3.

We did not perform any procedures related to Before School component of the After School Education and Safety Program as that component is not offered by the District.

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

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

(Continued)

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

Perry-Smith LLP

Sacramento, California
December 13, 2010

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

Board of Education
Sacramento City Unified School District
Sacramento, California

We have audited the financial statements of Sacramento City Unified School District as of and for the year ended June 30, 2010, and have issued our report thereon dated December 13, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Sacramento City 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 Sacramento City Unified School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Sacramento City Unified School District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sacramento City 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*.

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

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

(Continued)

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

Perry-Smith LLP

Sacramento, California
December 13, 2010

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

Board of Education
Sacramento City Unified School District
Sacramento, California

Compliance

We have audited the compliance of Sacramento City Unified School District with the types of compliance requirements described in the Program Guidelines for the First 5 Sacramento County Program that are applicable to First 5 Sacramento County Program for the year ended June 30, 2010. Compliance with the requirements of laws, regulations, contracts and grants applicable to its First 5 Sacramento County Program is the responsibility of Sacramento City Unified School District's management. Our responsibility is to express an opinion on Sacramento City 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 Sacramento City 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 Sacramento City Unified School District's compliance with those requirements.

In our opinion, Sacramento City Unified School District complied, in all material respects, with the requirements referred to above that are applicable to its First 5 Sacramento County Program for the year ended June 30, 2010.

Internal Control Over Compliance

The management of Sacramento City 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 Sacramento City Unified School District's internal control over compliance with requirements that could have a direct and material effect on its First 5 Sacramento County Program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the First 5 Sacramento County Program, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Sacramento City Unified School District's internal control over compliance.

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

(Continued)

Internal Control Over Compliance (Continued)

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of the First 5 Sacramento County Program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of the First 5 Sacramento County Program will not be prevented, or detected and corrected, on a timely basis.

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

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

Perry-Smith LLP

Sacramento, California
December 13, 2010

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

Board of Education
Sacramento City Unified School District
Sacramento, California

Compliance

We have audited the compliance of Sacramento City 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, 2010. Compliance with the requirements of laws, regulations, contracts and grants applicable to its School Community Violence Prevention Program is the responsibility of Sacramento City Unified School District's management. Our responsibility is to express an opinion on Sacramento City 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 Sacramento City 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 Sacramento City Unified School District's compliance with those requirements.

In our opinion, Sacramento City 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, 2010.

Internal Control Over Compliance

The management of Sacramento City 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 Sacramento City 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 and to test and report on internal control over compliance in accordance with the School Community Violence Prevention Program, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Sacramento City 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
IN ACCORDANCE WITH A PROGRAM-SPECIFIC AUDIT**

(Continued)

Internal Control Over Compliance (Continued)

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of the School Community Violence Prevention Program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of the School Community Violence Prevention Program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of the Board of Education, management and 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
December 13, 2010

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

Board of Education
Sacramento City Unified School District
Sacramento, California

Compliance

We have audited the compliance of Sacramento City Unified School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. Sacramento City 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 grant agreements applicable to each of its major federal programs is the responsibility of Sacramento City Unified School District's management. Our responsibility is to express an opinion on Sacramento City 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 Sacramento City 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 Sacramento City Unified School District's compliance with those requirements.

In our opinion, Sacramento City Unified School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of Sacramento City 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 Sacramento City Unified School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Sacramento City Unified School District's internal control over compliance.

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

(Continued)

Internal Control Over Compliance (Continued)

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

Perry-Smith LLP

Sacramento, California
December 13, 2010

FINDINGS AND RECOMMENDATIONS

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

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

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

Noncompliance material to financial statements noted? _____ Yes X No

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010, 84.389	NCLB: Title I Cluster
84.027, 84.173, 84.391, 84.392	Special Education Cluster
84.394	ARRA State Fiscal Stabilization Fund
84.367	NCLB Title II
93.778	Medi-Cal Billing Option
10.555, 10.559	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$ 3,000,000

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

STATE AWARDS

Internal control over state programs:

Material weakness(es) identified? _____ Yes X No

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

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

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

(Continued)

Year Ended June 30, 2010

SECTION II - FINANCIAL STATEMENT FINDINGS

1. INTERNAL CONTROL - STUDENT BODY ACCOUNTS (30000)

Criteria

Education Code Section 48930 (and California Department of Education's "Accounting Procedures for Student Organizations Handbook") requires student body organizations to follow the regulations set by the Governing Board of the school district.

Condition

A.M. Winn Elementary School – Associated Student Body:

- Disbursement Requests are prepared and reviewed by separate individuals, however the preparer does not sign the request.

Hiram W. Johnson High School– Associated Student Body

- Sub receipt books are not issued to individual clubs and therefore clubs are not issuing receipts for monetary funds received.
- Profit and Loss Statements for the student store are not reviewed.

