

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

COUNTY OF SACRAMENTO

SACRAMENTO, CALIFORNIA

FINANCIAL STATEMENTS

WITH SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2005

AND

INDEPENDENT AUDITOR'S REPORT

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2005

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SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2005

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SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2005

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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, 2005, 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, 2005, 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 November 11, 2005 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.

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

INDEPENDENT AUDITOR'S REPORT

(Continued)

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 CP

Sacramento, California
November 11, 2005

Management's Discussion and Analysis

The Management's Discussion and Analysis is 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. Accounting rules require this discussion and analysis.

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 9. The individual fund statements, which focus on reporting the District's operations in more detail, begin on page 11.

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, 2005.

| | |
|----------------------|----------------|
| Beginning Net Assets | \$ 99,522,849 |
| Change | \$ 19,220,905 |
| Ending Net Assets | \$ 118,743,754 |

Land is accounted for at purchase cost, not market value, and is not depreciated. Many of our school sites have low values for 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, 2005 | June 30, 2004 |
|----------------|----------------|----------------|
| Capital Assets | \$ 374,791,956 | \$ 307,221,698 |
| Other Assets | \$ 195,975,766 | \$ 204,604,153 |
| Total Assets | \$ 571,767,722 | \$ 511,825,851 |

| | June 30, 2005 | June 30, 2004 |
|---------------------------------------|----------------|-----------------|
| Current and Other Liabilities | \$ 88,790,743 | \$ 89,455,273 |
| Long-Term Liabilities | \$ 364,233,225 | \$ 322,847,729 |
| Total Liabilities | \$ 453,023,968 | \$ 412,303,002 |
| | | |
| Net Assets Invested in Capital Assets | \$ 40,262,647 | \$ 42,461,772 |
| Restricted Net Assets | \$ 75,901,889 | \$ 103,929,556 |
| Unrestricted Net Assets | \$ 3,579,218 | \$ (46,868,479) |
| Total Net Assets | \$ 118,743,754 | \$ 99,522,849 |

Total net assets increased due to an increase in capital assets for numerous capital improvement and construction projects.

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, 2005 | June 30, 2004 |
|--|---------------|---------------|
| Expenses | | |
| Governmental Activities: | | |
| Instruction | \$274,180,868 | \$262,803,438 |
| Instruction-Related Services | 62,401,116 | 59,985,259 |
| Pupil Services | 34,878,737 | 35,783,724 |
| General Administration | 29,768,811 | 31,765,794 |
| Plant Services | 46,628,897 | 45,626,371 |
| Interest on Long-Term Debt | 14,890,965 | 12,589,243 |
| All Other Expenses and Outgo | 9,077,102 | 9,470,104 |
| Total Governmental Activity Expenses | 471,826,496 | 458,023,933 |
| | | |
| Business Type Activities: | | |
| Food Services | 14,720,987 | 14,917,527 |
| All Other Business Type Activities | 1,292,001 | 1,723,425 |
| Total Business Type Activity Expenses | 16,012,988 | 16,640,952 |
| | | |
| Revenues | | |
| Charges For Services | 3,678,011 | 3,571,271 |
| Operating Grants and Contributions | 169,565,907 | 160,025,577 |
| Capital Grants and Contributions | 32,411,135 | --- |
| Taxes Levied for General Purposes | 61,274,135 | 85,099,842 |
| Taxes Levied for Debt and Special Purposes | 15,513,833 | 22,147,181 |
| Unrestricted Federal and State Aid | 203,892,402 | 172,612,421 |
| Interest and Investment Earnings | 5,444,601 | 3,230,366 |
| Interagency Revenues | 2,480,621 | 2,797,350 |
| Miscellaneous | 12,799,744 | 11,630,080 |
| Total Revenues | 507,060,389 | 461,064,088 |
| Change in Net Assets | \$ 19,220,905 | \$ 13,600,797 |

Sacramento City Unified School District continued to maintain its sound financial condition. District wide operations have been stable, with governmental activity expenses increasing slightly primarily due to increases in employee benefit costs including workers compensation. Business type activity revenue and expenses remained relatively stable while total governmental revenues increased.

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. The following table summarizes general fund budget to actual information for the year ended June 30, 2005:

| | Adopted Budget | Year End Budget | Actual |
|----------------------------|----------------|-----------------|---------------|
| Total Revenues | \$349,570,019 | \$403,068,139 | \$383,478,608 |
| Total Expenditures | \$328,095,910 | \$418,085,493 | \$386,285,875 |
| Total Other Sources/(Uses) | \$ 3,682,435 | \$ 1,046,407 | \$ 4,983,946 |

The actual net increase to the total revenue budget was \$53,498,120 due to current year budgets for categorical funds, which are budgeted as grant award documents are received. Additionally, the budgets for prior year unspent restricted and unrestricted program funds (carry over) are appropriated mid-year.

The actual net increase to the total expenditure budget was \$89,989,583, due to revisions to set up expenditures related to categorical program funds which are budgeted after July 1 as grant award documents are received.

The actual net change to the total other financing sources/uses budget changed by \$2,636,028 due primarily to dependent charter school service transfers.

Actual revenues were \$19,589,531 or 4.8%, below year end budget due mostly to unspent and unearned categorical revenue. Actual expenditures were \$31,799,618, or 7.6%, below year end budget due to unspent categorical revenue and unspent school site program revenue carryover.

The following table summarizes the General Fund operational fund financial statements for the year ended June 30, 2005:

| | |
|--------------------------------|----------------|
| Total Revenue | \$ 383,478,608 |
| Total Expenditures | (386,285,875) |
| Other Financing Sources & Uses | 4,983,946 |
| Net Change | \$ 2,176,679 |

General Fund ending balance increased due to unspent categorical program and one time carry over funds. This sound financial condition is a result of good fiscal management by staff – evident in careful budget management and compliance oversight. Through the District's future efforts of improving attendance rates it will provide 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

The District invested \$81,271,038 in modernization and new construction of school sites from the following combined sources:

| | |
|---|------------------|
| Measure E | \$ 12,318,206 |
| Measure I | 44,406,916 |
| State school bond funds | 20,456,687 |
| Certificates of participation & other local sources | <u>4,089,229</u> |
| Total: | \$ 81,271,038 |

Of this amount, approximately \$80 million represents capitalized projects. Significant modernization and construction projects are scheduled to continue for several years as we update our existing facilities, complete construction on the new Health Professions High School as well as facilities for small learning community high schools.

District Indebtedness

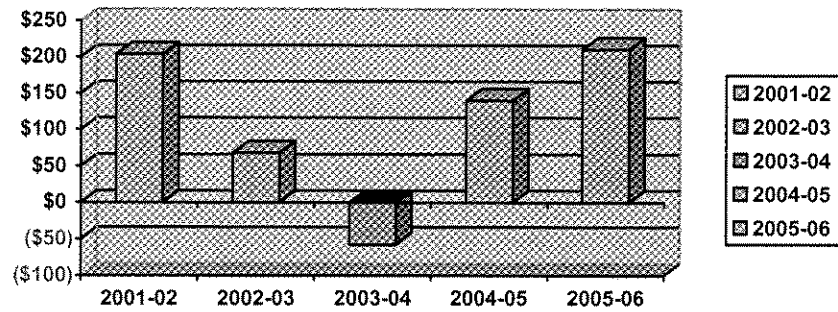
As of 6/30/05 the District has outstanding \$364,233,225 of long-term liabilities. Of this amount, \$258,095,000 is General Obligation Bonds backed by property tax increases voted on by District residents in 1999 and 2002, and \$4,875,000 is a special Tax Bond, also backed by property tax increases voted on by residents.

Financial Issues

Per Pupil Funding

Over the last several years the State of California has experienced severe budget crises, causing fluctuations in available revenues. The table below shows a five year trend in state school funding:

Change in Per Pupil Funding

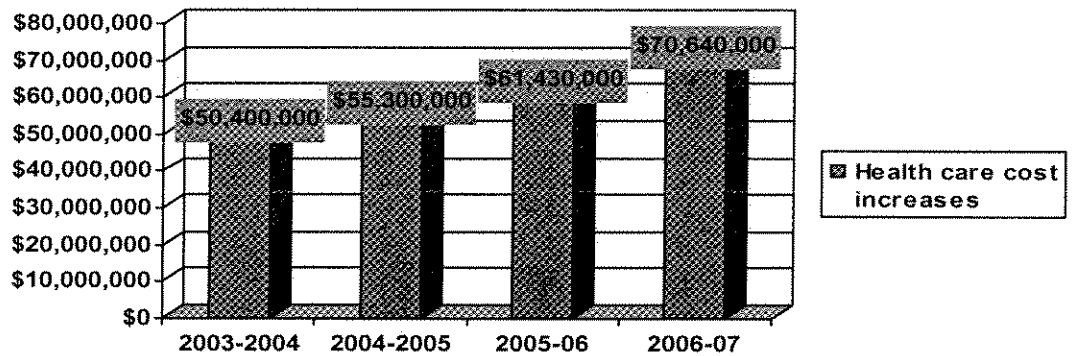


Meanwhile, the District's average daily attendance decreased by 1,580 over the prior year. This was primarily due to enrollment decline and growth in charter schools in our district. The District's enrollment decline is comparable to the enrollment decline being experienced state-wide. ADA for the District is projected to continue to decline in 05/06 although not as significantly as the previous year.

Health Care Cost Trends

District-Wide Health Care costs have been growing dramatically and continue to do so in this budget year. The graph below shows the trends:

Trends in District-Wide Health Care Costs



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 every three years to determine the unfunded future liability for lifetime benefits. An updated actuarial report is in the process of being finalized. The actuarially determined liability is not accrued or included in the above chart. This liability has increased 133% from the last actuary report as follows:

| | |
|---------------------|-----------------|
| July 1999 Liability | \$148.2 Million |
| July 2002 Liability | \$345.5 Million |
| Three Year Increase | \$197.3 Million |

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. As we continue during constrained economic times, we find these many complex program requirements make it difficult to maintain our basic programs. The State is making efforts to provide some flexibility in these programs and could this help us withstand economic and enrollment downturns.

As health care costs rise and categorical programs take a larger share of state revenue, district management must continue to closely monitor the District's limited financial resources.

Contacting the District's Financial Management

If you have questions regarding this report or need additional financial information, contact the Chief Financial Officer at (916) 643-9055.

BASIC FINANCIAL STATEMENTS

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2005

| | Governmental Activities | Business-Type Activities | Total |
|---|------------------------------------|-------------------------------------|-----------------------|
| ASSETS | | | |
| Cash and investments (Note 2) | \$ 136,763,822 | \$ 1,931,359 | \$ 138,695,181 |
| Accounts receivable | 46,741,454 | 4,251,791 | 50,993,245 |
| Prepaid expenditures | 3,825,852 | | 3,825,852 |
| Due from other funds (Note 3) | 3,034,430 | | 3,034,430 |
| Stores inventory | 343,435 | 83,623 | 427,058 |
| Capital assets, net of accumulated depreciation (Note 4) | <u>374,669,478</u> | <u>122,478</u> | <u>374,791,956</u> |
| Total assets | <u>565,378,471</u> | <u>6,389,251</u> | <u>571,767,722</u> |
| LIABILITIES | | | |
| Accounts payable | 32,032,702 | 374,017 | 32,406,719 |
| Unpaid claims and claim adjustment expenses (Note 5) | 17,075,153 | | 17,075,153 |
| TRANS payable (Note 2) | 26,700,000 | | 26,700,000 |
| Deferred compensation | 3,968,261 | | 3,968,261 |
| Deferred revenue | 5,606,180 | | 5,606,180 |
| Due to other funds (Note 3) | | 3,034,430 | 3,034,430 |
| Long-term liabilities (Note 6): | | | |
| Due within one year | 16,331,392 | 6,123 | 16,337,515 |
| Due after one year | <u>347,886,783</u> | <u>8,927</u> | <u>347,895,710</u> |
| Total liabilities | <u>449,600,471</u> | <u>3,423,497</u> | <u>453,023,968</u> |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 40,155,219 | 107,428 | 40,262,647 |
| Restricted (Note 7) | 73,043,563 | 2,858,326 | 75,901,889 |
| Unrestricted | <u>2,579,218</u> | <u></u> | <u>2,579,218</u> |
| Total net assets | <u>\$ 115,778,000</u> | <u>\$ 2,965,754</u> | <u>\$ 118,743,754</u> |

