

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**

**COUNTY OF SACRAMENTO**

**SACRAMENTO, CALIFORNIA**

**FINANCIAL STATEMENTS**

**WITH SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED JUNE 30, 2009**

**AND**

**INDEPENDENT AUDITOR'S REPORT**

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**

**FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION**

**For the Year Ended June 30, 2009**

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**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**

**FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION**

**For the Year Ended June 30, 2009**

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**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**

**FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION**

**For the Year Ended June 30, 2009**

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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, 2009, 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, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2009 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 LLP

Sacramento, California  
December 3, 2009



## **Management's Discussion and Analysis**

The Management's Discussion and Analysis (MD&A) Section of the audit report 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. The MD&A is an element of the reporting model adopted by the Governmental Accounting Standards Board. Certain comparative information is required to be presented in this document.

### **District Overview**

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

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

For the 2008-09 school year, the District's CBEDs enrollment was 48,155. Much like the rest of the state, the District has experienced declining enrollment for several years. Due to a large offering of educational options, high school enrollment overall has increased with the decline continuing, although at a slower pace, at the elementary level.

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

### **Vision, Mission and Guiding Principles**

The District's Vision Statement:

Create a world-class educational system, pre-kindergarten through adult, that enables all students to excel in the new millennium.

The District's Mission Statement:

The Sacramento City Unified School District provides all students the knowledge, skills, and educational opportunities to achieve high academic standards and be successful in a changing global society.

## The District's Guiding Principles:

Personal responsibility drives the actions of each member of our district; All stakeholders are honored, valued and included in the design, implementation and monitoring of work around essential areas and issues; Analysis of agreed upon data is used to measure outcomes and revise practice; Budget decisions and program strategies are based on the academic, social and emotional needs of all students.

## The Board of Education and Superintendent developed eight policy priorities:

1. Equity, access, and achievement for every student by name
2. Student Engagement, Development & "Voice"
3. Standards-aligned system for teaching - & - learning
4. Safe environments for learning and work
5. Investing in our employees
6. Parent/Family engagement
7. Strong relationships with our partners
8. Mission-driven, empowering infrastructure

## District Practices

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

## Financial Reports

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



## District-wide Financial Condition

The Statement of Net Assets is a district-wide financial statement that reports all that the District owns (assets) and owes (liabilities). Fiscal year 2001-2002 was the first year the District accounted for the value of fixed assets and included these values as part of financial statements. We display the book value of all District assets including buildings, land and equipment and related depreciation in this financial statement. The table below summarizes the value of district assets for the year ended June 30, 2009.

Beginning Net Assets	\$176,638,168
Change	\$ -38,439,987
Ending Net Assets	\$138,198,181

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

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

	June 30, 2009	June 30, 2008
Capital Assets	\$514,664,438	\$493,341,914
Other Assets	\$213,791,415	\$274,825,483
Total Assets	\$728,455,853	\$768,167,397

Current and Other Liabilities	\$ 47,716,577	\$ 71,472,995
Long-Term Liabilities	\$542,541,095	\$520,056,234
Total Liabilities	\$590,257,672	\$591,529,229
Net Assets Invested in Capital Assets (net of debt)	\$109,673,696	\$ 84,787,567
Restricted Net Assets	\$ 96,156,964	\$ 136,762,889
Unrestricted Net Assets	\$ -67,632,479	\$ -44,912,288
Total Net Assets	\$138,198,181	\$ 176,638,168

Total Net Assets decreased with an increase in Unrestricted Net Assets due to the fact that 42 state categorical (restricted) programs became unrestricted effective in 2008-09.

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, 2009	June 30, 2008
<b>Expenses</b>		
Governmental Activities:		
Instruction	\$321,168,287	\$335,235,734
Instruction-Related Services	\$ 78,993,618	\$ 72,959,362
Pupil Services	\$ 40,472,930	\$ 41,753,950
General Administration	\$ 21,540,858	\$ 21,749,140
Plant Services	\$ 55,717,495	\$ 54,845,464
Interest on Long-Term Liabilities	\$ 20,935,958	\$ 20,539,756
All Other Expenses and Outgo	\$ 2,841,077	\$ 4,983,408
Total Governmental Activity Expenses	\$541,670,223	\$552,066,814
Business Type Activities:		
Food Services	\$ 15,433,458	\$ 15,791,360
All Other Business Type Activities	\$ 1,429,142	\$ 1,139,377
Total Business Type Activity Expenses	\$ 16,862,600	\$ 16,930,737
<b>Revenues</b>		
Charges For Services	\$ 3,233,336	\$ 3,155,580
Operating Grants and Contributions	\$193,318,771	\$187,307,368
Capital Grants and Contributions	\$ 6,608,632	\$ 0
Taxes Levied for General Purposes	\$ 69,137,792	\$ 66,957,551
Taxes Levied for Debt and Special Purposes	\$ 30,629,581	\$ 28,180,049
Unrestricted Federal and State Aid	\$201,836,105	\$219,914,496
Interest and Investment Earnings	\$ 4,643,157	\$ 11,056,177
Interagency Revenues	\$ 0	\$ 0
Miscellaneous	\$ 10,685,462	\$ 5,643,090
Total Revenues	\$520,092,836	\$522,214,311
Change in Net Assets	\$ -38,439,987	\$ -46,783,240

Sacramento City Unified School District continued to maintain its sound financial condition. District wide operations have been stable, with governmental activity expenses decreasing primarily due to expenditure reductions caused by budget constraints offset by increases in employee costs, particularly health and welfare costs. All expenditure categories reflect a reduction except for Plant Services and Interest on Long-Term Liabilities which reflect slight increases in expenditures.

Overall Revenues decreased; however, there were large increases in Operating Grants and Contributions and Capital Grants and Contributions. Capital Grants and Contributions include an apportionment for the County School Facilities Fund that was not received in 2007-08. The larger decreases were in the unrestricted Federal and State Aid as well as Interest and Investment Earnings. This reflects the continued reduction of unrestricted funds.

## General Fund Financial and Budgetary Highlights

The General Fund accounts for the primary operations of the District. The District's initial budget is adopted by July 1. Over the course of the year, the District's budget is revised several times to take into account revised and new categorical funding appropriations and related expenditures, and to update budgets for prior year carry over amounts. The budget may also be revised to reflect mid-year changes to the State budget which affect District funding. Additionally, the District is required to prepare expenditure reports and must include multi-year projections at least twice a year. The following table summarizes general fund budget to actual information for the year ended June 30, 2009:

	Adopted Budget	Year End Budget	Actual
Total Revenues	\$386,797,899	\$422,632,115	\$405,256,147
Total Expenditures	\$354,813,732	\$447,468,797	\$410,550,526
Total Other Sources/(Uses)	\$ 2,986,174	\$ 14,569,766	\$ 7,340,438

The net increase to the total revenue budget was \$35,834,216 due to current year budgets for categorical funds, which are budgeted as grant award documents are received in addition to the large awards for the American Recovery and Reinvestment Act (ARRA) funds. Also, the budgets for prior year unspent restricted and unrestricted program funds (carry over) are appropriated mid-year.

The net increase to the total expenditure budget was \$92,655,065, due to revisions to set up expenditures related to categorical program funds which are budgeted after July 1 as grant award documents are received and school site plans are approved.

The net change to the total other financing sources and uses budget between adopted and year end budget was \$11,583,592 due to the state change in how Adult Education and Deferred Maintenance funds are handled. Actual revenues were \$17,375,968 or 4.11%, below year end budget due primarily to unspent and unearned categorical revenue. Actual expenditures were \$36,918,271, or 8.25%, below year end budget due to unspent categorical revenue and unspent school site program funds.

The following table summarizes the General Fund operational fund financial statements for the year ended June 30, 2009:

Total Revenue	\$405,256,147
Total Expenditures	\$410,550,526
Other Financing Sources & Uses	\$ 7,340,438
Net Change	\$ 2,046,059

The General Fund ending balance increased due to unspent categorical programs and one time carry over funds such as the ARRA funds. Through the District's efforts of improving attendance rates, the district should realize additional revenue maximization. Future financial performance is dependent on management's ability to continue to control expenses and maintain revenue levels. As evidenced in previous year's budget reductions, the Board has been proactive in making any necessary budget adjustments to maintain District fiscal integrity.

## Capital Projects

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

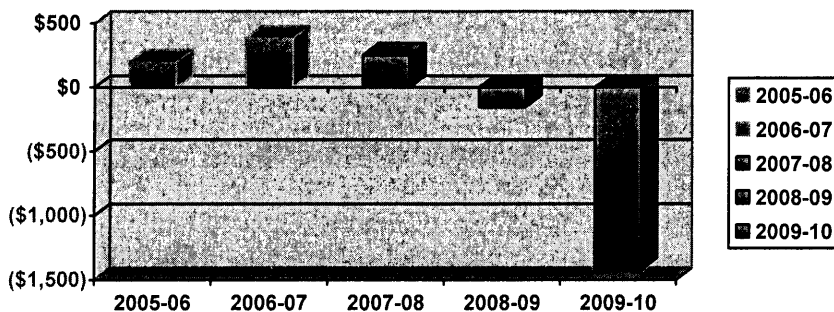
## District Indebtedness

As of June 30, 2009 the District has incurred \$542,541,095 of long-term liabilities. Of this amount, \$362,182,966 is General Obligation Bonds backed by property tax increases voted on by district residents in 1999 and 2002, and \$2,940,000 is a Special Tax Bond, also backed by property tax increases voted on by residents.

## Financial Issues

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

### Change in Per Pupil Funding



## Funding

The District's average daily attendance decreased by 225 over the prior year. The District is pleased to see a slowing down of the decrease of ADA of 399 in the last two years. This was primarily due to the enrollment decline which is comparable to the enrollment decline being experienced state-wide. ADA is expected to increase in 2009-10 with small increases in the subsequent years. However, the impact of the H1N1 virus might have a negative impact on ADA. In previous years, the District has worked very hard to reduce expenditures commensurate with the reduction in students that has occurred over the past several years. Any additional funding for increased ADA in 2009-10 will be offset by costs for teaching staff and materials.

## Health Care Costs

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

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

July 2005 Liability	\$571.9 Million
December 2006 Liability	\$505.7 Million
Total Decrease	\$ 66.2 Million

Through the negotiations process, changes were made in some retiree benefits that helped to reduce our unfunded liability. More work will be needed to fund this liability.

### **Categorical Funding**

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

However, there was a major accounting impact to districts due to how the state treated a “backfill” of categorical programs in order to balance the state budget. Formal accounting direction did not come from the State Controller's Office until November 2009. Districts had closed their books by that time and therefore, an accounting adjustment must be made. This adjustment does not impact the district's current budget for 2009-10, it is merely a shift of how to account for funds between 2008-09 and 2009-10. See page 69 for a list of the programs and the dollar impact.

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

### **The District's Future**

During many years of funding reductions and increasing costs, the District has had to significantly reduce expenditures. The Board of Education and Superintendent made it a priority to limit reductions that affect the classroom. However, despite best efforts, budget reductions and revenue enhancements totaling \$144 million over eight years has had a negative impact on the classroom. These difficult decisions helped enable the District to bring its general fund expenditures in line with its revenue. It is important to note that a significant portion of the categorical revenues mentioned above are one time and will impact the 2010-11 budget.

The expectation of the end of the enrollment decline, and seeing potential growth will help the financial picture of the District. The District will revise its strategic plan to help allocate and align resources in support of the District's priorities.

The Board of Education hired a permanent Superintendent in August 2009. It is anticipated that a new strategic plan will be developed with community input and presented to the Board and community in early 2010.

Additionally, the Board of Education, Superintendent and staff have dedicated substantial time reviewing and discussing an Asset Development plan that will continue to meet the needs of the District. This planning will be more critical than ever, given the continued bleak financial condition of the State.

