



SACRAMENTO CITY UNIFIED SCHOOL DISTRICT BOARD OF EDUCATION

Agenda Item# 8.2

Meeting Date: April 22, 2021

Subject: Independent Audit Report for the Fiscal Year Ended June 30, 2020,
Submitted by Crowe LLP

- Information Item Only
- Approval on Consent Agenda
- Conference (for discussion only)
- Conference/First Reading (Action Anticipated: _____)
- Conference/Action
- Action
- Public Hearing

Division: Business Services

Recommendation: Receive the Independent Audit Report for the Fiscal Year Ended June 30, 2020, submitted by Crowe LLP.

Background/Rationale: Education Code Section 41020 requires school districts to conduct an annual audit of all funds under the jurisdiction of the Governing Board. The Sacramento City Unified School District is currently under contract with Crowe LLP to conduct this annual audit of district records.

Crowe LLP has completed the audit for the 2019-20 fiscal year. State law requires that the Board of Education review the annual audit report. These reports are filed with the County Superintendent, State Department of Education and the State Controller's Office.

Financial Considerations: Contract for audit services - \$135,000.00

LCAP Goal(s): Family and Community Empowerment; Operational Excellence

Documents Attached:

1. Executive Summary
2. Independent Audit Report for the Fiscal Year Ended June 30, 2020, Submitted by Crowe LLP

<p>Estimated Time: 10 Minutes Submitted by: Rose Ramos, Chief Business Officer Approved by: Jorge A. Aguilar, Superintendent</p>

Board of Education Executive Summary

Business Services

Independent Audit Report for the Fiscal Year Ended June 30, 2020

Submitted by Crowe LLP

April 22, 2021



I. OVERVIEW/HISTORY:

Per Education Code section 41020, each year districts are required to conduct an annual audit of funds under the jurisdiction of the Governing Board by January 31. Due to the COVID-19 pandemic, the State of California extended the deadline for the 2019-20 audit report due date until March 31, 2021.

The firm of Crowe LLP audited the financial statements of the district for the year ended June 30, 2020. The audit is conducted in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. These standards require that the audit is planned and performed to obtain reasonable assurance about whether the financial statements are free of material misstatement. The audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation and internal controls.

Findings and recommendations are reviewed by district staff with corrective action responses provided in the audit report. In addition, the prior year findings and recommendations section of the audit report reflects the status of previously identified corrective actions.

Staff and Crowe LLP will present the 2019-20 audit report at tonight's April 8th Board Meeting.

II. DRIVING GOVERNANCE:

- Education Code section 41020 outlines the requirements for the annual audit; scope of examination; licensing requirements and other limitations; contents of auditor's report; corrections; certification.
- Education Code section 41020.3 states that by January 31 of each year, the governing body of each local education agency shall review, at a public meeting, the annual audit of the local education agency for the prior year, any audit exceptions identified in that audit, the recommendations or findings of any management letter issued by the auditor and any description of correction or plans to correct any exceptions or management letter issue.

Board of Education Executive Summary

Business Services

Independent Audit Report for the Fiscal Year Ended June 30, 2020

Submitted by Crowe LLP

April 22, 2021



III. BUDGET:

The cost of the annual audit for the year ending June 30, 2020 was \$135,000. This is a General Fund expenditure.

IV. GOALS, OBJECTIVES AND MEASURES:

Meet required timeline for annual audit report review by the Board.

V. MAJOR INITIATIVES:

Use findings and recommendations as a guide to ensure continuous improvement.

VI. RESULTS:

Work towards the preparation of the annual audit will continue throughout the year. The initial audit starts in the spring of each year.

VII. LESSONS LEARNED/NEXT STEPS:

- Continue working with external auditors to review processes and procedures.
- Ensure recommendations and corrective actions are implemented.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS

June 30, 2020

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
 FINANCIAL STATEMENTS
 WITH SUPPLEMENTARY INFORMATION
 For the Year Ended June 30, 2020

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SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
 FINANCIAL STATEMENTS
 WITH SUPPLEMENTARY INFORMATION
 For the Year Ended June 30, 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Sacramento City Unified School District
Sacramento, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental 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, 2020, and the related notes to the financial statements, which collectively comprise Sacramento City Unified School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Sacramento City Unified School District, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

(Continued)

Emphasis of Matter - Management's Plan

As discussed in Note 14 of the financial statements, the District has suffered from declining student enrollment and attendance percentages, cost pressures related to escalating pension and healthcare costs and costs associated with Special Education program and facilities requirements and significant deficit spending in the General Fund. Management's plan in regard to these matters is described in Note 14. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 to 15 and the Required Supplementary Information, such as the General Fund Budgetary Comparison Schedule, the Schedule of Changes in Net Other Postemployment Benefits (OPEB) Liability and Related Ratios, the Schedule of the District's Contributions – OPEB, the Schedule of the District's Proportionate Share of the Net Pension Liability, and Schedule of the District's Contributions on pages 62 to 68 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sacramento City Unified School District's basic financial statements. The accompanying schedule of expenditure of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditure of federal awards and other supplementary information as listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information, except for the Schedule of Financial Trends and Analysis, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards and other supplementary information as listed in the table of contents, except for the Schedule of Financial Trends and Analysis, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Financial Trends and Analysis has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

(Continued)

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2021 on our consideration of Sacramento City Unified School District's internal control over financial reporting and on 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 effectiveness of Sacramento City Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sacramento City Unified School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Crowe LLP". The signature is written in a cursive, slightly slanted style.

Crowe LLP

Sacramento, California
March 24, 2021

Management’s Discussion and Analysis

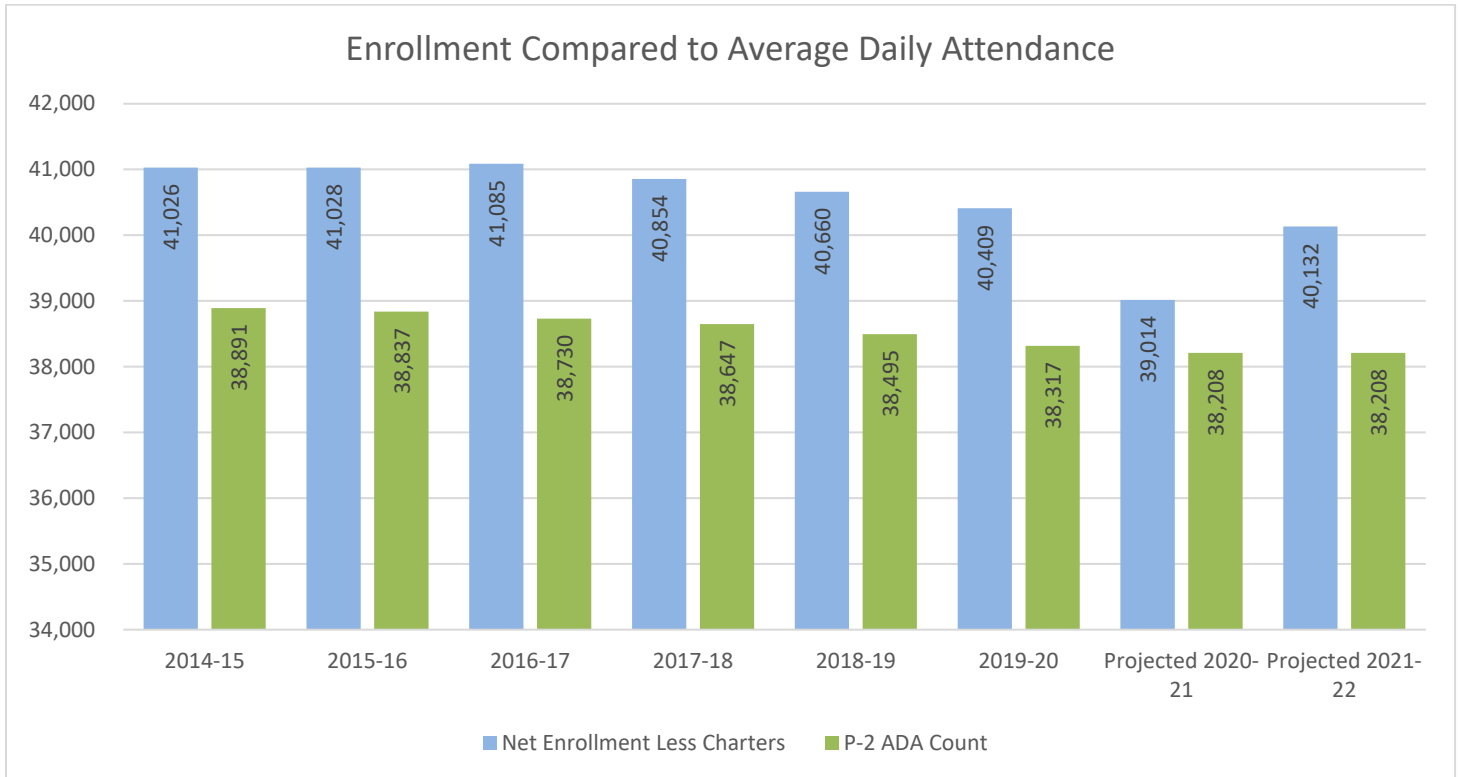
The Management’s Discussion and Analysis (MD&A) Section of the audit report is District management’s overall view of the District’s financial condition and provides an opportunity to discuss important fiscal issues with the Board and the public. The MD&A is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34. 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 thirteenth largest school district in California regarding student enrollment. The District provides educational services to the residents in and around Sacramento, the state capital. The District operates under the jurisdiction of the Sacramento County Office of Education, although the District has attained “fiscal accountability” status under California Education Code.

For fiscal year 2019-20, the District operated 42 elementary schools (grades K-6), seven elementary/middle schools (grades K-8), six middle schools (grades 7-8), two middle/high schools (grades 7-12), seven high schools (grades 9-12), three alternative schools, two special education centers, two adult education centers, 16 charter schools (including five district operated charter schools) and 42 children’s centers/preschools serving infants through age 12.

The graph below shows the District’s enrollment trend, net of charter school enrollment. The District’s enrollment and average daily attendance (ADA) continue to decline year over year. The District is funded based on its ADA, which is tracked daily with staff following up on areas of concern. The District averages approximately 95% ADA to enrollment.



COVID-19 Impacts

On March 13, 2020, California Governor Gavin Newsom issued Executive Order N-26-20, proclaiming a State of Emergency to exist in California as a result of the threat of the COVID-19 virus, and providing that if any California school districts, county offices of education, and charter schools (each a “Local Educational Agency” or “LEA”) closes its schools to address COVID-19, the LEA will continue to receive state funding during the period of closure. The Governor also signed Senate Bill 117 (“SB 117”) as urgency legislation effective immediately. For purposes of school district funding for fiscal year 2019-20, SB 117 limits the average daily attendance reported to the California Department of Education to include the full school months from July 1, 2019, to February 29, 2020. This condensed ADA period applies to school districts that comply with Executive Order N-26-20. SB 117 further states the intent of the State Legislature that a school district’s employees and contractors be paid during the period of a school closure due to COVID-19. SB 117 also waived instructional time penalties that would otherwise accrue, as long as the school district superintendent, county superintendent or charter school administrator certify that the closure due to COVID-19 caused the school district to fall below applicable instructional time requirements. While SB 117 provided some immediate relief to school districts, the short-term and long-term impacts of the COVID-19 outbreak are unknown as the situation continues to evolve.

Governance

The District is governed by a Board of Education consisting of seven members and one non-voting 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, beginning in 2008, Board member elections are no longer held district-wide but instead are held among voters who reside in each of seven trustee areas.

Strategic Plan and Guiding Principle

The District’s *Strategic Plan 2016-2021* makes a commitment to provide every student with access to opportunities for success. It functions like a blueprint, outlining a vision for our schools in the future and providing the steps necessary to attain the vision. The Strategic Plan also guides the District’s Local Control and Accountability Plan, pairing actions with resources.

The District’s Mission:

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

The District’s Vision:

Every student is a responsible, productive citizen in a diverse and competitive world.

The District’s Core Values:

- **Equity:** Commitment to reducing the academic achievement gap by ensuring that all students have equal access to the opportunities, supports and the tools they need to be successful.
- **Achievement:** Students will be provided with a relevant, rigorous and well-rounded curriculum, with the expectation that all will be well prepared for a career and post-secondary education.
- **Integrity:** Communication and interaction among and between students, parents, staff, labor and community partners is defined by mutual respect, trust and support.

- **Accountability:** Commitment to transparency and ongoing review of data will create a culture focused on results and continuous improvement in a fiscally sustainable manner.

The District's Goals:

- **College, Career and Life Ready Graduates:** Challenge and support all students to actively engage in rigorous and relevant curriculum that prepares them for college, career, and a fulfilling life, regardless of zip code, race/ethnicity, ability, language proficiency, and life circumstance.
- **Safe, Emotionally Healthy and Engaged Students:** Provide supports and opportunities to ensure that every student succeeds, with safe school environments that foster student engagement, promote daily attendance, and remove barriers to learning.
- **Family and Community Empowerment:** Commit to a welcoming school environment for our community; recognize and align district partnerships; and provide tools and family empowerment opportunities that are linked to supporting student academic achievement and social emotional competencies in order for families to be equal and active partners in their child's educational success.

Strategic Plan and Guiding Principle (Continued)

- **Operational Excellence:** Be a service-focused organization. Consistently serve students, families, staff and community with efficient and effective programs, practices, policies and procedures at every point of contact across the district.

In addition to the Strategic Plan, the District's Equity, Access, and Social Justice Guiding Principle – All students are given an equal opportunity to graduate with the greatest number of postsecondary choices from the widest array of options – guides decision making and resource allocation.

Overview of the Financial Statements

This annual report consists of five parts: (1) management's discussion and analysis (this section); (2) the financial statements; (3) required supplementary information; (4) supplementary information and (5) findings and recommendations.

The remainder of the MD&A highlights the structure and contents of each of the statements.

The financial statements include two kinds of statements that present different views of the District: district-wide financial statements and fund financial statements. The financial statements also include notes that explain some of the information in the statements and provide more detail.

The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial position. The Statement of Net Position includes all of the District's assets and liabilities and deferred outflows and inflows of resources. All current year revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid. The District's activities are divided into two categories:

- **Governmental activities** – Most of the District's basic services are included here, such as regular and special education, transportation and administration. State support from the Local Control Funding Formula (LCFF) and categorical apportionments finance most of these activities.
- **Business-type activities** – The District does not currently have any business-type activities.

These two financial statements start on page 16.

The remaining statements are fund financial statements that report on the District's operations in more detail than the district-wide statements. These statements begin on page 18.

The statements are followed by a section of required supplementary information and supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

District-wide Financial Condition

The Statement of Net Position is a district-wide financial statement that reports all that the District owns (assets) and owes (liabilities). The District displays the book value of all district assets including buildings, land and equipment, and related depreciation, in this financial statement. Land is accounted for at purchase cost, not market value, and is not depreciated. Many school sites have low values because the District acquired the land many decades ago. School buildings are valued at their historical construction cost less depreciation.

District-wide Financial Condition (Continued)

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

	June 30, 2020	June 30, 2019	Variance	% Difference
Capital Assets	\$634,742,766	\$600,730,370	\$34,012,396	6%
Other Assets	\$318,570,580	\$310,512,830	\$8,057,750	3%
Total Assets	\$953,313,346	\$911,243,200	\$42,070,146	5%
Deferred Outflows of Resources	\$210,452,896	\$207,918,514	\$2,534,382	1%
Current and Other Liabilities	\$73,558,105	\$71,284,242	\$2,273,863	3%
Long-Term Liabilities	\$1,663,304,598	\$1,608,818,718	\$54,485,880	3%
Total Liabilities	\$1,736,862,703	\$1,680,102,960	\$56,759,743	3%
Deferred Inflows of Resources	\$254,121,097	\$297,434,156	(\$43,313,059)	-15%
Net Investment in Capital Assets (net of related debt)	\$147,137,588	\$101,653,692	\$45,483,896	45%
Restricted Net Position	\$60,141,603	\$110,686,852	(\$50,545,249)	-46%
Unrestricted Net Position	(\$1,034,496,749)	(\$1,070,715,946)	\$36,219,197	3%
Total Net Position	(\$827,217,558)	(\$858,375,402)	\$31,157,844	4%

At the end of fiscal year 2019-20, the District had a total value of \$1,261,041,707 in capital assets. Capital assets include land, buildings, site improvements, equipment and work in progress. Total accumulated depreciation amounted to \$626,298,941. Net capital assets totaled \$634,742,766, an increase of \$34,012,396 from prior year.

Current and other liabilities include accounts payable, unpaid self-insurance claims and unearned revenue. The District ended the year with a total of \$1,736,862,703 in outstanding obligations, which was an increase of \$56,759,743 over the prior year. The primary reason for the increase in liabilities was an increase of \$41.7M in net OPEB liability and \$13M increase in net pension liability.