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, 2005

| | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets | | |
|---|-----------------------|------------------------------------|----------------------------------|---|--------------------------|-----------------------|
| | Charges For Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total |
| Governmental activities (Note 4): | | | | | | |
| Instruction | \$ 274,180,868 | \$ 92,098,145 | \$ 32,411,135 | \$ (148,671,943) | | \$ (148,671,943) |
| Instruction-related services: | | | | | | |
| Supervision of instruction | 22,011,187 | 19,727,831 | | (2,115,083) | | (2,115,083) |
| Instructional library, media and technology | 3,060,995 | 1,318,758 | | (1,738,346) | | (1,738,346) |
| School site administration | 37,328,934 | 7,114,378 | | (30,096,025) | | (30,096,025) |
| Pupil services: | | | | | | |
| Home-to-school transportation | 11,049,137 | 4,413,238 | | (6,635,899) | | (6,635,899) |
| Food services | 205,793 | 168,728 | | (34,615) | | (34,615) |
| All other pupil services | 23,623,807 | 15,137,016 | | (8,237,443) | | (8,237,443) |
| General administration: | | | | | | |
| Data processing | 4,499,872 | 1,538,218 | | (2,961,654) | | (2,961,654) |
| All other general administration | 25,268,939 | 10,794,728 | | (14,179,711) | | (14,179,711) |
| Plant services | 46,628,897 | 2,926,486 | | (43,657,276) | | (43,657,276) |
| Ancillary services | 2,127,987 | 53,482 | | (2,071,836) | | (2,071,836) |
| Community services | 518,206 | 113,170 | | (405,036) | | (405,036) |
| Enterprise activities | 745,085 | | | (745,085) | | (745,085) |
| Other outgo | 5,685,824 | 20,698 | | (5,665,126) | | (5,665,126) |
| Interest on long-term liabilities | 14,890,965 | | | (14,890,965) | | (14,890,965) |
| Business-type activities: | | | | | | |
| Food services | 14,720,987 | 13,157,210 | | | \$ (69,871) | (69,871) |
| Enterprise activities | 181,931 | 5,947 | | | (1) | (1) |
| General administration | 1,102,149 | 970,954 | | | (8,385) | (8,385) |
| Plant services | 7,921 | 6,920 | | | (131) | (131) |
| Total governmental and business-type activities | <u>\$ 487,839,484</u> | <u>\$ 169,565,907</u> | <u>\$ 32,411,135</u> | <u>(282,106,043)</u> | <u>(78,388)</u> | <u>(282,184,431)</u> |
| General revenues: | | | | | | |
| Taxes and subventions: | | | | | | |
| Taxes levied for general purposes | | | | 61,274,135 | | 61,274,135 |
| Taxes levied for debt service | | | | 13,610,679 | | 13,610,679 |
| Taxes levied for other specific purposes | | | | 1,903,154 | | 1,903,154 |
| Federal and State aid not restricted to specific purposes | | | | 203,892,402 | | 203,892,402 |
| Interest and investment earnings | | | | 5,444,601 | | 5,444,601 |
| Interagency revenues | | | | 2,480,621 | | 2,480,621 |
| Miscellaneous | | | | 12,799,744 | | 12,799,744 |
| Total general revenues | | | | <u>301,405,336</u> | | <u>301,405,336</u> |
| Change in net assets | | | | 19,299,293 | (78,388) | 19,220,905 |
| Net assets, July 1, 2004 | | | | 96,478,707 | 3,044,142 | 99,522,849 |
| Net assets, June 30, 2005 | | | | <u>\$ 115,778,000</u> | <u>\$ 2,965,754</u> | <u>\$ 118,743,754</u> |

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

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2005

| | <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 | \$ 4,065,643 | \$ 45,863,044 | \$ 16,746,593 | \$ 66,675,280 |
| Cash in County Treasury, restricted for repayment of Tax and Revenue | | | | |
| Anticipation Notes (TRANS) | 26,700,000 | | | 26,700,000 |
| Cash on hand and in banks | | 1,303,759 | | 1,303,759 |
| Cash in revolving fund | 225,000 | | | 225,000 |
| Cash awaiting deposit | 977,520 | | 134,733 | 1,112,253 |
| Cash with Fiscal Agent | | 23,539,937 | 1,846,961 | 25,386,898 |
| Deferred compensation | 3,968,261 | | | 3,968,261 |
| Accounts receivable: | | | | |
| Federal government | 6,121,614 | | 4,557,542 | 10,679,156 |
| State government | 10,574,708 | | 1,892,741 | 12,467,449 |
| Local government and other | 16,615,703 | 334,549 | 3,321,163 | 20,271,415 |
| Prepaid expenditures | 97,894 | | | 97,894 |
| Due from other funds | 11,682,996 | 160,583 | 7,840,031 | 19,683,610 |
| Stores inventory | <u>343,435</u> | | | <u>343,435</u> |
| Total assets | <u>\$ 81,372,774</u> | <u>\$ 71,201,872</u> | <u>\$ 36,339,764</u> | <u>\$ 188,914,410</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 15,144,293 | \$ 11,650,568 | \$ 4,479,606 | \$ 31,274,467 |
| TRANS payable | 26,700,000 | | | 26,700,000 |
| Deferred compensation | 3,968,261 | | | 3,968,261 |
| Deferred revenue | 4,825,121 | | 781,059 | 5,606,180 |
| Due to other funds | <u>8,587,423</u> | <u>1,787,700</u> | <u>6,388,156</u> | <u>16,763,279</u> |
| Total liabilities | 59,225,098 | 13,438,268 | 11,648,821 | 84,312,187 |
| Fund balances | <u>22,147,676</u> | <u>57,763,604</u> | <u>24,690,943</u> | <u>104,602,223</u> |
| Total liabilities and fund balances | <u>\$ 81,372,774</u> | <u>\$ 71,201,872</u> | <u>\$ 36,339,764</u> | <u>\$ 188,914,410</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, 2005

| | | |
|---|--------------------|-----------------------|
| Total fund balances - Governmental Funds | | \$ 104,602,223 |
| 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 \$619,787,042 and the accumulated depreciation is \$245,117,564 (Note 4). | | |
| | 374,669,478 | |
| 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, 2005 consisted of (Note 6): | | |
| Special Tax Bonds | \$ (4,875,000) | |
| State School Building Aid Loan | (2,438) | |
| General Obligation Bonds | (258,095,000) | |
| Certificates of Participation | (94,795,000) | |
| Capitalized lease obligations | (289,196) | |
| Compensated absences | <u>(6,161,541)</u> | |
| | | (364,218,175) |
| Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Net liabilities of the Self-Insurance Fund are: | | |
| | | (2,493,979) |
| 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: | | |
| | | (509,505) |
| Costs associated with the issuance of long-term liabilities are not financial resources and, therefore, are not reported as assets in governmental funds. | | |
| | | <u>3,727,958</u> |
| Total net assets - governmental activities | | <u>\$ 115,778,000</u> |

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, 2005

| | <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 | \$ 171,490,751 | | \$ 18,248,714 | \$ 189,739,465 |
| Local sources | <u>61,045,194</u> | | | <u>61,045,194</u> |
| Total revenue limit | <u>232,535,945</u> | | <u>18,248,714</u> | <u>250,784,659</u> |
| Federal sources | 59,344,239 | \$ 129,506 | 14,569,634 | 74,043,379 |
| Other State sources | 81,016,524 | | 42,757,191 | 123,773,715 |
| Other local sources | <u>10,581,900</u> | <u>2,630,357</u> | <u>28,723,654</u> | <u>41,935,911</u> |
| Total revenues | <u>383,478,608</u> | <u>2,759,863</u> | <u>104,299,193</u> | <u>490,537,664</u> |
| Expenditures: | | | | |
| Certificated salaries | 171,615,209 | | 19,434,327 | 191,049,536 |
| Classified salaries | 56,837,960 | 466,399 | 9,362,644 | 66,667,003 |
| Employee benefits | 80,745,949 | 123,939 | 11,559,115 | 92,429,003 |
| Books and supplies | 20,524,734 | 2,462,232 | 2,505,151 | 25,492,117 |
| Contract services and operating expenditures | 49,735,063 | 4,695,360 | 4,388,854 | 58,819,277 |
| Capital outlay | 1,183,706 | 75,012,290 | 5,961,601 | 82,157,597 |
| Other outgo | 5,534,590 | | | 5,534,590 |
| Debt service: | | | | |
| Principal retirement | 93,253 | 2,110,000 | 11,752,566 | 13,955,819 |
| Interest | <u>15,411</u> | <u>2,923,603</u> | <u>11,972,038</u> | <u>14,911,052</u> |
| Total expenditures | <u>386,285,875</u> | <u>87,793,823</u> | <u>76,936,296</u> | <u>551,015,994</u> |
| (Deficiency) excess of revenues (under) over expenditures | <u>(2,807,267)</u> | <u>(85,033,960)</u> | <u>27,362,897</u> | <u>(60,478,330)</u> |
| Other financing sources (uses): | | | | |
| Operating transfers in | 5,324,830 | 30,223,145 | 2,488,131 | 38,036,106 |
| Operating transfers out | (340,884) | (1,500,000) | (34,520,718) | (36,361,602) |
| Proceeds from the issuance of General Obligation Bonds | | <u>55,000,000</u> | | <u>55,000,000</u> |
| Total other financing sources (uses) | <u>4,983,946</u> | <u>83,723,145</u> | <u>(32,032,587)</u> | <u>56,674,504</u> |
| Change in fund balances | 2,176,679 | (1,310,815) | (4,669,690) | (3,803,826) |
| Fund balances, July 1, 2004 | <u>19,970,997</u> | <u>59,074,419</u> | <u>29,360,633</u> | <u>108,406,049</u> |
| Fund balances, June 30, 2005 | <u>\$ 22,147,676</u> | <u>\$ 57,763,604</u> | <u>\$ 24,690,943</u> | <u>\$ 104,602,223</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, 2005

| | | |
|---|------------------|----------------------|
| Net change in fund balances - Total Governmental Funds | | \$ (3,803,826) |
| 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). | \$ 82,157,597 | |
| Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4). | (14,542,795) | |
| Issuance of long-term liabilities is an other financing source in the governmental funds, but increases the long-term liabilities in the statement of net assets (Note 6). | (55,000,000) | |
| 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). | 13,955,819 | |
| 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. | 463,925 | |
| 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. | 20,087 | |
| Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost recovery basis. Net loss for the Self-Insurance Fund was: | (3,604,586) | |
| In the statement of activities, expenses related to compensated absences are measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used (Note 6). | <u>(346,928)</u> | <u>23,103,119</u> |
| Change in net assets of governmental activities | | <u>\$ 19,299,293</u> |

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

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE - BUDGET (NON-GAAP) AND ACTUAL

MAJOR FUND - GENERAL FUND

For the Year Ended June 30, 2005

| | <u>Budget</u> | | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|--|----------------------|---------------------|----------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Revenue limit sources: | | | | |
| State apportionment | \$ 152,444,903 | \$ 152,444,903 | \$ 171,490,751 | \$ 19,045,848 |
| Local sources | <u>83,355,291</u> | <u>84,394,483</u> | <u>61,045,194</u> | <u>(23,349,289)</u> |
| Total revenue limit | <u>235,800,194</u> | <u>236,839,386</u> | <u>232,535,945</u> | <u>(4,303,441)</u> |
| Federal sources | 42,426,798 | 73,642,827 | 59,344,239 | (14,298,588) |
| Other State sources | 65,125,356 | 81,620,698 | 81,016,524 | (604,174) |
| Other local sources | <u>6,217,671</u> | <u>10,965,228</u> | <u>10,581,900</u> | <u>(383,328)</u> |
| Total revenues | <u>349,570,019</u> | <u>403,068,139</u> | <u>383,478,608</u> | <u>(19,589,531)</u> |
| Expenditures: | | | | |
| Certificated salaries | 157,985,038 | 173,406,383 | 171,615,209 | 1,791,174 |
| Classified salaries | 47,841,769 | 57,469,766 | 56,837,960 | 631,806 |
| Employee benefits | 74,922,321 | 82,823,120 | 80,745,949 | 2,077,171 |
| Books and supplies | 10,794,600 | 48,528,198 | 20,524,734 | 28,003,464 |
| Contract services and operating expenditures | 28,813,461 | 49,988,869 | 49,735,063 | 253,806 |
| Capital outlay | 255,883 | 1,294,573 | 1,183,706 | 110,867 |
| Other outgo | 7,357,838 | 4,574,584 | 5,534,590 | (960,006) |
| Debt service: | | | | |
| Principal retirement | 125,000 | | 93,253 | (93,253) |
| Interest | | | <u>15,411</u> | <u>(15,411)</u> |
| Total expenditures | <u>328,095,910</u> | <u>418,085,493</u> | <u>386,285,875</u> | <u>31,799,618</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>21,474,109</u> | <u>(15,017,354)</u> | <u>(2,807,267)</u> | <u>12,210,087</u> |
| Other financing sources: | | | | |
| Operating transfers in | 3,961,488 | 1,325,460 | 5,324,830 | 3,999,370 |
| Operating transfers out | <u>(279,053)</u> | <u>(279,053)</u> | <u>(340,884)</u> | <u>(61,831)</u> |
| Total other financing sources | <u>3,682,435</u> | <u>1,046,407</u> | <u>4,983,946</u> | <u>3,937,539</u> |
| Change in fund balance | 25,156,544 | (13,970,947) | 2,176,679 | 16,147,626 |
| Fund balance, July 1, 2004 | <u>19,970,997</u> | <u>19,970,997</u> | <u>19,970,997</u> | |
| Fund balance, June 30, 2005 | <u>\$ 45,127,541</u> | <u>\$ 6,000,050</u> | <u>\$ 22,147,676</u> | <u>\$ 16,147,626</u> |