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

### **Contacting the District's Financial Management**

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

## **BASIC FINANCIAL STATEMENTS**

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**

**STATEMENT OF NET ASSETS**

June 30, 2009

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and investments (Note 2)	\$ 123,892,410	\$ 1,673,397	\$ 125,565,807
Accounts receivable	78,822,624	2,474,225	81,296,849
Prepaid expenditures	4,044,820		4,044,820
Due from other funds (Note 3)	2,376,001		2,376,001
Stores inventory	194,460	313,478	507,938
Capital assets, net of accumulated depreciation (Note 4)	513,353,266	1,311,172	514,664,438
Total assets	722,683,581	5,772,272	728,455,853
<b>LIABILITIES</b>			
Accounts payable	24,893,780	205,694	25,099,474
Unpaid claims and claim adjustment expenses (Note 5)	3,672,115		3,672,115
Deferred compensation	5,896,346		5,896,346
Deferred revenue	10,672,641		10,672,641
Due to other funds (Note 3)		2,376,001	2,376,001
Long-term liabilities (Note 6):			
Due within one year	45,557,156		45,557,156
Due after one year	496,983,939		496,983,939
Total liabilities	587,675,977	2,581,695	590,257,672
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	108,362,524	1,311,172	109,673,696
Restricted (Note 7)	94,277,559	1,879,405	96,156,964
Unrestricted	(67,632,479)		(67,632,479)
Total net assets	\$ 135,007,604	\$ 3,190,577	\$ 138,198,181

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, 2009

	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	\$ 321,168,287	\$ 983,476	\$ 114,196,112	\$ 6,608,632	\$ (199,380,067)	\$ (199,380,067)
Instruction-related services:						
Supervision of instruction		240,402	23,593,726	(4,301,924)		(4,301,924)
Instructional library, media and technology	4,015,248	39	1,423,748	(2,591,461)		(2,591,461)
School site administration	46,842,318	125,284	6,632,218	(40,084,816)		(40,084,816)
Pupil services:						
Home-to-school transportation	12,941,703	29	5,120,328	(7,821,346)		(7,821,346)
Food services	2,484,511		678	(2,483,833)		(2,483,833)
All other pupil services	25,046,716	314,009	15,299,692	(9,433,015)		(9,433,015)
General administration:						
Data processing	2,685,947			(2,685,947)		(2,685,947)
All other general administration	18,854,911	41,888	3,445,681	(15,367,342)		(15,367,342)
Plant services	55,717,495	116,952	4,538,983	(51,061,560)		(51,061,560)
Ancillary services	1,949,535	2,036	168,337	(1,779,162)		(1,779,162)
Community services	606,816	713	233,140	(372,963)		(372,963)
Enterprise activities	61,896			(61,896)		(61,896)
Other outgo	222,830	89,483	2,253,520	2,120,173		2,120,173
Interest on long-term liabilities	20,935,958			(20,935,958)		(20,935,958)
Business-type activities:						
Food services	15,433,458	1,177,435	14,586,010		\$ 329,987	329,987
Enterprise activities	186,274		186,274			
General administration	1,240,115	99,404	1,168,218		27,507	27,507
Plant services	2,753	217	2,595		59	59
Other outgo		41,969	469,511		511,480	511,480
Total governmental and business-type activities	\$ 558,532,823	\$ 3,233,336	\$ 193,318,771	\$ (356,241,117)	\$ 869,033	\$ (355,372,084)
General revenues:						
Taxes and subventions:						
Taxes levied for general purposes				69,137,792		69,137,792
Taxes levied for debt service				27,747,777		27,747,777
Taxes levied for other specific purposes				2,881,804		2,881,804
Federal and state aid not restricted to specific purposes				201,836,105		201,836,105
Interest and investment earnings				4,643,157		4,643,157
Miscellaneous				10,685,462		10,685,462
Internal transfers				(500,000)		(500,000)
Total general revenues				317,432,097		316,932,097
Change in net assets				(38,809,020)	369,033	(38,439,987)
Net assets, July 1, 2008				173,816,624	2,821,544	176,638,168
Net assets, June 30, 2009				\$ 135,007,604	\$ 3,190,577	\$ 138,198,181

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

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**

**BALANCE SHEET**

**GOVERNMENTAL FUNDS**

June 30, 2009

	<u>General Fund</u>	<u>Building Fund</u>	<u>All Non-Major Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and investments:				
Cash in County Treasury	\$ 14,471,421	\$ 7,498,803	\$ 28,419,908	\$ 50,390,132
Cash in revolving fund	225,000			225,000
Cash awaiting deposit	207,171	428,541	2,142,412	2,778,124
Cash with Fiscal Agent		45,109,235	2,820,508	47,929,743
Local Agency Investment Fund (LAIF)		886,951		886,951
Deferred compensation	5,896,346			5,896,346
Accounts receivable	70,872,051	1,078,810	6,551,254	78,502,115
Due from other funds	8,827,078	30,078,756	5,302,049	44,207,883
Stores inventory	194,460			194,460
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 100,693,527</u>	<u>\$ 85,081,096</u>	<u>\$ 45,236,131</u>	<u>\$ 231,010,754</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 12,445,609	\$ 3,025,896	\$ 2,332,207	\$ 17,803,712
Deferred compensation	5,896,346			5,896,346
Deferred revenue	10,544,835		127,806	10,672,641
Due to other funds	34,118,792	1,608,135	5,886,364	41,613,291
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities	63,005,582	4,634,031	8,346,377	75,985,990
Fund balances	<u>37,687,945</u>	<u>80,447,065</u>	<u>36,889,754</u>	<u>155,024,764</u>
Total liabilities and fund balances	<u>\$ 100,693,527</u>	<u>\$ 85,081,096</u>	<u>\$ 45,236,131</u>	<u>\$ 231,010,754</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, 2009**

Total fund balances - Governmental Funds \$ 155,024,764

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 \$830,085,142 and the accumulated depreciation is \$316,731,876 (Note 4). 513,353,266

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, 2009 consisted of (Note 6):

Special Tax Bonds	\$ (2,940,000)	
General Obligation Bonds	(362,182,966)	
Accreted interest	(2,039,573)	
Certificates of Participation	(85,600,000)	
Capitalized lease obligations	(157,946)	
PARS 403(b)	(15,877,376)	
Net OPEB liability	(66,186,442)	
Compensated absences	<u>(7,556,792)</u>	
		(542,541,095)

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Net assets of the Self-Insurance Fund are: 5,724,111

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: (598,262)

Costs associated with the issuance of long-term liabilities are not financial resources and, therefore, are not reported as assets in governmental funds. 4,044,820

Total net assets - governmental activities \$ 135,007,604

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, 2009

	<b>General Fund</b>	<b>Building Fund</b>	<b>All Non-Major Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>				
Revenue limit sources:				
State apportionment	\$ 176,744,988		\$ 10,040,015	\$ 186,785,003
Local sources	<u>63,408,608</u>			<u>63,408,608</u>
Total revenue limit	<u>240,153,596</u>		<u>10,040,015</u>	<u>250,193,611</u>
Federal sources	61,239,195		14,935,243	76,174,438
Other state sources	93,574,884		28,708,790	122,283,674
Other local sources	<u>10,288,472</u>	<u>\$ 6,563,318</u>	<u>36,858,193</u>	<u>53,709,983</u>
Total revenues	<u>405,256,147</u>	<u>6,563,318</u>	<u>90,542,241</u>	<u>502,361,706</u>
<b>Expenditures:</b>				
Certificated salaries	180,615,397		20,326,114	200,941,511
Classified salaries	57,306,438	426,170	9,158,247	66,890,855
Employee benefits	95,823,370	111,325	13,198,948	109,133,643
Books and supplies	13,957,476	193,135	2,551,122	16,701,733
Contract services and operating expenditures	58,232,043	2,470,807	8,569,916	69,272,766
Capital outlay	1,508,402	41,745,030	861,262	44,114,694
Other outgo	27,720		2,485	30,205
Debt service:				
Principal retirement	2,645,558		11,505,000	14,150,558
Interest	<u>434,122</u>	<u>226,818</u>	<u>19,020,553</u>	<u>19,681,493</u>
Total expenditures	<u>410,550,526</u>	<u>45,173,285</u>	<u>85,193,647</u>	<u>540,917,458</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(5,294,379)</u>	<u>(38,609,967)</u>	<u>5,348,594</u>	<u>(38,555,752)</u>
<b>Other financing sources (uses):</b>				
Operating transfers in	7,340,438	(3,428,368)	2,075,000	5,987,070
Operating transfers out		<u>7,962,000</u>	<u>(12,208,955)</u>	<u>(4,246,955)</u>
Total other financing sources (uses)	<u>7,340,438</u>	<u>4,533,632</u>	<u>(10,133,955)</u>	<u>1,740,115</u>
Change in fund balances	2,046,059	(34,076,335)	(4,785,361)	(36,815,637)
Fund balances, July 1, 2008	<u>35,641,886</u>	<u>114,523,400</u>	<u>41,675,115</u>	<u>191,840,401</u>
Fund balances, June 30, 2009	<u>\$ 37,687,945</u>	<u>\$ 80,447,065</u>	<u>\$ 36,889,754</u>	<u>\$ 155,024,764</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, 2009**

Net change in fund balances - Total Governmental Funds		\$ (36,815,637)
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).	\$ 39,406,362	
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(18,503,539)	
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).	14,150,558	
Accreted interest is an expense that is not reported in the governmental funds (Note 6).	(1,268,460)	
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.	(192,160)	
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.	13,028	
Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost recovery basis. The change in net assets for the Self-Insurance Fund was:	(232,213)	
In the statement of activities, expenses related to PARS 403(b), net OPEB liability and compensated absences are measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used (Note 6).	<u>(35,366,959)</u>	<u>(1,993,383)</u>
Change in net assets of governmental activities		<u>\$ (38,809,020)</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, 2009**

	<u>Budget</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Revenue limit sources:				
State apportionment	\$ 178,669,747	\$ 165,110,035	\$ 176,744,988	\$ 11,634,953
Local sources	<u>67,398,602</u>	<u>65,242,623</u>	<u>63,408,608</u>	<u>(1,834,015)</u>
Total revenue limit	<u>246,068,349</u>	<u>230,352,658</u>	<u>240,153,596</u>	<u>9,800,938</u>
Federal sources	43,283,220	81,277,661	61,239,195	(20,038,466)
Other state sources	91,476,915	101,744,831	93,574,884	(8,169,947)
Other local sources	<u>5,969,415</u>	<u>9,256,965</u>	<u>10,288,472</u>	<u>1,031,507</u>
Total revenues	<u>386,797,899</u>	<u>422,632,115</u>	<u>405,256,147</u>	<u>(17,375,968)</u>
Expenditures:				
Certificated salaries	158,376,965	181,510,718	180,615,397	895,321
Classified salaries	50,818,420	57,345,600	57,306,438	39,162
Employee benefits	88,947,512	98,931,449	95,823,370	3,108,079
Books and supplies	11,393,682	46,590,757	13,957,476	32,633,281
Contract services and operating expenditures	42,434,899	58,291,069	58,232,043	59,026
Capital outlay	217,254	1,576,245	1,508,402	67,843
Other outgo		143,279	27,720	115,559
Debt service:				
Principal retirement	2,625,000	2,648,509	2,645,558	2,951
Interest		<u>431,171</u>	<u>434,122</u>	<u>(2,951)</u>
Total expenditures	<u>354,813,732</u>	<u>447,468,797</u>	<u>410,550,526</u>	<u>36,918,271</u>
Excess (deficiency) of revenues over (under) expenditures	<u>31,984,167</u>	<u>(24,836,682)</u>	<u>(5,294,379)</u>	<u>19,542,303</u>
Other financing sources (uses):				
Operating transfers in	2,986,174	10,569,766	7,340,438	(3,229,328)
Operating transfers out		<u>4,000,000</u>		<u>(4,000,000)</u>
Total other financing sources	<u>2,986,174</u>	<u>14,569,766</u>	<u>7,340,438</u>	<u>(7,229,328)</u>
Change in fund balance	34,970,341	(10,266,916)	2,046,059	12,312,975
Fund balance, July 1, 2008	<u>35,641,886</u>	<u>35,641,886</u>	<u>35,641,886</u>	
Fund balance, June 30, 2009	<u>\$ 70,612,227</u>	<u>\$ 25,374,970</u>	<u>\$ 37,687,945</u>	<u>\$ 12,312,975</u>

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

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

**June 30, 2009**

**ASSETS**

Cash and investments:	
Cash in County Treasury	\$ 15,285,430
Cash with Fiscal Agent	500,000
Cash on hand and in banks	684
Accounts receivable	304,990
Due from other funds	<u>15,702</u>
 Total assets	 <u>16,106,806</u>

**LIABILITIES**

Accounts payable	6,491,806
Due to other funds	218,774
Unpaid claims and claim adjustment expenses	<u>3,672,115</u>
 Total liabilities	 <u>10,382,695</u>

**NET ASSETS**

Restricted	<u><u>\$ 5,724,111</u></u>
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The accompanying notes are an integral  
part of these financial statements.