District-wide Financial Condition (Continued)

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:

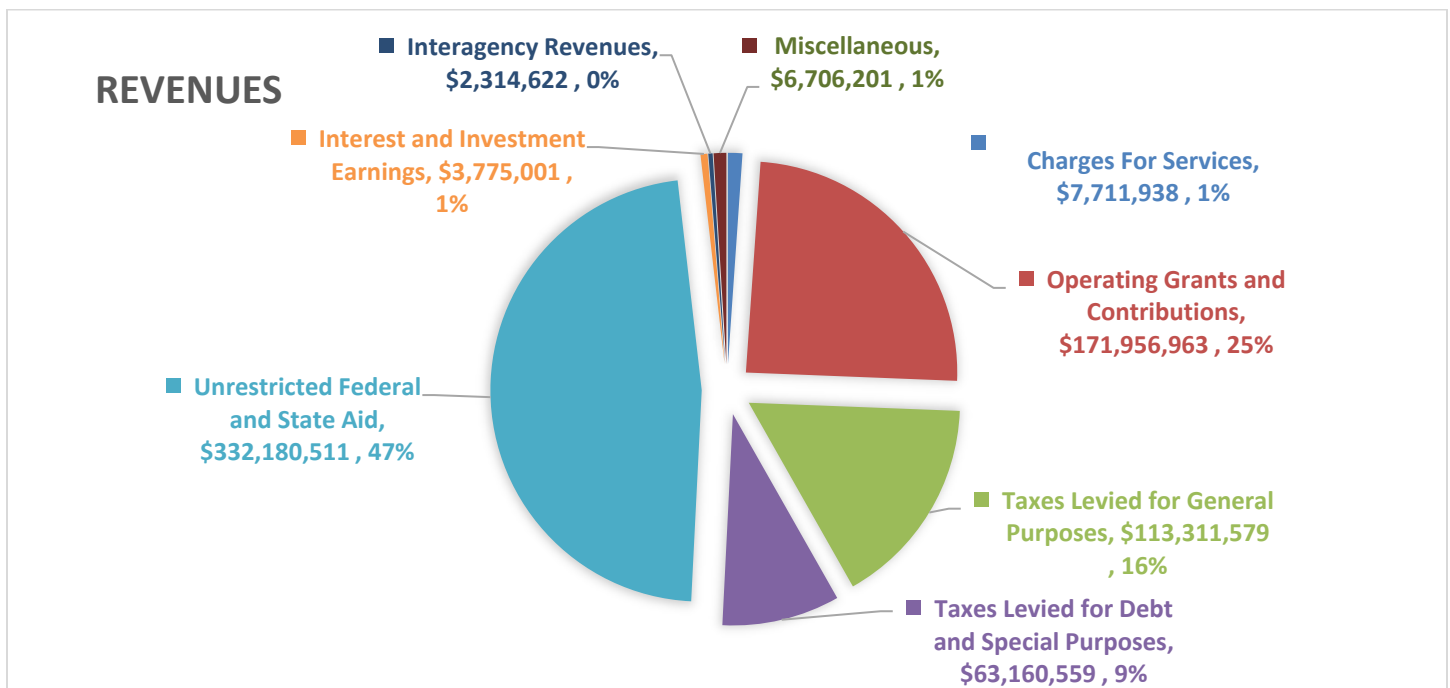
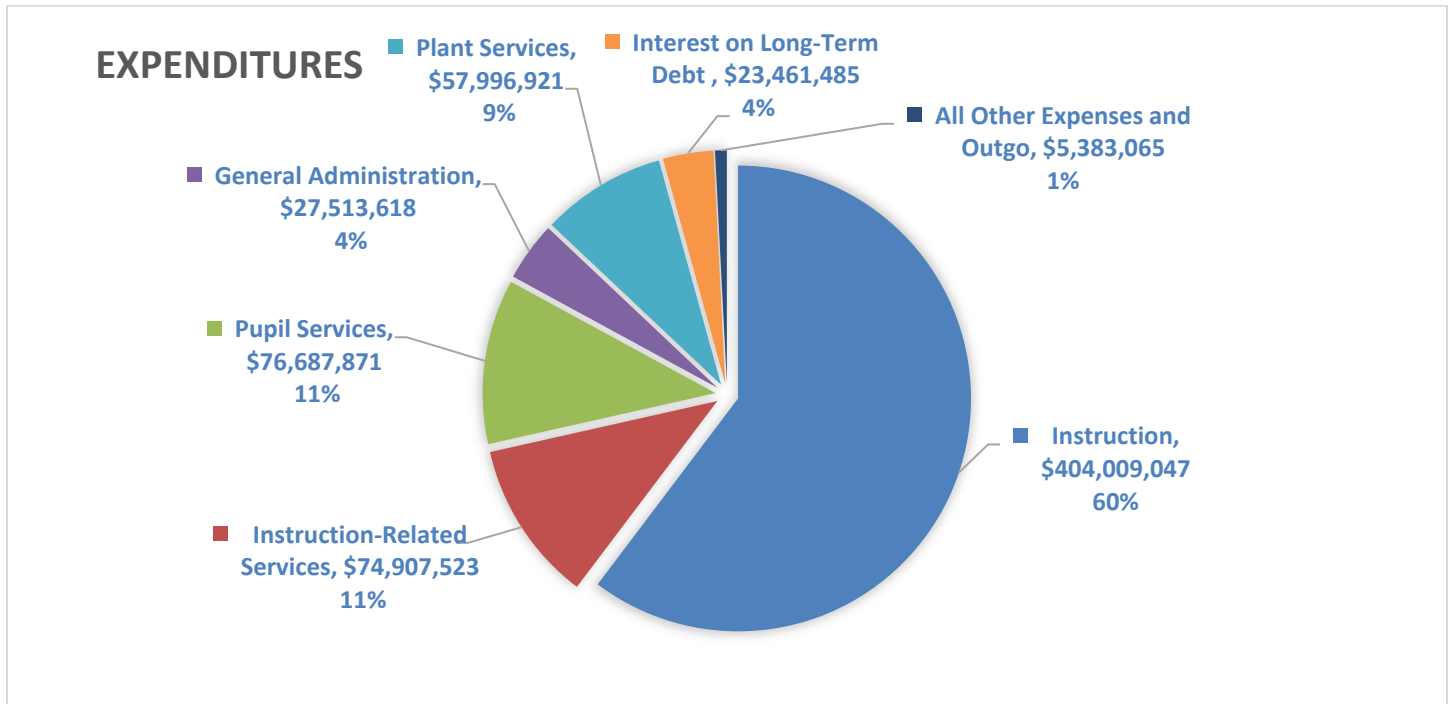
	30-Jun-20	30-Jun-19	Variance	% Diff
Expenses				
Governmental Activities:				
Instruction	\$404,009,047	\$419,527,389	(\$15,518,342)	-4%
Instruction-Related Services	\$74,907,523	\$81,354,730	(\$6,447,207)	-8%
Pupil Services	\$76,687,871	\$79,300,531	(\$2,612,660)	-3%
General Administration	\$27,513,618	\$28,744,402	(\$1,230,784)	-4%
Plant Services	\$57,996,921	\$55,258,398	\$2,738,523	5%
Interest on Long-Term Debt	\$23,461,485	\$23,707,226	(\$245,741)	-1%
All Other Expenses and Outgo	\$5,383,065	\$4,878,550	\$504,515	10%
Total Governmental Activity Expenses	\$669,959,530	\$692,771,226	(\$22,811,696)	-3%

Revenues				
Charges For Services	\$7,711,938	\$2,112,660	\$5,599,278	265%
Operating Grants and Contributions	\$171,956,963	\$192,849,110	(\$20,892,147)	-11%
Capital Grants and Contributions	\$0	\$0	\$0	0%
Taxes Levied for General Purposes	\$113,311,579	\$104,041,329	\$9,270,250	9%
Taxes Levied for Debt and Special Purposes	\$63,160,559	\$50,109,796	\$13,050,763	26%
Unrestricted Federal and State Aid	\$332,180,511	\$328,765,116	\$3,415,395	1%
Interest and Investment Earnings	\$3,775,001	\$4,986,848	(\$1,211,847)	-24%
Interagency Revenues	\$2,314,622	\$2,424,979	(\$110,357)	-5%
Special and Extraordinary Items	\$0	\$1,360,162	(\$1,360,162)	-100%
Miscellaneous	\$6,706,201	\$9,862,501	(\$3,156,300)	-32%
Total Revenues	\$701,117,374	\$696,512,501	\$4,604,873	1%

Change in Net Position	\$31,157,844	\$3,741,275	\$27,416,569	733%
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District-wide Financial Condition (Continued)

The District overall experienced a \$31,157,844 increase in net position. Total revenues increased by 1% or \$4,604,873 from the 2018-19 fiscal year and total expenditures decreased by 3% or \$22,811,696 from the 2018-19 fiscal year. The decrease in expenditures is primarily due to a decrease in Instructional expenditures as a result of school closures during the COVID-19 pandemic.



Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds. A fund consists of a self-balancing set of accounts that the District uses to track specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (such as cafeteria funds) or to show that it is properly using certain revenues (such as community facility funds).

The District has three kinds of funds:

- Governmental Funds - Most of the District's basic services are included in governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flow in and out; and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.
- Proprietary Funds - Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements. Enterprise funds (one type of proprietary fund) are the same as business-type activities, but provide more detail and additional information, such as cash flows. The District does not currently have any business-type activities. Internal service funds (another type of proprietary fund) are used to report activities that provide supplies and services for the District's other programs and activities. The District currently has one internal service fund, the Self-Insurance Fund, which includes Workers' Compensation and Dental/Vision.
- Fiduciary Funds - The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

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 account for revised and new categorical funding appropriations and related expenditures, and to update budgets for prior year carryover amounts. The budget may also be revised to reflect mid-year changes to the State Budget which affect district funding. Additionally, the District is required to prepare expenditure reports and must include multi-year projections at least twice a year. The following table summarizes the General Fund budget to actual information for the year ended June 30, 2020:

	Adopted Budget	Year End Budget	Actual
Total Revenues	\$559,791,321	\$563,717,515	\$553,948,590
Total Expenditures	\$580,686,953	\$570,720,251	\$532,129,368
Total Other Financing Sources/(Uses)	\$2,188,754	\$1,055,508	\$900,042

The net revenue increase of \$3,926,194 between Adopted Budget and Year End Budget is due to an increase in Federal Revenue due to the third interim report reflecting the revised budget based on award allocations and not estimated actuals.

The net decrease to the total expenditure budget between Adopted and Year End Budget was \$11,425,482, due to one time savings including a \$3.7M decrease in books and supplies and \$2.2M decrease in operations and service agreements.

Actual revenues were \$9,768,925, or 1.7%, below Year End Budget, due primarily to unspent and unearned categorical revenue and one-time revenues that carryover to 2020-21. Actual expenditures were \$38,246,304, or 6.75%, below Year End Budget due to one time savings in multiple categories as a result of the COVID-19 pandemic and school closures.

The following table summarizes the General Fund financial statements for the year ended June 30, 2020:

Total Revenues	\$553,948,590
Total Expenditures	\$532,129,368
Total Other Financing Sources/ (Uses)	\$900,042
Net Change	\$22,719,266

District Reserves and Net Ending Balance

Revenues that have not been expended during a budget year are carried over for expenditure in the subsequent year and are identified as the District's "Net Ending Balance." Included within the projected net ending balance is a "reserve for economic uncertainties." The State requires districts of our size to retain an amount equal to 2% of our budgeted expenditures to cover unforeseen shortfalls in revenues or expenditures greater than budgeted. Also included in the net ending balance are carryover balances that originated from sources that can only be used for specific purposes. These "restricted" resources can only be spent on the purposes determined by the grantor, and the balances in these accounts carry the same restrictions as the originating revenue.

The District also has the option of committing or assigning the ending balance. Committing funds requires the Board of Education to designate the funds for any purpose by a majority vote at a Board meeting. Once the funds are committed, the amounts cannot be used for any other purpose unless the Board takes action to remove or change the constraints for the committed funds. The Board has not taken any action in 2019-20 to commit funds. Assigned ending balances are constrained by the District's intent but are neither restricted nor committed. An example of assignment is designating the ending balance to be used for a future textbook adoption.

The chart below represents the District's financial analysis of its Governmental and Proprietary Funds:

Ending Fund Balances	June 30, 2020	June 30, 2019	Difference
Fund 01 General	\$93,048,611	\$70,329,345	\$22,719,266
Fund 09 Charter Schools	\$3,975,366	\$3,854,437	\$120,929
Fund 11 Adult Education	\$353,245	\$77,992	\$275,253
Fund 12 Child Development	\$15,285	\$15,636	(\$351)
Fund 13 Cafeteria	\$12,807,058	\$12,582,507	\$224,551
Fund 14 Deferred Maintenance	\$0	\$0	\$0
Fund 21 Building	\$62,467,593	\$95,280,449	(\$32,812,856)
Fund 25 Developer Fees	\$20,196,507	\$16,104,357	\$4,092,150
Fund 49 Community Facilities	\$2,020,746	\$1,991,387	\$29,359
Fund 51 Bond Interest and Redemption	42,936,840	\$31,953,446	\$10,983,394
Fund 67 Self Insurance	\$12,935,257	\$12,448,490	\$486,767

Capital Projects

Modernization and construction projects are scheduled to continue as we update our existing facilities and continue to close out construction projects. With the passage of Bond Measures Q and R in 2012, the District continues facility improvements, modernization and construction projects that enhance the learning environment.

Total Expenditures for Fiscal Year Ended June 30, 2020

<u>Measure Q Total</u>		<u>\$ 44,787,799</u>
• Program Management Expenditures		\$ 2,362,796
• Completed Project Expenditures:		
▪ Core Academic Renovation	\$ 13,410,753	
▪ District Wide Fire & Irrigation Improvements	\$ 37,872	
▪ Modernization, Repair & Upgrades	\$ 8,400,684	
▪ Resource and Energy Conservation Improvement Projects	\$ 24,372	
▪ Technology Upgrades	\$ 4,724,401	
• In Progress Project Expenditures:		
▪ Core Academic Renovation	\$ 13,155,555	
▪ District Wide Fire & Irrigation Improvements	\$ 175,692	
▪ Modernization, Repair & Upgrades	\$ 1,347,592	
▪ Resource and Energy Conservation Improvement Projects	\$ 808,765	
▪ Technology Upgrades	\$ 339,317	
<u>Measure R Total</u>		<u>\$ 20,781,793</u>
• Program Management Expenditures		\$ 390,658
• In Progress Project Expenditures:		
▪ Nutrition Services Center		\$ 20,391,135

Summary of Future Projects as of June 30, 2020

<u>Project Year(s)</u>	<u>Projects</u>	<u>Estimated Budget</u>
<u>Measure Q Total</u>		<u>\$ 77,100,000</u>
2020-2022	Core Academic Renovation	\$ 10,988,613
2020-2022	Modernization, Repair and Upgrade Projects	\$ 64,111,387
2020-2022	Resource & energy Conservation Improvement Projects	\$ 2,000,000

District Indebtedness

As of June 30, 2020, the District has incurred \$1,663,304,598 in long-term liabilities. Of this amount, \$465,127,966 are General Obligation Bonds and Accreted Interest backed by property tax increases voted on by District residents in 1999, 2002 and 2012, and \$60,550,000 is Lease Revenue Bonds, backed by Developer Fees and Mello-Roos Community Facilities funds.

The District continues to provide lifetime health benefits to eligible retirees. The recognized net OPEB liability increased by \$41,731,317 or from \$526,175,712 to \$567,907,029 due to a change in the discount rate assumed for the actuarial report.

Financial Outlook

A continued projected decline in ADA, increased operating expenditures, such as rising special education costs and pension and health premium increases, and uncertain future state resources are key issues facing Sacramento City Unified School District. The development of future budgets will be influenced by external variables such as the State Budget and enrollment changes.

The District's 2020-21 Second Interim multi-year projections indicate that the District may be able to meet its financial obligations for the current and two subsequent years. The District has taken measures to reduce expenditures and increase reserves over the last fiscal year, primarily due to one-time savings however the District's projected deficit persists in the multi-year projections as of the 2020-2021 Second Interim Financial Report. The District was granted cash deferral exemptions for the months of April and May 2021 and due to school closures during the 2020-21 fiscal year, the District is projecting to avoid \$40 million in one-time operational costs. These two factors improved the District's cash balances and the District is projected to have positive cash balances at June 30 for all three fiscal years 2020-2021, 2021-2022 and 2022-2023.

The District is working with its labor partners, community stakeholders, the Sacramento County Office of Education and assigned fiscal advisor to achieve fiscal stability and continues to evaluate all opportunities to mitigate deficit spending, which includes reducing salaries and benefits expenditures, for an improved future financial outlook.