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

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
STATEMENT OF FUND NET LIABILITIES - PROPRIETARY FUND
SELF-INSURANCE FUND
June 30, 2005

ASSETS

| | |
|----------------------------|-----------------------|
| Cash in County Treasury | \$ 10,892,371 |
| Revolving cash fund | 500,000 |
| Accounts receivable: | |
| Local government and other | 3,280,511 |
| Due from other funds | <u>587,996</u> |
| Total assets | <u>15,260,878</u> |

LIABILITIES

| | |
|---|-----------------------|
| Accounts payable | 91,667 |
| Due to other funds | 588,037 |
| Unpaid claims and claim adjustment expenses | <u>17,075,153</u> |
| Total liabilities | <u>17,754,857</u> |

NET LIABILITIES

| | |
|-----------------|-----------------------|
| Net liabilities | <u>\$ (2,493,979)</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 (LIABILITIES) - PROPRIETARY FUND

SELF-INSURANCE FUND

For the Year Ended June 30, 2005

| | |
|--------------------------------------|-----------------------|
| Operating revenues: | |
| Self-insurance premiums | <u>\$ 16,056,232</u> |
| Operating expenses: | |
| Classified salaries | 39,685 |
| Employee benefits | 21,165 |
| Books and supplies | 133,675 |
| Contract services | <u>19,094,361</u> |
| Total operating expenses | <u>19,288,886</u> |
| Operating loss | (3,232,654) |
| Non-operating income: | |
| Interest income | 216,064 |
| Non-operating expense: | |
| Transfers to other funds | <u>(587,996)</u> |
| Change in net assets (liabilities) | (3,604,586) |
| Total net assets, July 1, 2004 | <u>1,110,607</u> |
| Total net liabilities, June 30, 2005 | <u>\$ (2,493,979)</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, 2005

| | |
|---|-----------------------|
| Cash flows from operating activities: | |
| Cash received from self-insurance premiums | \$ 14,610,096 |
| Cash paid for employee benefits | (13,694,835) |
| Cash paid for other expenses | <u>(999,024)</u> |
| Net cash used in operating activities | <u>(83,763)</u> |
| Cash flows provided by investing activities: | |
| Interest income received | <u>137,209</u> |
| Increase in cash and cash equivalents | 53,446 |
| Cash and cash equivalents, July 1, 2004 | <u>11,338,925</u> |
| Cash and cash equivalents, June 30, 2005 | <u>\$ 11,392,371</u> |
| Reconciliation of operating loss to net cash used in operating activities: | |
| Operating loss | <u>\$ (3,232,654)</u> |
| Adjustments to reconcile operating loss to net cash used in operating activities: | |
| Increase in: | |
| Accounts receivable | (1,446,136) |
| Amount due from other funds | (672,395) |
| Increase (decrease) in: | |
| Unpaid claims and claim adjustment expenses | 5,399,526 |
| Accounts payable | (190,763) |
| Amount due to other funds | <u>58,659</u> |
| Total adjustments | <u>3,148,891</u> |
| Net cash used in operating activities | <u>\$ (83,763)</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, 2005

ASSETS

| | |
|---|----------------------|
| Cash and investments: | |
| Cash on hand and in banks | \$ 1,902,972 |
| Cash awaiting deposit | 26,387 |
| Cash in revolving fund | 2,000 |
| Accounts receivable: | |
| Federal government | 3,885,835 |
| State government | 245,778 |
| Local government and other | 120,178 |
| Due from other funds | 73,620 |
| Stores inventory | 83,623 |
| Capital assets, net of accumulated depreciation | <u>122,478</u> |
| Total assets | <u>6,462,871</u> |

LIABILITIES

| | |
|-----------------------|----------------------|
| Accounts payable | 374,017 |
| Due to other funds | 3,108,050 |
| Long-term liabilities | <u>15,050</u> |
| Total liabilities | <u>3,497,117</u> |

NET ASSETS

| | |
|---|--------------------------------|
| Invested in capital assets, net of related debt | 107,428 |
| Restricted | <u>2,858,326</u> |
| Total net assets | <u><u>\$ 2,965,754</u></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, 2005

| | |
|--|----------------------------|
| Operating revenues: | |
| Food service sales | \$ 1,791,966 |
| Other local revenues | 135,306 |
| Child Nutrition Programs: | |
| Federal | 13,197,715 |
| State | <u>778,721</u> |
| Total operating revenues | <u>15,903,708</u> |
| Operating expenses: | |
| Classified salaries | 5,956,705 |
| Employee benefits | 2,754,667 |
| Contract services and operating expenses | 51,082 |
| Food and supplies expenses | <u>6,164,023</u> |
| Total operating expenses | <u>14,926,477</u> |
| Operating income | 977,231 |
| Non-operating income: | |
| Interest income | 30,889 |
| Non-operating expense: | |
| Transfers to other funds | <u>(1,086,508)</u> |
| Change in net assets | (78,388) |
| Net assets, July 1, 2004 | <u>3,044,142</u> |
| Net assets, June 30, 2005 | <u><u>\$ 2,965,754</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, 2005

| | |
|---|---------------------|
| Cash flows from operating activities: | |
| Cash received from food sales | \$ 13,576,496 |
| Cash received from Child Nutrition Programs | 1,852,087 |
| Cash paid for operating expenses | <u>(14,789,256)</u> |
| Net cash provided by operating activities | <u>639,327</u> |
| Cash flows from investing activities: | |
| Interest income received | <u>30,889</u> |
| Cash flows from financing activities: | |
| Cash paid for capital assets | <u>(32,938)</u> |
| Increase in cash | 637,278 |
| Cash balance, July 1, 2004 | <u>1,294,081</u> |
| Cash balance, June 30, 2005 | <u>\$ 1,931,359</u> |
| Reconciliation of operating income to net cash provided by operating activities: | |
| Operating income | <u>\$ 977,231</u> |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation | 77,482 |
| (Increase) decrease in: | |
| Accounts receivable | (475,125) |
| Due from other funds | 9,279 |
| Inventory | (10,437) |
| Increase (decrease) in: | |
| Accounts payable | 98,828 |
| Due to other funds | <u>(37,931)</u> |
| Total adjustments | <u>(337,904)</u> |
| Net cash provided by operating activities | <u>\$ 639,327</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, 2005

ASSETS

| | |
|------------------------------------|------------------|
| Cash in County Treasury (Note 2) | \$ (2,092,075) |
| Cash on hand and in banks (Note 2) | 2,067,205 |
| Accounts receivable: | |
| Local government and other | 3,712,969 |
| Due from other funds (Note 3) | 157,063 |
| Stores inventory | 74,046 |
| Capital assets | <u>12,877</u> |
| Total assets | <u>3,932,085</u> |

LIABILITIES

| | |
|-----------------------------|------------------|
| Accounts payable | 122,072 |
| Due to other funds (Note 3) | 42,923 |
| Due to student groups | <u>1,873,841</u> |
| Total liabilities | <u>2,038,836</u> |

NET ASSETS

| | |
|---------------------|---------------------|
| Restricted (Note 7) | <u>\$ 1,893,249</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 generally accepted accounting principles 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 Schools Education Facilities Financing Corporation (the "Corporation") have a financial and operational relationship which meet the reporting entity definition criteria of the GASB Statement No. 14, *The Financial Reporting Entity*, for inclusion of the Corporation as a component unit of the District. Therefore, the financial activities of the Corporation have been included in the financial statements of the District.

The following are those aspects of the relationship between the District and the Corporation which satisfy GASB Statement No. 14 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 as the Building Fund. Certificates of Participation issued by the Corporation are included in the government-wide financial statements.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Financial Statements

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

- The financial statements include:
 - A Management 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.
- Change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to basic financial statements).

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

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

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

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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. 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 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.

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)

4. 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, County School Facilities, Community Facilities and South Pocket Facilities Funds.

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.

C - Fiduciary Funds

1. Expendable Trust Funds:

Retiree Benefits Trust Fund:

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

Scholarship Trust Fund:

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

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 (Continued)

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 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.

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 in the basic financial statements.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 4 - 30 years depending on asset types.

Compensated Absences

Compensated absences totaling \$6,161,541 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 a 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.

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.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Net Assets

Restrictions of the ending net assets indicate the portions of net assets not appropriate for expenditure or amounts legally segregated for a specific future use. The 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 are State 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 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.

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.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

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

2. CASH AND INVESTMENTS

Cash and investments at June 30, 2005 consisted of the following:

Pooled Funds:

| | |
|--|---------------|
| Cash in County Treasury | \$ 75,475,576 |
| Cash awaiting deposit | \$ 1,138,640 |
| Cash in County Treasury - restricted for TRANS | \$ 26,700,000 |

Deposits:

| | |
|---------------------------|--------------|
| Cash on hand and in banks | \$ 5,273,936 |
| Revolving cash fund | \$ 727,000 |

Investments:

| | |
|------------------------|---------------|
| Cash with Fiscal Agent | \$ 25,386,898 |
| Deferred compensation | \$ 3,968,261 |

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, 2005, the Sacramento County Treasurer has represented that the Treasurer's pooled investment fund contained no derivatives or other investments with similar risk profiles.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

2. CASH AND INVESTMENTS (Continued)

Pooled Funds (Continued)

On November 18, 2004, the District issued \$26,700,000 of TRANs, maturing on November 30, 2005 with interest at 3.5% to provide for anticipated cash flow deficits from operations and to finance real property acquisitions. The TRANs are a general obligation of the District and are payable solely from tax revenues and cash receipts generated by the District during the year ended June 30, 2005. As of June 30, 2005, funds totaling \$26,700,000 held in the General Fund were restricted for repayment of the TRANs.

Deposits - Custodial Credit Risk - Deposits

Cash balances held in banks and revolving funds are insured up to \$100,000 by the Federal Depository Insurance Corporation (FDIC). As of June 30, 2005, the carrying amount of the District's accounts were \$6,000,936, and the bank balances were \$7,767,285. Of the bank balances, \$770,421 was covered by the FDIC insurance and \$6,996,864 was uninsured. Uninsured balances are fully collateralized by the banks in accordance with applicable law.

Investments

The Cash with Fiscal Agent 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 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.

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, 2005, 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, 2005, the District had no concentration of credit risk.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

3. INTERFUND TRANSACTIONS

Interfund Activity

Transactions between funds of the District are recorded as interfund transfers, 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.