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

**SELF-INSURANCE FUND**

**For the Year Ended June 30, 2009**

Operating revenues:	
Self-insurance premiums	<u>\$ 9,693,533</u>
Operating expenses:	
Classified salaries	356,716
Employee benefits	193,185
Books and supplies	21,797
Contract services	<u>9,542,946</u>
Total operating expenses	<u>10,114,644</u>
Operating loss	(421,111)
Non-operating income:	
Interest income	<u>188,898</u>
Change in net assets	(232,213)
Total net assets, July 1, 2008	<u>5,956,324</u>
Total net assets, June 30, 2009	<u><u>\$ 5,724,111</u></u>

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



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

**For the Year Ended June 30, 2009**

Cash flows from operating activities:	
Cash received from self-insurance premiums	\$ 11,178,978
Cash paid for employee benefits	(10,042,189)
Cash paid for other expenses	<u>5,100,866</u>
Net cash provided by operating activities	<u>6,237,655</u>
Cash flows provided by investing activities:	
Interest income received	<u>188,898</u>
Change in cash and cash equivalents	6,426,553
Cash and cash equivalents, July 1, 2008	<u>9,359,561</u>
Cash and cash equivalents, June 30, 2009	<u><u>\$ 15,786,114</u></u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	<u>\$ (421,111)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities:	
(Increase) decrease in:	
Accounts receivable	1,485,445
Amount due from other funds	(15,702)
(Decrease) increase in:	
Unpaid claims and claim adjustment expenses	(4,171,358)
Accounts payable	9,142,572
Amount due to other funds	<u>217,809</u>
Total adjustments	<u>6,658,766</u>
Net cash provided by operating activities	<u><u>\$ 6,237,655</u></u>

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

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND**  
**CAFETERIA FUND**  
**June 30, 2009**

**ASSETS**

Cash and investments:	
Cash on hand and in banks	\$ 1,669,522
Cash awaiting deposit	1,875
Cash in revolving fund	2,000
Accounts receivable	2,474,225
Due from other funds	308,049
Stores inventory	313,478
Capital assets, net of accumulated depreciation	<u>1,311,172</u>
 Total assets	 <u>6,080,321</u>

**LIABILITIES**

Accounts payable	205,694
Due to other funds	<u>2,684,050</u>
 Total liabilities	 <u>2,889,744</u>

**NET ASSETS**

Invested in capital assets, net of related debt	1,311,172
Restricted	<u>1,879,405</u>
 Total net assets	 <u><u>\$ 3,190,577</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, 2009**

Operating revenues:	
Food service sales	\$ 1,318,018
Other local revenues	647,596
Child Nutrition Programs:	
Federal	14,476,783
State	<u>1,267,820</u>
Total operating revenues	<u>17,710,217</u>
Operating expenses:	
Classified salaries	6,125,994
Employee benefits	3,089,035
Contract services and operating expenses	5,230
Food and supplies expenses	<u>6,402,227</u>
Total operating expenses	<u>15,622,486</u>
Operating income	2,087,731
Non-operating income:	
Interest income	21,417
Non-operating expense:	
Transfers to other funds	<u>(1,740,115)</u>
Change in net assets	369,033
Net assets, July 1, 2008	<u>2,821,544</u>
Net assets, June 30, 2009	<u><u>\$ 3,190,577</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, 2009**

Cash flows from operating activities:	
Cash received from food sales	\$ 1,906,961
Cash received from Child Nutrition Programs	17,464,900
Cash paid for operating expenses	<u>(18,657,727)</u>
Net cash provided by operating activities	<u>714,134</u>
Cash flows provided by investing activities:	
Interest income received	21,417
Net cash provided by investing activities	<u>21,417</u>
Cash flows used in financing activities:	
Cash paid for capital assets	<u>(519,334)</u>
Change in cash and cash equivalents	216,217
Cash and cash equivalents balance, July 1, 2008	<u>1,457,180</u>
Cash and cash equivalents balance, June 30, 2009	<u><u>\$ 1,673,397</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	<u>\$ 2,087,731</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	99,633
Increase (decrease) in:	
Accounts receivable	1,661,644
Due from other funds	(110,764)
Inventory	(198,500)
Increase in:	
Accounts payable	(4,215)
Due to other funds	<u>(2,821,395)</u>
Total adjustments	<u>(1,373,597)</u>
Net cash provided by operating activities	<u><u>\$ 714,134</u></u>

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

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**

**STATEMENT OF FIDUCIARY NET ASSETS**

**TRUST AND AGENCY FUNDS**

**June 30, 2009**

	<b>Trust Funds</b>		<b>Agency Fund</b>	
	<b>Retiree Benefits Trust</b>	<b>Scholarship Trust</b>	<b>Student Body Funds</b>	<b>Total</b>
<b>ASSETS</b>				
Cash and investments (Note 2):				
Cash in County Treasury	\$12,666,912			\$12,666,912
Cash on hand and in banks		\$ 223,098	\$ 1,589,983	1,813,081
Accounts receivable	73,302		59,492	132,794
Prepaid expenditures	400,000			400,000
Stores inventory			153,718	153,718
Capital assets			9,470	9,470
Total assets	<u>13,140,214</u>	<u>223,098</u>	<u>1,812,663</u>	<u>15,175,975</u>
<b>LIABILITIES</b>				
Accounts payable	6,613,657		92,414	6,706,071
Due to other funds (Note 3)	15,519			15,519
Due to student groups			1,720,249	1,720,249
Total liabilities	<u>6,629,176</u>	<u>        </u>	<u>1,812,663</u>	<u>8,441,839</u>
<b>NET ASSETS</b>				
Restricted (Note 7)	<u>\$ 6,511,038</u>	<u>\$ 223,098</u>	<u>\$ 6,734,136</u>	<u>\$ 6,734,136</u>

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

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF CHANGE IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**For the Year Ended June 30, 2009**

	<u>Retiree Benefits Trust</u>	<u>Scholarship Trust</u>	<u>Total</u>
Revenues:			
Other local sources	\$ 17,479,511	\$ 108,217	\$ 17,587,728
Expenditures:			
Contract services and operating expenditures	<u>15,776,661</u>	<u>131,122</u>	<u>15,907,783</u>
Change in net assets	1,702,850	(22,905)	1,679,945
Net assets, July 1, 2008	<u>4,808,188</u>	<u>246,003</u>	<u>5,054,191</u>
Net assets, June 30, 2009	<u>\$ 6,511,038</u>	<u>\$ 223,098</u>	<u>\$ 6,734,136</u>

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

# SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### Reporting Entity

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

The District and Sacramento County Schools Education Facilities Financing Corporation (the "Corporation") have a financial and operational relationship which meet the reporting entity definition criteria of the 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 basic 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 in the Building Fund. Certificates of Participation issued by the Corporation are included in the government-wide financial statements.

Basis of Presentation - Financial Statements

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

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



# SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Basis of Presentation - Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities displays information about the reporting government as a whole. Fiduciary funds are not included in the government-wide financial statements. Fiduciary funds are reported only in the Statement of Fiduciary Net Assets and the Statement of Change in Fiduciary Net Assets at the fund financial statement level.

The Statement of Net Assets and the Statement of Activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

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

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

#### Basis of Presentation - Fund Accounting

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

#### A - Governmental Fund Types

##### 1. General Fund:

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

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

(Continued)

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Basis of Presentation - Fund Accounting (Continued)

**A - Governmental Fund Types (Continued)**

**2. Special Revenue Funds:**

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

**3. Capital Projects Funds:**

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

**4. Debt Service Funds:**

The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. This classification includes the Bond Interest and Redemption, Tax Override and South Pocket Facilities Funds.

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

**B - Proprietary Funds**

**1. Self-Insurance Fund:**

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

**2. Cafeteria Fund:**

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

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

(Continued)

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Basis of Presentation - Fund Accounting (Continued)

**C - Fiduciary Funds**

**1. Trust Funds:**

**Retiree Benefits Trust Fund:**

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

**Scholarship Trust Fund:**

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

**2. Agency Funds:**

**Student Body Funds:**

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

Basis of Accounting

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

Accrual

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

Modified Accrual

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

# SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Budgets and Budgetary Accounting

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

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

#### Stores Inventory

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

#### Cafeteria Food Purchases

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

#### Capital Assets

Capital assets purchased or acquired, with an original cost of \$5,000 or more, are recorded at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlay that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are depreciated using the straight-line method over 3 - 30 years depending on asset types.

#### Compensated Absences

Compensated absences totaling \$7,556,792 are recorded as a liability of the District. The liability is for the earned but unused benefits.

#### Accumulated Sick Leave

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

# SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Deferred Revenue

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

#### Restricted Net Assets

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

#### Property Taxes

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

#### Encumbrances

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

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

(Continued)

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Eliminations and Reclassifications

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

Estimates

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

**2. CASH AND INVESTMENTS**

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

	Governmental Activities			Business-Type Activities	Fiduciary Activities
	Governmental Funds	Proprietary Fund	Total		
Pooled Funds:					
Cash in County Treasury	\$ 50,390,132	\$ 15,285,430	\$ 65,675,562		\$ 12,666,912
Cash awaiting deposit	2,778,124		2,778,124	\$ 1,875	
Local Agency Investment Fund	886,951		886,951		
Total pooled funds	54,055,207	15,285,430	69,340,637	1,875	12,666,912
Deposits:					
Cash on hand and in banks		684	684	1,669,522	1,813,081
Cash in revolving fund	225,000		225,000	2,000	
Total deposits	225,000	684	225,684	1,671,522	1,813,081
Investments:					
Cash with Fiscal Agent	47,929,743	500,000	48,429,743		
Deferred compensation	5,896,346		5,896,346		
Total investments	53,826,089	500,000	54,326,089		
Total cash and investments	\$ 108,106,296	\$ 15,786,114	\$ 123,892,410	\$ 1,673,397	\$ 14,479,993

# SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### 2. CASH AND INVESTMENTS (Continued)

#### Pooled Funds

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

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pooled investment fund does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

In accordance with applicable state laws, the Sacramento County Treasurer may invest in derivative securities. However, at June 30, 2009, the Sacramento County Treasurer has represented that the Treasurer's pooled investment fund contained no derivatives or other investments with similar risk profiles.

#### Local Agency Investment Fund

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

# SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### 2. CASH AND INVESTMENTS (Continued)

#### Deposits - Custodial Credit Risk - Deposits

Cash balances held in banks and revolving funds are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). As of June 30, 2009, the carrying amount of the District's accounts were \$3,710,287, and the bank balances were \$3,808,652. Of the bank balances, \$1,398,350 was covered by the FDIC insurance and \$2,410,302 was uninsured. Uninsured balances are fully collateralized by the banks in accordance with applicable law.

#### Investments

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

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

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

#### Interest Rate Risk

The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2009, the District had no significant interest rate risk related to cash and investments held.