Bowling Green Elementary Charter School – Associated Student Body:

- There is no log maintained for sub-receipt books issued to the student clubs.
- When student clubs turn in funds to ASB Bookkeeper, receipts are not included that show the receipts issued for cash collections reconciling to total cash submitted.
- Disbursement Requests are prepared and reviewed by separate individuals; however, the preparer does not sign the request.

California Middle School - Associated Student Body:

- Sub receipt books are not issued to individual clubs and therefore clubs are not issuing receipts for monetary funds received.
- Monthly financial statements provided by the District are not being maintained, as such there is no evidence of review.
- No minutes were prepared for Student Council meetings to indicate approval and intent for student activities.

Will C. Wood Middle School - Associated Student Body:

- Sub receipt books are not issued to individual clubs and therefore clubs are not issuing receipts for monetary funds received.
- Monthly financial statements provided by the District are not being maintained, as such there is no evidence of review.
- Profit and Loss Statements for the student store are not reviewed.
- No minutes were prepared for Student Council meetings to indicate approval and intent for student activities.

CK McClatchy High School - Associated Student Body:

- Sub receipt books are not issued to individual clubs and therefore clubs are not issuing receipts for monetary funds received.

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

SECTION II - FINANCIAL STATEMENT FINDINGS
(Continued)

1. INTERNAL CONTROL - STUDENT BODY ACCOUNTS (30000) (Continued)

Effect

ASB funds could potentially be misappropriated.

Cause

Adequate internal control procedures have not been implemented and enforced.

Fiscal Impact

Not determinable.

Recommendation

A.M. Winn Elementary School – Associated Student Body:

- Disbursement Requisitions should be signed and dated by the preparer and the reviewer to demonstrate proper segregation of duties.

Hiram W. Johnson High School– Associated Student Body:

- Sub receipt books should be issued to the student clubs, and a record of these sub receipt books should be kept by ASB Bookkeeper. Deposits should be reconciled to these initial cash receipts.
- Profit and Loss Statements for the student store should be periodically prepared and reviewed.

Bowling Green Elementary Charter School – Associated Student Body:

- Sub receipt books should be issued to the student clubs, and a record of these sub receipt books should be kept by the ASB Bookkeeper. Deposits should be reconciled to these initial receipts.
- Receipts or tally sheets and schedules documenting the number of items sold and the price per unit should be used and given to the ASB Bookkeeper when funds are turned in.
- Disbursement Requests should be signed and dated by the preparer and the reviewer to demonstrate proper segregation of duties.

California Middle School - Associated Student Body:

- Sub receipt books should be issued to clubs collecting funds, and a record of these sub receipt books should be kept by ASB Bookkeeper. Deposits should be reconciled to these initial receipts.
- Monthly financial statements for ASB and student clubs should be reviewed and maintained.
- Minutes should be taken at all ASB meetings.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

(Continued)

Year Ended June 30, 2010

SECTION II - FINANCIAL STATEMENT FINDINGS

(Continued)

1. INTERNAL CONTROL - STUDENT BODY ACCOUNTS (30000) (Continued)

Recommendation (Continued)

Will C. Wood Middle School - Associated Student Body:

- Sub receipt books should be issued to clubs collecting funds, and a record of these sub receipt books should be kept by the ASB Bookkeeper. Deposits should be reconciled to these initial receipts.
- Monthly financial statements for ASB and student clubs should be reviewed and maintained.
- Profit and Loss Statements for the student store should be periodically prepared and reviewed.
- Minutes should be taken at all ASB meetings.

CK McClatchy High School - Associated Student Body:

- Sub receipt books should be issued to clubs collecting funds, and a record of these sub receipt books should be kept by ASB Bookkeeper. Deposits should be reconciled to these initial receipts.

Corrective Action Plan

The District will work with site administration and staff to implement the recommendations. The District will also continue to provide staff training on student body accounting procedures.

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

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

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

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

**STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS**

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2010

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
<p>2009-1</p> <p>The student body accounts at four of the six sites visited for testing had the following conditions:</p> <ul style="list-style-type: none"> • Sub-receipt books are not issued and used by student organizations. • Receipts are not issued upon receipt of cash by the ASB Advisor/Secretary. • Revenue-producing activities are not authorized through formal documented procedures. • Principal/ASB does not reconcile Monthly District financial reports to verify the accuracy of the District's accounting for the schools ASB account. <p>We recommend the District stress the importance of effective controls over student body accounts and that interim reviews are performed to ensure compliance with the requirements.</p>	Partially implemented.	See current year finding #1.
<p>2009-2</p> <p>Journal entry to record cafeteria daily sales was not posted in a timely manner.</p> <p>We recommend that all journal entries to record cash receipts are recorded in a timely manner.</p>	Implemented.	
<p>2009-3</p> <p>Students were improperly included in ADA for nine days.</p> <p>We recommend the District resubmit a revised Period Two Report of Attendance, removing the disallowed ADA.</p>	Implemented.	