Interfund Receivables/Payables

Individual interfund receivable and payable balances at June 30, 2005 were as follows:

| Fund | Interfund Receivables | Interfund Payables |
|-----------------------------|--------------------------|-----------------------|
| General Fund | \$ 11,682,996 | \$ 8,587,423 |
| Special Revenue Funds: | | |
| Charter School | 4,840,665 | 3,933,343 |
| Adult Education | 1,385,486 | 886,941 |
| Child Development | 113,880 | 920,311 |
| Deferred Maintenance | 1,500,000 | 314 |
| Capital Projects Funds: | | |
| Building | 160,583 | 1,787,700 |
| Developer Fees | | 647,247 |
| Self-Insurance Fund | 587,996 | 588,037 |
| Cafeteria Fund | 73,620 | 3,108,050 |
| Retiree Benefits Trust Fund | 157,063 | 42,923 |
| Totals | \$ 20,502,289 | \$ 20,502,289 |

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

3. INTERFUND TRANSACTIONS (Continued)

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 2004-2005 fiscal year were as follows:

| | |
|--|----------------------|
| Transfer from the General Fund to the Charter Schools Fund for contribution for dependent charters. | \$ 340,884 |
| Transfer from the Charter Schools Fund to the General Fund to transfer charter school fees. | 1,995,987 |
| Transfer from the Adult Education Fund to the General Fund for indirect support. | 765,708 |
| Transfer from the Child Development Fund to the General Fund for indirect support. | 888,631 |
| Transfer from the Building Fund to the Deferred Maintenance Fund to make the deferred maintenance match. | 1,500,000 |
| Transfer from the Developer Fees Fund to the Charter Schools Fund for contribution for dependent charters. | 647,247 |
| Transfer from the County School Facilities Fund to the Building Fund for construction projects. | 30,223,145 |
| Transfer from the Cafeteria Fund to the General Fund for indirect support. | 1,086,508 |
| Transfer from the Self-Insurance Fund to the General Fund for indirect support. | <u>587,996</u> |
| | <u>\$ 38,036,106</u> |

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

4. CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2005 is shown below:

| | <u>Balance July 1, 2004</u> | <u>Transfers and Additions</u> | <u>Transfers and Deductions</u> | <u>Balance June 30, 2005</u> |
|---------------------------------|-------------------------------------|--|---|--------------------------------------|
| <u>Governmental Activities</u> | | | | |
| Land | \$ 16,113,070 | \$ 150,000 | | \$ 16,263,070 |
| Buildings | 366,697,056 | 75,677,944 | | 442,375,000 |
| Site improvements | 50,923,565 | 35,220,831 | | 86,144,396 |
| Equipment | 21,704,520 | 1,781,710 | | 23,486,230 |
| Work-in-process | <u>82,191,234</u> | <u>42,677,873</u> | <u>\$ 73,350,761</u> | <u>51,518,346</u> |
| Totals, at cost | <u>537,629,445</u> | <u>155,508,358</u> | <u>73,350,761</u> | <u>619,787,042</u> |
| Less accumulated depreciation: | | | | |
| Site improvements | (21,496,163) | (9,379,781) | | (30,875,944) |
| Buildings | (191,890,284) | (3,415,552) | | (195,305,836) |
| Equipment | <u>(17,188,322)</u> | <u>(1,747,462)</u> | | <u>(18,935,784)</u> |
| Total accumulated depreciation | <u>(230,574,769)</u> | <u>(14,542,795)</u> | | <u>(245,117,564)</u> |
| Capital assets, net | <u>\$ 307,054,676</u> | <u>\$ 140,965,563</u> | <u>\$ 73,350,761</u> | <u>\$ 374,669,478</u> |
| <u>Business-Type Activities</u> | | | | |
| Capital assets, net | <u>\$ 167,022</u> | <u>\$ 32,938</u> | <u>\$ (77,482)</u> | <u>\$ 122,478</u> |

Depreciation expense was charged to governmental activities as follows:

| | |
|----------------------------------|----------------------|
| Instruction | \$ 12,234,131 |
| Food services | 9,171 |
| All other pupil services | 548,143 |
| All other general administration | 1,385,195 |
| Plant services | 125,347 |
| Community services | <u>240,808</u> |
| Total depreciation expense | <u>\$ 14,542,795</u> |

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 beginning July 1, 2001, 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, the District purchased insurance for the workers' compensation coverage.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

5. SELF-INSURANCE CLAIMS (Continued)

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 October 31, 2004.

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

| | <u>June 30, 2005</u> | <u>June 30, 2004</u> |
|---|--------------------------|--------------------------|
| Unpaid claim and claim adjustment expenses, beginning of year | \$ 11,675,627 | \$ 10,554,647 |
| Total incurred claims and claim adjustment expenses | 19,094,361 | 16,076,771 |
| Total payments | <u>(13,694,835)</u> | <u>(14,955,791)</u> |
| Total unpaid claims and claim adjustment expenses at end of year | <u>\$ 17,075,153</u> | <u>\$ 11,675,627</u> |

6. LONG-TERM LIABILITIES

Special Tax Bonds

| <u>Series</u> | <u>Interest Rate</u> | <u>Balance July 1, 2004</u> | <u>Current Year Proceeds</u> | <u>Current Year Maturities</u> | <u>Balance June 30, 2005</u> |
|---------------|--------------------------|-------------------------------------|--------------------------------------|--|--------------------------------------|
| 1997 C | 3.7% to 5.5% | <u>\$ 5,305,000</u> | <u>\$ -</u> | <u>\$ 430,000</u> | <u>\$ 4,875,000</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> |
|--------------------------------|---------------------|---------------------|---------------------|
| 2006 | \$ 445,000 | \$ 244,427 | \$ 689,427 |
| 2007 | 475,000 | 221,650 | 696,650 |
| 2008 | 490,000 | 197,525 | 687,525 |
| 2009 | 525,000 | 171,625 | 696,625 |
| 2010 | 540,000 | 143,800 | 683,800 |
| 2011-2015 | <u>2,400,000</u> | <u>263,905</u> | <u>2,663,905</u> |
| | <u>\$ 4,875,000</u> | <u>\$ 1,242,932</u> | <u>\$ 6,117,932</u> |

State School Building Aid Loan

| | <u>Balance July 1, 2004</u> | <u>Interest Charge</u> | <u>Repay- ment</u> | <u>Balance June 30, 2005</u> |
|--|-------------------------------------|----------------------------|------------------------|--------------------------------------|
| Sacramento City Unified - Secondary Schools | <u>\$ 5,004</u> | <u>\$ 265</u> | <u>\$ 2,831</u> | <u>\$ 2,438</u> |

The State School Building Aid Loan, with a weighted average interest rate of 4.82% represents unpaid portions of loans made under provisions of the State law for facilities construction. Repayments to the State School Building Aid Loan is based on a statutory formula with both repayments and interest charges being computed by the State Controller's Office. If repayment of the loan computed under the statutory formula is insufficient to completely repay the loan within a thirty year period, the remaining balance is canceled.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds

Series A:

On February 10, 2000, the District issued 1999 General Obligation Bonds, Series A, totaling \$50,000,000. 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 5.0% to 6.0%. A portion of the Series A bonds were refunded through the issuance of subsequent bonds. The non-refunded bonds are scheduled to mature as follows:

| Year Ended June 30, | Principal | Interest | Total |
|------------------------|------------|-----------|------------|
| 2006 | \$ 935,000 | \$ 46,750 | \$ 981,750 |

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:

| Year Ended June 30, | Principal | Interest | Total |
|------------------------|---------------|---------------|---------------|
| 2006 | \$ 320,000 | \$ 2,340,813 | \$ 2,660,813 |
| 2007 | 1,320,000 | 2,331,853 | 3,651,853 |
| 2008 | 1,365,000 | 2,290,933 | 3,655,933 |
| 2009 | 1,420,000 | 2,245,888 | 3,665,888 |
| 2010 | 1,475,000 | 2,196,188 | 3,671,188 |
| 2011-2015 | 8,335,000 | 10,090,915 | 18,425,915 |
| 2016-2020 | 10,395,000 | 8,086,365 | 18,481,365 |
| 2021-2025 | 13,305,000 | 5,242,065 | 18,547,065 |
| 2026-2029 | 13,230,000 | 1,615,802 | 14,845,802 |
| | \$ 51,165,000 | \$ 36,440,822 | \$ 87,605,822 |

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 2030 as follows:

| <u>Year Ended June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|----------------------|----------------------|----------------------|
| 2006 | \$ 920,000 | \$ 2,054,688 | \$ 2,974,688 |
| 2007 | 955,000 | 2,017,888 | 2,972,888 |
| 2008 | 995,000 | 1,977,300 | 2,972,300 |
| 2009 | 1,040,000 | 1,932,525 | 2,972,525 |
| 2010 | 1,090,000 | 1,885,725 | 2,975,725 |
| 2011-2015 | 6,230,000 | 8,641,825 | 14,871,825 |
| 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 |
| 2031-2035 | <u>2,000,000</u> | <u>78,500</u> | <u>2,078,500</u> |
| | <u>\$ 42,090,000</u> | <u>\$ 32,325,701</u> | <u>\$ 74,415,701</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 2030 as follows:

| <u>Year Ended June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|----------------------|----------------------|----------------------|
| 2006 | \$ 685,000 | \$ 2,208,965 | \$ 2,893,965 |
| 2007 | 725,000 | 2,161,015 | 2,886,015 |
| 2008 | 765,000 | 2,110,265 | 2,875,265 |
| 2009 | 800,000 | 2,056,715 | 2,856,715 |
| 2010 | 840,000 | 2,016,715 | 2,856,715 |
| 2011-2015 | 4,660,000 | 9,539,981 | 14,199,981 |
| 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 |
| 2031-2035 | <u>9,040,000</u> | <u>463,300</u> | <u>9,503,300</u> |
| | <u>\$ 43,495,000</u> | <u>\$ 40,352,888</u> | <u>\$ 83,847,888</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 2028 as follows:

| <u>Year Ended June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|----------------------|----------------------|----------------------|
| 2006 | \$ 635,000 | \$ 2,579,719 | \$ 3,214,719 |
| 2007 | 715,000 | 2,560,669 | 3,275,669 |
| 2008 | 805,000 | 2,539,219 | 3,344,219 |
| 2009 | 900,000 | 2,511,044 | 3,411,044 |
| 2010 | 1,000,000 | 2,479,544 | 3,479,544 |
| 2011-2015 | 6,755,000 | 11,706,720 | 18,461,720 |
| 2016-2020 | 10,375,000 | 10,014,713 | 20,389,713 |
| 2021-2025 | 15,615,000 | 6,890,662 | 22,505,662 |
| 2026-2027 | <u>17,405,000</u> | <u>2,276,350</u> | <u>19,681,350</u> |
| | <u>\$ 54,205,000</u> | <u>\$ 43,558,640</u> | <u>\$ 97,763,640</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:

| <u>Year Ended June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|----------------------|----------------------|----------------------|
| 2006 | \$ 4,000,000 | \$ 2,726,700 | \$ 6,726,700 |
| 2007 | 5,250,000 | 2,606,700 | 7,856,700 |
| 2008 | 3,000,000 | 2,396,700 | 5,396,700 |
| 2009 | 4,300,000 | 2,276,700 | 6,576,700 |
| 2010 | 4,750,000 | 2,093,950 | 6,843,950 |
| 2011-2015 | 10,195,000 | 8,943,950 | 19,138,950 |
| 2016-2020 | 19,980,000 | 6,011,775 | 25,991,775 |
| 2021-2025 | 13,440,000 | 1,677,356 | 15,117,356 |
| 2026-2027 | <u>1,290,000</u> | <u>67,250</u> | <u>1,357,250</u> |
| | <u>\$ 66,205,000</u> | <u>\$ 28,801,081</u> | <u>\$ 95,006,081</u> |

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

Certificates of Participation (COPs)

On February 5, 1998, COPs of \$18,400,000 were issued with variable interest rates ranging from 4.0% to 6.5%, maturing on July 1, 2013. Proceeds were used to defease the April 1997 COPs and to finance various District roofing and construction projects.

On May 1, 1999, COPs of \$16,715,000 were issued with variable interest rates ranging from 4.0% to 6.2% maturing on July 1, 2024. The proceeds were used to maximize modernization and site improvements District-wide in conjunction with the State Modernization Program.