BASIC FINANCIAL STATEMENTS

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2020

	<u>Governmental Activities</u>
ASSETS	
Cash and investments (Note 2)	\$ 212,382,118
Receivables	104,212,525
Stores inventory	1,975,937
Non-depreciable capital assets (Note 4)	99,557,448
Depreciable capital assets, net of accumulated depreciation (Note 4)	<u>535,185,318</u>
Total assets	<u>953,313,346</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - pensions (Notes 8 and 9)	153,388,172
Deferred outflows of resources - OPEB (Note 10)	55,314,305
Deferred loss on refunding of debt	<u>1,750,419</u>
Total deferred outflows of resources	<u>210,452,896</u>
LIABILITIES	
Accounts payable	67,035,620
Unpaid claims and claim adjustment expenses (Note 5)	348,069
Unearned revenue	6,174,416
Long-term liabilities (Note 6):	
Due within one year	38,901,343
Due after one year	<u>1,624,403,255</u>
Total liabilities	<u>1,736,862,703</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - OPEB (Note 10)	210,372,097
Deferred inflows of resources - pensions (Notes 8 and 9)	<u>43,749,000</u>
Total deferred inflows of resources	<u>254,121,097</u>
NET POSITION	
Net investment in capital assets	147,137,588
Restricted:	
Legally restricted programs	1,873,400
Capital projects	15,331,363
Debt service	42,936,840
Unrestricted	<u>(1,034,496,749)</u>
Total net position	<u>\$ (827,217,558)</u>

See accompanying notes to the financial statements.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

		Program Revenues				Net (Expense) Revenue and Changes in <u>Net Position</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	Governmental Activities	
Governmental activities:						
Instruction	\$ 404,009,047	\$ 5,502,657	\$ 104,105,610	\$ -	\$	(294,400,780)
Instruction-related services:						
Supervision and administration	30,504,461	75,051	15,850,262	-	-	(14,579,148)
Library, media and technology	2,985,450	-	548,218	-	-	(2,437,232)
School site administration	41,417,612	12,016	4,951,127	-	-	(36,454,469)
Pupil services:						
Home-to-school transportation	12,578,726	38,086	100,963	-	-	(12,439,677)
Food services	24,690,708	762,524	24,642,858	-	-	714,674
All other pupil services	39,418,437	69,786	15,097,188	-	-	(24,251,463)
General administration:						
Centralized data processing	4,424,597	2,174	75,985	-	-	(4,346,438)
All other general administration	23,089,021	37,526	4,490,639	-	-	(18,560,856)
Plant services	57,996,921	723,462	1,392,833	-	-	(55,880,626)
Ancillary services	3,305,273	208	147,778	-	-	(3,157,287)
Community services	411,266	-	-	-	-	(411,266)
Enterprise activities	126,322	-	-	-	-	(126,322)
Other outgo	1,540,204	488,448	553,502	-	-	(498,254)
Interest on long-term liabilities	23,461,485	-	-	-	-	(23,461,485)
	<u>\$ 669,959,530</u>	<u>\$ 7,711,938</u>	<u>\$ 171,956,963</u>	<u>\$ -</u>	<u>\$</u>	<u>(490,290,629)</u>
Total governmental activities						
General revenues:						
Taxes and subventions:						
Taxes levied for general purposes						113,311,579
Taxes levied for debt service						58,536,217
Taxes levied for other specific purposes						4,624,342
Federal and state aid not restricted to specific purposes						332,180,511
Interest and investment earnings						3,775,001
Interagency revenues						2,314,622
Miscellaneous						6,706,201
						<u>521,448,473</u>
Total general revenues						
Change in net position						31,157,844
Net position, July 1, 2019						<u>(858,375,402)</u>
Net position, June 30, 2020						<u>\$ (827,217,558)</u>

See accompanying notes to the financial statements.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020

	General Fund	Building Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total Governmental Funds
ASSETS					
Cash and investments:					
Cash in County Treasury	\$ 48,227,154	\$ 36,230,733	\$ 48,893,758	\$ 31,431,333	\$ 164,782,978
Cash in banks	85,883	685	-	2,567,152	2,653,720
Cash in revolving fund	225,000	-	-	2,000	227,000
Cash with fiscal agent	-	33,122,750	800,635	-	33,923,385
Receivables	64,707,798	1,458,660	315,633	10,698,033	77,180,124
Due from grantor governments	24,179,665	-	-	346,473	24,526,138
Due from other funds	2,814,637	413,090	-	1,221,204	4,448,931
Stores inventory	104,537	-	-	1,871,400	1,975,937
	<u>140,344,674</u>	<u>71,225,918</u>	<u>50,010,026</u>	<u>48,137,595</u>	<u>309,718,213</u>
Total assets	<u>\$ 140,344,674</u>	<u>\$ 71,225,918</u>	<u>\$ 50,010,026</u>	<u>\$ 48,137,595</u>	<u>\$ 309,718,213</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 40,063,484	\$ 8,758,325	\$ 7,073,186	\$ 5,378,874	\$ 61,273,869
Unearned revenue	5,597,401	-	-	577,015	6,174,416
Due to other funds	1,635,178	-	-	2,813,499	4,448,677
	<u>47,296,063</u>	<u>8,758,325</u>	<u>7,073,186</u>	<u>8,769,388</u>	<u>71,896,962</u>
Total liabilities	<u>47,296,063</u>	<u>8,758,325</u>	<u>7,073,186</u>	<u>8,769,388</u>	<u>71,896,962</u>
Fund balances:					
Nonspendable	329,537	-	-	1,873,400	2,202,937
Restricted	8,586,429	62,467,593	42,936,840	37,494,807	151,485,669
Assigned	944,497	-	-	-	944,497
Unassigned	83,188,148	-	-	-	83,188,148
	<u>93,048,611</u>	<u>62,467,593</u>	<u>42,936,840</u>	<u>39,368,207</u>	<u>237,821,251</u>
Total fund balances	<u>93,048,611</u>	<u>62,467,593</u>	<u>42,936,840</u>	<u>39,368,207</u>	<u>237,821,251</u>
Total liabilities and fund balances	<u>\$ 140,344,674</u>	<u>\$ 71,225,918</u>	<u>\$ 50,010,026</u>	<u>\$ 48,137,595</u>	<u>\$ 309,718,213</u>

See accompanying notes to the financial statements.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET -
TO THE STATEMENT OF NET POSITION
June 30, 2020

Total fund balances - Governmental Funds \$ 237,821,251

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used for governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$1,261,041,707 and the accumulated depreciation is \$626,298,941 (Note 4). 634,742,766

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, 2020 consisted of (Note 6):

General Obligation Bonds	\$	(465,127,966)	
Accreted interest		(20,661,016)	
Lease Revenue Bonds		(60,550,000)	
Premium on issuance		(33,031,114)	
Net pension liability (Notes 8 and 9)		(511,057,000)	
Net OPEB liability (Note 10)		(567,907,029)	
Compensated absences		<u>(4,970,473)</u>	
			(1,663,304,598)

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Net position of the Self-Insurance Fund is: 12,935,257

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: (5,744,033)

Losses on the refunding of debt are recognized as expenditures in the period they are incurred. In the government-wide statements, they are categorized as deferred outflows and are amortized over the life of the related debt. 1,750,419

In government funds, deferred outflows and inflows of resources relating to other postemployment benefits (OPEB) are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to OPEB are reported (Note 10).

Deferred outflows of resources relating to OPEB	\$	55,314,305	
Deferred inflows of resources relating to OPEB		<u>(210,372,097)</u>	
			(155,057,792)

In government funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported (Notes 8 and 9).

Deferred outflows of resources relating to pensions	\$	153,388,172	
Deferred inflows of resources relating to pensions		<u>(43,749,000)</u>	<u>109,639,172</u>

Total net position - governmental activities \$ (827,217,558)

See accompanying notes to the financial statements.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2020

	General Fund	Building Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total Governmental Funds
Revenues:					
Local control funding formula (LCFF):					
State apportionment	\$ 313,649,770	\$ -	\$ -	\$ 18,126,140	\$ 331,775,910
Local sources	100,059,346	-	-	-	100,059,346
Total LCFF	413,709,116	-	-	18,126,140	431,835,256
Federal sources	51,917,179	-	-	30,961,517	82,878,696
Other state sources	78,372,218	-	376,868	10,750,137	89,499,223
Other local sources	9,950,079	4,618,773	59,740,576	16,964,779	91,274,207
Total revenues	553,948,592	4,618,773	60,117,444	76,802,573	695,487,382
Expenditures:					
Current:					
Certificated salaries	209,808,827	-	-	15,674,907	225,483,734
Classified salaries	60,163,620	565,539	-	13,043,411	73,772,570
Employee benefits	175,948,151	286,876	-	18,764,855	194,999,882
Books and supplies	11,145,790	5,350,705	-	10,864,896	27,361,391
Contract services and operating expenditures	65,548,240	2,058,054	-	4,042,078	71,648,372
Other outgo	1,150,697	-	389,507	-	1,540,204
Capital outlay	8,361,223	59,993,124	-	3,380,810	71,735,157
Debt service:					
Principal retirement	2,820	-	29,950,000	2,570,000	32,522,820
Interest	-	-	20,126,531	2,897,014	23,023,545
Total expenditures	532,129,368	68,254,298	50,466,038	71,237,971	722,087,675
Excess (deficiency) of revenues over (under) expenditures	21,819,224	(63,635,525)	9,651,406	5,564,602	(26,600,293)
Other financing sources (uses):					
Transfers in	3,598,304	-	-	2,698,262	6,296,566
Transfers out	(2,698,262)	(77,331)	-	(3,520,973)	(6,296,566)
Proceeds from the sale of bonds	-	30,900,000	-	-	30,900,000
Premiums from the sale of bonds	-	-	1,331,988	-	1,331,988
Total other financing sources (uses)	900,042	30,822,669	1,331,988	(822,711)	32,231,988
Change in fund balances	22,719,266	(32,812,856)	10,983,394	4,741,891	5,631,695
Fund balances, July 1, 2019	70,329,345	95,280,449	31,953,446	34,626,316	232,189,556
Fund balances, June 30, 2020	<u>\$ 93,048,611</u>	<u>\$ 62,467,593</u>	<u>\$ 42,936,840</u>	<u>\$ 39,368,207</u>	<u>\$ 237,821,251</u>

See accompanying notes to the 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, 2020

Net change in fund balances - Total Governmental Funds	\$	5,631,695
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 position (Note 4).		72,114,893
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4)		(38,057,188)
In the governmental funds, the entire proceeds from the disposal of capital assets is reported as revenue. In the statement of activities, only the resulting gain or loss is reported (Note 4).		(45,309)
Proceeds from debt are recognized as other financing sources in the governmental funds, but increases the long-term liabilities in the statement of net position (Note 6).		(30,900,000)
Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but decreases the long-term liabilities in the statement of net position (Note 6).		32,522,820
Accreted interest is an expense that is not recorded in the governmental funds (Note 6).		(2,114,310)
Premiums related to the issuance of long-term liabilities is recognized as an other financing source in the governmental funds, but decreases the liability in the statement of net position. (Note 6).		1,198,882
In governmental funds, deferred inflows and deferred outflows of resources are not recognized. In the government-wide statements, deferred inflows and deferred outflows of resources are amortized over the life of the debt. The net activity in the deferred outflow for the current year is:		(334,816)
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.		(334,576)
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 position for the Self-Insurance Fund was:		486,767

(Continued)

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, 2020

In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was (Notes 8 and 9):	\$ (35,231,240)
In the statement of activities, expenses related to compensated absences are measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used (Notes 6).	(401,955)
In the statement of activities, expenses related to net OPEB liability are measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used (Notes 6 and 10).	<u>26,622,181</u>
Change in net position of governmental activities	<u>\$ 31,157,844</u>

See accompanying notes to the financial statements.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
STATEMENT OF FUND NET POSITION – PROPRIETARY FUND
SELF-INSURANCE FUND
June 30, 2020

ASSETS

Current assets:

Cash and investments:

Cash in County Treasury	\$ 10,544,087
Cash in banks	948
Cash with fiscal agent	250,000
Receivables	<u>2,506,263</u>

Total current assets 13,301,298

LIABILITIES

Current liabilities:

Accounts payable	17,718
Due to other funds	254
Unpaid claims and claim adjustment expenses	<u>348,069</u>

Total current liabilities 366,041

NET POSITION

Unrestricted \$ 12,935,257

See accompanying notes to the financial statements.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
STATEMENT OF CHANGE IN
NET POSITION – PROPRIETARY FUND
SELF-INSURANCE FUND
For the Year Ended June 30, 2020

Operating revenues:	
Self insurance premiums	<u>\$ 14,527,614</u>
Operating expenses:	
Classified salaries	336,894
Employee benefits	207,753
Books and supplies	10,084
Contract services	229
Provision for claims and claim adjustment expenses	<u>13,651,736</u>
Total operating expenses	<u>14,206,696</u>
Net operating income	320,918
Non-operating income:	
Interest income	<u>165,849</u>
Change in net position	486,767
Total net position, July 1, 2019	<u>12,448,490</u>
Total net position, June 30, 2020	<u><u>\$ 12,935,257</u></u>

See accompanying notes to the financial statements.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
STATEMENT OF CASH FLOWS – PROPRIETARY FUND
SELF-INSURANCE FUND
For the Year Ended June 30, 2020

Cash flows used in operating activities:

Cash received from self-insurance premiums and other revenue	\$ 13,562,239
Cash paid for employee benefits	(13,749,855)
Cash paid for other expenses	<u>(531,895)</u>

Net cash used in operating activities (719,511)

Cash flows provided by investing activities:

Interest income received	<u>165,849</u>
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Change in cash and investments (553,662)

Cash and investments, July 1, 2019 11,348,697

Cash and investments, June 30, 2020 \$ 10,795,035

Reconciliation of net operating income to net cash used in operating activities:

Net operating income \$ 320,918

Adjustments to reconcile operating income to net cash used in operating activities:

Decrease (increase) in:	
Receivables	(965,375)
Prepaid expenses	13,273
(Decrease) increase in:	
Unpaid claims and claim adjustment expenses	(98,119)
Accounts payable	9,658
Due to other funds	<u>134</u>

Total adjustments (1,040,429)

Net cash used in operating activities \$ (719,511)

See accompanying notes to the financial statements.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
TRUST AND AGENCY FUNDS
June 30, 2020

	Trust Fund	Agency Funds	
	Scholar- ship Trust	Student Body Funds	Warrant Pass-Through Fund
ASSETS			
Cash and investments (Note 2)			
Cash in County Treasury	\$ -	\$ -	\$ 41,462,525
Cash on hand and in banks	453,820	1,420,886	-
Receivables	-	1,072	-
Stores inventory	-	5,934	-
Total assets	453,820	\$ 1,427,892	\$ 41,462,525
LIABILITIES			
Due to student groups	-	\$ 1,427,892	\$ -
Accounts payable	-	-	41,462,525
Total liabilities	-	\$ 1,427,892	\$ 41,462,525
NET POSITION			
Restricted for scholarships	\$ 453,829		

See accompanying notes to the financial statements.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
STATEMENT OF CHANGE IN FIDUCIARY NET POSITION
TRUST FUND
For the Year Ended June 30, 2020

	Scholarship Trust
Additions:	
Other local sources	\$ <u>22,916</u>
Deduction:	
Contract services and operating expenditures	<u>31,325</u>
Change in net position	(8,409)
Net position, July 1, 2019	<u>462,238</u>
Net position, June 30, 2020	<u><u>\$ 453,829</u></u>

See accompanying notes to the financial statements.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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

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

A - Manifestations of Oversight

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

B - Accounting for Fiscal Matters

1. All major financing arrangements, contracts, and other transactions of the Corporation and the Authority must have the consent of the District.
2. Any deficits incurred by the Corporation and the Authority will be reflected in the lease payments of the District. Any surpluses of the Corporation and the Authority 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 and the Authority.
4. The District has assumed a "moral obligation," and potentially a legal obligation, for any debt incurred by the Corporation and the Authority.

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C - Scope of Public Service and Financial Presentation

1. The Corporation and the Authority were 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 Authority was created pursuant to a joint powers agreement between the District and the California Statewide Communities Development Authority, pursuant to the California Government Code, commencing with Section 6500. The Corporation and the Authority were 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 and Authority facilities. When the Authority's Lease Revenue Bonds have been paid with state reimbursements and the District's developer fees, title of all Corporation and Authority property will pass to the District for no additional consideration.
3. The Corporation's and the Authority's financial activity is presented in the financial statements in the Building Fund. Lease Revenue Bonds issued by the Authority are included in the government-wide financial statements. There are currently no outstanding Certificates of Participation under the Corporation as of June 30, 2020.

Basis of Presentation - Government-Wide Financial Statements: The Statement of Net Position 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 Position and the Statement of Change in Fiduciary Net Position at the fund financial statement level.

The Statement of Net Position and the Statement of Activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of Governmental Accounting Standards Board Codification Section (GASB Cod. Sec.) N50.118-.121.

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

Allocation of indirect expenses: The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Depreciation expense is specifically identified by function and is included in the direct expense of the respective 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.

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A - Major Funds:

1. General Fund:

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

2. Building Fund:

The Building Fund is a capital projects fund used to account for resources used for the acquisition or construction of capital facilities by the District.

3. Bond Interest and Redemption Fund:

The Bond Interest and Redemption Fund is a debt service fund used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. 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 - Other Funds:

The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. This classification includes the Charter Schools, Adult Education, Child Development and Cafeteria 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 Developer Fees and Community Facilities Funds.

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.

The Scholarship 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.

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. The District also has a Warrant Pass-Through Fund reported in the agency funds.

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Receivables: Receivables are made up principally of amounts due from the State of California and Categorical programs. The District has determined that no allowance for doubtful accounts was required as of June 30, 2020.

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.

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 acquisition value for the contributed asset. 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.

Deferred Outflows/Inflows of Resources: In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District has recognized a deferred loss on refunding reported in the Statement of Net Position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter life of the refunded or refunding debt. Additionally, the District has recognized a deferred outflow of resources related to the recognition of the net pension liability and net OPEB liability reported in the Statement of Net Position.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time. The District has recognized a deferred inflow of resources related to the recognition of the net pension liability and net OPEB liability reported in the Statement of Net Position.

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State Teachers' Retirement Plan (STRP) and Public Employers Retirement Fund B (PERF B) and additions to/deductions from STRP's and PERF B's fiduciary net position have been determined on the same basis as they are reported by STRP and PERF B. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Certain investments are reported at fair value.

	<u>STRP</u>	<u>PERF B</u>	<u>Total</u>
Deferred outflows of resources	\$ 119,256,635	\$ 34,131,537	\$ 153,388,172
Deferred inflows of resources	\$ 40,099,000	\$ 3,650,000	\$ 43,749,000
Net pension liability	\$ 357,334,000	\$ 153,723,000	\$ 511,057,000
Pension expense	\$ 84,495,834	\$ 33,494,324	\$ 117,990,158

Compensated Absences: Compensated absences totaling \$4,970,473 are recorded as a long-term 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 STRP and PERF B employees, when the employee retires.

Unearned 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 unearned revenue until earned.

Net Position: Net position is displayed in three components:

1. Net Investment in Capital Assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent bond proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted Net Position - Restrictions of the ending net position indicate the portions of net position not appropriable for expenditure or amounts legally segregated for a specific future use. The restriction for legally restricted programs represents the portion of net position restricted to specific program expenditures. The restriction for debt service repayments represents the portion of net position which the District plans to expend on debt repayment in the ensuing year. The restriction for capital projects represents the portion of net position restricted for capital projects. The restriction for scholarships represents the portion of net position to be used to provide financial assistance to students of the District. It is the District's policy to first use restricted net position when allowable expenditures are incurred.
3. Unrestricted Net Position – All other net position that does not meet the definitions of "restricted" or "net investment in capital assets".

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

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A - Nonspendable Fund Balance:

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

B - Restricted Fund Balance:

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

C - Committed Fund Balance:

The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Board of Education. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. Formal action by the Board of Education is required to remove any commitment from any fund balance. At June 30, 2020, the District had no committed fund balances.

D - Assigned Fund Balance:

The assigned fund balance classification reflects amounts that the District's Board of Education has approved to be used for specific purposes, based on the District's intent related to those specific purposes. The Board of Education can designate personnel with the authority to assign fund balances, however, as of June 30, 2020, no such designation has occurred.