#### 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, 2009, the District had no concentration of credit risk.

### 3. INTERFUND TRANSACTIONS

#### Interfund Activity

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



**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

(Continued)

**3. INTERFUND TRANSACTIONS (Continued)**

Interfund Receivables/Payables

Individual interfund receivable and payable balances at June 30, 2009 were as follows:

Fund	Interfund Receivables	Interfund Payables
Major Funds:		
General	\$ 8,827,078	\$ 34,118,792
Building	30,078,756	1,608,135
Non-Major Funds:		
Charter School	3,004,894	759,067
Adult Education	526,679	3,698,527
Child Development	163,837	1,426,665
Deferred Maintenance	1,606,639	939
Developer Fees		1,166
Proprietary Funds:		
Self-Insurance	15,702	218,774
Enterprise Funds:		
Cafeteria	308,049	2,684,050
Fiduciary Funds:		
Retiree Benefits Trust		15,519
Totals	\$ 44,531,634	\$ 44,531,634

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 2008-2009 fiscal year were as follows:

Transfer from the Building Fund to the Deferred Maintenance Fund for deferred maintenance match.	\$ 2,075,000
Transfer from the Cafeteria Fund to the General Fund for indirect support.	1,740,115
Transfer from the Community Facilities Fund to the Building Fund for state modernization reimbursement.	6,608,632
Transfer from the Charter Schools Fund to the General Fund for charter school fees and indirect support.	793,081
Transfer from the Adult Education Fund to the General Fund for indirect support.	3,611,412
Transfer from the Child Development Fund to the General Fund for indirect support.	1,195,830
	\$ 16,024,070

**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, 2009 is shown below:

	<u>Balance July 1, 2008</u>	<u>Transfers and Additions</u>	<u>Transfers and Deductions</u>	<u>Balance June 30, 2009</u>
<u>Governmental Activities</u>				
Land	\$ 19,873,250			\$ 19,873,250
Buildings	551,122,647	\$ 92,965,008		644,087,655
Site improvements	103,532,197	12,071,930		115,604,127
Equipment	25,433,467	355,231		25,788,698
Work-in-process	<u>90,717,219</u>	<u>36,271,172</u>	\$ <u>102,256,979</u>	<u>24,731,412</u>
Totals, at cost	<u>790,678,780</u>	<u>141,663,341</u>	<u>102,256,979</u>	<u>830,085,142</u>
Less accumulated depreciation:				
Buildings	(237,826,501)	(13,466,405)		(251,292,906)
Site improvements	(37,005,583)	(4,312,619)		(41,318,202)
Equipment	<u>(23,396,253)</u>	<u>(724,515)</u>		<u>(24,120,768)</u>
Total accumulated depreciation	<u>(298,228,337)</u>	<u>(18,503,539)</u>		<u>(316,731,876)</u>
Capital assets, net	<u>\$ 492,450,443</u>	<u>\$ 123,159,802</u>	<u>102,256,979</u>	<u>\$ 513,353,266</u>
<u>Business-Type Activities</u>				
Capital assets, net	<u>\$ 891,471</u>	<u>\$ 519,334</u>	<u>\$ 99,633</u>	<u>\$ 1,311,172</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 16,985,016
Food services	7,995
All other pupil services	288,568
All other general administration	869,131
Plant services	149,575
Community services	<u>203,254</u>
Total depreciation expense	<u>\$ 18,503,539</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 from July 1, 2001 through June 30, 2005, the workers' compensation plan provided coverage up to \$250,000 and purchased excess insurance for claims over the retained coverage limit. Between August 1, 1998 and June 30, 2001, and after July 1, 2005, the District purchased insurance for the workers' compensation coverage.

**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 April 24, 2008.

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

	<u>June 30,</u> <u>2009</u>	<u>June 30,</u> <u>2008</u>
Unpaid claim and claim adjustment expenses, beginning of year	\$ 4,171,358	\$ 7,285,096
Total incurred claims and claim adjustment expenses	9,542,946	7,905,718
Total payments	<u>(10,042,189)</u>	<u>(11,019,456)</u>
Total unpaid claims and claim adjustment expenses at end of year	<u>\$ 3,672,115</u>	<u>\$ 4,171,358</u>

**6. LONG-TERM LIABILITIES**

Special Tax Bonds

<u>Series</u>	<u>Interest Rate</u>	<u>Balance July 1, 2008</u>	<u>Current Year Proceeds</u>	<u>Current Year Maturities</u>	<u>Balance June 30, 2009</u>
1997 C	3.7% to 5.5%	<u>\$ 3,465,000</u>	<u>\$ -</u>	<u>\$ 525,000</u>	<u>\$ 2,940,000</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>
2010	\$ 540,000	\$ 143,800	\$ 683,800
2011	570,000	114,520	684,520
2012	600,000	83,215	683,215
2013	635,000	49,807	684,807
2014	<u>595,000</u>	<u>16,363</u>	<u>611,363</u>
	<u>\$ 2,940,000</u>	<u>\$ 407,705</u>	<u>\$ 3,347,705</u>

General Obligation Bonds

Refunding Bonds, Series 2001:

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

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 1,475,000	\$ 2,196,188	\$ 3,671,188
2011	1,540,000	2,143,088	3,683,088
2012	1,600,000	2,085,338	3,685,338
2013	1,660,000	2,022,938	3,682,938
2014	1,730,000	1,956,538	3,686,538
2015-2019	9,915,000	8,553,765	18,468,765
2020-2024	12,660,000	5,875,065	18,535,065
2025-2029	<u>16,160,000</u>	<u>2,398,415</u>	<u>18,558,415</u>
	<u>\$ 46,740,000</u>	<u>\$ 27,231,335</u>	<u>\$ 73,971,335</u>

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

(Continued)

**6. LONG-TERM LIABILITIES (Continued)**

General Obligation Bonds (Continued)

Series B:

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

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 1,090,000	\$ 1,885,725	\$ 2,975,725
2011	1,135,000	1,836,675	2,971,675
2012	1,190,000	1,785,600	2,975,600
2013	1,240,000	1,732,050	2,972,050
2014	1,300,000	1,676,250	2,976,250
2015-2019	7,525,000	7,340,000	14,865,000
2020-2024	9,610,000	5,261,000	14,871,000
2025-2029	10,260,000	2,606,000	12,866,000
2030-2031	<u>4,830,000</u>	<u>220,000</u>	<u>5,050,000</u>
	<u>\$ 38,180,000</u>	<u>\$ 24,343,300</u>	<u>\$ 62,523,300</u>

Series C:

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

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 840,000	\$ 2,016,715	\$ 2,856,715
2011	865,000	1,983,115	2,848,115
2012	890,000	1,948,515	2,838,515
2013	935,000	1,912,025	2,847,025
2014	965,000	1,872,288	2,837,288
2015-2019	5,500,000	8,594,440	14,094,440
2020-2024	6,905,000	7,086,940	13,991,940
2025-2029	8,820,000	5,180,090	14,000,090
2030-2031	<u>14,800,000</u>	<u>1,221,800</u>	<u>16,021,800</u>
	<u>\$ 40,520,000</u>	<u>\$ 31,815,928</u>	<u>\$ 72,335,928</u>

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

(Continued)

**6. LONG-TERM LIABILITIES (Continued)**

General Obligation Bonds (Continued)

Series D:

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

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 1,000,000	\$ 2,479,544	\$ 3,479,544
2011	1,110,000	2,439,544	3,549,544
2012	1,225,000	2,395,144	3,620,144
2013	1,345,000	2,346,144	3,691,144
2014	1,470,000	2,292,344	3,762,344
2015-2019	9,545,000	10,441,832	19,986,832
2020-2024	14,425,000	7,639,562	22,064,562
2025-2029	<u>21,030,000</u>	<u>3,333,875</u>	<u>24,363,875</u>
	<u>\$ 51,150,000</u>	<u>\$ 33,367,989</u>	<u>\$ 84,517,989</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>
2010	\$ 4,750,000	\$ 2,093,950	\$ 6,843,950
2011	400,000	1,903,950	2,303,950
2012	2,005,000	1,887,950	3,892,950
2013	2,000,000	1,807,750	3,807,750
2014	2,780,000	1,727,750	4,507,750
2015-2019	18,280,000	6,759,044	25,039,044
2020-2024	16,975,000	2,423,387	19,398,387
2025-2027	<u>2,465,000</u>	<u>190,500</u>	<u>2,655,500</u>
	<u>\$ 49,655,000</u>	<u>\$ 18,794,281</u>	<u>\$ 68,449,281</u>

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

(Continued)

**6. LONG-TERM LIABILITIES (Continued)**

General Obligation Bonds (Continued)

Series 2005:

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

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 120,000	\$ 3,745,300	\$ 3,865,300
2011	2,300,000	3,740,500	6,040,500
2012	1,125,000	3,671,500	4,796,500
2013	1,330,000	3,615,250	4,945,250
2014	1,540,000	3,548,750	5,088,750
2015-2019	11,490,000	16,345,750	27,835,750
2020-2024	19,550,000	12,719,250	32,269,250
2025-2029	30,615,000	6,794,500	37,409,500
2030	<u>7,780,000</u>	<u>389,000</u>	<u>8,169,000</u>
	<u>\$ 75,850,000</u>	<u>\$ 54,569,800</u>	<u>\$130,419,800</u>

Series 2007:

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

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 2,825,000	\$ 1,524,956	\$ 4,349,956
2011	4,920,000	1,411,956	6,331,956
2012	1,460,000	1,165,956	2,625,956
2013	1,690,000	1,092,956	2,782,956
2014	1,700,000	1,033,806	2,733,806
2015-2019	11,475,000	3,803,180	15,278,180
2020-2024	14,907,527	6,220,235	21,127,762
2025-2029	12,418,868	18,386,131	30,804,999
2030-2033	<u>8,691,571</u>	<u>17,708,429</u>	<u>26,400,000</u>
	<u>\$ 60,087,966</u>	<u>\$ 52,347,605</u>	<u>\$112,435,571</u>

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

(Continued)

**6. LONG-TERM LIABILITIES (Continued)**

Certificates of Participation (COPs)

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

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

Scheduled payments for the COPs are as follows:

<u>Year Ending June 30,</u>	<u>COPs Payments</u>
2010	\$ 4,288,283
2011	4,390,995
2012	4,386,795
2013	4,490,895
2014	4,491,175
2015-2019	23,542,645
2020-2024	25,348,500
2025-2029	27,442,500
2030-2031	<u>11,677,000</u>
Total payments	110,058,788
Less amount representing interest	<u>(24,458,788)</u>
Net present value of minimum payments	<u>\$ 85,600,000</u>



**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

(Continued)

**6. LONG-TERM LIABILITIES (Continued)**

Capitalized Lease Obligations

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

<u>Year Ending June 30,</u>	<u>Lease Payments</u>
2010	\$ 111,314
2011	<u>52,036</u>
Total payments	163,350
Less amount representing interest	<u>(5,404)</u>
Net minimum lease payments	<u><u>\$ 157,946</u></u>

PARS 403(b) Supplementary Retirement Plan

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

<u>Year Ending June 30,</u>	<u>PARS Payments</u>
2010	\$ 3,708,721
2011	3,708,721
2012	3,708,721
2013	3,708,721
2014	<u>1,042,493</u>
Total payments	<u><u>\$ 15,877,377</u></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, 2009 is shown below:

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2009</u>	<u>Amounts Due Within One Year</u>
Governmental activities:					
Special Tax Bonds	\$ 3,465,000		\$ 525,000	\$ 2,940,000	\$ 540,000
General Obligation Bonds	373,162,966		10,980,000	362,182,966	12,100,000
Accreted interest	771,113	\$ 1,268,460		2,039,573	
Certificates of Participation	88,055,000		2,455,000	85,600,000	2,495,000
Capitalized lease obligations	348,504		190,558	157,946	106,643
PARS 403(b)	13,331,139	5,212,465	2,666,228	15,877,376	3,708,721
Net OPEB liability (Note 9)	33,300,000	50,295,381	17,408,939	66,186,442	19,050,000
Compensated absences	<u>7,622,512</u>		<u>65,720</u>	<u>7,556,792</u>	<u>7,556,792</u>
	<u>\$ 520,056,234</u>	<u>\$ 56,776,306</u>	<u>\$ 34,291,445</u>	<u>\$ 542,541,095</u>	<u>\$ 45,557,156</u>

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

**7. RESTRICTED NET ASSETS**

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

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Fiduciary Funds</u>
Restricted for revolving cash	\$ 225,000	\$ 2,000	
Restricted for prepaid expenditures	4,044,820		\$ 400,000
Restricted for stores inventory	194,460	313,478	
Restricted for unspent categorical program revenues and state programs	14,682,092		
Restricted for special revenues	6,841,546		
Restricted for debt service	12,608,124		
Restricted for capital projects	49,957,406		
Restricted for self insurance	5,724,111		
Restricted for cafeteria operations		1,563,927	
Restricted for retiree benefits			6,111,038
Restricted for scholarships			<u>223,098</u>
Total restricted net assets	<u>\$ 94,277,559</u>	<u>\$ 1,879,405</u>	<u>\$ 6,734,136</u>

# SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### 8. EMPLOYEE RETIREMENT SYSTEMS

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

#### Plan Description and Provisions

California Public Employees' Retirement System (CalPERS)

#### *Plan Description*

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

#### *Funding Policy*

Active plan members are required to contribute 7% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2008-2009 was 9.428% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2007, 2008 and 2009 were \$6,101,556, \$6,307,183 and \$6,332,705, respectively, and equal 100% of the required contributions for each year.