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, 2022, 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.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

Certificates of Participation (COPs) (Continued)

Scheduled payments for the COPs are as follows:

| <u>Year Ending June 30,</u> | <u>COPs Payments</u> |
|---------------------------------------|--------------------------|
| 2006 | \$ 4,091,070 |
| 2007 | 4,190,158 |
| 2008 | 4,187,758 |
| 2009 | 4,288,870 |
| 2010 | 4,248,283 |
| 2011-2015 | 22,347,935 |
| 2016-2020 | 23,845,570 |
| 2021-2025 | 25,744,250 |
| 2026-2030 | 27,945,000 |
| 2031 | <u>5,927,750</u> |
| Total payments | 126,816,644 |
| Less amount representing interest | <u>(32,021,644)</u> |
| Net present value of minimum payments | <u>\$ 94,795,000</u> |

Capitalized Lease Obligations

The District leases computers, office equipment and buses under long-term lease purchase agreements. The following is a schedule of future lease payments:

| <u>Year Ending June 30,</u> | <u>Lease Payments</u> |
|-----------------------------------|---------------------------|
| 2006 | \$ 99,185 |
| 2007 | 93,693 |
| 2008 | 63,975 |
| 2009 | 33,505 |
| 2010 | <u>21,201</u> |
| Total payments | 311,559 |
| Less amount representing interest | <u>(22,363)</u> |
| Net minimum lease payments | <u>\$ 289,196</u> |

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, 2005 is shown below:

| | Balance July 1, 2004 | Additions | Deductions | Balance June 30, 2005 | Amounts Due Within One Year |
|-----------------------------------|----------------------------|----------------------|----------------------|-----------------------------|-----------------------------------|
| Governmental activities: | | | | | |
| Special Tax Bonds | \$ 5,305,000 | | \$ 430,000 | \$ 4,875,000 | \$ 445,000 |
| State School Building Aid Loan | 5,004 | | 2,566 | 2,438 | 2,438 |
| General Obligation Bonds | 214,415,000 | \$ 55,000,000 | 11,320,000 | 258,095,000 | 7,495,000 |
| Certificates of Participation | 96,905,000 | | 2,110,000 | 94,795,000 | 2,145,000 |
| Capitalized lease obligations | 382,449 | | 93,253 | 289,196 | 82,313 |
| Compensated absences | <u>5,814,613</u> | <u>3,670,803</u> | <u>3,323,875</u> | <u>6,161,541</u> | <u>6,161,641</u> |
| Subtotal | <u>322,827,066</u> | <u>58,670,803</u> | <u>17,279,694</u> | <u>364,218,175</u> | <u>16,331,392</u> |
| Business-type activities: | | | | | |
| Capitalized lease obligations | <u>20,663</u> | | <u>5,613</u> | <u>15,050</u> | <u>6,123</u> |
| | <u>\$ 322,847,729</u> | <u>\$ 58,670,803</u> | <u>\$ 17,285,307</u> | <u>\$ 364,233,225</u> | <u>\$ 16,337,515</u> |

Payments on the Special Tax Bonds are made from the South Pocket Facilities Fund. Payments on the State School Building Aid Loan are made from the Tax Override Fund. Payments on the General Obligation Bonds are made from the Bond Interest and Redemption Fund. Payments on the Certificates of Participation are made from the Building Fund. Payments on the capitalized lease obligations are made from the General Fund. Payments on 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, 2005:

| | Governmental Activities | Business-Type Activities | Fiduciary Funds |
|--|----------------------------|-----------------------------|---------------------|
| Restricted for revolving cash | \$ 725,000 | \$ 2,000 | |
| Restricted for stores inventory | 343,435 | 83,623 | |
| Restricted for prepaid expenses | 3,825,852 | | |
| Restricted for unspent categorical program revenues | 11,234,666 | | |
| Restricted for special revenues | 4,154,573 | | |
| Restricted for debt service | 4,962,758 | | |
| Restricted for capital projects | 47,797,279 | | |
| Restricted for cafeteria operations | | 2,772,703 | |
| Restricted for retiree benefits | | | \$ 1,674,289 |
| Restricted for scholarships | | | 218,960 |
| Total restricted net assets | <u>\$ 73,043,563</u> | <u>\$ 2,858,326</u> | <u>\$ 1,893,249</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 P 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 2004-2005 was 9.95% 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, 2003, 2004 and 2005 were \$1,639,080, \$6,033,680 and \$6,397,768, 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, 7667 Folsom Boulevard, Sacramento, California 95826.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

8. EMPLOYEE RETIREMENT SYSTEMS

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 2004-2005 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, 2003, 2004 and 2005 were \$15,681,778, \$15,480,200 and \$15,132,390, respectively, and equal 100% of the required contributions for each year.

9. POST-EMPLOYMENT HEALTH CARE BENEFITS

In addition to the pension benefits described in Note 8, the District provides post-employment health care benefits. The benefits differ for retirees who retired before December 31, 1974 from those who retired after January 1, 1974. There are 25 pre-1974 retirees who receive post-employment health care benefits at a flat rate of \$121 per month or the amount of their health care premium whichever is less. There are 2,983 post-1974 retirees whose health care benefits 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. The District obtains an actuarial report every three years to determine the unfunded future liability for lifetime benefits. The District is currently in the process of having an actuarial study performed to determine the unfunded liability. During the year ended June 30, 2005, expenditures of \$13,238,295 were recognized for post-employment health care benefits.

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, 2004 (the most current information available):

| | |
|---------------------------|----------------|
| Total assets | \$ 30,760,008 |
| Total liabilities | \$ 40,592,683 |
| Total net liabilities | \$ (9,832,675) |
| Total revenues | \$ 28,332,334 |
| Total expenses | \$ 28,204,741 |
| Change in net liabilities | \$ 127,593 |

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

10. JOINT POWERS AGREEMENT (Continued)

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

11. 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, 102 District employees as of June 30, 2003, had taken a leave of absence from the District, became employed by CASA, and were contracted back to the District to work in their old positions and functions. Under applicable laws, so long as an 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.

Investigation of CASA and Potential District Liability - Review of the District's participation in CASA and the CASA pension program have been undertaken by CalPERS, the State Department of Education, the Sacramento County grand jury, the Yolo County grand jury, and by the District itself. In September 2003, the District engaged a national management consulting firm, MGT of America, to audit the CASA program's operations and fundamental financial assumptions. The District has also engaged outside legal counsel to review the legal structure of the program, potential conflicts of interest, and potential liabilities to outside agencies. In March 2004, CalPERS concluded that the CASA pension system is not a valid retirement program, and asked the District to pay approximately \$3.2 million in retroactive contributions for the time District employees spent working for and contributing to CASA. The District appealed this determination, and an administrative hearing process is now underway. Effective July 1, 2004, the Board of Education terminated the District's Operating Agreement under which CASA provided staff services to the District, effectively returning those employees to District employment. (The Yolo County Office of Education took similar action in April 2004.)

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.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

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

The District cannot definitively estimate the potential cost of any negative outcome in these various investigations, administrative proceedings and litigation. 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 have a material effect on the District's financial position.

12. 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.

13. EVENT SUBSEQUENT TO THE DATE OF INDEPENDENT AUDITOR'S REPORT

On November 15, 2005, the District issued Tax and Revenue Anticipation Notes (TRANs) in the amount of \$25,000,000 to provide for anticipated cash flow deficits from operations. The TRANs are to be repaid from tax revenues generated during the 2005-2006 fiscal year, bearing interest at 1.6% and are due on December 1, 2006.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET

ALL NON-MAJOR FUNDS

June 30, 2005

| | <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>Subtotal</u> |
|--|------------------------------------|-------------------------------------|---------------------------------------|--|------------------------------------|----------------------|
| ASSETS | | | | | | |
| Cash in County Treasury | \$ (3,164,806) | \$ 129,885 | \$ 1,922,408 | \$ (836,362) | \$ 8,686,189 | \$ 6,737,314 |
| Cash awaiting deposit | 2,835 | 130,440 | 1,458 | | | 134,733 |
| Cash with Fiscal Agent | | | | | | |
| Accounts receivable: | | | | | | |
| Federal government | 562,741 | 1,173,051 | 2,821,750 | | | 4,557,542 |
| State government | 410,414 | 22,859 | 1,459,468 | | | 1,892,741 |
| Local government and other | 2,136,267 | 18,430 | 285,653 | | 174,354 | 2,614,704 |
| Due from other funds | <u>4,840,665</u> | <u>1,385,486</u> | <u>113,880</u> | <u>1,500,000</u> | | <u>7,840,031</u> |
| Total assets | <u>\$ 4,788,116</u> | <u>\$ 2,860,151</u> | <u>\$ 6,604,617</u> | <u>\$ 663,638</u> | <u>\$ 8,860,543</u> | <u>\$ 23,777,065</u> |
| LIABILITIES AND FUND BALANCES | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable | \$ 436,007 | \$ 1,751,306 | \$ 1,839,510 | \$ 404,974 | \$ 3,465 | \$ 4,435,262 |
| Deferred revenue | 30,004 | 38,146 | 521,093 | | | 589,243 |
| Due to other funds | <u>3,933,343</u> | <u>886,941</u> | <u>920,311</u> | <u>314</u> | <u>647,247</u> | <u>6,388,156</u> |
| Total liabilities | 4,399,354 | 2,676,393 | 3,280,914 | 405,288 | 650,712 | 11,412,661 |
| Fund balances | <u>388,762</u> | <u>183,758</u> | <u>3,323,703</u> | <u>258,350</u> | <u>8,209,831</u> | <u>12,364,404</u> |
| Total liabilities and fund balances | <u>\$ 4,788,116</u> | <u>\$ 2,860,151</u> | <u>\$ 6,604,617</u> | <u>\$ 663,638</u> | <u>\$ 8,860,543</u> | <u>\$ 23,777,065</u> |

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET

ALL NON-MAJOR FUNDS

(Continued)

June 30, 2005

| | <u>County School Facilities Fund</u> | <u>Community Facilities Fund</u> | <u>South Pocket Facilities Fund</u> | <u>Bond Interest and Redemption Fund</u> | <u>Tax Override Fund</u> | <u>Total</u> |
|--|--|--|---|--|----------------------------------|-----------------------------|
| ASSETS | | | | | | |
| Cash in County Treasury | \$ 2,187,990 | \$ 2,856,980 | \$ 359,816 | \$ 4,438,169 | \$ 166,324 | \$ 16,746,593 |
| Cash awaiting deposit | | | | | | 134,733 |
| Cash with Fiscal Agent | | | 1,846,961 | | | 1,846,961 |
| Accounts receivable: | | | | | | |
| Federal government | | | | | | 4,557,542 |
| State government | | | | | | 1,892,741 |
| Local government and other | 77,956 | 29,956 | 4,122 | 594,425 | | 3,321,163 |
| Due from other funds | | | | | | 7,840,031 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total assets | <u>\$ 2,265,946</u> | <u>\$ 2,886,936</u> | <u>\$ 2,210,899</u> | <u>\$ 5,032,594</u> | <u>\$ 166,324</u> | <u>\$ 36,339,764</u> |
| LIABILITIES AND FUND BALANCES | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable | | | | \$ 44,344 | | \$ 4,479,606 |
| Deferred revenue | | | | 191,816 | | 781,059 |
| Due to other funds | | | | | | 6,388,156 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total liabilities | | | | 236,160 | | 11,648,821 |
| Fund balances | <u>\$ 2,265,946</u> | <u>\$ 2,886,936</u> | <u>\$ 2,210,899</u> | <u>4,796,434</u> | <u>\$ 166,324</u> | <u>24,690,943</u> |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total liabilities and fund balances | <u>\$ 2,265,946</u> | <u>\$ 2,886,936</u> | <u>\$ 2,210,899</u> | <u>\$ 5,032,594</u> | <u>\$ 166,324</u> | <u>\$ 36,339,764</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, 2005

| | <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>Subtotal</u> |
|---|------------------------------------|-------------------------------------|---------------------------------------|--|------------------------------------|----------------------|
| Revenues: | | | | | | |
| Revenue limit sources: | | | | | | |
| State apportionment | \$ 7,623,977 | \$ 10,624,737 | | | | \$ 18,248,714 |
| Federal sources | 2,117,723 | 2,558,828 | \$ 9,893,083 | | | 14,569,634 |
| Other State sources | 1,906,244 | 182,882 | 6,093,876 | \$ 2,163,054 | | 10,346,056 |
| Other local sources | <u>4,438,662</u> | <u>672,287</u> | <u>2,389,823</u> | <u>(11,683)</u> | \$ 5,108,489 | <u>12,597,578</u> |
| Total revenues | <u>16,086,606</u> | <u>14,038,734</u> | <u>18,376,782</u> | <u>2,151,371</u> | <u>5,108,489</u> | <u>55,761,982</u> |
| Expenditures: | | | | | | |
| Certificated salaries | 7,452,921 | 6,747,214 | 5,234,192 | | | 19,434,327 |
| Classified salaries | 1,984,396 | 2,597,163 | 4,726,403 | 54,682 | | 9,362,644 |
| Employee benefits | 3,392,666 | 3,393,417 | 4,747,935 | 25,097 | | 11,559,115 |
| Books and supplies | 717,774 | 995,613 | 363,007 | 417,508 | 11,249 | 2,505,151 |
| Contract services and operating expenditures | 1,482,029 | 1,368,399 | 677,991 | 810,476 | 49,959 | 4,388,854 |
| Capital outlay | 106,459 | 1,633,035 | 1,890,363 | 2,086,669 | 245,075 | 5,961,601 |
| Debt service: | | | | | | |
| Principal retirement | | | | | | |
| Interest | | | | | | |
| Total expenditures | <u>15,136,245</u> | <u>16,734,841</u> | <u>17,639,891</u> | <u>3,394,432</u> | <u>306,283</u> | <u>53,211,692</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>950,361</u> | <u>(2,696,107)</u> | <u>736,891</u> | <u>(1,243,061)</u> | <u>4,802,206</u> | <u>2,550,290</u> |
| Other financing sources (uses): | | | | | | |
| Operating transfers in | 988,131 | | | 1,500,000 | | 2,488,131 |
| Operating transfers out | <u>(1,995,987)</u> | <u>(765,708)</u> | <u>(888,631)</u> | | <u>(647,247)</u> | <u>(4,297,573)</u> |
| Total other financing sources (uses) | <u>(1,007,856)</u> | <u>(765,708)</u> | <u>(888,631)</u> | <u>1,500,000</u> | <u>(647,247)</u> | <u>(1,809,442)</u> |
| Net change in fund balances | (57,495) | (3,461,815) | (151,740) | 256,939 | 4,154,959 | 740,848 |
| Fund balances, July 1, 2004 | <u>446,257</u> | <u>3,645,573</u> | <u>3,475,443</u> | <u>1,411</u> | <u>4,054,872</u> | <u>11,623,556</u> |
| Fund balances, June 30, 2005 | <u>\$ 388,762</u> | <u>\$ 183,758</u> | <u>\$ 3,323,703</u> | <u>\$ 258,350</u> | <u>\$ 8,209,831</u> | <u>\$ 12,364,404</u> |