E - Unassigned Fund Balance:

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

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

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

While GASB Cod. Sec. 1300 and 1800 do not require Districts to establish a minimum fund balance policy or a stabilization arrangement, GASB Cod. Sec. 1300 and 1800 do require the disclosure of a minimum fund balance policy and stabilization arrangements, if they have been adopted by the Board of Education. At June 30, 2020, the District has not established a minimum fund balance policy nor has it established a stabilization arrangement.

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. All encumbrances are liquidated as of June 30.

Eliminations and Reclassifications: In the process of aggregating data for the Statement of Net Position 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.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments at June 30, 2020 are reported at fair value and consisted of the following:

	Governmental Activities			Fiduciary Activities
	Governmental Funds	Proprietary Fund	Total	
Pooled Funds:				
Cash in County Treasury	\$ 164,782,978	\$ 10,544,087	\$ 175,327,065	\$ 41,462,525
Deposits:				
Cash on hand and in banks	2,653,720	948	2,654,668	1,874,706
Cash in revolving fund	227,000	-	227,000	-
Total deposits	2,880,720	948	2,881,668	1,874,706
Investments:				
Cash with fiscal agent	33,923,385	250,000	34,173,385	-
Total cash and investments	\$ 201,587,083	\$ 10,795,035	\$ 212,382,118	\$ 43,337,231

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 2 – CASH AND INVESTMENTS (Continued)

Pooled Funds: In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the interest-bearing Sacramento County Treasurer's Pooled Investment Fund. The District is considered to be an involuntary participant in the financial statements at the amounts based upon the District's pro-rate share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

Deposits - Custodial Credit Risk: The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2020, the carrying amount of the District's accounts was \$4,756,374 and the bank balance was \$4,137,751. \$1,016,298 of the bank balance was FDIC insured and \$3,121,453 remained uninsured.

Cash with Fiscal Agent: Cash with Fiscal Agent in the Governmental Funds represents funds held by Fiscal Agents restricted for capital projects and repayment of General Obligation Bonds. The District holds their funds with the Sacramento County Treasurer. The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis. Cash with Fiscal Agent held in the Proprietary Fund represents funds held as required by the District's third-party administrator, Self Insurance Authority, for the District's self-insurance activities.

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, 2020, 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, 2020, the District had no concentration of credit risk.

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2020

NOTE 3 – INTERFUND TRANSACTIONS

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

Interfund Receivables/Payables: Individual interfund receivable and payable balances at June 30, 2020 were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Funds:		
General	\$ 2,814,637	\$ 1,635,178
Building Fund	413,090	-
Non-Major Funds:		
Charter Schools	922,442	1,518,724
Adult Education	-	90,982
Child Development	298,262	358,486
Cafeteria	500	659,045
Developer Fees Fund	-	186,262
Self-Insurance	-	254
	<u> </u>	<u> </u>
Totals	\$ 4,448,931	\$ 4,448,931

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

Transfers for the 2019-2020 fiscal year were as follows:

Transfer from the General Fund to the Adult Education Fund to sustain certificate programs.	\$ 1,600,000
Transfer from the General Fund to the Child Development Fund to sustain child development programs.	1,098,262
Transfer from the Charter Schools Fund to the General Fund for charter fees.	2,226,774
Transfer from the Charter Schools Fund to the General Fund for indirect costs.	395
Transfer from the Adult Education Fund to General Fund for indirect costs.	79,028
Transfer from the Child Development Fund to the General Fund for indirect costs.	572,219
Transfer from the Cafeteria Fund to the General Fund for indirect costs.	642,557
Transfer from the Building Fund to the General Fund for loss claim less unfunded items for gym floor repairs.	<u>77,331</u>
	<u>\$ 6,296,566</u>

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 4 – CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2020 is shown below:

	Balance July 1, <u>2019</u>	Transfers and <u>Additions</u>	Transfers and <u>Deductions</u>	Balance June 30, <u>2020</u>
<u>Governmental Activities</u>				
Non-depreciable:				
Land	\$ 21,223,495	\$ -	\$ -	\$ 21,223,495
Work-in-process	77,041,421	46,232,612	44,940,080	78,333,953
Depreciable:				
Buildings	854,110,876	52,862,610	685,879	906,287,607
Site improvements	176,163,425	15,809,367	91,370	191,881,422
Equipment	<u>61,320,933</u>	<u>2,150,384</u>	<u>156,087</u>	<u>63,315,230</u>
Totals, at cost	<u>1,189,860,150</u>	<u>117,054,973</u>	<u>45,873,416</u>	<u>1,261,041,707</u>
Less accumulated depreciation:				
Buildings	(443,603,058)	(23,703,182)	(680,892)	(466,625,348)
Site improvements	(101,997,786)	(8,601,422)	(91,370)	(110,507,838)
Equipment	<u>(43,528,936)</u>	<u>(5,752,584)</u>	<u>(115,765)</u>	<u>(49,165,755)</u>
Total accumulated depreciation	<u>(589,129,780)</u>	<u>(38,057,188)</u>	<u>(888,027)</u>	<u>(626,298,941)</u>
Capital assets, net	<u>\$ 600,730,370</u>	<u>\$ 78,997,785</u>	<u>\$ 44,985,389</u>	<u>\$ 634,742,766</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 34,359,214
Food services	357,982
All other pupil services	1,515,511
Community services	236,339
All other general administration	1,204,085
Plant services	<u>384,057</u>
Total depreciation expense	<u>\$ 38,057,188</u>

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2020

NOTE 5 – SELF-INSURANCE CLAIMS

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

The liability for unpaid claims and claim adjustment expenses represents the ultimate cost of claims that have been reported but not settled and of claims that have been incurred but not reported. These claims will be paid in future years. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from coverage in the prior year.

District management recomputes the liability annually using available updated claims data. Annually, the District obtains 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 September 3, 2020 and April 5, 2019 for the years ended June 30, 2020 and June 30, 2019, respectively.

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

	June 30, <u>2019</u>	June 30, <u>2020</u>
Unpaid claim and claim adjustment expenses, beginning of year	\$ 543,004	\$ 446,188
Total incurred claims and claim adjustment expenses	14,334,946	13,651,736
Total payments	<u>(14,431,762)</u>	<u>(13,749,855)</u>
Total unpaid claims and claim adjustment expenses at end of year	<u>\$ 446,188</u>	<u>\$ 348,069</u>

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 6 – LONG-TERM LIABILITIES

General Obligation Bonds

A summary of General Obligation Bonds payable as of June 30, 2020 follows:

The Series 2007, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018 and 2019 Serial Bonds are authorized pursuant to the Election of 2002 and Election of 2012, and are payable from property taxes levied by the County of Sacramento.

<u>Series</u>	<u>Interest Rate</u>	<u>Original Maturity</u>	<u>Balance July 1, 2019</u>	<u>Current Year Issuance</u>	<u>Current Year Refunded & Matured</u>	<u>Balance June 30, 2020</u>
2007 - CA	4.6 - 4.8%	2032	\$ 26,077,966	\$ -	\$ -	\$ 26,077,966
2011	0.5 - 5.5%	2029	46,850,000	-	4,915,000	41,935,000
2012	2.0 - 5.3%	2031	81,650,000	-	6,675,000	74,975,000
2013 - A	2.0 - 5.0%	2038	12,015,000	-	380,000	11,635,000
2013 - B	5.7%	2038	40,000,000	-	-	40,000,000
2014	2.0 - 5.0%	2027	35,005,000	-	3,040,000	31,965,000
2015	2.0 - 5.0%	2030	27,825,000	-	2,735,000	25,090,000
2015 C1	2.0 - 5.0%	2041	64,515,000	-	1,780,000	62,735,000
2016	2.0-4.0%	2041	12,840,000	-	375,000	12,465,000
2017 - E	3.0-5.0%	2047	97,500,000	-	4,200,000	93,300,000
2017 - C	3.0-5.0%	2047	9,900,000	-	100,000	9,800,000
2018 - F	2.46%	2025	10,000,000	-	5,750,000	4,250,000
2019 - D	2.375-5.0%	2049	-	30,900,000	-	30,900,000
			<u>\$ 464,177,966</u>	<u>\$ 30,900,000</u>	<u>\$ 29,950,000</u>	<u>\$ 465,127,966</u>

The annual requirements to amortize the General Obligation Bonds payable and outstanding as of June 30, 2020 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 28,705,000	\$ 19,851,901	\$ 48,556,901
2022	29,975,000	18,563,591	48,538,591
2023	19,145,000	17,265,336	36,410,336
2024	23,352,074	18,888,567	42,240,641
2025	24,445,453	18,067,231	42,512,684
2026-2030	129,383,868	78,441,461	207,825,329
2031-2035	59,901,571	55,679,748	115,581,319
2036-2040	91,490,000	23,998,550	115,488,550
2041-2045	35,670,000	7,391,225	43,061,225
2046-2049	23,060,000	1,438,450	24,498,450
	<u>\$ 465,127,966</u>	<u>\$ 259,586,060</u>	<u>\$ 724,714,026</u>

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 6 – LONG-TERM LIABILITIES (Continued)

On October 25, 2007, the District issued 2007 General Obligation Bonds totaling \$64,997,966. Bond proceeds are to be used for construction related projects.

On June 30, 2011, the District issued 2011 General Obligation Refunding Bonds totaling \$79,585,000. Bond proceeds were used to refund a portion of the District's 1999 Series B, 1999 Series C, and General Obligation Refunding Bonds, Series 2001. The refunded bonds have been fully repaid.

On June 14, 2012, the District issued 2012 General Obligation Refunding Bonds totaling \$113,245,000. Bond proceeds were used to advance refund all of the District's 1999 Series B, 1999 Series C, General Obligation Refunding Bonds, Series 2001, and the 2002 Series A. Proceeds were also used to advance refund a portion of the District's 1999 Series D Bonds. The refunded bonds have been fully repaid.

On June 27, 2013, the District issued 2013 Series A and Series B General Obligation Bonds totaling \$70,000,000. Bond proceeds are to be used for construction related projects.

On January 15, 2014, the District issued 2014 General Obligation Refunding Bonds totaling \$44,535,000. Bond proceeds were used to refund a portion of the District's 2002 General Obligation Bonds, Series 2005. The refunded bonds have been fully repaid.

On January 8, 2015, the District issued 2015 General Obligation Refunding Bonds totaling \$32,740,000. Bond proceeds were used to refund the District's 2002, General Obligation Bonds, Series 2005 and 2007. The refunded bonds have been fully repaid.

On May 24, 2016, the District issued 2016 Series D General Obligation Bonds totaling \$14,000,000. Bond proceeds are to be used for construction related projects.

On May 25, 2017, the District issued 2017 Series C and Series E General Obligation Bonds totaling \$122,000,000. Bond proceeds are to be used for construction related projects.

On July 1, 2018, the District issued 2018 Series F General Obligation Bonds totaling \$10,000,000. Bond proceeds are to be used for construction related projects.

On November 21, 2019, the District issued 2019 Series D General Obligation Bonds totaling \$30,900,000. Bond proceeds are to be used for construction related projects.

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 6 – LONG-TERM LIABILITIES (Continued)

Lease Revenue Bonds: On February 4, 2014, the District issued Lease Revenue Refunding Bonds, 2014 Series A and Series B, totaling \$44,825,000 and \$29,460,000, respectively. Bond proceeds were used to make lease payments to the District pursuant to the Facility Lease and additionally, advance refund all of the District's 2002 Variable Rate Certificates of Participation (2002 COP). The Series A and Series B Bonds are secured by certain revenues, which consist of rental payments to be made by the District out of its general fund under a facility sublease as well as interest earning on funds held under a trust agreement.

The Lease Revenue Refunding Bonds, 2014 Series A bonds bear interest at rates ranging from 2.0% to 5.0% and are scheduled to mature through 2040 as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 2,495,000	\$ 1,614,500	\$ 4,109,500
2022	2,625,000	1,489,750	4,114,750
2023	2,770,000	1,358,500	4,128,500
2024	2,915,000	1,220,000	4,135,000
2025	3,025,000	1,074,250	4,099,250
2026-2030	235,000	4,568,000	4,803,000
2031-2035	4,590,000	4,444,250	9,034,250
2036-2040	<u>13,635,000</u>	<u>2,111,500</u>	<u>15,746,500</u>
	<u>\$ 32,290,000</u>	<u>\$ 17,880,750</u>	<u>\$ 50,170,750</u>

The Lease Revenue Refunding Bonds, 2014 Series B bonds bear an interest rate of 4.09% and are scheduled to mature through 2033 as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 200,000	\$ 1,155,834	\$ 1,355,834
2022	200,000	1,147,654	1,347,654
2023	200,000	1,139,474	1,339,474
2024	200,000	1,131,294	1,331,294
2025	240,000	1,123,114	1,363,114
2026-2030	18,670,000	4,123,947	22,793,947
2030-2033	<u>8,550,000</u>	<u>614,338</u>	<u>9,164,338</u>
	<u>\$ 28,260,000</u>	<u>\$ 10,435,655</u>	<u>\$ 38,695,655</u>

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 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, 2020 is shown below:

	Balance <u>July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2020</u>	Amounts Due Within <u>One Year</u>
Debt:					
General Obligation Bonds	\$ 464,177,966	\$ 30,900,000	\$ 29,950,000	\$ 465,127,966	\$ 28,705,000
Accreted interest	18,546,706	2,114,310	-	20,661,016	-
Lease Revenue Bonds	63,120,000	-	2,570,000	60,550,000	2,695,000
Premium on issuance	34,229,996	1,331,988	2,530,870	33,031,114	2,530,870
Capitalized lease obligations	2,820	-	2,820	-	-
Other Long-Term Liabilities:					
Net Pension Liability (Notes 8 & 9)	497,997,000	13,060,000	-	511,057,000	-
Net OPEB liability (Note 10)	526,175,712	41,731,317	-	567,907,029	-
Compensated absences	4,568,518	401,955	-	4,970,473	4,970,473
	<u>\$ 1,608,818,718</u>	<u>\$ 89,539,570</u>	<u>\$ 35,053,690</u>	<u>\$ 1,663,304,598</u>	<u>\$ 38,901,343</u>

Payments on the General Obligation Bonds are made from the Bond Interest and Redemption Fund. Principal and interest payments on the Lease Revenue Bonds are made from the Community Facilities Fund and Developer Fees Fund. Payments on the capitalized lease obligations are made from the General Fund. Payments on the Net Pension Liability, Net OPEB liability and compensated absences are made from the fund for which the related employee worked.

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 7 – FUND BALANCES

Fund balances, by category, at June 30, 2020 consisted of the following:

	General Fund	Building Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total
Nonspendable:					
Revolving cash fund	\$ 225,000	\$ -	\$ -	\$ 2,000	\$ 227,000
Stores inventory	<u>104,537</u>	<u>-</u>	<u>-</u>	<u>1,871,400</u>	<u>1,975,937</u>
Subtotal nonspendable	<u>329,537</u>	<u>-</u>	<u>-</u>	<u>1,873,400</u>	<u>2,202,937</u>
Restricted:					
Legally restricted programs:					
Grants	8,586,429	-	-	-	8,586,429
Charter Schools	-	-	-	3,975,366	3,975,366
Adult Education	-	-	-	353,245	353,245
Child Development	-	-	-	15,285	15,285
Cafeteria operations	-	-	-	10,933,658	10,933,658
Capital projects	-	62,467,593	-	22,217,253	84,684,846
Debt service	<u>-</u>	<u>-</u>	<u>42,936,840</u>	<u>-</u>	<u>42,936,840</u>
Subtotal restricted	<u>8,586,429</u>	<u>62,467,593</u>	<u>42,936,840</u>	<u>37,494,807</u>	<u>151,485,669</u>
Assigned:					
Home / Hospital Program	40,000	-	-	-	40,000
Donations	<u>904,497</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>904,497</u>
Subtotal assigned	<u>944,497</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>944,497</u>
Unassigned:					
Designated for economic uncertainty	10,624,585	-	-	-	10,624,585
Unassigned	<u>72,563,563</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>72,563,563</u>
Subtotal unassigned	<u>83,188,148</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>83,188,148</u>
Total fund balances	<u>\$ 93,048,611</u>	<u>\$ 62,467,593</u>	<u>\$ 42,936,840</u>	<u>\$ 39,368,207</u>	<u>\$ 237,821,251</u>

(Continued)

NOTE 8 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN

General Information about the State Teachers' Retirement Plan

Plan Description: Teaching-certified employees of the District are provided with pensions through the State Teachers' Retirement Plan (STRP) – a cost-sharing multiple-employer defined benefit pension plan administered by the California State Teachers' Retirement System (CalSTRS). The Teachers' Retirement Law (California Education Code Section 22000 et seq.), as enacted and amended by the California Legislature, established this plan and CalSTRS as the administrator. The benefit terms of the plan may be amended through legislation. CalSTRS issues a publicly available financial report that can be obtained at <http://www.calstrs.com/comprehensive-annual-financial-report>.

Benefits Provided: The STRP Defined Benefit Program has two benefit formulas:

- CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS.
- CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS.

The Defined Benefit (DB) Program provides retirement benefits based on members' final compensation, age and years of service credit. In addition, the retirement program provides benefits to members upon disability and to survivors/beneficiaries upon the death of eligible members. There are several differences between the two benefit formulas which are noted below.

CalSTRS 2% at 60

CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.

CalSTRS calculates retirement benefits based on a one-year final compensation for members who retired on or after January 1, 2001, with 25 or more years of credited service, or for classroom teachers with less than 25 years of credited service if the employer elected to pay the additional benefit cost prior to January 1, 2014. One-year final compensation means a member's highest average annual compensation earnable for 12 consecutive months calculated by taking the creditable compensation that a member could earn in a school year while employed on a full-time basis, for a position in which the person worked. For members with less than 25 years of credited service, final compensation is the highest average annual compensation earnable for any 36 consecutive months of credited service.

CalSTRS 2% at 62

CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

All CalSTRS 2% at 62 members have their final compensation based on their highest average annual compensation earnable for 36 consecutive months of credited service.

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 8 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

Contributions: Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial cost method.