State Teachers' Retirement System (STRS)

#### *Plan Description*

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

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

(Continued)

**8. EMPLOYEE RETIREMENT SYSTEMS (Continued)**

Plan Description and Provisions (Continued)

State Teachers' Retirement System (STRS) (Continued)

*Funding Policy*

Active plan members are required to contribute 8% of their salary. The required employer contribution rate for fiscal year 2008-2009 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal years ending June 30, 2007, 2008 and 2009 were \$15,898,846, \$17,096,524 and \$16,104,807, respectively, and equal 100% of the required contributions for each year.

**9. OTHER POSTEMPLOYMENT HEALTHCARE PLAN**

Plan Description

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

Funding Policy

The contribution requirements of the District are established and may be amended by the Board of Education. The required contribution is based in projected pay-as-you-go financing requirements, with an amount to fund the actuarial accrued liability as determined annually by the Board. For fiscal year ended June 30, 2009, the District contributed \$17.4 million to the plan. As of June 30, 2009, the Board designated an additional \$1 million of unrestricted General Fund dollars to fund the liability.

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

(Continued)

**9. OTHER POSTEMPLOYMENT HEALTHCARE PLAN (Continued)**

**Annual OPEB Cost and Net OPEB Obligation**

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

Annual required contribution	\$ 48,630,381
Interest on net OPEB obligation	1,665,000
Adjustment to annual required contribution	<u>                                </u>
Annual OPEB cost (expense)	50,295,381
Contributions made	<u>(17,408,939)</u>
Increase in net OPEB obligation	32,886,442
Net OPEB obligation - beginning of year	<u>33,300,000</u>
Net OPEB obligation - end of year	<u><u>\$ 66,186,442</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2009 was as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2008	\$ 48,630,381	31.5%	\$ 33,000,000
June 30, 2009	\$ 50,295,381	34.6%	\$ 66,186,442

**Funded Status and Funding Progress**

As of December 1, 2006, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$505.7 million, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$505.7 million. For fiscal year ending June 30, 2009, the covered payroll (annual payroll of active employees covered by the plan) was \$255.8 million, and the ratio of the UAAL to the covered payroll was 198 percent.

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

(Continued)

**9. OTHER POSTEMPLOYMENT HEALTHCARE PLAN (Continued)**

Funded Status and Funding Progress (Continued)

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

Actuarial Methods and Assumptions

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

In the December 1, 2006, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included an annual healthcare cost trend rate of 10 percent initially, reduced by decrements to an ultimate rate of 5 percent after ten years. The UAAL is being amortized as a level percentage of projected payroll. The remaining amortization period at June 30, 2009, was 28 years.

**10. JOINT POWERS AGREEMENT**

Schools Insurance Authority

The District is a member with other school districts of a Joint Powers Authority, Schools Insurance Authority (SIA), for the operation of a common risk management and insurance program for property and liability coverage. The following is a summary of financial information for SIA at June 30, 2009:

Total assets	\$ 92,203,291
Total liabilities	\$ 38,840,443
Total net assets	\$ 53,362,848
Total revenues	\$ 47,849,720
Total expenses	\$ 34,868,772
Change in net assets	\$ 12,980,948

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.

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

(Continued)

**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, District employees took a leave of absence from the District to become employed by CASA, and were contracted back to the District to work in their old positions and functions. So long as a public employer offers an acceptable alternative to, and does not participate in, CalPERS and Social Security, neither the employer nor its employees are required to contribute to those systems. By recapturing the Social Security contributions, CASA expected to be able to afford enhanced retirement benefits compared to CalPERS, and thus to attract and retain highly qualified staff for the District.

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

Investigation of CASA and Potential District Liability

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

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

## SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

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

##### Investigation of CASA and Potential District Liability (Continued)

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

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

#### 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. SUBSEQUENT EVENT

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



**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

(Continued)

**13. SUBSEQUENT EVENT (Continued)**

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

The accounting treatment for the funding that reverted to the State's General Fund was not formally prescribed by the State Controller's Office until November 2009. However, school districts were required to close out the 2008-09 fiscal year financial records and report the information to the District pursuant to the timelines specified in Education Code 42100(a) and Government Code 7906(f) which is on or before September 15th each year. In the absence of guidance, the District complied with the codes sections cited above and submitted timely final financial reports, which included the accrual of the reverted amounts. The inclusion is consistent with California Education Code Section 33128.1, which states, "a local educational agency may recognize for budgetary and financial reporting purposes any amount of state appropriations deferred from the current fiscal year and appropriated from the subsequent fiscal year for payment of current year costs as a receivable in the current year."

In accordance with the requirements of Government Accounting Standards Board Statement No. 33, the audited financial statements of the District do not include the revenues and related receivables associated with the District's portion of the unallocated, unexpended or unliquidated categorical program balances identified in the July 2009 State Budget package.

The District anticipates that, regardless of whether the funds are recognized as revenue in the 2008-09 or 2009-10 fiscal years; there will be no impact on the ending fund balances at June 30, 2010.

## **SUPPLEMENTARY INFORMATION**

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**

**COMBINING BALANCE SHEET**

**ALL NON-MAJOR FUNDS**

June 30, 2009

	<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>
<b>ASSETS</b>						
Cash in County Treasury	\$ (3,972,351)	\$ 3,444,945	\$ 1,238,282	\$ 1,087,735	\$ 5,990,469	\$ 7,789,080
Cash awaiting deposit	308	766,086	1,256,295		119,723	2,142,412
Cash with Fiscal Agent						
Accounts receivable	2,983,869	829,794	2,146,386		52,525	6,012,574
Due from other funds	<u>3,004,894</u>	<u>526,679</u>	<u>163,837</u>	<u>1,606,639</u>		<u>5,302,049</u>
Total assets	<u>\$ 2,016,720</u>	<u>\$ 5,567,504</u>	<u>\$ 4,804,800</u>	<u>\$ 2,694,374</u>	<u>\$ 6,162,717</u>	<u>\$ 21,246,115</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 282,570	\$ 928,877	\$ 977,541	\$ 43,985	\$ 22,158	\$ 2,255,131
Deferred revenue	122,790	646	245			123,681
Due to other funds	<u>759,067</u>	<u>3,698,527</u>	<u>1,426,665</u>	<u>939</u>	<u>1,166</u>	<u>5,886,364</u>
Total liabilities	1,164,427	4,628,050	2,404,451	44,924	23,324	8,265,176
Fund balances	<u>852,293</u>	<u>939,454</u>	<u>2,400,349</u>	<u>2,649,450</u>	<u>6,139,393</u>	<u>12,980,939</u>
Total liabilities and fund balances	<u>\$ 2,016,720</u>	<u>\$ 5,567,504</u>	<u>\$ 4,804,800</u>	<u>\$ 2,694,374</u>	<u>\$ 6,162,717</u>	<u>\$ 21,246,115</u>

(Continued)

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**

**COMBINING BALANCE SHEET**

**ALL NON-MAJOR FUNDS**

(Continued)

June 30, 2009

	<u>Community Facilities Fund</u>	<u>County School Facilities Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>South Pocket Facilities Fund</u>	<u>Tax Override Fund</u>	<u>Total</u>
<b>ASSETS</b>						
Cash in County Treasury	\$ 8,414,385		\$ 12,052,686		\$ 163,757	\$ 28,419,908
Cash awaiting deposit						2,142,412
Cash with Fiscal Agent				\$ 2,820,508		2,820,508
Accounts receivable	65,798		472,882			6,551,254
Due from other funds						5,302,049
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 8,480,183</u>	<u>\$ -</u>	<u>\$ 12,525,568</u>	<u>\$ 2,820,508</u>	<u>\$ 163,757</u>	<u>\$ 45,236,131</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable			\$ 77,076			\$ 2,332,207
Deferred revenue			4,125			127,806
Due to other funds						5,886,364
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities			81,201			8,346,377
Fund balances	<u>\$ 8,480,183</u>	<u>                    </u>	<u>12,444,367</u>	<u>\$ 2,820,508</u>	<u>\$ 163,757</u>	<u>36,889,754</u>
Total liabilities and fund balances	<u>\$ 8,480,183</u>	<u>\$ -</u>	<u>\$ 12,525,568</u>	<u>\$ 2,820,508</u>	<u>\$ 163,757</u>	<u>\$ 45,236,131</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, 2009

	<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	\$ 10,040,015					\$ 10,040,015
Federal sources	1,551,839	\$ 4,151,665	\$ 9,231,739			14,935,243
Other state sources	2,650,143	10,550,380	6,884,014	\$ 1,657,373		21,741,910
Other local sources	<u>824,581</u>	<u>1,667,656</u>	<u>2,138,528</u>	<u>33,040</u>	\$ <u>1,886,346</u>	<u>6,550,151</u>
Total revenues	<u>15,066,578</u>	<u>16,369,701</u>	<u>18,254,281</u>	<u>1,690,413</u>	<u>1,886,346</u>	<u>53,267,319</u>
Expenditures:						
Certificated salaries	7,007,565	7,359,742	5,958,807			20,326,114
Classified salaries	1,373,180	2,738,945	4,817,645	206,902	21,575	9,158,247
Employee benefits	3,538,723	3,834,016	5,778,933	45,097	2,179	13,198,948
Books and supplies	478,269	917,186	756,941	382,843	15,883	2,551,122
Contract services and operating expenditures	2,129,605	3,411,467	336,877	2,415,058	275,409	8,568,416
Capital outlay	5,323	385,410	32,772	228,549	209,208	861,262
Other outgo						
Debt service:						
Principal retirement						
Interest					2,455,000	2,455,000
Total expenditures	<u>14,532,665</u>	<u>18,646,766</u>	<u>17,681,975</u>	<u>3,278,449</u>	<u>2,979,254</u>	<u>57,119,109</u>
Excess (deficiency) of revenues over (under) expenditures	<u>533,913</u>	<u>(2,277,065)</u>	<u>572,306</u>	<u>(1,588,036)</u>	<u>(1,092,908)</u>	<u>(3,851,790)</u>
Other financing sources (uses):						
Operating transfers in				2,075,000		2,075,000
Operating transfers out	<u>(793,081)</u>	<u>(3,611,411)</u>	<u>(1,195,831)</u>			<u>(5,600,323)</u>
Total other financing sources (uses)	<u>(793,081)</u>	<u>(3,611,411)</u>	<u>(1,195,831)</u>	<u>2,075,000</u>		<u>(3,525,323)</u>
Net change in fund balances	(259,168)	(5,888,476)	(623,525)	486,964	(1,092,908)	(7,377,113)
Fund balances, July 1, 2008	<u>1,111,461</u>	<u>6,827,930</u>	<u>3,023,874</u>	<u>2,162,486</u>	<u>7,232,301</u>	<u>20,358,052</u>
Fund balances, June 30, 2009	<u>\$ 852,293</u>	<u>\$ 939,454</u>	<u>\$ 2,400,349</u>	<u>\$ 2,649,450</u>	<u>\$ 6,139,393</u>	<u>\$ 12,980,939</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, 2009

	<u>Community Facilities Fund</u>	<u>County School Facilities Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>South Pocket Facilities Fund</u>	<u>Tax Override Fund</u>	<u>Total</u>
Revenues:						
Revenue limit sources:						
State apportionment						\$ 10,040,015
Federal sources						14,935,243
Other state sources		\$ 6,608,632	\$ 358,248			28,708,790
Other local sources	\$ 1,507,783		27,878,775	\$ 921,484		36,858,193
Total revenues	<u>1,507,783</u>	<u>6,608,632</u>	<u>28,237,023</u>	<u>921,484</u>		<u>90,542,241</u>
Expenditures:						
Certificated salaries						20,326,114
Classified salaries						9,158,247
Employee benefits						13,198,948
Books and supplies						2,551,122
Contract services and operating expenditures	1,500					8,569,916
Capital outlay						861,262
Other outgo			2,485			2,485
Debt service:						
Principal retirement			10,980,000	525,000		11,505,000
Interest			16,393,928	171,625		19,020,553
Total expenditures	<u>1,500</u>		<u>27,376,413</u>	<u>696,625</u>		<u>85,193,647</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,506,283</u>	<u>6,608,632</u>	<u>860,610</u>	<u>224,859</u>		<u>5,348,594</u>
Other financing sources (uses):						
Operating transfers in						2,075,000
Operating transfers out		(6,608,632)				(12,208,955)
Total other financing sources (uses)		<u>(6,608,632)</u>				<u>(10,133,955)</u>
Net change in fund balances	1,506,283		860,610	224,859		(4,785,361)
Fund balances, July 1, 2008	<u>6,973,900</u>		<u>11,583,757</u>	<u>2,595,649</u>	\$ 163,757	41,675,115
Fund balances, June 30, 2009	<u>\$ 8,480,183</u>	<u>\$ -</u>	<u>\$ 12,444,367</u>	<u>\$ 2,820,508</u>	<u>\$ 163,757</u>	<u>\$ 36,889,754</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, 2009**