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES

ALL NON-MAJOR FUNDS

(Continued)

For the Year Ended June 30, 2005

| | <u>County School Facilities Fund</u> | <u>Community Facilities Fund</u> | <u>South Pocket Facilities Fund</u> | <u>Bond Interest and Redemption Fund</u> | <u>Tax Override Fund</u> | <u>Total</u> |
|---|--|--|---|--|----------------------------------|----------------------|
| Revenues: | | | | | | |
| Revenue limit sources: | | | | | | |
| State apportionment | | | | | | \$ 18,248,714 |
| Federal sources | | | | | | 14,569,634 |
| Other State sources | \$ 32,411,135 | | | | | 42,757,191 |
| Other local sources | <u>77,956</u> | <u>\$ 813,136</u> | <u>\$ 906,746</u> | <u>\$ 14,328,238</u> | | <u>28,723,654</u> |
| Total revenues | <u>32,489,091</u> | <u>813,136</u> | <u>906,746</u> | <u>14,328,238</u> | | <u>104,299,193</u> |
| Expenditures: | | | | | | |
| Certificated salaries | | | | | | 19,434,327 |
| Classified salaries | | | | | | 9,362,644 |
| Employee benefits | | | | | | 11,559,115 |
| Books and supplies | | | | | | 2,505,151 |
| Contract services and operating expenditures | | | | | | 4,388,854 |
| Capital outlay | | | | | | 5,961,601 |
| Debt service: | | | | | | |
| Principal retirement | | | 430,000 | 11,320,000 | \$ 2,566 | 11,752,566 |
| Interest | | | <u>265,543</u> | <u>11,706,230</u> | <u>265</u> | <u>11,972,038</u> |
| Total expenditures | | | <u>695,543</u> | <u>23,026,230</u> | <u>2,831</u> | <u>76,936,296</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>32,489,091</u> | <u>813,136</u> | <u>211,203</u> | <u>(8,697,992)</u> | <u>(2,831)</u> | <u>27,362,897</u> |
| Other financing sources (uses): | | | | | | |
| Operating transfers in | | | | | | 2,488,131 |
| Operating transfers out | <u>(30,223,145)</u> | | | | | <u>(34,520,718)</u> |
| Total other financing sources (uses) | <u>(30,223,145)</u> | | | | | <u>(32,032,587)</u> |
| Net change in fund balances | 2,265,946 | 813,136 | 211,203 | (8,697,992) | (2,831) | (4,669,690) |
| Fund balances, July 1, 2004 | | <u>2,073,800</u> | <u>1,999,696</u> | <u>13,494,426</u> | <u>169,155</u> | <u>29,360,633</u> |
| Fund balances, June 30, 2005 | <u>\$ 2,265,946</u> | <u>\$ 2,886,936</u> | <u>\$ 2,210,899</u> | <u>\$ 4,796,434</u> | <u>\$ 166,324</u> | <u>\$ 24,690,943</u> |

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

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET

ALL TRUST AND AGENCY FUNDS

June 30, 2005

| | <u>Expendable Trust Funds</u> | | | <u>Agency Fund</u> | <u>Total</u> |
|--------------------------------------|-------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | <u>Retiree Benefits Trust</u> | <u>Scholarship Trust</u> | <u>Trust Total</u> | <u>Student Body Funds</u> | |
| ASSETS | | | | | |
| Cash in County Treasury | \$ (2,092,075) | | \$ (2,092,075) | | \$ (2,092,075) |
| Cash on hand and in banks | | \$ 218,960 | 218,960 | \$ 1,848,245 | 2,067,205 |
| Accounts receivable: | | | | | |
| Local government and other | 3,653,371 | | 3,653,371 | 59,598 | 3,712,969 |
| Due from other funds | 157,063 | | 157,063 | | 157,063 |
| Stores inventory | | | | 74,046 | 74,046 |
| Capital assets | | | | 12,877 | 12,877 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total assets | <u>\$ 1,718,359</u> | <u>\$ 218,960</u> | <u>\$ 1,937,319</u> | <u>\$ 1,994,766</u> | <u>\$ 3,932,085</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 1,147 | | \$ 1,147 | \$ 120,925 | \$ 122,072 |
| Due to other funds | 42,923 | | 42,923 | | 42,923 |
| Due to student groups | | | | 1,873,841 | 1,873,841 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total liabilities | 44,070 | | 44,070 | 1,994,766 | 2,038,836 |
| Fund balances | | | | | |
| Restricted | <u>1,674,289</u> | <u>\$ 218,960</u> | <u>1,893,249</u> | <u> </u> | <u>1,893,249</u> |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total liabilities and fund balances | <u>\$ 1,718,359</u> | <u>\$ 218,960</u> | <u>\$ 1,937,319</u> | <u>\$ 1,994,766</u> | <u>\$ 3,932,085</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, 2005

| | Balance July 1, 2004 | Additions | Deductions | Balance June 30, 2005 |
|-----------------------------------|-------------------------------------|------------------|-------------------|--------------------------------------|
| Student Body Funds | | | | |
| <u>Sacramento High School</u> | | | | |
| Assets: | | | | |
| Cash on hand and in banks | \$ 8,476 | \$ 1 | \$ 8,477 | |
| Accounts receivable: | | | | |
| Local governments and other | | | | |
| Inventory | | | | |
| Capital assets | | | | |
| Total assets | \$ 8,476 | \$ 1 | \$ 8,477 | \$ - |
| Liabilities: | | | | |
| Accounts payable | | | | |
| Due to student groups | \$ 8,476 | \$ 1 | \$ 8,477 | |
| Total liabilities | \$ 8,476 | \$ 1 | \$ 8,477 | \$ - |
| <u>C.K. McClatchy High School</u> | | | | |
| Assets: | | | | |
| Cash on hand and in banks | \$ 420,679 | \$ 485,760 | \$ 461,709 | \$ 444,730 |
| Accounts receivable: | | | | |
| Local governments and other | | | | |
| Inventory | 10,241 | | 884 | 9,357 |
| Capital assets | | | | |
| Total assets | \$ 430,920 | \$ 485,760 | \$ 462,593 | \$ 454,087 |
| Liabilities: | | | | |
| Accounts payable | \$ 3,508 | \$ 4,359 | \$ 3,508 | \$ 4,359 |
| Due to student groups | 427,412 | 481,401 | 459,085 | 449,728 |
| Total liabilities | \$ 430,920 | \$ 485,760 | \$ 462,593 | \$ 454,087 |

(Continued)

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

ALL AGENCY FUNDS
(Continued)
For the Year Ended June 30, 2005

| | Balance July 1, 2004 | Additions | Deductions | Balance June 30, 2005 |
|---------------------------------------|-------------------------------------|-------------------|-------------------|--------------------------------------|
| Student Body Funds (Continued) | | | | |
| <u>Hiram Johnson High School</u> | | | | |
| Assets: | | | | |
| Cash on hand and in banks | \$ 139,220 | \$ 226,275 | \$ 208,544 | \$ 156,951 |
| Accounts receivable: | | | | |
| Local governments and other | | | | |
| Inventory | 5,360 | | 1,860 | 3,500 |
| Capital assets | <u>24,357</u> | | <u>14,787</u> | <u>9,570</u> |
| Total assets | <u>\$ 168,937</u> | <u>\$ 226,275</u> | <u>\$ 225,191</u> | <u>\$ 170,021</u> |
| Liabilities: | | | | |
| Accounts payable | \$ 4,968 | \$ 1,434 | \$ 1,380 | \$ 5,022 |
| Due to student groups | <u>163,969</u> | <u>224,841</u> | <u>223,811</u> | <u>164,999</u> |
| Total liabilities | <u>\$ 168,937</u> | <u>\$ 226,275</u> | <u>\$ 225,191</u> | <u>\$ 170,021</u> |
| <u>Luther Burbank High School</u> | | | | |
| Assets: | | | | |
| Cash on hand and in banks | \$ 138,463 | \$ 726,190 | \$ 724,719 | \$ 139,934 |
| Accounts receivable: | | | | |
| Local governments and other | 7,990 | | 7,990 | |
| Inventory | 1,941 | | 137 | 1,804 |
| Capital assets | | | | |
| Total assets | <u>\$ 148,394</u> | <u>\$ 726,190</u> | <u>\$ 732,846</u> | <u>\$ 141,738</u> |
| Liabilities: | | | | |
| Accounts payable | \$ 4,700 | \$ 37,605 | \$ 11,026 | \$ 31,279 |
| Due to student groups | <u>143,694</u> | <u>688,585</u> | <u>721,820</u> | <u>110,459</u> |
| Total liabilities | <u>\$ 148,394</u> | <u>\$ 726,190</u> | <u>\$ 732,846</u> | <u>\$ 141,738</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, 2005

| | Balance July 1, 2004 | Additions | Deductions | Balance June 30, 2005 |
|---------------------------------------|-------------------------------------|-------------------|-------------------|--------------------------------------|
| Student Body Funds (Continued) | | | | |
| <u>John F. Kennedy High School</u> | | | | |
| Assets: | | | | |
| Cash on hand and in banks | \$ 347,685 | \$ 568,248 | \$ 533,992 | \$ 381,941 |
| Accounts receivable: | | | | |
| Local governments and other | | | | |
| Inventory | | | | |
| Capital assets | | | | |
| Total assets | <u>\$ 347,685</u> | <u>\$ 568,248</u> | <u>\$ 533,992</u> | <u>\$ 381,941</u> |
| Liabilities: | | | | |
| Accounts payable | \$ 10,061 | \$ 36,069 | \$ 37,273 | \$ 8,857 |
| Due to student groups | 337,624 | 532,179 | 496,719 | 373,084 |
| Total liabilities | <u>\$ 347,685</u> | <u>\$ 568,248</u> | <u>\$ 533,992</u> | <u>\$ 381,941</u> |
| <u>Rosemont High School</u> | | | | |
| Assets: | | | | |
| Cash on hand and in banks | \$ 6,746 | \$ 255,693 | \$ 216,051 | \$ 46,388 |
| Accounts receivable: | | | | |
| Local governments and other | | | | |
| Inventory | | | | |
| Capital assets | | | | |
| Total assets | <u>\$ 6,746</u> | <u>\$ 255,693</u> | <u>\$ 216,051</u> | <u>\$ 46,388</u> |
| Liabilities: | | | | |
| Accounts payable | | | | |
| Due to student groups | \$ 6,746 | \$ 255,693 | \$ 216,051 | \$ 46,388 |
| Total liabilities | <u>\$ 6,746</u> | <u>\$ 255,693</u> | <u>\$ 216,051</u> | <u>\$ 46,388</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, 2005

| | Balance July 1, 2004 | Additions | Deductions | Balance June 30, 2005 |
|--|-------------------------------------|-------------------|-------------------|--------------------------------------|
| Student Body Funds (Continued) | | | | |
| <u>Hiram Johnson West Campus</u> | | | | |
| Assets: | | | | |
| Cash on hand and in banks | \$ 110,856 | \$ 309,078 | \$ 315,907 | \$ 104,027 |
| Accounts receivable: | | | | |
| Local governments and other | | | | |
| Inventory | | | | |
| Capital assets | | | | |
| Total assets | \$ 110,856 | \$ 309,078 | \$ 315,907 | \$ 104,027 |
| Liabilities: | | | | |
| Accounts payable | | | | |
| Due to student groups | \$ 110,856 | \$ 309,078 | \$ 315,907 | \$ 104,027 |
| Total liabilities | \$ 110,856 | \$ 309,078 | \$ 315,907 | \$ 104,027 |
| <u>Sacramento Skills Business Center</u> | | | | |
| Assets: | | | | |
| Cash on hand and in banks | \$ 71,165 | | | \$ 71,165 |
| Accounts receivable: | | | | |
| Local governments and other | 59,598 | | | 59,598 |
| Inventory | 50,569 | | | 50,569 |
| Capital assets | | | | |
| Total assets | \$ 181,332 | \$ - | \$ - | \$ 181,332 |
| Liabilities: | | | | |
| Accounts payable | \$ 71,408 | | | \$ 71,408 |
| Due to student groups | 109,924 | | | 109,924 |
| Total liabilities | \$ 181,332 | \$ - | \$ - | \$ 181,332 |