In June 2019, California Senate Bill 90 (SB 90) was signed into law and appropriated approximately \$2.2 billion in fiscal year 2018–19 from the state's General Fund as contributions to CalSTRS on behalf of employers. The bill requires portions of the contribution to supplant the amounts remitted by employers such that the amounts remitted will be 1.03 and 0.70 percentage points less than the statutorily required amounts due for fiscal years 2019–20 and 2020–21, respectively. The remaining portion of the contribution, approximately \$1.6 billion, was allocated to reduce the employers' share of the unfunded actuarial obligation of the DB Program.

California Assembly Bill 84, Chapter 16, Statutes of 2020, (AB 84) was signed into law in June 2020 and revised certain provisions of Teachers' Retirement Law enacted by SB 90. Specifically, AB 84 repurposed the aforementioned \$1.6 billion contribution originally intended to reduce employers' long-term liabilities, to further supplant employer contributions through fiscal year 2021–22. Pursuant to AB 84, employers will remit contributions to CalSTRS based on a rate that is 2.95% less than the statutory rate for fiscal year 2020–21 and 2.18% less than the rate set by the board for fiscal year 2021–22. Any remaining amounts must be allocated to reduce the employers' share of the unfunded actuarial obligation of the DB Program. The rate reduction for fiscal year 2019-20 under SB 90 was not changed by AB 84. The employer contribution rates set in statute and the CalSTRS board's authority to adjust those rates starting in fiscal year 2021–22 under the CalSTRS Funding Plan were not changed by the passage of SB 90 or AB 84.

A summary of statutory contribution rates and other sources of contributions to the Defined Benefit Program are as follows:

Members - Under CalSTRS 2% at 60, the member contribution rate was 10.25 percent of applicable member earnings for fiscal year 2019-20. Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 10.205 percent of applicable member earnings for fiscal year 2019-20 .

In general, member contributions cannot increase unless members are provided with some type of "comparable advantage" in exchange for such increases. Under previous law, the Legislature could reduce or eliminate the 2 percent annual increase to retirement benefits. As a result of AB 1469, effective July 1, 2014, the Legislature cannot reduce the 2 percent annual benefit adjustment for members who retire on or after January 1, 2014, and in exchange for this "comparable advantage," the member contribution rates have been increased by an amount that covers a portion of the cost of the 2 percent annual benefit adjustment.

Employers – 17.10 percent of applicable member earnings. This rate reflects the original employer contribution rate of 18.13 percent under AB1469, reduced for the 1.03 percentage points to be paid on behalf of employers pursuant to SB 90.

Pursuant to AB 1469, employer contributions will increase from a prior rate of 8.25 percent to a total of 19.1 percent of applicable member earnings phased in over seven years starting in 2014. The new legislation also gives the CalSTRS board limited authority to adjust employer contribution rates from July 1, 2021 through June 2046 in order to eliminate the remaining unfunded actuarial obligation related to service credited to members prior to July 1, 2014. The CalSTRS board cannot adjust the rate by more than 1 percent in a fiscal year, and the total contribution rate in addition to the 8.25 percent cannot exceed 12 percent.

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2020

NOTE 8 – NET PENSION LIABILITY – STATE TEACHERS’ RETIREMENT PLAN (Continued)

The CalSTRS employer contribution rate increases effective for fiscal year 2019-20 through fiscal year 2045-46 are summarized in the table below:

<u>Effective Date</u>	<u>Prior Rate</u>	<u>Increase</u>	<u>Total</u>
July 01, 2019	8.25%	9.88%	17.10% ⁽¹⁾
July 01, 2020	8.25%	10.85%	16.15% ⁽¹⁾
July 01, 2021	8.25%	(2)	(2)
July 01, 2022 to June 30, 2046	8.25%	(2)	(2)
July 01, 2046	8.25%	Increase from prior rate ceases in 2046-47	

- 1) Pursuant to SB 90 and AB 84, the fiscal year 2018-19 state contribution of approximately \$2.2 billion made in advance on behalf of employers will be used to pay the contributions required by employers for the 2019-20, 2020-21 and 2021-22 fiscal years, such that employers will remit 1.030%, 2.950% and 2.180% less, respectively, than is required by the CalSTRS Funding Plan. The rate above reflects this reduction.
- 2) The CalSTRS Funding Plan authorizes the board to adjust the employer contribution rate up or down 1% each year, but no higher than 20.25% total and no lower than 8.25%.

The District contributed \$36,383,635 to the plan for the fiscal year ended June 30, 2020.

State – 10.328 percent of the members’ creditable earnings from the fiscal year ending in the prior calendar year.

Also as a result of AB 1469, the additional state appropriation required to fully fund the benefits in effect as of 1990 by 2046 is specific in subdivision (b) of Education Code Section 22955.1. The increased contributions end as of fiscal year 2045-2046.

The state’s base contribution to the Defined Benefit Program is calculated based on creditable compensation from two fiscal years prior. The state rate increased to 5.811 percent on July 1, 2019 to continue paying down the unfunded liabilities associated with the benefits structure that was in place in 1990 prior to certain enhancements in benefits and reductions in contributions. Additionally, the enactment of SB 90 will result in future supplemental contributions to be made by the state to pay down its portion of the unfunded actuarial obligation of the Defined Benefit Program in fiscal years 2019-29 through 2022-23.

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 8 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

The CalSTRS state contribution rates effective for fiscal year 2019-20 and beyond are summarized in the table below.

<u>Effective Date</u>	<u>Base Rate</u>	<u>AB 1469 Increase For 1990 Benefit Structure</u>	<u>SBMA Funding⁽¹⁾</u>	<u>Total State Appropriation to DB Program</u>
July 01, 2019	2.017%	5.811%	2.50%	10.328% ⁽²⁾
July 01, 2020	2.017%	5.811% ⁽³⁾	2.50%	10.328% ⁽²⁾
July 01, 2021 to June 30, 2046	2.017%	(4)	2.50%	(4)
July 1, 2046 and thereafter	2.017%	(5)	2.50%	(5)

- 1) This rate does not include the \$72 million reduction in accordance with Education Code Section 22954.
- 2) This rate does not include the \$2.2 billion supplemental state contribution on behalf of employers pursuant to SB 90.
- 3) In May 2020, the CalSTRS board exercised its limited authority to increase the state contribution rate by 0.5% of the creditable compensation effective July 1, 2020. However, pursuant to AB 84, the state suspended the board's rate-setting authority for state contributions for fiscal year 2020–21, thereby negating the board's rate increase of 0.5%.
- 4) The CalSTRS board has limited authority to adjust state contribution rates annually through June 30, 2046 in order to eliminate the remaining unfunded actuarial obligation associated with the 1990 benefit structure. The board cannot increase the rate by more than 0.50 percent in a fiscal year, and if there is no unfunded actuarial obligation, the contribution rate imposed to pay for the 1990 benefit structure would be reduced to 0 percent.
- 5) From July 1, 2046, and thereafter, the rates in effect prior to July 1, 2014, are reinstated, if necessary, to address any remaining 1990 unfunded actuarial obligation.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2020, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ 357,334,000
State's proportionate share of the net pension liability associated with the District	<u>194,951,000</u>
	<u>\$ 552,285,000</u>

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school Districts and the State. At June 30, 2019 the District's proportion was 0.396 percent, which was an increase of 0.011 percent from its proportion measured as of June 30, 2018.

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2020

NOTE 8 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

For the year ended June 30, 2020, the District recognized pension expense of \$84,495,834 and revenue of \$32,845,747 for support provided by the State. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 902,000	\$ 10,069,000
Changes of assumptions	45,195,000	-
Net differences between projected and actual earnings on investments	-	13,765,000
Changes in proportion and differences between District contributions and proportionate share of contributions	36,776,000	16,265,000
Contributions made subsequent to measurement date	<u>36,383,635</u>	<u>-</u>
Total	<u>\$ 119,256,635</u>	<u>\$ 40,099,000</u>

\$36,383,635 reported as deferred outflows of resources related to pensions resulting from contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending <u>June 30,</u>	
2021	\$ 13,579,200
2022	\$ 4,036,200
2023	\$ 7,088,700
2024	\$ 16,284,700
2025	\$ 1,577,200
2026	\$ 208,000

Differences between expected and actual experience and changes in assumptions and changes in proportion and differences between District contributions and proportionate share of contributions are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of the June 30, 2019 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2020

NOTE 8 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

Actuarial Methods and Assumptions: The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2018, and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2018
Experience Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%
Post-retirement Benefit Increases	2.00% simple for DB Not applicable for DBS/CBB

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant as an input to the process. The actuarial investment rate of return assumption was adopted by the CalSTRS board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term* Expected Real Rate of Return</u>
Global Equity	47%	4.8%
Fixed Income	12	1.3
Real Estate	13	3.6
Private Equity	13	6.3
Absolute Return / Risk Mitigating Strategies	9	1.8
Inflation Sensitive	4	3.3
Cash / Liquidity	2	(0.4)

* 20-year geometric average

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2020

NOTE 8 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

Discount Rate: The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increase per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's proportionate share of the net pension liability	<u>\$ 532,100,000</u>	<u>\$ 357,334,000</u>	<u>\$ 212,420,000</u>

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separately issued CalSTRS financial report.

NOTE 9 – NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B

General Information about the Public Employer's Retirement Fund B

Plan Description: The schools cost-sharing multiple-employer defined benefit pension plan Public Employer's Retirement Fund B (PERF B) is administered by the California Public Employees' Retirement System (CalPERS). Plan membership consists of non-teaching and non-certified employees of public schools (K-12), community college districts, offices of education, charter and private schools (elective) in the State of California.

The Plan was established to provide retirement, death and disability benefits to non-teaching and noncertified employees in schools. The benefit provisions for Plan employees are established by statute. CalPERS issues a publicly available financial report that can be obtained at obtained at:

<https://www.calpers.ca.gov/docs/forms-publications/cafr-2019.pdf>

Benefits Provided: The benefits for the defined benefit plans are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years (10 years for State Second Tier members) of credited service.

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 9 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

Contributions: The benefits for the defined benefit pension plans are funded by contributions from members and employers, and earnings from investments. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the respective employer’s benefit formulas. Employer contribution rates are determined by periodic actuarial valuations or by state statute. Actuarial valuations are based on the benefit formulas and employee groups of each employer. Employer contributions, including lump sum contributions made when districts first join PERF B, are credited with a market value adjustment in determining contribution rates.

The required contribution rates of most active plan members are based on a percentage of salary in excess of a base compensation amount ranging from zero dollars to \$863 monthly.

Required contribution rates for active plan members and employers as a percentage of payroll for the year ended June 30, 2020 were as follows:

Members - The member contribution rate was 7.00 percent of applicable member earnings for fiscal year 2019-20.

Employers - The employer contribution rate was 19.72 percent of applicable member earnings.

The District contributed \$13,529,537 to the plan for the fiscal year ended June 30, 2020.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2020, the District reported a liability of \$153,723,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school Districts. At June 30, 2019, the District's proportion was 0.527 percent, which was a decrease of 0.014 percent from its proportion measured as of June 30, 2018.

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 9 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

For the year ended June 30, 2020, the District recognized pension expense of \$33,494,324. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 11,166,000	\$ -
Changes of assumptions	7,318,000	-
Net differences between projected and actual earnings on investments	-	1,426,000
Changes in proportion and differences between District contributions and proportionate share of contributions	2,118,000	2,224,000
Contributions made subsequent to measurement date	<u>13,529,537</u>	<u>-</u>
Total	<u>\$ 34,131,537</u>	<u>\$ 3,650,000</u>

\$13,529,537 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending <u>June 30,</u>	
2021	\$ 13,439,667
2022	\$ 2,414,667
2023	\$ 693,666
2024	\$ 404,000

Differences between expected and actual experience, change in proportion and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 4 years as of the June 30, 2019 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5- year period.

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 9 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

Actuarial Methods and Assumptions: The total pension liability for the Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2018, and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2018
Experience Study	June 30, 1997 through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.15%
Consumer Price Inflation	2.75%
Wage Growth	Varies by entry age and service
Post-retirement Benefit Increases	Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.75% thereafter

The mortality table used was developed based on CalPERS specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90 percent of scale MP 2016. For more details on this table, please refer to the 2017 experience study report.

All other actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS’ website.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

<u>Asset Class</u>	<u>Long-Term* Assumed Asset Allocation</u>	<u>Expected Real Rate of Return Years 1 - 10 (1)</u>	<u>Expected Real Rate of Return Years 11+ (2)</u>
Global Equity	50%	4.80%	5.98%
Fixed Income	28	1.00	2.62
Inflation Assets	-	0.77	1.81
Private Equity	8	6.30	7.23
Real Estate Assets	13	3.75	4.93
Liquidity	1	-	(0.92)

* 10-year geometric average
(1) An expected inflation rate of 2.00% used for this period
(2) An expected inflation rate of 2.92% used for this period

Discount Rate: The discount rate used to measure the total pension liability was 7.15 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained at CalPERS’ website.

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2020

NOTE 9 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected cash flows of the Plan. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the Plan’s asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate:

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.15 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15 percent) or 1-percentage-point higher (8.15 percent) than the current rate:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
District’s proportionate share of the net pension liability	<u>\$ 221,582,000</u>	<u>\$ 153,723,000</u>	<u>\$ 97,430,000</u>

Pension Plan Fiduciary Net Position: Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial report.

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

General Information - Other Postemployment Benefits Plan (OPEB)

Plan Description: In addition to the pension benefits described in Notes 8 and 9, the District provides postemployment health care benefits to eligible employees and their dependents under a single employer defined benefit OPEB plan. The plan does not issue separate financial statements.

The District established an irrevocable trust under the California Employer’s Retiree Benefit Trust Program (CERBT) to prefund the costs of other postemployment benefits. The funds in the CERBT are held in trust and will be administered by the California Public Employees’ Retirement System (CalPERS) as an agent multiple-employer plan. Benefit provisions are established and may be amended by District labor agreements which are approved by the Board of Education. The District’s contributions to the irrevocable trust is included in the CERBT, which is included in the CalPERS CAFR. Copies of the CalPERS’ CAFR may be obtained from the CalPERS Executive Office – 400 P Street – Sacramento, CA 95814.

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

The CERBT fund, which is an Internal Revenue Code (IRC) Section 115 Trust, is set up for the purpose of (i) receiving employer contributions to prefund health and other post-employment benefits for retirees and their beneficiaries, (ii) invest contributed amounts and income therein, and (iii) disburse contributed amounts and income therein, if any, to pay for costs of administration of the fund and to pay for health care costs or other post-employment benefits in accordance with the terms of the District's OPEB plan.

Benefits Provided: 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. The plan does not issue separate financial statements. 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 five years of consecutive service to the District, age 50 with 30 years of service (if a member prior to January 1, 2013), or approved disability retirement with 5 years of service. CalPERS employees qualify for benefits after attaining age 50 (age 52, if a new CalPERS member on or after January 1, 2013) with 5 years of State or public agency service or approved disability and meeting the requirements outlined in their respective bargaining agreements.

The District's Governing Board has the authority to establish or amend the benefit terms offered by the Plan. The District's Governing Board also retains the authority to establish the requirements for paying the Plan benefits as they come due.

Employees Covered by Benefit Terms: The following is a table of plan participants as of the June 30, 2018 valuation:

	<u>Number of Participants</u>
Inactive Plan members, covered spouses, or beneficiaries currently receiving benefits	3,118
Active employees	<u>4,278</u>
	<u><u>7,396</u></u>

Contributions: California Government Code specifies that the District's contribution requirements for covered employees are established and may be amended by the Governing Board. Contributions to the Plan are voluntary. Contributions to the Plan from the District were \$26,713,074 for the year ended June 30, 2020.

OPEB Plan Investments: The plan discount rate of 3.90% was determined using the following asset allocation and assumed rate of return blended with the 20-year high grade municipal bond rate as of June 30, 2019:

<u>Asset Class</u>	<u>Long-Term* Assumed Asset Allocation</u>	<u>Expected Real Rate of Return Year 1 - 10</u>	<u>Expected Real Rate of Return Years 11+</u>
Global Equity	59%	4.80%	5.98%
Fixed Income	25	1.10	2.62
Treasury Inflation-Protected Securities	5	0.25	1.46
Real Estate Investment Trusts	8	3.20	5.00
Commodities	3	1.50	2.87
*Geometric average			

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2020

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Rolling periods of time for all asset classes in combination we used to appropriately reflect correlation between asset classes. This means that the average returns for any asset class do not necessarily reflect the averages over time individually, but reflect the return for the asset class for the portfolio average. Additionally, the historic 30-year real rates of return for each asset class along with the assumed long-term inflation assumption was used to set the discount rate. The investment return was offset by assumed investment expenses of 25 basis points. It was further assumed that contributions to the plan would be sufficient to fully fund the obligation over a period not to exceed 30 years.

Money-weighted rate of return on OPEB plan investments 7.00%

The money-weighted rate of return expresses investment performance, net of OPEB plan investment expenses, adjusted for the changing amounts actually invested.