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2009</u>
<b>Student Body Funds</b>				
<u>C.K. McClatchy High School</u>				
Assets:				
Cash on hand and in banks	\$ 411,153	\$ 352,547	\$ 416,377	\$ 347,323
Accounts receivable:				
Local governments and other				
Stores inventory	5,472		407	5,065
Capital assets				
Total assets	<u>\$ 416,625</u>	<u>\$ 352,547</u>	<u>\$ 416,784</u>	<u>\$ 352,388</u>
Liabilities:				
Accounts payable		\$ 123		\$ 123
Due to student groups	<u>\$ 416,625</u>	<u>352,424</u>	<u>\$ 416,784</u>	<u>352,265</u>
Total liabilities	<u>\$ 416,625</u>	<u>\$ 352,547</u>	<u>\$ 416,784</u>	<u>\$ 352,388</u>
<u>Hiram Johnson High School</u>				
Assets:				
Cash on hand and in banks	\$ 71,813	\$ 258,419	\$ 260,216	\$ 70,016
Accounts receivable:				
Local governments and other				
Stores inventory	3,500			3,500
Capital assets	<u>9,470</u>			<u>9,470</u>
Total assets	<u>\$ 84,783</u>	<u>\$ 258,419</u>	<u>\$ 260,216</u>	<u>\$ 82,986</u>
Liabilities:				
Accounts payable	\$ 480			\$ 480
Due to student groups	<u>84,303</u>	<u>\$ 258,419</u>	<u>\$ 260,216</u>	<u>82,506</u>
Total liabilities	<u>\$ 84,783</u>	<u>\$ 258,419</u>	<u>\$ 260,216</u>	<u>\$ 82,986</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, 2009**

	<b>Balance July 1, 2008</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2009</b>
<b>Student Body Funds</b>				
<u>Luther Burbank High School</u>				
Assets:				
Cash on hand and in banks	\$ 138,043	\$ 248,055	\$ 250,227	\$ 135,871
Accounts receivable:				
Local governments and other				
Stores inventory	426	523		949
Capital assets				
Total assets	<b>\$ 138,469</b>	<b>\$ 248,578</b>	<b>\$ 250,227</b>	<b>\$ 136,820</b>
Liabilities:				
Accounts payable	\$ 24,951	\$ 10,752	\$ 16,349	\$ 19,354
Due to student groups	113,518	237,826	233,878	117,466
Total liabilities	<b>\$ 138,469</b>	<b>\$ 248,578</b>	<b>\$ 250,227</b>	<b>\$ 136,820</b>
<u>John F. Kennedy High School</u>				
Assets:				
Cash on hand and in banks	\$ 247,961	\$ 353,500	\$ 382,484	\$ 218,977
Accounts receivable:				
Local governments and other	5,551		5,279	272
Stores inventory				
Capital assets				
Total assets	<b>\$ 253,512</b>	<b>\$ 353,500</b>	<b>\$ 387,763</b>	<b>\$ 219,249</b>
Liabilities:				
Accounts payable	\$ 1,998	\$ 16,521		\$ 18,519
Due to student groups	251,514	336,979	\$ 387,763	200,730
Total liabilities	<b>\$ 253,512</b>	<b>\$ 353,500</b>	<b>\$ 387,763</b>	<b>\$ 219,249</b>

(Continued)



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

**ALL AGENCY FUNDS**  
(Continued)  
**For the Year Ended June 30, 2009**

	<b>Balance July 1, 2008</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2009</b>
<b>Student Body Funds (Continued)</b>				
<u>Rosemont High School</u>				
Assets:				
Cash on hand and in banks	\$ 155,247	\$ 346,508	\$ 367,673	\$ 134,082
Accounts receivable:				
Local governments and other				
Stores inventory				
Capital assets				
Total assets	<u>\$ 155,247</u>	<u>\$ 346,508</u>	<u>\$ 367,673</u>	<u>\$ 134,082</u>
Liabilities:				
Accounts payable	\$ 155,247	\$ 346,508	\$ 367,673	\$ 134,082
Due to student groups	<u>\$ 155,247</u>	<u>\$ 346,508</u>	<u>\$ 367,673</u>	<u>\$ 134,082</u>
Total liabilities	<u>\$ 155,247</u>	<u>\$ 346,508</u>	<u>\$ 367,673</u>	<u>\$ 134,082</u>
<u>Hiram Johnson West Campus</u>				
Assets:				
Cash on hand and in banks	\$ 105,043	\$ 300,430	\$ 301,166	\$ 104,307
Accounts receivable:				
Local governments and other				
Stores inventory				
Capital assets				
Total assets	<u>\$ 105,043</u>	<u>\$ 300,430</u>	<u>\$ 301,166</u>	<u>\$ 104,307</u>
Liabilities:				
Accounts payable	\$ 105,043	\$ 300,430	\$ 301,166	\$ 104,307
Due to student groups	<u>\$ 105,043</u>	<u>\$ 300,430</u>	<u>\$ 301,166</u>	<u>\$ 104,307</u>
Total liabilities	<u>\$ 105,043</u>	<u>\$ 300,430</u>	<u>\$ 301,166</u>	<u>\$ 104,307</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, 2009**

	<b>Balance July 1, 2008</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2009</b>
<b>Student Body Funds (Continued)</b>				
<u>Charles A. Jones Skills and Education Center</u>				
Assets:				
Cash on hand and in banks	\$ 146,714	\$ 1,027,418	\$ 1,091,997	\$ 82,135
Accounts receivable:				
Local governments and other	73,473		14,253	59,220
Stores inventory	183,291		39,087	144,204
Capital assets	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 403,478</u>	<u>\$ 1,027,418</u>	<u>\$ 1,145,337</u>	<u>\$ 285,559</u>
Liabilities:				
Accounts payable	\$ 53,938			\$ 53,938
Due to student groups	<u>349,540</u>	<u>\$ 1,027,418</u>	<u>\$ 1,145,337</u>	<u>231,621</u>
Total liabilities	<u>\$ 403,478</u>	<u>\$ 1,027,418</u>	<u>\$ 1,145,337</u>	<u>\$ 285,559</u>
<u>Fremont School for Adults</u>				
Assets:				
Cash on hand and in banks	\$ 3,224	\$ 2,470	\$ 3,612	\$ 2,082
Accounts receivable:				
Local governments and other				
Stores inventory				
Capital assets	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 3,224</u>	<u>\$ 2,470</u>	<u>\$ 3,612</u>	<u>\$ 2,082</u>
Liabilities:				
Accounts payable				
Due to student groups	<u>\$ 3,224</u>	<u>\$ 2,470</u>	<u>\$ 3,612</u>	<u>\$ 2,082</u>
Total liabilities	<u>\$ 3,224</u>	<u>\$ 2,470</u>	<u>\$ 3,612</u>	<u>\$ 2,082</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, 2009**

	<b>Balance July 1, 2008</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2009</b>
<b>Student Body Funds (Continued)</b>				
<u>A. Warren McClaskey Adult Center</u>				
Assets:				
Cash on hand and in banks	\$ 17,754	\$ 19,448	\$ 19,354	\$ 17,848
Accounts receivable:				
Local governments and other				
Stores inventory				
Capital assets				
Total assets	<u>\$ 17,754</u>	<u>\$ 19,448</u>	<u>\$ 19,354</u>	<u>\$ 17,848</u>
Liabilities:				
Accounts payable	\$ 17,754	\$ 19,448	\$ 19,354	\$ 17,848
Due to student groups	\$ 17,754	\$ 19,448	\$ 19,354	\$ 17,848
Total liabilities	<u>\$ 17,754</u>	<u>\$ 19,448</u>	<u>\$ 19,354</u>	<u>\$ 17,848</u>
<u>Old Marshall</u>				
Assets:				
Cash on hand and in banks	\$ 18,210	\$ 1,629	\$ 2,452	\$ 17,387
Accounts receivable:				
Local governments and other				
Stores inventory				
Capital assets				
Total assets	<u>\$ 18,210</u>	<u>\$ 1,629</u>	<u>\$ 2,452</u>	<u>\$ 17,387</u>
Liabilities:				
Accounts payable	\$ 18,210	\$ 1,629	\$ 2,452	\$ 17,387
Due to student groups	\$ 18,210	\$ 1,629	\$ 2,452	\$ 17,387
Total liabilities	<u>\$ 18,210</u>	<u>\$ 1,629</u>	<u>\$ 2,452</u>	<u>\$ 17,387</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, 2009**

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2009</u>
<b>Student Body Funds (Continued)</b>				
<u>Elementary and Middle Schools</u>				
Assets:				
Cash on hand and in banks	\$ 456,332	\$ 1,300,967	\$ 1,297,344	\$ 459,955
Accounts receivable:				
Local governments and other				
Stores inventory				
Capital assets				
Total assets	<u>\$ 456,332</u>	<u>\$ 1,300,967</u>	<u>\$ 1,297,344</u>	<u>\$ 459,955</u>
Liabilities:				
Accounts payable	\$ 456,332	\$ 1,300,967	\$ 1,297,344	\$ 459,955
Due to student groups	<u>456,332</u>	<u>1,300,967</u>	<u>1,297,344</u>	<u>459,955</u>
Total liabilities	<u>\$ 456,332</u>	<u>\$ 1,300,967</u>	<u>\$ 1,297,344</u>	<u>\$ 459,955</u>
<u>Total Agency Funds</u>				
Assets:				
Cash on hand and in banks	\$ 1,771,494	\$ 4,211,391	\$ 4,392,902	\$ 1,589,983
Accounts receivable:				
Local governments and other	79,024		19,532	59,492
Stores inventory	192,689	523	39,494	153,718
Capital assets	<u>9,470</u>			<u>9,470</u>
Total assets	<u>\$ 2,052,677</u>	<u>\$ 4,211,914</u>	<u>\$ 4,451,928</u>	<u>\$ 1,812,663</u>
Liabilities:				
Accounts payable	\$ 81,367	\$ 27,396	\$ 16,349	\$ 92,414
Due to student groups	<u>1,971,310</u>	<u>4,184,518</u>	<u>4,435,579</u>	<u>1,720,249</u>
Total liabilities	<u>\$ 2,052,677</u>	<u>\$ 4,211,914</u>	<u>\$ 4,451,928</u>	<u>\$ 1,812,663</u>

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

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**

**ORGANIZATION**

**June 30, 2009**

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

\* Effective July 1, 2009, the District closed three elementary schools (K-6) and one charter school and reverted one charter school to a District elementary school.

**GOVERNING BOARD**

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Roy Grimes	President	November 2010
Ellyne Bell	First Vice President	November 2010
Patrick Kennedy	Second Vice President	November 2012
Gustavo Arroyo	Member	November 2012
Jerry Houseman	Member	November 2010
Diana Rodriguez	Member	November 2012
Donald Terry	Member	November 2012
Julian Lopez	Student Member	June 2009

**ADMINISTRATION**

Susan Miller \*\*  
Interim Superintendent

Thomas S. Barentson  
Deputy Superintendent/Chief Financial Officer

Mary Hardin-Young  
Associate Superintendent

Nancy Purcell  
Interim, Associate Superintendent

Philip Moore  
Associate Superintendent

Mary Shelton  
Associate Superintendent

Carol Mignone Stephen  
Associate Superintendent

Melissa Truitt  
Assistant Superintendent\*\*\*

\*\* Effective August 21, 2009, Jonathan P. Raymond is the District Superintendent.