(Continued)

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

ALL AGENCY FUNDS
(Continued)
For the Year Ended June 30, 2005

| | <u>Balance July 1, 2004</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance June 30, 2005</u> |
|---|-------------------------------------|------------------|-------------------|--------------------------------------|
| Student Body Funds (Continued) | | | | |
| <u>Fremont School for Adults</u> | | | | |
| Assets: | | | | |
| Cash on hand and in banks | \$ 11,675 | \$ 14,038 | \$ 10,779 | \$ 14,934 |
| Accounts receivable: | | | | |
| Local governments and other | | | | |
| Inventory | | 8,816 | | 8,816 |
| Capital assets | | | | |
| Total assets | <u>\$ 11,675</u> | <u>\$ 22,854</u> | <u>\$ 10,779</u> | <u>\$ 23,750</u> |
| Liabilities: | | | | |
| Accounts payable | | | | |
| Due to student groups | <u>\$ 11,675</u> | <u>\$ 22,854</u> | <u>\$ 10,779</u> | <u>\$ 23,750</u> |
| Total liabilities | <u>\$ 11,675</u> | <u>\$ 22,854</u> | <u>\$ 10,779</u> | <u>\$ 23,750</u> |
| <u>A. Warren McClaskey Adult Center</u> | | | | |
| Assets: | | | | |
| Cash on hand and in banks | \$ 31,688 | \$ 25,797 | \$ 27,709 | \$ 29,776 |
| Accounts receivable: | | | | |
| Local governments and other | | | | |
| Inventory | | | | |
| Capital assets | <u>3,307</u> | | | <u>3,307</u> |
| Total assets | <u>\$ 34,995</u> | <u>\$ 25,797</u> | <u>\$ 27,709</u> | <u>\$ 33,083</u> |
| Liabilities: | | | | |
| Accounts payable | | | | |
| Due to student groups | <u>\$ 34,995</u> | <u>\$ 25,797</u> | <u>\$ 27,709</u> | <u>\$ 33,083</u> |
| Total liabilities | <u>\$ 34,995</u> | <u>\$ 25,797</u> | <u>\$ 27,709</u> | <u>\$ 33,083</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, 2005

| | Balance July 1, 2004 | Additions | Deductions | Balance June 30, 2005 |
|---------------------------------------|-------------------------------------|---------------------|---------------------|--------------------------------------|
| Student Body Funds (Continued) | | | | |
| <u>Old Marshall</u> | | | | |
| Assets: | | | | |
| Cash on hand and in banks | \$ 9,213 | \$ 5,480 | \$ 1,766 | \$ 12,927 |
| Accounts receivable: | | | | |
| Local governments and other | | | | |
| Inventory | | | | |
| Capital assets | | | | |
| Total assets | <u>\$ 9,213</u> | <u>\$ 5,480</u> | <u>\$ 1,766</u> | <u>\$ 12,927</u> |
| Liabilities: | | | | |
| Accounts payable | | | | |
| Due to student groups | 9,213 | 5,480 | 1,766 | 12,927 |
| Total liabilities | <u>\$ 9,213</u> | <u>\$ 5,480</u> | <u>\$ 1,766</u> | <u>\$ 12,927</u> |
| <u>Elementary and Middle Schools</u> | | | | |
| Assets: | | | | |
| Cash on hand and in banks | \$ 454,057 | \$ 1,435,762 | \$ 1,444,347 | \$ 445,472 |
| Accounts receivable: | | | | |
| Local governments and other | | | | |
| Inventory | | | | |
| Capital assets | | | | |
| Total assets | <u>\$ 454,057</u> | <u>\$ 1,435,762</u> | <u>\$ 1,444,347</u> | <u>\$ 445,472</u> |
| Liabilities: | | | | |
| Accounts payable | | | | |
| Due to student groups | 454,057 | 1,435,762 | 1,444,347 | 445,472 |
| Total liabilities | <u>\$ 454,057</u> | <u>\$ 1,435,762</u> | <u>\$ 1,444,347</u> | <u>\$ 445,472</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, 2005

| | <u>Balance July 1, 2004</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance June 30, 2005</u> |
|---------------------------------------|-------------------------------------|---------------------|---------------------|--------------------------------------|
| Student Body Funds (Continued) | | | | |
| <u>Total Agency Funds</u> | | | | |
| Assets: | | | | |
| Cash on hand and in banks | \$ 1,749,923 | \$ 4,052,322 | \$ 3,954,000 | \$ 1,848,245 |
| Accounts receivable: | | | | |
| Local governments and other | 67,588 | | 7,990 | 59,598 |
| Inventory | 68,111 | 8,816 | 2,881 | 74,046 |
| Capital assets | <u>27,664</u> | | <u>14,787</u> | <u>12,877</u> |
| Total assets | <u>\$ 1,913,286</u> | <u>\$ 4,061,138</u> | <u>\$ 3,979,658</u> | <u>\$ 1,994,766</u> |
| Liabilities: | | | | |
| Accounts payable | \$ 94,645 | \$ 79,467 | \$ 53,187 | \$ 120,925 |
| Due to student groups | <u>1,818,641</u> | <u>3,981,671</u> | <u>3,926,471</u> | <u>1,873,841</u> |
| Total liabilities | <u>\$ 1,913,286</u> | <u>\$ 4,061,138</u> | <u>\$ 3,979,658</u> | <u>\$ 1,994,766</u> |

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

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

ORGANIZATION

June 30, 2005

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.

GOVERNING BOARD

| <u>Name</u> | <u>Office</u> | <u>Term Expires</u> |
|---------------------|-----------------------|---------------------|
| Roy Grimes | President | November 2006 |
| Manny Hernandez | Vice President | November 2008 |
| Dawn McCoy | Second Vice President | November 2006 |
| Jerry Houseman | Member | November 2006 |
| Richard Jennings II | Member | November 2008 |
| Miguel Navarrette | Member | November 2008 |
| Karen Young | Member | November 2008 |
| Mandy Carrillo | Student Member | June 2006 |

ADMINISTRATION

M. Magdalena Carrillo Mejia, Ph.D.
Superintendent

Thomas S. Barentson
Deputy Superintendent/Chief Financial Officer

Arturo Flores
Associate Superintendent

Evan Lum
Associate Superintendent

Carol Mignone
Associate Superintendent

Susan Miller
Associate Superintendent

Joan Polster
Associate Superintendent

Melissa Brown
Assistant Superintendent

William T. West
Assistant Superintendent

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE

For the Year Ended June 30, 2005

| | <u>Second Period Report</u> | <u>Annual Report</u> |
|-----------------------------------|-------------------------------------|--------------------------|
| Elementary: | | |
| Kindergarten | 3,260 | 3,270 |
| First through Third | 10,308 | 10,285 |
| Fourth through Eighth | 17,905 | 17,842 |
| Home and Hospital | 25 | 27 |
| Special Education | 1,521 | 1,508 |
| Community Day School | 25 | 36 |
| Charter School | <u>4,438</u> | <u>4,374</u> |
| Total Elementary | <u>37,482</u> | <u>37,342</u> |
| Secondary: | | |
| Regular Classes | 10,093 | 9,907 |
| Special Education | 746 | 731 |
| Compulsory Continuation Education | 220 | 214 |
| Home and Hospital | 20 | 18 |
| Community Day School | <u>51</u> | <u>57</u> |
| Total Secondary | <u>11,130</u> | <u>10,927</u> |
| Classes for Adults: | | |
| Concurrently Enrolled | 89 | 114 |
| Classes for Adults | <u>3,435</u> | <u>5,234</u> |
| Total for Adults | <u>3,524</u> | <u>5,348</u> |
| | <u>52,136</u> | <u>53,617</u> |
| | <u><u>52,136</u></u> | <u><u>53,617</u></u> |
| | <u>Hours of Attendance</u> | |
| Summer School: | | |
| Elementary | 819,143 | 1,014,297 |
| Secondary | <u>597,622</u> | <u>822,977</u> |
| | <u>1,416,765</u> | <u>1,837,274</u> |

See accompanying notes to
supplementary information.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME

For the Year Ended June 30, 2005

| <u>Grade Level</u> | <u>1986-87 Minutes Require- ment</u> | <u>1982-83 Actual Minutes</u> | <u>2004-05 Actual Minutes</u> | <u>Number of Days Traditional Calendar</u> | <u>Number of Days Year-Round Calendar</u> | <u>Status</u> |
|--------------------|--|---------------------------------------|---------------------------------------|--|---|---------------|
| Kindergarten | 36,000 | 35,094 | 36,000 | 180 | 180 | In Compliance |
| Grades 1 to 3 | 50,400 | 44,137 | 50,600 | 180 | 180 | In Compliance |
| Grades 4 to 6 | 54,000 | 52,875 | 55,720 | 180 | 180 | In Compliance |
| Grades 7 and 8 | 54,000 | 58,163 | 58,164 | 180 | 180 | In Compliance |
| Grades 9 to 12 | 64,800 | 60,549 | 64,860 | 180 | 180 | 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, 2005

| Federal Catalog Number | Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Pass-Through Entity Identifying Number | Federal Expenditures |
|----------------------------|--|--|----------------------|
| Special Education Cluster: | | | |
| 84.027 | Special Ed IDEA: Basic and Local Assistance Entitlement, Part B, Sec 611 (Formerly 94-142) | 13379 | \$ 8,401,764 |
| 84.173 | Special Education Preschool Grants | 13430 | 294,817 |
| 84.027A | Special Ed IDEA: Preschool Local Entitlement, Part B, Sec 611 (Age 3-5) | 13682 | 371,297 |
| 84.027A | Special Ed: Idea Local Staff Development Grants, Part B, Sec 611 | 13613 | 17,642 |
| 84.027A | Special Ed: IDEA Interpreter Certification, Part B, Sec 611 | 14466 | 10,592 |
| 84.173A | Special Ed: IDEA Preschool Staff Development, Part B, Sec 619 | 13431 | 1,617 |
| 84.181 | Special Education Grants for Infants and Families with Disabilities | 23761 | 7,854 |
| 84.027 | Special Ed - Alternative Dispute Resolution, Part B, Sec 611 | 13007 | <u>6,173</u> |
| | Subtotal Special Education Cluster | | <u>9,111,756</u> |
| Title I Cluster: | | | |
| 84.010 | Comprehensive School Reform Demonstration Program | 14039 | 483,340 |
| 84.013 | NCLB: Title I Local Delinquent Programs, Part D | 13798 | 21,144 |
| 84.010 | NCLB: Title I Achieving Schools Award | 14429 | 69,985 |
| 84.010 | NCLB: Title I Local Improvement Plan, Regional School Support and Improvement Centers | 14330 | 114,600 |
| 84.216 | NCLB: Title I Capital Expenses for Private Schools | 03953 | 56,940 |
| 84.010 | NCLB: Title I Grants to Local Educational Agencies | 14329 | 31,784,529 |
| 84.010 | NCLB: Title I, Part A, School Improvement, School Assistance and Intervention Teams (SAIT) | 14417 | 151,558 |
| 84.010A | NCLB: Title I, Part A, School Improvement SAIT Corrective Action Plans | 14579 | <u>475,906</u> |
| | Subtotal Title I Cluster | | <u>33,158,002</u> |
| 84.002 | Adult Education State Grant Program | 13973 | 1,267,250 |
| 84.324 | Special Education Research and Innovation to Improve Services and Results for Children with Disabilities | 14577 | 164,409 |
| 84.000 | Bilingual Education - Discretionary Grants | 10008 | 301,940 |
| 93.674 | Chafee Foster Care Independent Living | * | 78,932 |
| 84.282 | Charter Schools | 13150 | 735,886 |
| 93.575 | Child Care and Development Block Grant | 13942 | 12,992 |
| 93.596 | Child Care Mandatory and Matching Funds of the Child Care and Development Fund | 13609 | 309,664 |

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
(Continued)
For the Year Ended June 30, 2005

| Federal Catalog Number | Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Pass- Through Entity Identifying Number | Federal Expend- itures |
|------------------------------|---|---|------------------------------|
| 84.196 | Education for Homeless Children and Youth | 14332 | \$ 133,441 |
| 84.318 | Education Technology Formula Grants / FF | 14334 | 533,410 |
| 84.365 | Title III Limited English Proficiency | 14346 | 1,336,329 |
| 84.293 | Foreign Language Assistance | * | 175,383 |
| 84.215 | Fund for the Improvement of Education | 03063 | 712,229 |
| 93.600 | Head Start | 10016 | 9,570,428 |
| 84.367 | NCLB: Title II, Part A, Improving Teacher Quality Local Grants | 14341 | 4,055,792 |
| 84.060 | Indian Education Grants to Local Educational Agencies | 10011 | 169,746 |
| 84.364 | Literacy Through School Libraries | * | 3,024 |
| 93.778 | Medical assistance Program | 10013 | 2,916,225 |
| 10.555 | National School Lunch Program | 13396 | 13,197,715 |
| 84.357 | NCLB: Title I, Part B, Reading First Program - LEA Subgrant | 14328 | 2,856,007 |
| 93.576 | Refugee and Entrant Assistance Discretionary Grants | 13981 | 115,546 |
| ** | ROTC | * | 289,639 |
| 84.186 | NCLB: Title IV, Safe and Drug Free Schools and Communities, Formula Grants | 14347 | 831,205 |
| 84.298 | State Grants for Innovative Programs | 14354 | 227,014 |
| 84.287 | NCLB: Title IV 21st Century Community Centers Learning Program | 14349 | 396,720 |
| 84.048 | Vocational Education Basic Grants to States | 13920 | 863,491 |
| 84.184L | Safe and Drug Free Schools / Community | 14348 | 2,644,129 |
| 84.396 | Flexibility and Accountability | * | 86,915 |
| 84.346 | One Stop | * | 713,553 |
| 84.215 | Teaching American History Grant | * | <u>272,322</u> |
| | Totals | | <u>\$ 87,241,094</u> |

* District is unable to provide PCA numbers.