Actuarial Assumptions: The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
Funding Method	Entry age normal, level percent of pay
General Inflation Rate	2.75%
Long Term Return on Assets	7.00% as of June 30, 2019 and June 30, 2018, net of plan investment expenses and including inflation
Discount rate	3.90% as of June 30, 2019, determined by the blending of the asset returns and the 20-year high grade municipal bond rate as of June 30, 2019.
Salary increase	3.25% per year, used only to allocate the cost of benefits between service years
Assumed Wage inflation	3.0% per year; used as a component of assumed salary increases
Health care cost trend rate	7.00% for 2020 and 2019, decreasing 0.5 percent per year thereafter to an ultimate rate of 5.00% for year 2024 and later years.
Mortality	For certificated employees the 2016 CalSTRS mortality tables were used For classified employees the 2017 CalPERS active mortality for miscellaneous employees were used

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Participants Valued	Only current active employees and retired participants and covered dependents are valued. No future entrants are considered in this valuation
Participation Rate	<p>Active Employees: 100% of active benefits-eligible employees who qualify for District paid retiree premiums are assumed to elect to continue their current plan coverage in retirement. Those not currently covered are assumed to elect as follows: 1) Waiving SCTA Actives - SCTA Opt-Out Subsidy; 2) Waiving Non-SCTA Actives - Kaiser HMO (Mgmt/Class)</p> <p>15% of active employees who qualify access to coverage in retirement, but not for District paid premiums are assumed to continue medical coverage in retirement.</p> <p>Retired Participants: Existing medical plan elections are assumed to be continued until age 65 (Medicare eligibility)</p>

Changes in the Net OPEB Liability:

	Total OPEB Liability (a)	Total Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance, June 30, 2019	\$ 598,953,650	\$ 72,777,938	\$ 526,175,712
Changes for the year:			
Service cost	20,002,277	-	20,002,277
Interest	25,888,179	-	25,888,179
Assumption changes	29,041,398	-	29,041,398
Employer contributions	-	28,640,257	(28,640,257)
Interest income	-	4,575,947	(4,575,947)
Administrative expense	-	(15,667)	15,667
Benefit payments	<u>(19,644,632)</u>	<u>(19,644,632)</u>	-
Net change	<u>55,287,222</u>	<u>13,555,905</u>	<u>41,731,317</u>
Balance, June 30, 2020	<u>\$ 654,240,872</u>	<u>\$ 86,333,843</u>	<u>\$ 567,907,029</u>

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

The changes in assumptions include a change in the discount rate from 4.25% in the prior valuation, to 3.90% in the current valuation.

There were no changes between the measurement date and the year ended June 30, 2020, which had a significant effect on the District's total OPEB liability.

Sensitivity of the Net OPEB Liability to Assumptions: The following presents the net OPEB liability calculated using the discount rate of 3.90 percent. The schedule also shows what the net OPEB liability would be if it were calculated using a discount rate that is 1 percent lower (2.90 percent) and 1 percent higher (4.90%):

	1% Decrease <u>(2.90%)</u>	Current Discount Rate <u>(3.90%)</u>	1% Increase <u>(4.90%)</u>
Net OPEB liability	\$ <u>680,417,075</u>	\$ <u>567,907,029</u>	\$ <u>477,758,060</u>

The following table presents the net OPEB liability calculated using the health care cost trend rate of 7.0 percent. The schedule also shows what the net OPEB liability would be if it were calculated using a health care cost trend rate that is 1 percent lower (6.0 percent) and 1 percent higher (8.0 percent):

	1% Decrease <u>(6.0%)</u>	Healthcare Cost Trend Rates Rate <u>(7.0%)</u>	1% Increase <u>(8.0%)</u>
Net OPEB liability	\$ <u>464,440,466</u>	\$ <u>567,907,029</u>	\$ <u>715,961,655</u>

OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the District recognized OPEB expense of \$90,893. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows <u>of Resources</u>	Deferred Inflows <u>of Resources</u>
Difference between expected and actual experience	\$ 3,644,417	\$ 101,056,331
Changes of assumptions	24,956,814	109,273,035
Net differences between projected and actual earnings on investments	-	42,731
Benefits paid subsequent to measurement date	<u>26,713,074</u>	<u>-</u>
Total	<u>\$ 55,314,305</u>	<u>\$ 210,372,097</u>

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2020

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

\$26,713,074 reported as deferred outflows of resources related to benefits paid subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending <u>June 30,</u>	
2021	\$ (40,406,477)
2022	\$ (40,406,477)
2023	\$ (40,153,357)
2024	\$ (35,218,006)
2025	\$ (26,730,764)
Thereafter	\$ 1,144,215

Differences between projected and actual earnings on investment are amortized over a closed period of 5 years as of the June 30, 2019 measurement date. Changes in assumptions and differences between expected and actual experience are amortized over a closed period of 7.11 years as of the June 30, 2019 measurement date.

NOTE 11 – JOINT POWERS AGREEMENTS

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 joint powers agency is to be self-sustaining through member premiums. SIA enters into insurance agreements for coverage above self-insured retention layers, whereby it cedes various amounts of risk to other insurance companies or joint power authorities. SIA's Property, Liability and Workers' Compensation Programs provide self-insured retention of \$100,000, \$750,000 and \$1,000,000 per incident, respectively. The District continues to carry commercial insurance for all other risks of loss, including employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from coverage in the prior year. The following is a summary of financial information for SIA at June 30, 2020:

Total assets	\$ 196,612,352
Deferred outflows	\$ 1,899,536
Total liabilities	\$ 82,789,071
Deferred inflows	\$ 782,679
Total net position	\$ 114,940,138
Total revenues	\$ 78,904,293
Total expenses	\$ 58,333,119
Change in net position	\$ 20,571,174

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

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 12 – COVID -19 IMPACT

In December 2019, a novel strain of coronavirus surfaced (COVID-19) and spread around the world, with resulting business and social disruption. In response to the pandemic and in compliance with various state and local ordinances, the District closed physical campuses and transitioned to a distance learning model. On March 13, 2020, the Governor of California issued Executive Order N-26 – 20, guaranteeing state funding to support the continued payment of salaries and benefits to all employees through June 30, 2020.

The operations and business results of the District could be adversely affected in the future including a reduction in the level of funding and impact to the timing of cash flows. In addition, significant estimates may be adversely impacted by national, state and local events designed to contain the coronavirus. Debt ratings for outstanding issuances may further be impacted. For the 2021 school year, the District is offering instruction in formats consistent with local health guidelines. Throughout the pandemic the District has put into practice a number of safety measures to protect students and employees and will continue to revise them as needed.

NOTE 13 – CONTINGENCIES

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

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

At June 30, 2020, the District had approximately \$13,300,000 in outstanding construction contract commitments.

NOTE 14 – MANAGMENT'S PLANS

Since September 2018 when the Sacramento County Office of Education (SCOE) disapproved the District's adopted General Fund budget for the 2018-19 fiscal year, the Board of Education, Superintendent, management, staff, and labor partners have been collaborating to identify solutions that would address the structural deficit for current and future fiscal years' financial projections.

Due to Education Code provision, the District's financial position resulted in a series of actions including a Fiscal Health Risk Analysis by the Fiscal Crisis and Management Assistance Team (FCMAT) and an audit by the California State Auditor. Additionally, SCOE appointed a fiscal advisor to work with the District to review the budget for accuracy and provide assistance to District staff.

In December 2018, FCMAT issued the results of its analysis that concluded, unless changes are made, the District is at risk of insolvency, which leads to a state loan and an appointed administrator. The analysis focused on identifying district systems and processes where improvements can be made. Immediately, the District began taking steps to implement business process changes and adopt FCMAT's recommendations. Additionally, in December of 2019, the State Auditor issued its independent performance audit report on the fiscal condition of the District. The report includes several recommendations to assist the District in moving towards fiscal solvency.

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 14 – MANAGMENT'S PLANS (Continued)

The District's proposed 2019-20 Budget continued a structural deficit into 2019-20 to allow for the time necessary to negotiate a solution that achieves long-term cost savings. SCOE recognized that the District made considerable progress towards stabilizing the budget, but disapproved the budget since the District expected to be \$27 million short of the minimum required reserve in 2021-22 without an agreed upon solution. Insolvency was delayed but not eliminated.

The financial status as of the 2020-21 First Interim Financial Report projects that ongoing reductions of \$30 million are still required in order to balance the budget, satisfy the state-mandated 2% reserve and avoid the fiscal crisis. A Student-Centered Fiscal Recovery Plan presented to the Board of Education on January 26, 2021, provided a list of options subject to negotiations that could achieve a \$30 million solution. At the February 4, 2021 Board Meeting, the Board of Trustees approved a Student-Centered Fiscal Recovery Plan in the amount of \$4.5 million. As of the 2020-21 Second Interim Financial Report the District projects an improvement in its fund balances due to projected one-time savings as a result of the COVID-19 pandemic. However, the District still needs an on-going Fiscal Recovery Plan of \$28 million in order to balance the budget and avoid a fiscal crisis.

Similar to many other districts within the State, the District continues to face challenges with declining student enrollment, average daily attendance percentages, and unduplicated student group percentages. These are all variables that impact the District's basis for revenues. Furthermore, additional cost pressures compound the above challenges due to escalating employer pension costs, escalating healthcare costs and increased contributions from the Unrestricted General Fund to meet student needs in the Special Education program.

The General Fund's historical trend of deficit spending has adversely affected the District's financial condition and its ability to meet future financial obligations. Although the District has taken measures to reduce expenditures and increase reserves over the last fiscal year, the District's projected deficit persists in the multi-year projections as of the 2020-2021 Second Interim Financial Report. The District was granted cash deferral exemptions for the months of April and May 2021 and due to school closures during the 2020-21 fiscal year, the District is projecting to avoid \$40 million in one-time operational costs. These two factors improved the District's cash balances and is projected to remain positive at June 30 for all three fiscal years 2020-2021, 2021-2022 and 2022-2023.

As of the date of these financial statements, the District has not achieved sufficient reductions to resolve the ongoing structural budget deficit which is projected to increase in future years. The District will continue to evaluate its programs and staffing levels, and other supply and services expenditures in order to determine whether additional non-negotiable savings may be achieved.

REQUIRED SUPPLEMENTARY INFORMATION

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2020

	<u>Budget</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable <u>(Unfavorable)</u>
Revenues:				
LCFF:				
State apportionment	\$ 320,520,973	\$ 316,071,027	\$ 313,649,770	\$ (2,421,257)
Local sources	<u>91,276,258</u>	<u>95,050,581</u>	<u>100,059,346</u>	<u>5,008,765</u>
Total LCFF	<u>411,797,231</u>	<u>411,121,608</u>	<u>413,709,116</u>	<u>2,587,508</u>
Federal sources	66,583,550	66,717,951	51,917,179	(14,800,772)
Other state sources	72,319,786	75,072,262	78,372,218	3,299,956
Other local sources	<u>9,090,755</u>	<u>10,805,695</u>	<u>9,950,079</u>	<u>(855,616)</u>
Total revenues	<u>559,791,322</u>	<u>563,717,516</u>	<u>553,948,592</u>	<u>(9,768,924)</u>
Expenditures:				
Current:				
Certificated salaries	222,800,621	219,486,692	209,808,827	9,677,865
Classified salaries	62,778,941	63,141,028	60,163,620	2,977,408
Employee benefits	177,606,806	174,957,169	175,948,151	(990,982)
Books and supplies	41,196,691	22,511,195	11,145,790	11,365,405
Contract services and operating expenditures	75,194,802	80,211,336	65,548,240	14,663,096
Other outgo	471,000	907,438	1,150,697	(243,259)
Capital outlay	627,792	9,495,093	8,361,223	1,133,870
Debt service:				
Principal retirement	<u>10,300</u>	<u>10,300</u>	<u>2,820</u>	<u>7,480</u>
Total expenditures	<u>580,686,953</u>	<u>570,720,251</u>	<u>532,129,368</u>	<u>38,590,883</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(20,895,631)</u>	<u>(7,002,735)</u>	<u>21,819,224</u>	<u>28,821,959</u>
Other financing sources (uses):				
Transfers in	4,022,539	3,650,043	3,598,304	(51,739)
Transfers out	<u>(1,833,785)</u>	<u>(2,594,535)</u>	<u>(2,698,262)</u>	<u>(103,727)</u>
Total other financing sources (uses)	<u>2,188,754</u>	<u>1,055,508</u>	<u>900,042</u>	<u>(155,466)</u>
Change in fund balance	(18,706,877)	(5,947,227)	22,719,266	28,666,493
Fund balance, July 1, 2019	<u>70,329,345</u>	<u>70,329,345</u>	<u>70,329,345</u>	<u>-</u>
Fund balance, June 30, 2020	<u>\$ 51,622,468</u>	<u>\$ 64,382,118</u>	<u>\$ 93,048,611</u>	<u>\$ 28,666,493</u>

See accompanying note to required supplementary information.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
For the Year Ended June 30, 2020

Last 10 Fiscal Years

	<u>2018</u>	<u>2019</u>	<u>2020</u>
TOTAL OPEB LIABILITY			
Service cost	\$ 33,273,763	\$ 28,429,909	\$ 20,002,277
Interest on total OPEB liability	24,982,078	28,454,100	25,888,179
Differences between expected and actual experience	-	(135,537,910)	-
Changes of assumptions	(89,783,252)	(83,559,205)	29,041,398
Benefit payments	<u>(20,462,037)</u>	<u>(19,351,654)</u>	<u>(19,644,632)</u>
Net change in total OPEB liability	(51,989,448)	(181,564,760)	55,287,222
Total OPEB liability - beginning of year (a)	<u>832,507,858</u>	<u>780,518,410</u>	<u>598,953,650</u>
Total OPEB liability - end of year (b)	<u>\$ 780,518,410</u>	<u>\$ 598,953,650</u>	<u>\$ 654,240,872</u>
PLAN FIDUCIARY NET POSITION			
Contributions - employer	\$ 48,000,844	\$ 33,078,830	\$ 28,640,257
Net investment income	3,951,473	4,395,048	4,575,947
Administrative expenses	(19,446)	(29,756)	(15,667)
Other expenses	-	(72,482)	-
Benefit payments	<u>(20,462,037)</u>	<u>(19,351,654)</u>	<u>(19,644,632)</u>
Change in plan fiduciary net position	31,470,834	18,019,986	13,555,905
Fiduciary trust net position - beginning of year (c)	<u>23,287,118</u>	<u>54,757,952</u>	<u>72,777,938</u>
Fiduciary trust net position - end of year (d)	<u>\$ 54,757,952</u>	<u>\$ 72,777,938</u>	<u>\$ 86,333,843</u>
Net OPEB liability - beginning (a) - (c)	<u>\$ 809,220,740</u>	<u>\$ 725,760,458</u>	<u>\$ 526,175,712</u>
Net OPEB liability - ending (b) - (d)	<u>\$ 725,760,458</u>	<u>\$ 526,175,712</u>	<u>\$ 567,907,029</u>
Plan fiduciary net position as a percentage of the total OPEB liability	7%	12%	13%
Covered employee payroll	\$ 263,777,849	\$ 284,495,904	\$ 271,833,894
Net OPEB liability as a percentage of covered employee payroll	275%	185%	209%

This is a 10 year schedule, however the information in this schedule is not required to be presented retrospectively.

See accompanying note to required supplementary information.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS - OPEB
For the Year Ended June 30, 2020

Other Postemployment Benefits
Last 10 Fiscal Years

	<u>2018</u>	<u>2019</u>	<u>2020*</u>
Actuarially determined contribution	\$ 41,766,451	\$ 29,997,546	\$ 30,861,105
Contributions in relation to the actuarially determined contribution	<u>(33,078,830)</u>	<u>(28,640,257)</u>	<u>(26,713,074)</u>
Contribution deficiency (excess)	<u>\$ 8,687,621</u>	<u>\$ 1,357,289</u>	<u>\$ 4,148,031</u>
Covered employee payroll	\$ 284,495,904	\$ 271,833,894	\$ 279,376,002
Contributions as a percentage of covered employee payroll	11.63%	10.54%	9.56%

*The ADC for the District's fiscal year end June 30, 2020 was determined as part of the June 30, 2019 valuation using a 3.90% discount rate.

This is a 10 year schedule, however the information in this schedule is not required to be presented retrospectively.

See accompanying note to required supplementary information.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
For the Year Ended June 30, 2020

	State Teachers' Retirement Plan Last 10 Fiscal Years					
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
District's proportion of the net pension liability	0.382%	0.375%	0.371%	0.372%	0.385%	0.396%
District's proportionate share of the net pension liability	\$ 233,056,000	\$ 252,331,000	\$ 299,780,000	\$ 344,390,000	\$ 353,827,000	\$ 357,334,000
State's proportionate share of the net pension liability associated with the District	<u>134,692,000</u>	<u>133,455,000</u>	<u>170,676,000</u>	<u>203,739,000</u>	<u>202,583,000</u>	<u>194,951,000</u>
Total net pension liability	<u>\$ 367,748,000</u>	<u>\$ 385,786,000</u>	<u>\$ 470,456,000</u>	<u>\$ 548,129,000</u>	<u>\$ 556,410,000</u>	<u>\$ 552,285,000</u>
District's covered payroll	\$ 170,012,000	\$ 173,962,000	\$ 184,718,000	\$ 197,366,000	\$ 202,167,000	\$ 220,584,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	137.08%	145.05%	162.29%	174.49%	175.02%	161.99%
Plan fiduciary net position as a percentage of the total pension liability	76.52%	74.02%	70.04%	69.46%	70.99%	72.56%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

All years prior to 2015 are not available.

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
For the Year Ended June 30, 2020

	Public Employer's Retirement Fund B Last 10 Fiscal Years					
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
District's proportion of the net pension liability	0.541%	0.534%	0.533%	0.518%	0.541%	0.527%
District's proportionate share of the net pension liability	\$ 61,440,000	\$ 78,659,000	\$ 105,299,000	\$ 123,753,000	\$ 144,170,000	\$ 153,723,000
District's covered payroll	\$ 56,813,000	\$ 59,079,000	\$ 63,963,000	\$ 66,095,000	\$ 72,476,000	\$ 73,410,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	108.14%	133.14%	164.62%	187.24%	198.92%	209.40%
Plan fiduciary net position as a percentage of the total pension liability	83.38%	79.43%	73.89%	71.87%	70.85%	70.05%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

All years prior to 2015 are not available.

See accompanying note to required supplementary information.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
 For the Year Ended June 30, 2020

State Teachers' Retirement Plan
 Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Contractually required contribution	\$ 15,447,858	\$ 19,820,280	\$ 24,828,643	\$ 29,172,733	\$ 35,911,088	\$ 36,383,635
Contributions in relation to the contractually required contribution	<u>(15,447,858)</u>	<u>(19,820,280)</u>	<u>(24,828,643)</u>	<u>(29,172,733)</u>	<u>(35,911,088)</u>	<u>(36,383,635)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 173,962,000	\$ 184,718,000	\$ 197,366,000	\$ 202,167,000	\$ 220,584,000	\$ 212,770,000
Contributions as a percentage of covered payroll	8.88%	10.73%	12.58%	14.43%	16.28%	17.10%*

All years prior to 2015 are not available.