\*\*\* Effective July 1, 2009, Associate Superintendent

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF AVERAGE DAILY ATTENDANCE**

**For the Year Ended June 30, 2009**

	<b>Second Period Report (Revised)</b>	<b>Annual Report</b>
<u>District</u>		
Elementary:		
Kindergarten	3,299	3,294
First through Third	9,908	9,893
Fourth through Eighth	15,802	15,748
Home and Hospital	36	36
Special Education	1,295	1,305
Community Day School	<u>20</u>	<u>29</u>
Total Elementary	<u>30,360</u>	<u>30,305</u>
Secondary:		
Regular Classes	10,661	10,489
Special Education	733	726
Compulsory Continuation Education	216	212
Home and Hospital	<u>25</u>	<u>26</u>
Total Secondary	<u>11,635</u>	<u>11,453</u>
Classes for Adults:		
Concurrently Enrolled	69	95
Classes for Adults	<u>5,809</u>	<u>5,929</u>
Total for Adults	<u>5,878</u>	<u>6,024</u>
District ADA Totals	<u><u>47,873</u></u>	<u><u>47,782</u></u>
<u>Charter Schools</u>		
Classroom-Based:		
Kindergarten	146	147
First through Third	423	421
Fourth through Sixth	383	377
Ninth through Twelfth	<u>824</u>	<u>814</u>
Total Charter	<u><u>1,776</u></u>	<u><u>1,759</u></u>
	<b><u>Hours of Attendance</u></b>	
Summer School:		
Elementary		560,006
Secondary		<u>374,508</u>
		<u><u>934,514</u></u>

See accompanying notes to  
supplementary information.

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF INSTRUCTIONAL TIME**

**For the Year Ended June 30, 2009**

<u>Grade Level</u>	<u>1986-87 Minutes Require- ment</u>	<u>1982-83 Actual Minutes</u>	<u>2008-09 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Number of Days Year-Round Calendar</u>	<u>Status</u>
<b>DISTRICT</b>						
Kindergarten	36,000	35,094	36,000	180	180	In Compliance
Grade 1	50,400	44,137	50,400	180	180	In Compliance
Grade 2	50,400	44,137	50,400	180	180	In Compliance
Grade 3	50,400	44,137	50,400	180	180	In Compliance
Grade 4	54,000	52,875	54,000	180	180	In Compliance
Grade 5	54,000	52,875	54,000	180	180	In Compliance
Grade 6	54,000	52,875	54,000	180	180	In Compliance
Grade 7	54,000	58,163	58,164	180	180	In Compliance
Grade 8	54,000	58,163	58,164	180	180	In Compliance
Grade 9	64,800	60,549	64,800	180	180	In Compliance
Grade 10	64,800	60,549	64,800	180	180	In Compliance
Grade 11	64,800	60,549	64,892	180	180	In Compliance
Grade 12	64,800	60,549	64,892	180	180	In Compliance
<b>CHARTER SCHOOLS</b>						
Kindergarten	36,000	N/A	36,000	180	N/A	In Compliance
Grade 1	50,400	N/A	50,600	180	N/A	In Compliance
Grade 2	50,400	N/A	50,600	180	N/A	In Compliance
Grade 3	50,400	N/A	50,600	180	N/A	In Compliance
Grade 4	54,000	N/A	54,004	180	N/A	In Compliance
Grade 5	54,000	N/A	54,004	180	N/A	In Compliance
Grade 6	54,000	N/A	54,004	180	N/A	In Compliance
Grade 7	54,000	N/A	N/A	180	N/A	In Compliance
Grade 8	54,000	N/A	N/A	180	N/A	In Compliance
Grade 9	64,800	N/A	64,872	180	N/A	In Compliance
Grade 10	64,800	N/A	64,872	180	N/A	In Compliance
Grade 11	64,800	N/A	64,872	180	N/A	In Compliance
Grade 12	64,800	N/A	64,872	180	N/A	In Compliance

See accompanying notes to  
supplementary information.

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS**

For the Year Ended June 30, 2009

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Education</u>			
	Special Education Cluster:		
84.027	Special Ed IDEA: Basic and Local Assistance Entitlement, Part B, Sec 611 (Formerly 94-142)	13379	\$ 8,653,214
84.173	Special Education Preschool Grants	13430	287,379
84.027A	Special Ed IDEA: Preschool Local Entitlement, Part B, Sec 611 (Age 3-5)	13682	410,322
84.173A	Special Ed: IDEA Preschool Staff Development, Part B, Sec 619	13431	2,276
84.027	Special Ed - Alternative Dispute Resolution, Part B, Sec 611	13007	29,402
84.027	Special Ed - Early Intervention Grants	23761	139,420
84.0391A	Special Ed - ARRA IDEA, Part B, Sec 611, Basic Local Assistance	15003	50,324
84.0392A	Special Ed - ARRA IDEA, Part B, Sec 611, Preschool Grants	15000	40,630
84.0391A	Special Ed - ARRA IDEA, Part B, Sec 611, Preschool Local Entitlement	15002	<u>60,840</u>
	Subtotal Special Education Cluster		<u>9,673,807</u>
	Title I Cluster:		
84.010	NCLB: Title I, Part D, Local Delinquent Program	14357	17,784
84.010	NCLB: Title I Grants to Local Educational Agencies	14329	21,631,450
84.357A	NCLB: Title I, Part B, Reading First Program-LEA Subgrant	14328	1,993,864
84.010A	NCLB: Title I, Part A, School Improvement SAIT Corrective Action Plans	14579	<u>41,100</u>
	Subtotal Title I Cluster		<u>23,684,198</u>
	Title III Cluster:		
84.365	Title III Limited English Proficiency	14346	945,600
84.365	Title III Immigrant Education Program	14346	<u>207,513</u>
	Subtotal Title III Cluster		<u>1,153,113</u>
84.184B	Mentoring Program Grants	*	166,585
84.002A	Adult Education: Adult Basic Education & ESL	14508	733,730
84.002A	Adult Education: Adult Secondary Education	13978	48,110
84.002A	Adult Education: English Literacy and Civic Education	14109	252,390
84.048	Vocational Programs Postsecondary and Adult II C, Sec. 132 (Carl Perkins Act)	14893	266,704

(Continued)



**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS**  
(Continued)  
**For the Year Ended June 30, 2009**

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Education (Continued)</u>			
84.048	Vocational Programs: Voc & Appl Tech Secondary II C, Sec 131 (Carl Perkins Act)	14894	\$ 748,969
84.060	Indian Education Grants to Local Educational Agencies	10011	128,806
84.063	Pell Grants	*	1,842,870
84.186	NCLB: Title IV, Safe and Drug Free Schools and Communities, Formula Grants	14347	317,383
84.196A	NCLB: Title X, McKinney-Vento Homeless Assistance Grants	14332	100,000
84.215L	Smaller Learning Community	*	282,290
84.216	Capital Expenditure Private Schools	13953	93,309
84.287	NCLB: Title IV 21st Century Community Centers Learning Program	14535, 14349	1,362,046
84.318	NCLB: Title II, Part D, Enhancing Education Through Technology, Competitive Grants	14368	36,585
84.318	NCLB: Title II, Part D, Enhancing Education Through Technology, Formula Grants	14334	364,081
84.330	Advanced Placement Program	14831	46,996
84.366	NCLB: Title II, Part B, CA Mathematics & Science Partnerships (CaMSP)	14512	276,843
84.367	NCLB: Title II, Part A, Improving Teacher Quality Local Grants	14341	3,843,997
84.394A	ARRA: State Fiscal Stabilization Fund	25008	<u>19,221,922</u>
	Total U.S. Department of Education		<u>64,644,734</u>
<u>U.S. Department of Health and Human Services</u>			
93.584	Refugee Employment Social Services (RES ROTC)	24791	195,887
93.575	Child Development: Quality Improvement Activities	14130, 13942	5,471
93.575	Child Development: School-Age Child Care Resource Contracts	13941	2,158
93.576	Refugee and Entrant Assistance Discretionary Grants	24791	137,427
93.584	Sacto Employment & Training Agency: Targeted Assistance Discretionary and ES Grants	*	83,158
93.596	Child Development: Federal Child Care, Center Based	13609	381,624
93.600	Head Start	10016	8,842,486
93.674	Chafee Foster Care Independent Living	*	134,669
93.778	Medical assistance Program	10013	<u>686,158</u>
	Total U.S. Department Health and Human Services		<u>10,469,038</u>
<u>U.S. Department of Agriculture</u>			
10.555	National School Lunch Program	13396	<u>14,476,783</u>

(Continued)

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS**  
(Continued)  
**For the Year Ended June 30, 2009**

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass- Through Entity Identifying Number</u>	<u>Federal Expend- itures</u>
<u>U.S. Department of Defense</u>			
12. UKN	ROTC	*	\$ <u>331,850</u>
<u>U.S. Department of Labor</u>			
17.259	Sacto Employment & Training Agency: Workforce Investment Act - WIA Title I	*	58,000
17.258	WIA / WtW Pre Vocational Training	*	465,781
17.259	A Title I Youth-Out-of-School Ind. Ser	*	<u>205,035</u>
	Total U.S. Department of Labor		<u>728,816</u>
	Total Federal Programs		<u>\$ 90,651,221</u>

\* District is unable to provide PCA numbers.

See accompanying notes to  
supplementary information.

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

**For the Year Ended June 30, 2009**

	<b>General Fund</b>	<b>Child Development Fund</b>
June 30, 2009 Unaudited Actual Financial Report Ending Fund Balance	\$ 45,513,727	\$ 2,555,317
Adjustment to remove accounts receivable and associated revenue for categorical program funds unappropriated by the State of California for the year ended June 30, 2009:		
Department of Mental Health	(747,909)	
ROC/P	(140,858)	
7-12 Counseling	(1,267,966)	
Foster Youth	(123,340)	
ELAP	(452,810)	
Principal Training	(21,000)	
Special Education	(3,223,620)	
Partnership Activities	(29,535)	
Child Development		(154,968)
Cal-SAFE	(173,548)	
School Safety	(306,612)	
Teacher Credentialing Block Grant	(304,101)	
Arts & Music Block Grant	(267,661)	
Certificated Staff Mentoring	(106,220)	
Home to School Deferral	(153,430)	
High School Class Size Reduction	(151,971)	
After School Education & Safety	(355,201)	
Total adjustments	(7,825,782)	(154,968)
June 30, 2009 Audited Financial Statements Ending Fund Balance	\$ 37,687,945	\$ 2,400,349

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 FINANCIAL TRENDS AND ANALYSIS**

**For the Year Ended June 30, 2009**

	(Budget) <u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<u>General Fund</u>				
Revenues and other financing sources	\$ 381,814,414	\$ 412,596,585	\$ 418,708,834	\$ 413,902,334
Expenditures	353,380,961	410,550,526	416,172,865	405,897,172
Other uses and transfers out	<u>14,825,898</u>	<u>                    </u>	<u>1,700,000</u>	<u>716,533</u>
Total outgo	<u>368,206,859</u>	<u>410,550,526</u>	<u>417,872,865</u>	<u>406,613,705</u>
Change in fund balance	<u>\$ 13,607,555</u>	<u>\$ 2,046,059</u>	<u>\$ 835,969</u>	<u>\$ 7,288,629</u>
Ending fund balance	<u>\$ 51,295,500</u>	<u>\$ 37,687,945</u>	<u>\$ 35,641,886</u>	<u>\$ 34,805,917</u>
Available reserves	<u>\$ 8,589,000</u>	<u>\$ 8,589,000</u>	<u>\$ 7,389,000</u>	<u>\$ 8,761,261</u>
Designated for economic uncertainties	<u>\$ 8,589,000</u>	<u>\$ 8,589,000</u>	<u>\$ 7,389,000</u>	<u>\$ 6,989,000</u>
Undesignated fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,772,261</u>
Available reserves as percentages of total outgo	<u>2.3%</u>	<u>2.1%</u>	<u>1.8%</u>	<u>2.2%</u>
<u>All Funds</u>				
Total long-term liabilities	<u>\$ 503,858,939</u>	<u>\$ 542,541,095</u>	<u>\$ 520,056,234</u>	<u>\$ 420,515,485</u>
Average daily attendance at P-2, excluding Adult and Charter School	<u>42,331</u>	<u>41,995</u>	<u>42,220</u>	<u>42,394</u>

The General Fund fund balance has increased by \$10,170,657 over the past three years. The District has incurred operating surpluses in each of the past three years, and anticipates incurring an operating surplus during the 2009-2010 fiscal year. The fiscal year 2009-2010 budget projects an increase of \$13,607,555. For a district this size, the state recommends available reserves of at least 2% of total General Fund expenditures, transfers out, and other uses. For the year ended June 30, 2009, the District has met this requirement.