** ROTC grants are received directly from specific military commands, which will not provide CFDA numbers to the District.

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, 2005

| | <u>Self-Insurance Fund</u> |
|--|--------------------------------|
| June 30, 2005 Unaudited Actual Financial Report Fund Deficit | \$ (1,680,979) |
| Adjustments: | |
| Record Unallocated Loss Adjustment Expense | <u>(813,000)</u> |
| June 30, 2005 Audited Financial Statement Fund Deficit | <u>\$ (2,493,979)</u> |

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

See accompanying notes to
supplementary information.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS

For the Year Ended June 30, 2005

| <u>Charter Schools Chartered by District</u> | <u>Included in District Financial Statements, or Separate Report</u> |
|--|--|
| America's Choice | Included as Charter School Fund |
| Bowling Green Elementary | Included as Charter School Fund |
| Capitol Heights Academy | Separate Report |
| Genesis | Included as Charter School Fund |
| Keith B. Kenny Elementary | Included as Charter School Fund |
| KIPP Sol Aureus College Preparatory | Separate Report |
| Language Academy of Sacramento | Separate Report |
| New Technology High School | Included as Charter School Fund |
| Sacramento Charter High School | Separate Report |
| St. HOPE Public School 7 | Separate Report |
| The MET Sacramento | Included as Charter School Fund |
| Visual & Performing Arts Charter | Separate Report |

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.

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

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

E - Schedule of Financial Trends and Analysis

This schedule provides information on the District's financial condition over the past three years and its anticipated condition for the 2005-2006 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.

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, 2005, 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, 2005. 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> |
|---|-----------------------------------|---------------------------------|
| Attendance Reporting | 8 | Yes |
| Kindergarten Continuance | 3 | Yes |
| Independent Study | 22 | Yes |
| Continuation Education | 10 | Yes |
| Adult Education | 9 | Yes |
| Regional Occupational Center/Programs | 6 | Not Applicable |
| Instructional Time and Staff Development Reform Program | 7 | Yes |
| Instructional Time: | | |
| School Districts | 4 | Yes |
| County Offices of Education | 3 | Not Applicable |
| Community Day Schools | 9 | No (See Below) |
| Class Size Reduction Program: | | |
| General requirements | 7 | Yes |
| Option one classes | 3 | Yes |
| Option two classes | 4 | Not Applicable |
| Districts with only one school serving K-3 | 4 | Not Applicable |
| Instructional Materials: | | |
| General requirements | 12 | Yes |
| Grades K-8 | 1 | Yes |
| Grades 9-12 | 1 | Yes |
| Ratio of Administrative Employees to Teachers | 1 | Yes |
| Early Retirement Incentive Program | 4 | Not Applicable |
| Gann Limit Calculation | 1 | Yes |

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

(Continued)

| <u>Description</u> | <u>Audit Guide Procedures</u> | <u>Procedures Performed</u> |
|--|-----------------------------------|---------------------------------|
| School Construction Funds: | | |
| School District Bonds | 3 | Yes |
| State School Facilities Funds | 1 | Yes |
| Alternative Pension Plans | 2 | Yes |
| Proposition 20 Lottery Funds | 2 | Yes |
| State Lottery Funds | 2 | Yes |
| California School Age Families Education Program | 3 | Yes |
| School Accountability Report Card | 3 | No (See Below) |

We did not perform testing for the Community Day Schools because the ADA reported was below the level required for testing.

The 2004-2005 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, 2005. Accordingly, we could not perform the portions of audit steps (a), (b) and (c) of Section 19837 of the 2004-2005 Audit Guide relating to the comparison of tested data from the 2004-2005 fiscal year to the 2004-2005 School Accountability Report Cards.

In our opinion, Sacramento City Unified School District complied with the State laws and regulations referred to above for the year ended June 30, 2005, except as described in the Schedule of Audit Findings and Questioned Costs section of this report. Further, based on our examination, for items not tested, nothing came to our attention to indicate that Sacramento City Unified School District had not complied with the State laws and regulations.

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

Perry-Smith LLP

Sacramento, California
November 11, 2005

**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, 2005, and have issued our report thereon dated November 11, 2005. 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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*.

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 CP

Sacramento, California
November 11, 2005

**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, 2005. 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, 2005.

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.

**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)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grant agreements that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Perry-Smith LLP

Sacramento, California
November 11, 2005

FINDINGS AND RECOMMENDATIONS

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2005

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 No

Reportable condition(s) identified not considered to be material weakness(es)? Yes None reported

Noncompliance material to financial statements noted? Yes No

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified? Yes No

Reportable condition(s) identified not considered to be material weakness(es)? Yes 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 No

Identification of major programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|---|
| 84.027, 84.173 | Special Education Cluster |
| 10.555 | National School Lunch Program |
| 93.778 | Medical Assistance Program |

Dollar threshold used to distinguish between Type A and Type B programs: \$ 2,639,875

Auditee qualified as low-risk auditee? Yes No

STATE AWARDS

Internal control over State programs:

Material weakness(es) identified? Yes No

Reportable condition(s) identified not considered to be material weaknesses? Yes None reported

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

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

(Continued)

Year Ended June 30, 2005

SECTION II - FINANCIAL STATEMENT FINDINGS

1. STUDENT BODY ACCOUNTING (30000)

Criteria

California Department of Education's "Accounting Procedures for Student Organizations Handbook".

Conditions

The student body accounts at three of the six sites visited for testing had the following conditions:

- The ASB Secretary does not issue or maintain a log of receipt books issued to student clubs.
- Receipt books are not maintained and issued to each student club.
- Pre-numbered receipts are not given to individuals to acknowledge receipt of cash.
- Cash turned in to the Controller is not counted in dual custody.
- Cash is not recorded promptly as it is only recorded when deposits are made, which can be weekly or monthly.
- Expenditures are supported by an invoice, but there is no indication of receiving the goods or services.
- Total cash receipts are not supported by detail schedules defining number of items sold or receipted.
- Total deposit amounts are not supported by deposit receipts.

Effect

There exists the risk of possible misappropriation of student body funds.

Cause

The site personnel have not followed the District established internal control procedures.

Fiscal Impact

Not determinable.

Recommendation

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.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2005

SECTION II - FINANCIAL STATEMENT FINDINGS
(Continued)

1. **STUDENT BODY ACCOUNTING (30000) (Continued)**

Corrective Action Plan

The District has a student body procedures manual that it provides to all school sites along with continuous student body training. The District will perform interim reviews to ensure compliance with the requirements. Site administration has been notified of the findings and will be provided with the corrective action plan. Site administration is committed to, and will be accountable for, implementing the necessary changes. District administration will monitor the process for resolution and corrective action implementation.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2005

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, 2005

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2. COUNTY SCHOOL FACILITIES FUNDS (40000)

Criteria

Expenditures from the county school facilities fund shall be made only for qualifying school facilities expenditures as provided in subdivision (c) of Education Code Section 17070.43 and additionally set forth in Education Code Section 17072.35, or in Education Code Section 17074.25 as further defined in subdivision (f) of Education Code Section 17070.15; or for other high priority capital outlay purposes in accordance with the provisions of subdivision (c) of Education Code Section 17070.63.

Condition

One expenditure from the school facilities fund was made for instructional materials which are not allowable expenditures from the County School Facilities Fund. After our initial review, the District Internal Audit Department performed additional testing, which was validated by our audit procedures, that determined that a total of \$655,118 of expenditures were made for these types of expenditures.

Effect

There were \$655,118 of charges that should not have been charged to the County School Facilities Fund. Subsequent to our audit procedures and prior to June 30, 2005 the District reclassified the expenditures to a more appropriate resource code.

Cause

Certain types of expenditures are not appropriately charged to the County School Facilities Fund.

Fiscal Impact

The total fiscal impact is \$655,118 of expenditures being moved from the County School Facilities Fund to a more appropriate resource.

Recommendation

We recommend that the District review policies and procedures to ensure that expenditures are categorized to the most appropriate funding source.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

(Continued)

Year Ended June 30, 2005

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

(Continued)

2. COUNTY SCHOOL FACILITIES FUNDS (40000) (Continued)

Corrective Action Plan

The District transferred expenditures in the amount of \$655,118 to a more appropriate funding source prior to closing the books for fiscal year 2004-2005. The expenditure guidelines in Education Code Section 17072.35 have been reviewed. The requisition review process will incorporate this information to approve and ensure that expenditures are charged to the appropriate funding sources.

3. ATTENDANCE - CONTINUATION EDUCATION (10000)

Criteria

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

Condition

At the Continuation Education site there were 13 instances where students were recorded as present in the computerized attendance system, but the attendance records indicated they were actually absent and there were 11 instances where the students were marked as absent in the computerize attendance system and the attendance records indicated the student was actually present.

Effect

The extrapolated effect of these errors is an overstatement of 0.86 ADA.

Cause

The computerized attendance system was not reconciled to the supporting attendance records.

Fiscal Impact

The total fiscal impact is an extrapolated overstatement of approximately \$4,245 in apportionment funding.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

(Continued)

Year Ended June 30, 2005

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

(Continued)

3. ATTENDANCE - CONTINUATION EDUCATION (10000) (Continued)

Recommendation

We recommend that the District implement policies and procedures that require the computerized attendance system be reconciled to the supporting attendance documentation. Additionally, the District should revise and resubmit the Period Two and Annual Reports of Attendance reflecting the removal of the disallowed ADA.

Corrective Action Plan

The District will review existing procedures and, if necessary, revise them to ensure that all necessary reconciliations are performed. Site administration will be notified of the finding and provided with the corrective action plan. District administration will monitor the process for resolution and corrective action implementation. The District will also revise and resubmit the Period Two and Annual Reports of Attendance reflecting the removal of 0.86 ADA.

**STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS**

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

Year Ended June 30, 2005

| <u>Finding/Recommendation</u> | <u>Current Status</u> | <u>District Explanation If Not Implemented</u> |
|--|------------------------|--|
| 2004-1 The auditors were unable to verify that check pre-registers were reviewed prior to processing. We recommended that pre-registers be revised and evidence of that review be maintained by the District. | Implemented. | |
| 2004-2 Areas for enhancing internal controls over Associated Student Body were noted during the audit. We recommended that the District review internal controls with the individual sites to ensure compliance with applicable internal control standards. | Partially implemented. | See current year finding #1. |
| 2004-3 The District did not adopt procedures for hiring highly qualified teachers and para-professionals hired after July 1, 2002. We recommended that the District establish procedures to ensure that all individuals hired for the Title I program be "highly qualified." | Implemented. | |
| 2004-4 At Will C. Wood Middle School, one student was claimed for apportionment attendance when the site had documentation that the student was actually absent. We recommended that the District review procedures for reconciling attendance data and that the Period Two and Annual Reports of Attendance be revised and re-submitted. | Implemented. | |
| 2004-5 For continuation education we found that instructor's records for attendance did not agree to the Hourly Attendance Report. We recommended that the District revise and re-submit the Period Two Report of Attendance. | Partially implemented. | See current year finding #3. |