* This rate reflects the original employer contribution rate of 18.13 percent under AB1469, reduced for the 1.03 percentage points to be paid on behalf of employers pursuant to SB 90.

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
 For the Year Ended June 30, 2020

	Public Employer's Retirement Fund B Last 10 Fiscal Years					
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Contractually required contribution	\$ 6,954,207	\$ 7,577,683	\$ 9,180,596	\$ 11,256,216	\$ 13,259,325	\$ 13,529,537
Contributions in relation to the contractually required contribution	<u>(6,954,207)</u>	<u>(7,577,683)</u>	<u>(9,180,596)</u>	<u>(11,256,216)</u>	<u>(13,259,325)</u>	<u>(13,529,537)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 59,079,000	\$ 63,963,000	\$ 66,095,000	\$ 72,476,000	\$ 73,410,000	\$ 68,605,000
Contributions as a percentage of covered payroll	11.77%	11.85%	13.89%	15.53%	18.06%	19.72%

All years prior to 2015 are not available.

See accompanying note to required supplementary information.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2020

NOTE 1 - PURPOSE OF SCHEDULES

A - Budgetary Comparison Schedule

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

B - Schedule of Changes in Net OPEB Liability and Related Ratios

The Schedule of Changes in Net OPEB Liability presents multi-year information which illustrates the changes in the net OPEB liability for each year presented

C - Schedule of the District's Contributions - OPEB

The Schedule of District Contributions is presented to illustrate the District's required contributions relating to the OPEB. There is a requirement to show information for 10 years. However, until a full 10- year trend is compiled, governments should present information for those years for which information is available.

D - Schedule of the District's Proportionate Share of the Net Pension Liability

The Schedule of the District's Proportionate Share of the Net Pension Liability is presented to illustrate the elements of the District's Net Pension Liability. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

E – Schedule of the District's Contributions

The Schedule of District Contributions is presented to illustrate the District's required contributions relating to the pensions. There is a requirement to show information for 10 years. However, until a full 10- year trend is compiled, governments should present information for those years for which information is available.

F – Changes of Benefit Terms

There are no changes in benefit terms reported in the Required Supplementary Information.

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2020

NOTE 1 – PURPOSE OF SCHEDULES (Continued)

G - Changes of Assumptions

The discount rate for the Net OPEB liability was 2.92, 3.56, 4.25 and 3.90 percent in the June 30, 2016, 2017, 2018 and 2019 actuarial reports, respectively.

The discount rate for Public Employer's Retirement Fund B was 7.50, 7.65, 7.65, 7.15, 7.15, 7.15 and 7.15 percent in the June 30, 2013, 2014, 2015, 2016, 2017, 2018 and 2019 actuarial reports, respectively.

The following are the assumptions for State Teachers' Retirement Plan:

<u>Assumption</u>	<u>Measurement period</u>				
	As of June 30, <u>2019</u>	As of June 30, <u>2018</u>	As of June 30, <u>2017</u>	As of June 30, <u>2016</u>	As of June 30, <u>2015</u>
Consumer price inflation	2.75%	2.75%	2.75%	3.00%	3.00%
Investment rate of return	7.10%	7.10%	7.10%	7.60%	7.60%
Wage growth	3.50%	3.50%	3.50%	3.75%	3.75%

SUPPLEMENTARY INFORMATION

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 ALL NON-MAJOR FUNDS
 June 30, 2020

	Charter Schools Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	Developer Fees Fund	Community Facilities Fund	Total
ASSETS							
Cash in County Treasury	\$ 2,952,112	\$ 122,619	\$ 57,381	\$ 7,510,706	\$ 18,779,612	\$ 2,008,903	\$ 31,431,333
Cash in banks	5,731	864,130	20,319	16,960	1,660,012	-	2,567,152
Cash in revolving account	-	-	-	2,000	-	-	2,000
Receivables	2,442,201	248,997	2,240,784	5,575,961	178,247	11,843	10,698,033
Due from grantor government	68,612	182,701	95,160	-	-	-	346,473
Due from other funds	922,442	-	298,262	500	-	-	1,221,204
Stores inventory	-	-	-	1,871,400	-	-	1,871,400
Total assets	<u>\$ 6,391,098</u>	<u>\$ 1,418,447</u>	<u>\$ 2,711,906</u>	<u>\$ 14,977,527</u>	<u>\$ 20,617,871</u>	<u>\$ 2,020,746</u>	<u>\$ 48,137,595</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 860,462	\$ 973,220	\$ 1,808,126	\$ 1,501,964	\$ 235,102	\$ -	\$ 5,378,874
Unearned revenue	36,546	1,000	530,009	9,460	-	-	577,015
Due to other funds	<u>1,518,724</u>	<u>90,982</u>	<u>358,486</u>	<u>659,045</u>	<u>186,262</u>	<u>-</u>	<u>2,813,499</u>
Total liabilities	<u>2,415,732</u>	<u>1,065,202</u>	<u>2,696,621</u>	<u>2,170,469</u>	<u>421,364</u>	<u>-</u>	<u>8,769,388</u>
Fund balances:							
Nonspendable	-	-	-	1,873,400	-	-	1,873,400
Restricted	<u>3,975,366</u>	<u>353,245</u>	<u>15,285</u>	<u>10,933,658</u>	<u>20,196,507</u>	<u>2,020,746</u>	<u>37,494,807</u>
Total fund balance	<u>3,975,366</u>	<u>353,245</u>	<u>15,285</u>	<u>12,807,058</u>	<u>20,196,507</u>	<u>2,020,746</u>	<u>39,368,207</u>
Total liabilities and fund balances	<u>\$ 6,391,098</u>	<u>\$ 1,418,447</u>	<u>\$ 2,711,906</u>	<u>\$ 14,977,527</u>	<u>\$ 20,617,871</u>	<u>\$ 2,020,746</u>	<u>\$ 48,137,595</u>

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, 2020

	Charter Schools Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	Developer Fees Fund	Community Facilities Fund	Total
Revenues:							
LCFF	\$ 18,126,140	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,126,140
Federal sources	273,882	1,197,363	5,598,585	23,891,687	-	-	30,961,517
Other state sources	1,462,646	2,149,372	6,058,797	1,079,322	-	-	10,750,137
Other local sources	103,168	3,159,440	1,367,508	1,187,802	9,304,734	1,842,127	16,964,779
Total revenues	<u>19,965,836</u>	<u>6,506,175</u>	<u>13,024,890</u>	<u>26,158,811</u>	<u>9,304,734</u>	<u>1,842,127</u>	<u>76,802,573</u>
Expenditures:							
Current:							
Certificated salaries	8,172,537	2,296,602	5,205,768	-	-	-	15,674,907
Classified salaries	1,095,502	1,445,995	2,763,128	7,738,786	-	-	13,043,411
Employee benefits	5,860,577	2,448,951	5,378,096	5,077,231	-	-	18,764,855
Books and supplies	183,879	132,506	85,981	10,380,214	82,316	-	10,864,896
Contract services and operating expenditures	1,799,680	1,427,840	118,311	455,697	226,289	14,261	4,042,078
Capital outlay	505,563	-	-	1,639,775	1,235,472	-	3,380,810
Debt service:							
Principal retirement	-	-	-	-	2,570,000	-	2,570,000
Interest	-	-	-	-	1,098,507	1,798,507	2,897,014
Total expenditures	<u>17,617,738</u>	<u>7,751,894</u>	<u>13,551,284</u>	<u>25,291,703</u>	<u>5,212,584</u>	<u>1,812,768</u>	<u>71,237,971</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,348,098</u>	<u>(1,245,719)</u>	<u>(526,394)</u>	<u>867,108</u>	<u>4,092,150</u>	<u>29,359</u>	<u>5,564,602</u>
Other financing sources (uses):							
Transfers in	-	1,600,000	1,098,262	-	-	-	2,698,262
Transfers out	(2,227,169)	(79,028)	(572,219)	(642,557)	-	-	(3,520,973)
Total other financing sources (uses)	<u>(2,227,169)</u>	<u>1,520,972</u>	<u>526,043</u>	<u>(642,557)</u>	<u>-</u>	<u>-</u>	<u>(822,711)</u>
Net change in fund balances	120,929	275,253	(351)	224,551	4,092,150	29,359	4,741,891
Fund balances, July 1, 2019	<u>3,854,437</u>	<u>77,992</u>	<u>15,636</u>	<u>12,582,507</u>	<u>16,104,357</u>	<u>1,991,387</u>	<u>34,626,316</u>
Fund balances, June 30, 2020	<u>\$ 3,975,366</u>	<u>\$ 353,245</u>	<u>\$ 15,285</u>	<u>\$ 12,807,058</u>	<u>\$ 20,196,507</u>	<u>\$ 2,020,746</u>	<u>\$ 39,368,207</u>

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
ORGANIZATION
June 30, 2020

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 forty-two elementary schools (grades K-6), seven elementary/middle schools (grades K-8), six middle schools (grades 7-8), two middle/high schools (grades 7-12), seven high schools (grades 9-12), three alternative schools, two adult education centers, two special education centers and forty-two children's centers and preschools, serving infants through age 12. Sixteen charter schools also operated in the District serving kindergarten through grade twelve, five of which were governed by the District Board of Education.

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Jessie Ryan	President	December 2020
Christina Pritchett	Vice President	December 2020
Michael Minnick	Second Vice President	December 2020
Leticia Garcia	Member	December 2022
Lisa Murawski	Member	December 2022
Darrel Woo	Member	December 2022
Mai Vang	Member	December 2020
Olivia Ang-Olson*	Student Member	June 2020

ADMINISTRATION

Jorge A. Aguilar
Superintendent

Lisa Allen
Deputy Superintendent

Christine Baeta
Chief Academic Officer

Tara Gallegos
Chief Communications Officer

Robert Lyons, Ed.D.**
Chief Information Officer

Vincent Harris
Chief Continuous Improvement and Accountability Officer

Cancy McArn
Chief Human Resources Officer

Rose F. Ramos
Chief Financial Officer

*Isa Sheikh voted into office as the student member in June 2020 for the 2020-21 fiscal year.

**This position was vacant at June 30, 2020. Robert Lyons, Ed.D. was hired effective March 19, 2021

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
 SCHEDULE OF AVERAGE DAILY ATTENDANCE
 For the Year Ended June 30, 2020

	<u>Second Period Report</u>	<u>Annual Report</u>
Certificate Number:	7EBCE720	F41B5E4C
Elementary:		
Transitional Kindergarten through Third	11,971	11,971
Fourth through Sixth	8,988	8,988
Seventh and Eighth	6,455	6,455
Special Education	181	181
Community Day School	12	12
	27,607	27,607
Secondary:		
Ninth through Twelfth	10,476	10,476
Special Education	137	137
Total Secondary	10,613	10,613
District ADA Totals	38,220	38,220
<u>Charter Schools</u>		
Certificate Number:	F2E06ED5	88F04CAF
Bowling Green Elementary - Classroom-Based:		
Transitional Kindergarten through Third	438	438
Fourth through Sixth	326	326
Total Bowling Green Elementary Charter	764	764
Certificate Number:	1F2E8B17	143A5236
George Washington Carver School of Arts and Science - Classroom-Based:		
Ninth through Twelfth	250	250
Certificate Number:	1FC6DBE	4F473E2E
New Joseph Bonnheim - Classroom-Based:		
Transitional Kindergarten through Third	174	174
Fourth through Sixth	116	116
Total New Joseph Bonnheim Charter	290	290
Certificate Number:	2E9C7ECF	F596DCC4
New Technology High - Classroom-Based:		
Ninth through Twelfth	160	160
Certificate Number:	5A631E8D	43895EA9
The Met Sacramento High School - Non-Classroom-Based:		
Ninth through Twelfth	259	259
Total Charter Schools	1,723	1,723

See accompanying notes to supplementary information.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
For the Year Ended June 30, 2020

<u>Grade Level</u>	<u>Statutory Minutes Require- ment</u>	<u>2019-2020 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
<u>District</u>				
Kindergarten	36,000	36,000	180	In Compliance
Grade 1	50,400	50,492	180	In Compliance
Grade 2	50,400	50,492	180	In Compliance
Grade 3	50,400	50,492	180	In Compliance
Grade 4	54,000	54,008	180	In Compliance
Grade 5	54,000	54,008	180	In Compliance
Grade 6	54,000	54,008	180	In Compliance
Grade 7	54,000	54,130	180	In Compliance
Grade 8	54,000	54,130	180	In Compliance
Grade 9	64,800	64,800	180	In Compliance
Grade 10	64,800	64,800	180	In Compliance
Grade 11	64,800	64,800	180	In Compliance
Grade 12	64,800	64,800	180	In Compliance
<u>Bowling Green Charter School - Classroom Based</u>				
Kindergarten	36,000	43,205	180	In Compliance
Grade 1	50,400	50,492	180	In Compliance
Grade 2	50,400	50,492	180	In Compliance
Grade 3	50,400	50,492	180	In Compliance
Grade 4	54,000	54,008	180	In Compliance
Grade 5	54,000	54,008	180	In Compliance
Grade 6	54,000	54,008	180	In Compliance
<u>George Washington Carver School of Arts and Science - Classroom Based</u>				
Grade 9	64,800	64,800	180	In Compliance
Grade 10	64,800	64,800	180	In Compliance
Grade 11	64,800	64,800	180	In Compliance
Grade 12	64,800	64,800	180	In Compliance
<u>New Joseph Bonnheim Charter School - Classroom Based</u>				
Kindergarten	36,000	36,000	180	In Compliance
Grade 1	50,400	50,552	180	In Compliance
Grade 2	50,400	50,552	180	In Compliance
Grade 3	50,400	50,552	180	In Compliance
Grade 4	54,000	54,068	180	In Compliance
Grade 5	54,000	54,068	180	In Compliance
Grade 6	54,000	54,068	180	In Compliance
<u>New Technology High School - Classroom Based</u>				
Grade 9	64,800	68,835	175	In Compliance
Grade 10	64,800	68,835	175	In Compliance
Grade 11	64,800	68,835	175	In Compliance
Grade 12	64,800	68,835	175	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, 2020

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass- Through Entity Identifying Number	Federal Expend- itures
<u>U.S. Department of Education - Passed through California Department of Education</u>			
Special Education Cluster:			
84.027	IDEA: Basic and Local Assistance Entitlement, Part B, Sec 611	13379	\$ 9,104,627
84.027	IDEA: Private School ISP	13379	34,245
84.173	IDEA Preschool Grants, Part B, Section 619 (Age 3-5)	13430	273,548
84.027A	IDEA: Mental Health Services, Part B, Sec 611	14468	477,659
84.173A	IDEA: Preschool Staff Development Part B, Sec 619	13431	2,376
84.173A	Alternative Dispute Resolution, Part B, Sec 611	13007	<u>6,881</u>
Subtotal Special Education Cluster			<u>9,899,336</u>
Adult Education Program:			
84.002A	Adult Education: Adult Basic Education & ESL Section 231	14508	138,730
84.002	Adult Education: Adult Basic Secondary Education Section 231	13978	9,949
84.002A	Adult Education: English Literacy and Civics Education Local Grant	14109	<u>1,885</u>
Subtotal Adult Education Program			<u>150,564</u>
84.048	Carl D. Perkins Career and Technical Education: Secondary, Sec 131 (Vocational Education)	14894	<u>664,887</u>
Title I Program:			
84.010	ESEA: Title I, Part A, Basic Grants Low-Income and Neglected	14329	20,475,302
84.010	ESEA: ESSA School Improvement (CSI) Funding for LEA:	15438	<u>934,379</u>
Subtotal Title I Program			<u>21,409,681</u>
Title III Program:			
84.365	ESEA (ESSA): Title III, English Learner Student Program	14346	573,568
84.365	ESEA (ESSA): Title III, Immigrant Student Program	15146	<u>251,426</u>
Subtotal Title III Program			<u>824,994</u>

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
For the Year Ended June 30, 2020

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass- Through Entity Identifying Number	Federal Expend- itures
<u>U.S. Department of Education - Passed through California Department of Education (Continued)</u>			
84.126	Department of Rehabilitation: Workability II, Transitions Partnership Program	10006	\$ 202,066
84.181	Special Education: Early Intervention Grants, Part C	23761	139,420
84.060	Indian Education (From Federal Government)	10011	19,336
84.063	Pell Grants - Student Financial Aid Cluster	*	501,165
84.287	ESEA: Title IV, Part B, 21st Century Community Learning Centers Program	14349	1,725,156
84.367	ESEA: Title II, Part A, Improving Teacher Quality Local Grants	14341	1,626,442
84.377	ESEA: Title I, School Improvement Grant (SIG) for QEIA Schools	14971	13,240,153
84.424	ESEA: Title IV, Part A, Student Support and Academic Enrichment	15396	<u>541,029</u>
	Total U.S. Department of Education		<u>50,944,229</u>
<u>U.S. Department of Health and Human Services - Passed through California Department of Health Care Services</u>			
	Medicaid Cluster:		
93.778	Medi-Cal Billing Option	10013	1,024,225
93.778	Medi-Cal Administrative Activities	10060	<u>573,457</u>
	Subtotal Medicaid Cluster		<u>1,597,682</u>
93.674	Chafee Foster Care Independent Living	*	82,577
93.600	Head Start	10016	5,598,585
93.566	Refugee Cash and Medical Assistance Program	*	<u>78,427</u>
<u>U.S. Department of Health and Human Services - Passed through Substance Abuse and Mental Health Services Administration</u>			
93.243	Meadowview Project Aware Grant	*	<u>33,114</u>
	Total U.S. Department Health and Human Services		<u>7,390,385</u>

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
For the Year Ended June 30, 2020