Total long-term liabilities have increased by \$122,025,610 over the past two years, due primarily to the issuance of General Obligation Bonds (Note 6 to the financial statements).

Average daily attendance has decreased by 399 over the past two years. The District anticipates an increase of 336 ADA for the 2009-2010 fiscal year.

See accompanying notes to  
supplementary information.

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF CHARTER SCHOOLS**

**For the Year Ended June 30, 2009**

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

See accompanying notes to  
supplementary information.

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

**For the Year Ended June 30, 2009**

	<b>Academic and Support Services</b>	<b>Child Care</b>
Revenues		
Other local sources	\$ 231,427	\$ 766,320
Expenditures:		
Certificated salaries	48,462	177,987
Classified salaries	16,404	282,793
Employee benefits	10,335	212,853
Books and supplies	143,527	24,853
Contract services and operating expenditures	12,699	29,557
Indirect costs		38,277
	231,427	766,320
Net income	\$ -	\$ -

See accompanying notes to  
supplementary information.

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

**For the Year Ended June 30, 2009**

	<u><b>Support Services</b></u>
Revenues	
Other local sources	<u>\$ 103,763</u>
Expenditures:	
Certificated salaries	22,990
Classified salaries	42,993
Employee benefits	21,509
Books and supplies	2,305
Contract services and operating expenditures	9,995
Indirect costs	<u>3,971</u>
	<u>103,763</u>
Net income	<u><u>\$ -</u></u>

See accompanying notes to  
supplementary information.

# SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

## NOTES TO SUPPLEMENTARY INFORMATION

### 1. PURPOSE OF SCHEDULES

A - Schedule of Average Daily Attendance

Average daily attendance is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

B - Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District, and whether the District complied with the provisions of Education Code Sections 46201 through 46206.

C - Schedule of Expenditure of Federal Awards

OMB Circular A-133 requires a disclosure of the financial activities of all federally funded programs. This schedule was prepared to comply with A-133 requirements, and is presented on the modified accrual basis of accounting.

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 2009-2010 fiscal year, as required by the State Controller's Office.

F - Schedule of Charter Schools

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

G - Schedule of First 5 Revenues and Expenses

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



**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**

**NOTES TO SUPPLEMENTARY INFORMATION**

(Continued)

**1. PURPOSE OF SCHEDULES (Continued)**

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

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

**2. EARLY RETIREMENT INCENTIVE PROGRAM**

Education Code Section 14502 requires certain disclosure in the financial statements of districts which adopt Early Retirement Incentive Programs pursuant to Education Code Sections 22714 and 44929. For the fiscal year ended June 30, 2009, 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, 2009. Compliance with the requirements of state laws and regulations is the responsibility of Sacramento City Unified School District's management. Our responsibility is to express an opinion on Sacramento City Unified School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State of California's *Standards and Procedures for Audits of California K-12 Local Educational Agencies*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state laws and regulations listed below occurred. An audit includes examining, on a test basis, evidence about Sacramento City Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Sacramento City Unified School District's compliance with those requirements.

<u>Description</u>	<u>Audit Guide Procedures</u>	<u>Procedures Performed</u>
Regular and Special Day Classes	8	Yes
Independent Study	23	Yes
Continuation Education	10	Yes
Adult Education	9	No, see below
Regional Occupational Center and Programs	6	No, see below
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	No, see below
Community Day Schools	9	No, see below
Morgan-Hart Class Size Reduction Program	7	No, see below
Instructional Materials:		
General requirements	12	No, see below
Grades K-8	1	No, see below
Grades 9-12	1	No, see below
Ratio of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive Program	4	No, see below
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	No, see below
Mathematics and Reading Professional Development	4	No, see below
Class Size Reduction Program:		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	No, see below
Districts with only one school serving K-3	4	No, see below

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

(Continued)

<u>Description</u>	<u>Audit Guide Procedures</u>	<u>Procedures Performed</u>
After School Education and Safety Program:		
General requirements	4	Yes
After school	4	Yes
Before school	5	No, see below
Contemporaneous Records of Attendance, for charter schools	1	Yes
Mode of Instruction, for charter schools	1	Yes
Nonclassroom-Based Instruction/Independent Study, for charter schools	15	Yes
Determination of Funding for Nonclassroom-Based Instruction, for charter schools	3	Yes
Annual Instructional Minutes - Classroom-Based, for charter schools	3	Yes

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

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

We did not perform procedures (e) and (g) of Section 19825 for the Community Day School Program per the flexibility provisions in SBx3 4.

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

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

The 2008-2009 School Accountability Report Cards specified by Education Code Section 33126 are not required to be completed, nor were they completed, prior to the completion of our audit procedures for the year ended June 30, 2009. Accordingly, we could not perform the portions of audit steps (a), (b) and (c) of Section 19837 of the 2008-2009 Audit Guide relating to the comparison of tested data from the 2008-2009 fiscal year to the 2008-2009 School Accountability Report Cards.

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

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

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

(Continued)

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



Sacramento, California  
December 3, 2009

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

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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, 2009, and have issued our report thereon dated December 3, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

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

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

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

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(Continued)

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 LLP

Sacramento, California  
December 3, 2009

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

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Board of Education  
Sacramento City Unified School District  
Sacramento, California

Compliance

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

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

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

Internal Control Over Compliance

The management of Sacramento City Unified School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to the First 5 Sacramento Program. In planning and performing our audit, we considered Sacramento City Unified School District's internal control over compliance with requirements that could have a direct and material effect on its First 5 Sacramento County Program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but, not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Sacramento City Unified School District's internal control over compliance.

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

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(Continued)

Internal Control Over Compliance (Continued)

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of the First 5 Sacramento County Program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer the First 5 Sacramento County Program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of the First 5 Sacramento County Program that is more than inconsequential will not be prevented or detected by the District's internal control.

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

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

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

*Perry-Smith LLP*

Sacramento, California  
December 3, 2009



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

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Board of Education  
Sacramento City Unified School District  
Sacramento, California

Compliance

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

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

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

Internal Control Over Compliance

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

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

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(Continued)

Internal Control Over Compliance (Continued)

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of the School Community Violence Prevention Program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer the School Community Violence Prevention Program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of the School Safety Sacramento County Program that is more than inconsequential will not be prevented or detected by the District's internal control.

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

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

This report is intended solely for the information and use of the Board of Education, management and School Community Violence Prevention Program and is not intended to be and should not be used by anyone other than these specified parties.

*Perry-Smith LLP*

Sacramento, California  
December 3, 2009

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

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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, 2009. 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, 2009.

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

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

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(Continued)

Internal Control Over Compliance (Continued)

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

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

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

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

*Perry-Smith LLP*

Sacramento, California  
December 3, 2009

## **FINDINGS AND RECOMMENDATIONS**

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

Year Ended June 30, 2009

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**FINANCIAL STATEMENTS**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?  Yes  No

Significant deficiency(ies) 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

Significant deficiency(ies) 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>
84.367	NCLB: Title II, Improving Teacher Quality
84.394A	ARRA: State Fiscal Stabilization Fund
93.600	Head Start
10.555	National School Lunch Program

Dollar threshold used to distinguish between Type A and Type B programs: \$ 2,719,537

Auditee qualified as low-risk auditee?  Yes  No

**STATE AWARDS**

Internal control over state programs:

Material weakness(es) identified?  Yes  No

Significant deficiency(ies) 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, 2009

**SECTION II - FINANCIAL STATEMENT FINDINGS**

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

Criteria

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

Condition

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

- Sub-receipt books are not issued and used by student organizations.
- Receipts are not issued upon receipt of cash by the ASB Advisor/ Secretary.
- Revenue-producing activities are not authorized through formal documented procedures.
- Principal/ASB does not reconcile Monthly District financial reports to verify the accuracy of the District's accounting for the schools ASB account.

Effect

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

Cause

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.

Corrective Action Plan

The District will continue to provide staff training and the annual student body accounting workshop. The District will continue to conduct the interim reviews and has notified the site administration of the findings and provided the corrective action plan.

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**  
(Continued)  
**Year Ended June 30, 2009**

**SECTION II - FINANCIAL STATEMENT FINDINGS**  
(Continued)

**2. INTERNAL CONTROL - CASH RECEIPTS - CAFETERIA FEES (30000)**

Criteria

Internal Control - Safeguarding of Assets

Condition

Journal entry to record cafeteria daily sales was not posted in a timely manner.

Effect

There exists the risk of possible misappropriation of assets.

Cause

Lack of adherence to District policy, of timely journal entries.

Fiscal Impact

Not determinable.

Recommendation

We recommend that all journal entries to record cash receipts are recorded in a timely manner.

Corrective Action Plan

The District will ensure that journal entries are posted in a timely manner to ensure proper cut-off.



**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**  
(Continued)  
Year Ended June 30, 2009

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported.

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**  
(Continued)  
Year Ended June 30, 2009

**SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS**

**3. ATTENDANCE (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

Students were improperly included in ADA for nine days.

Effect

The extrapolated overstatement of ADA is 1.72 ADA.

Cause

The site staff incorrectly marked the students present on their scantrons when they were absent from school.

Fiscal Impact

Because the District is in declining enrollment and prior year ADA is used for the revenue limit calculation, there is no current year fiscal impact.

Recommendation

We recommend the District resubmit a revised Period Two Report of Attendance, removing the disallowed ADA.

Corrective Action Plan

The District revised their P-2 report to include the disallowed ADA. The revised ADA is shown in the Schedule of Average Daily Attendance.

**STATUS OF PRIOR YEAR  
FINDINGS AND RECOMMENDATIONS**

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**  
**STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS**  
**Year Ended June 30, 2009**

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
<p>2008-1</p> <ul style="list-style-type: none"> <li>• Cash receipts did not have supporting documentation.</li> <li>• Expenditures were not properly approved.</li> <li>• Fundraising approval forms were not used consistently.</li> <li>• Student store inventory was not counted or reviewed.</li> <li>• Cash register tapes from the student store were not reconciled.</li> <li>• Profit and loss statements were not consistently prepared for the student store.</li> <li>• Financial reconciliations were not consistently reviewed.</li> </ul> <p>We recommend the District stress the importance of effective controls over student body accounts and that interim reviews are performed to ensure compliance with the requirement.</p>	<p>Repeat finding.</p>	<p>See current year finding #1.</p>
<p>2008-2</p> <p>The monthly attendance summaries for sites did not agree with summaries used by the District for calculation of ADA.</p> <p>The District should revise and resubmit the Period Two and Annual Reports of Attendance. Further, the District should develop internal controls to ensure that school sites are reporting attendance correctly and submitting any changes in a timely manner.</p>	<p>Repeat finding.</p>	<p>See current year finding #3.</p>

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**  
**STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS**  
(Continued)  
**Year Ended June 30, 2009**

<b>Finding/Recommendation</b>	<b>Current Status</b>	<b>District Explanation If Not Implemented</b>
<p>2008-3</p> <p>The Monthly Attendance Report (ATD03) for the Met Charter School did not reconcile to the site's attendance summary for the Second Principal report of attendance, resulting in an extrapolated overstatement of 0.16 ADA.</p> <p>The District should ensure that the attendance system properly reflects the actual attendance of the students. Additionally, the District should revise and re-submit the Period-Two and Annual Reports of Attendance, reflecting the removal of the disallowed ADA.</p>	<p>Implemented.</p>	
<p>2008-4</p> <p>The Parental Agreement form used for one student retained in kindergarten was not properly completed.</p> <p>We recommend the District revise its procedures for completion of the parental agreement forms to ensure that all the fields for the kindergarten continuation form are completed accurately. Additionally, the District should revise and re-submit the Period Two and Annual Reports of Attendance reflecting the removal of the disallowed ADA.</p>	<p>Implemented.</p>	
<p>2008-5</p> <p>The attendance system is currently set up to record apportionment attendance for students who have enrolled in school, but have not actually started attending.</p> <p>The District should ensure that the attendance system properly reflects the actual attendance of the students. Additionally, the District should revise and re-submit the Period Two and Annual Reports of Attendance, reflecting the removal of the disallowed ADA.</p>	<p>Implemented.</p>	