<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 Agriculture - Passed through California Department of Education</u>			
	Child Nutrition Cluster:		
10.555	National School Lunch Program	13396	\$ 16,645,717
10.559	Child Nutrition: Summer Food Service Program Operations	13004	<u>965,292</u>
	Subtotal Child Nutrition Cluster		<u>17,611,009</u>
10.558	Child Nutrition: Child Care Food Program	13666	1,039,112
10.582	Child Nutrition: Fresh Fruit and Vegetable Program	14968	<u>41,782</u>
	Total U.S. Department of Agriculture		<u>18,691,903</u>
<u>U.S. Department of Justice</u>			
16.543	Missing Children's Assistance	*	<u>10,466</u>
<u>U.S. Department of Defense</u>			
12.357	ROTC	*	<u>268,653</u>
<u>U.S. Department of Labor</u>			
	Workforce Innovation and Opportunity Act Cluster:		
17.259	Workforce Investment Act, Youth Activities	*	<u>185,200</u>
	Total Federal Programs		<u>\$ 77,490,836</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, 2020

	Bond Interest and Redemption Fund
June 30, 2020 Unaudited Actual Financial Reporting Ending Fund Balance	\$ 31,948,534
To correct debt issuance premiums recorded by the Sacramento County Treasurer	<u>10,988,306</u>
June 30, 2020 Audited Financial Statements Ending Fund Balance	<u>\$ 42,936,840</u>

There were no 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, 2020
(UNAUDITED)

	(Budget) <u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>General Fund</u>				
Revenues and other financing sources	\$ 594,726,073	\$ 557,546,896	\$ 555,039,158	\$ 508,290,529
Expenditures	632,521,176	532,129,368	553,491,115	518,008,558
Other uses and transfers out	<u>1,726,379</u>	<u>2,698,262</u>	<u>1,719,449</u>	<u>1,248,027</u>
Total outgo	<u>634,247,555</u>	<u>534,827,630</u>	<u>555,210,564</u>	<u>519,256,585</u>
Change in fund balance	\$ <u>(39,521,482)</u>	\$ <u>22,719,266</u>	\$ <u>(171,406)</u>	\$ <u>(10,966,056)</u>
Ending fund balance	\$ <u>53,527,129</u>	\$ <u>93,048,611</u>	\$ <u>70,329,345</u>	\$ <u>70,500,751</u>
Available reserves	\$ <u>44,675,700</u>	\$ <u>84,052,645</u>	\$ <u>52,751,482</u>	\$ <u>20,013,133</u>
Designated for economic uncertainties	\$ <u>12,614,060</u>	\$ <u>10,624,585</u>	\$ <u>52,751,482</u>	\$ <u>20,013,133</u>
Undesignated fund balance	\$ <u>32,061,640</u>	\$ <u>73,428,060</u>	\$ <u>-</u>	\$ <u>-</u>
Available reserves as percentages of total outgo	<u>7.0%</u>	<u>15.7%</u>	<u>9.5%</u>	<u>3.9%</u>
<u>All Funds</u>				
Total long-term liabilities	\$ <u>1,624,403,255</u>	\$ <u>1,663,304,598</u>	\$ <u>1,608,818,718</u>	\$ <u>1,804,562,828</u>
Average daily attendance at P-2, excluding Adult and Charter School	<u>38,220</u>	<u>38,220</u>	<u>38,425</u>	<u>38,588</u>

The General Fund fund balance has increased by \$11,581,804 over the past three years. The District has incurred operating deficits in two of the past three years, and anticipates incurring an operating deficit during the 2020-2021 fiscal year. The fiscal year 2020-2021 budget projects a decrease of \$39,521,482. 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, 2020, the District has met this requirement.

Total long-term liabilities have decreased by \$141,258,230 over the past two years.

Average daily attendance has decreased by 368 over the past two years. The District anticipates no change in ADA for the 2020-2021 fiscal year.

See accompanying notes to supplementary information.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
 SCHEDULE OF CHARTER SCHOOLS
 For the Year Ended June 30, 2020

Charter No.	<u>Charter Schools Chartered by District</u>	<u>Included in District Financial Statements, or Separate Report</u>
0598	Aspire Capitol Heights Academy	Separate Report
0018	Bowling Green Charter Elementary	Included as Charter Schools Fund
0775	California Montessori Project Capitol Campus	Separate Report
1273	Capitol Collegiate Academy	Separate Report
0588	George Washington Carver School of Arts and Science	Included as Charter Schools Fund
1848	Growth Public Schools	Separate Report
0640	Language Academy of Sacramento	Separate Report
0586	The Met Sacramento High School	Included as Charter Schools Fund
1690	New Joseph Bonnheim Charter School	Included as Charter Schools Fund
0585	New Technology High School	Included as Charter Schools Fund
1986	NorCal Trade and Tech*	Separate Report
0596	Sacramento Charter High School	Separate Report
1948	Sacramento Academic and Vocational Academy (SAVA)	Separate Report
0552	Sol Aureus College Preparatory	Separate Report
0491	St. HOPE Public School 7	Separate Report
1186	Yav Pem Suab Academy	Separate Report

*Charter School closed effective August 30, 2019

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
 SCHEDULE OF FIRST 5 REVENUES AND EXPENDITURES
 For the Year Ended June 30, 2020

	<u>Academic and Support Services*</u>	<u>Child Care*</u>
Revenues		
Other local sources	\$ 436,978	\$ 441,618
Expenditures:		
Certificated salaries	272,710	187,838
Classified salaries	-	71,196
Employee benefits	156,105	137,558
Books and supplies	5,443	4,195
Contract services and operating expenditures	2,720	2,997
Indirect costs	-	37,834
Total expenditures	<u>436,978</u>	<u>441,618</u>
Change in fund balance	-	-
Fund balance, July 1, 2019	<u>-</u>	<u>-</u>
Fund balance, June 30, 2020	<u>\$ -</u>	<u>\$ -</u>

* Revenues and expenditures for the First 5 Grant are reflected in the District's Child Development Fund. See pages 64 to 65 of the financial statements for a complete presentation of the Child Development Fund.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
 NOTES TO SUPPLEMENTARY INFORMATION
 June 30, 2020

NOTE 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. The District submitted a COVID-19 School Closure Certification with the State Superintendent of Public Instruction (SSPI) in connection with the effected school days impacted by COVID-19. The Certification was submitted to the SSPI on June 26, 2020.

C - Schedule of Expenditure of Federal Awards

The Schedule of Expenditure of Federal Awards includes the federal award activity of Sacramento City Unified School District, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures and Change in Fund Balances and the related expenditures reported on the Schedule of Expenditure of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2020.

<u>Description</u>	<u>CFDA Number</u>	<u>Amount</u>
Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances		\$ 82,878,696
Deduct: Medi-Cal Billing Option unspent funds	93.778	(188,076)
Child Care Food Program unspent funds	10.558	(1,919,034)
Summer Food Program unspent funds	10.559	<u>(3,280,750)</u>
Total Schedule of Expenditure of Federal Awards		<u>\$ 77,490,836</u>

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
June 30, 2020

NOTE 1 - PURPOSE OF SCHEDULES (Continued)

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

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

E - Schedule of Financial Trends and Analysis - Unaudited

This schedule provides information on the District's financial condition over the past three years and its anticipated condition for the 2020-2021 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 Expenditures

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

NOTE 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, 2020, 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

Report on Compliance with State Laws and Regulations

We have audited Sacramento City Unified School District's compliance with the types of compliance requirements described in the State of California's 2019-20 *Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (the "Audit Guide") applicable to the state laws and regulations listed below for the year ended June 30, 2020.

<u>Description</u>	<u>Procedures Performed</u>
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Comprehensive School Safety Plan	Yes
Apprenticeship: Related and Supplemental Instruction	No, see below
District of Choice	No, see below
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
General requirements	Yes
After school	Yes
Before school	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study – Course Based	No, see below
Attendance, for charter schools	Yes
Mode of Instruction, for charter schools	Yes
Nonclassroom-Based Instruction/Independent Study, for charter schools	Yes
Determination of Funding for Nonclassroom-Based Instruction, for charter schools	Yes
Annual Instructional Minutes - Classroom-Based, for charter schools	Yes
Charter School Facility Grant Program	No, see below

(Continued)

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

The District does not have any Juvenile Court Schools; therefore, we did not perform any procedures related to Juvenile Court Schools.

The District does not have any Middle or Early College High Schools; therefore, we did not perform any procedures related to Middle or Early College High Schools.

We did not perform any procedures related to Apprenticeship: Related and Supplemental Instruction because the District does not have programs that meet this criteria.

The District did not qualify for District of Choice in the current year; therefore, we did not perform any procedures related to District of Choice.

The District did not operate a Before School Education and Safety Program; therefore, we did not perform any procedures related to this program.

The District did not offer an Independent Study-Course Based program; therefore, we did not perform any procedures related to this program.

The District did not receive Charter School Facility Grant Program funding in the current year; therefore, we did not perform any procedures related to the Charter School Facility Grant Program.

Management's Responsibility

Management is responsible for compliance with the requirements of state laws and regulations, as listed above.

Auditor's Responsibility

Our responsibility is to express an opinion on Sacramento City Unified School District's compliance with state laws and regulations as listed above based on our audit of the types of compliance requirements referred to above. 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 *2019-20 Guide for Annual Audits of K12 Local Education Agencies and State Compliance Reporting* (Audit Guide). Those standards and the Audit Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on Sacramento City Unified School District's compliance with the state laws and regulations listed above 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 qualified opinion on compliance with state laws and regulations. However, our audit does not provide a legal determination of Sacramento City Unified School District's compliance.

Basis for Qualified Opinion on Compliance with State Laws and Regulations

As described in Finding 2020-003 in the accompanying Schedule of Audit Findings and Questioned Costs, Sacramento City Unified School District did not comply with the requirements regarding Comprehensive School Safety Plan. Compliance with such requirements is necessary, in our opinion, for Sacramento City Unified School District to comply with the requirements applicable to the state laws and regulations referred to above.

Qualified Opinion on Compliance with State Laws and Regulations

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Sacramento City Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the state laws and regulations referred to above for the year ended June 30, 2020.

Other Matter

Sacramento City Unified School District's response to the noncompliance finding identified in our audit is included in the accompanying Schedule of Audit Findings and Questioned Costs. Sacramento City Unified School District's response was not subjected to the auditing procedures applied in the audit of State Compliance and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the State of California's *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.


Crowe LLP

Sacramento, California
March 24, 2021

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

Board of Education
Sacramento City Unified School District
Sacramento, California

We have audited, in accordance with the 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, the financial statements of the governmental 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, 2020, and the related notes to the financial statements, which collectively comprise Sacramento City Unified School District's basic financial statements, and have issued our report thereon dated March 24, 2021.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Audit Findings and Questioned Costs as finding 2020-001, that we consider to be a significant deficiency. Additionally, we identified a deficiency involving internal control that we communicated to management as identified in the accompanying Schedule of Audit Findings and Questioned Costs as Finding 2020-002.

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sacramento City Unified School District's financial statements are free from 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Sacramento City Unified School District's Response to Finding

Sacramento City Unified School District's responses to the findings identified in our audit is described in the accompanying Schedule of Audit Findings and Questioned Costs. Sacramento City Unified School District's responses were not subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Crowe LLP

Sacramento, California
March 24, 2021

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
THE FIRST 5 SACRAMENTO COUNTY PROGRAM

Board of Education
Sacramento City Unified School District
Sacramento, California

Report on Compliance on First 5 Sacramento County Program

We have audited Sacramento City Unified School District's compliance with the types of compliance requirements described in the Program Guidelines for the First 5 Sacramento County Program that could have a direct and material effect on the First 5 Sacramento County Program for the year ended June 30, 2020.

Management's Responsibility

Management is responsible for the compliance with the requirements of laws, regulations, contracts and grants applicable to its First 5 Sacramento County Program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance on Sacramento City Unified School District's First 5 Sacramento County Program based on our audit of compliance requirements referred to above. 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.

Opinion on First 5 Sacramento County Program

In our opinion, Sacramento City Unified School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its First 5 Sacramento County Program for the year ended June 30, 2020.

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing over compliance and results of that testing based on requirements of the First 5 Sacramento County Program. Accordingly, this report is not suitable of any other purposes.


Crowe LLP

Sacramento, California
March 24, 2021

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE

Board of Education
Sacramento City Unified School District
Sacramento, California

Report on Compliance for Each Major Federal Program

We have audited Sacramento City Unified School District's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Sacramento City Unified School District's major federal programs for the year ended June 30, 2020. Sacramento City Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Sacramento City Unified School District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Sacramento City Unified School District's compliance.

Unmodified Opinion on Each of the Major Federal Programs

In our opinion, Sacramento City Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2020.

(Continued)

Report on Internal Control Over Compliance

Management of Sacramento City Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Sacramento City Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.


Crowe LLP

Sacramento, California
March 24, 2021

FINDINGS AND RECOMMENDATIONS

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2020

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	_____ Yes	_____ <u>X</u> No
Significant deficiency(ies) identified not considered to be material weakness(es)?	_____ <u>X</u> Yes	_____ None reported

Noncompliance material to financial statements noted?

	_____ Yes	_____ <u>X</u> No
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FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified?	_____ Yes	_____ <u>X</u> No
Significant deficiency(ies) identified not considered to be material weakness(es)?	_____ Yes	_____ <u>X</u> None reported

Type of auditors' report issued on compliance for major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>	<u>Type of Opinion</u>
84.027, 84.173, 84.027A, 84.173A	Special Education Cluster	Unmodified
93.600	Headstart	Unmodified
10.555, 10.559	Child Nutrition Cluster	Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027, 84.173, 84.027A, 84.173A	Special Education Cluster
93.600	Headstart
10.555, 10.559	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$2,324,725

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

STATE AWARDS

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

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2020

SECTION II - FINANCIAL STATEMENT FINDINGS

2020-001 SIGNIFICANT DEFICIENCY – CASH IN COUNTY TREASURY RECONCILIATIONS (30000)

Criteria

Timely and accurate balance sheet account reconciliation preparation and review are a prudent and necessary practice of normal business operations. All accounts reconciliations are an important function of cash monitoring and financial reporting.

Condition

Cash in County Treasury reconciliations were not being prepared, reviewed and approved on a monthly basis throughout the fiscal year.

Effect

There exists opportunity for error or fraud to be committed related to financial reporting.

Cause

Proper internal controls were not being maintained.

Recommendation

We recommend that the District prepare, review and approved Cash in County Treasury reconciliations on a monthly basis.

Views of Responsible Officials and Planned Corrective Action

Cash in County Treasury reconciliations are performed on a monthly basis by Sacramento County of Education staff and internally by District staff. The District will implement stronger internal controls to address the potential for error or fraud to be committed by adding an additional layer of review and approval for the District cash in county treasury reconciliation on a monthly basis

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2020

SECTION II - FINANCIAL STATEMENT FINDINGS

2020-002 DEFICIENCY - SEGREGATION OF DUTIES IN JOURNAL ENTRY PROCESSING (30000)

Criteria

Sound accounting policies and proper segregation of duties require an internal control system be in place to ensure each transaction is complete, accurate and reviewed by a knowledgeable person prior to processing.

Condition

Three individuals in the Accounting Services department have the ability to prepare and post journal entries into the financial system. This is a repeat finding of 2019-001.

Effect

There exists opportunity for error or fraud to be committed related to financial reporting.

Cause

The design of controls within the journal entry process does not mitigate the potential for fraud or error in financial reporting.

Recommendation

We recommend that the District implement an internal control generating a log of journal entries prepared and posted by the same individual and require an independent individual to review and verify on a periodic basis.

Views of Responsible Officials and Planned Corrective Action

The District currently uses a manual process for the segregation of duties to mitigate the same individual preparing and posting their own journal entries into the financial system. The District will implement stronger internal controls to address the risk that the same individual could prepare and post journal entries into the financial system by adding an additional level of review to verify potential entries on a periodic basis.

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2020

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2020

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2020-003 DEFICIENCY – STATE COMPLIANCE - COMPREHENSIVE SCHOOL SAFETY PLAN (40000)

Criteria

Each school should adopt its comprehensive school safety plan as described in Education Code Section 32282 and reviewed and updated its plan by March 1 of the fiscal year.

Condition

8 of the 16 comprehensive school safety plans inspected were reviewed and approved after March 1, 2020.

Context

We performed the audit procedures enumerated in the State of California 2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting and identified the finding described above.

Effect

The District is out of compliance with state requirements.

Cause

The District completed review of the school safety plans after the designated March 1, 2020 date.

Fiscal Impact

Not applicable.

Recommendation

The District should ensure the school safety plans are prepared and reviewed by the March 1st reporting date.

Views of Responsible Officials and Planned Corrective Action

The District will establish a deadline for review of the comprehensive school safety plans before March. The District will establish a clear plan and process to reach timelines among District administration. Further, training forums for new and transitioning principals and staff will be provided in addition to technical support including increased notifications and updates for plans not submitted leading up to the deadline. The District will increase notifications and updates for plans that need to be edited leading up to the deadline.

**STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS**

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2020

2019-001 DEFICIENCY - SEGREGATION OF DUTIES IN JOURNAL ENTRY PROCESSING (30000)

Condition: Three individuals in the Accounting Services department have the ability to prepare and post journal entries into the financial system.

Recommendation: We recommend that the District implement an internal control generating a log of journal entries prepared and posted by the same individual and require an independent individual to review and verify on a periodic basis.

Current Status: Not implemented.

Management Response if Not Implemented: See current year finding 2020-002.

2019-002 DEFICIENCY – STATE COMPLIANCE – AFTER SCHOOL EDUCATION AND SAFETY PROGRAM – ATTENDANCE (40000)

Condition: The After School Education and Safety (ASES) Program improperly reported 31 days of attendance in their attendance system and was unable to provide sign in sheets to support an additional 2 days of attendance in their attendance system.

Recommendation: The District should enforce controls to ensure accurate accounting for attendance.

Current Status: Implemented.

Management Response if Not Implemented: Not applicable.

2019-003 DEFICIENCY – STATE COMPLIANCE – UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000)

Condition: At multiple sites in the District, two students were improperly included as Free or reduced-price meal eligible. There was no supporting documentation that these students met the free or reduced-price meal eligible program guidelines.

Recommendation: The District should ensure that all students are properly reflected in the CALPADS reporting under the appropriate free or reduced-price meal program status.

Current Status: Implemented.

Management Response if Not Implemented: Not applicable.