

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS

June 30, 2017

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
 FINANCIAL STATEMENTS
 WITH SUPPLEMENTARY INFORMATION
 For the Year Ended June 30, 2017

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SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
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 WITH SUPPLEMENTARY INFORMATION
 For the Year Ended June 30, 2017

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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, 2017, 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, 2017, 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)

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 14 and the Required Supplementary Information, such as the General Fund Budgetary Comparison Schedule, Schedule of Other Postemployment Benefits (OPEB) Funding Progress, Schedule of the District's Proportionate Share of the Net Pension Liability, and Schedule of the District's Contributions on pages 57 to 62 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 November 29, 2017 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 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.

Crowe Horwath LLP
Crowe Horwath LLP

Sacramento, California
November 29, 2017

Management's Discussion and Analysis

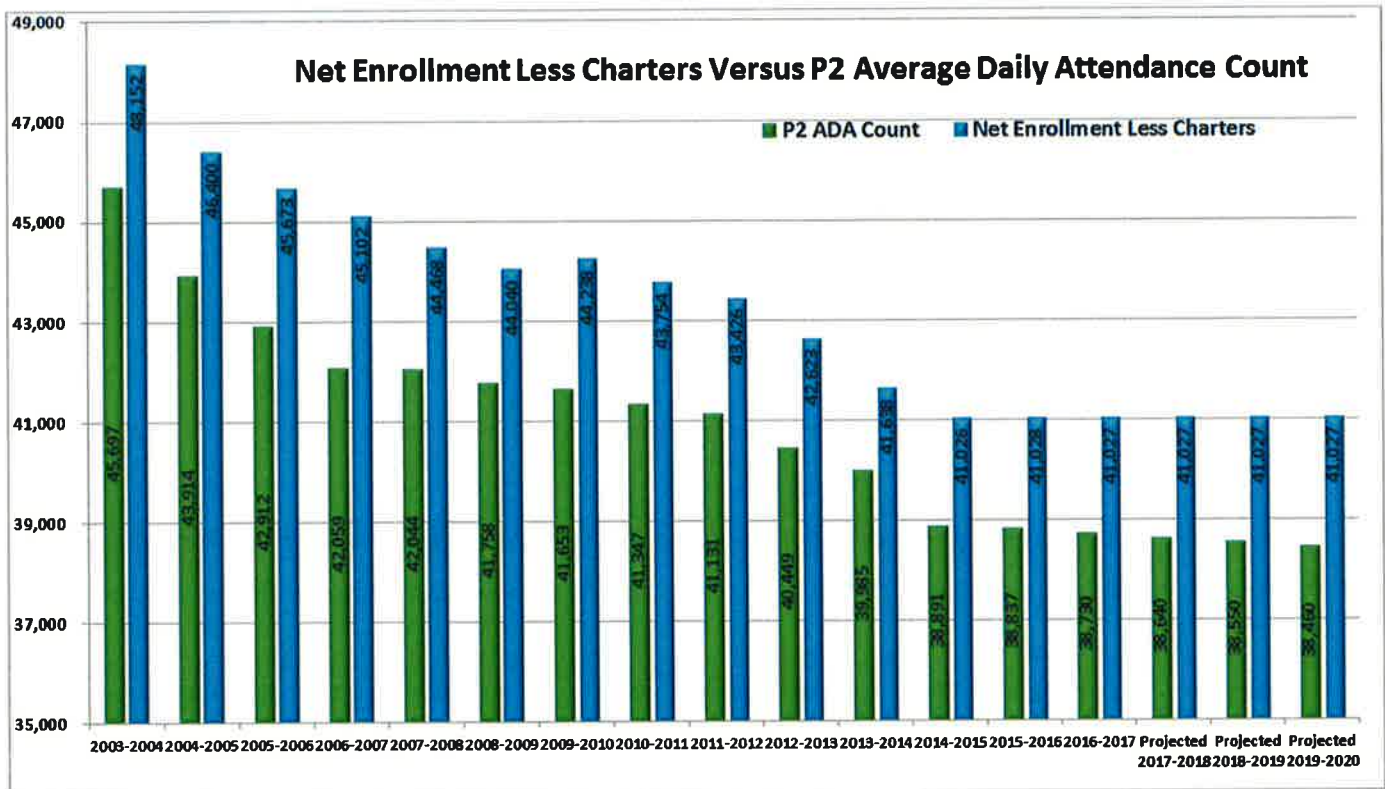
The Management's Discussion and Analysis (MD&A) Section of the audit report is District management's overall view of the District's financial condition and provides an opportunity to discuss important fiscal issues with the Board and the public. The MD&A is an element of the reporting model adopted by 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 Superintendent of Schools of Sacramento County, although the District has attained "fiscal accountability" status under the State Education Code.

For FY 2016-17, the District operated forty-one elementary schools (grades K-6), eight elementary/middle schools (K-8), six middle schools, one middle/high school (grades 7-11), one 7-12 middle/high school, seven comprehensive high schools (grades 9-12), three alternative education centers, two special education centers, two adult education centers and fourteen charter schools (including both dependent and independent) and forty-four children's centers/preschools serving infants through age 12.

The chart below graphically presents the District's enrollment trend after the impact of charter schools is taken into account. The District's enrollment is leveling while ADA continues to modestly decline.



Also shown on this chart is the Average Daily Attendance (ADA). The District is funded based on ADA, which is tracked on a daily basis with staff following up on areas of concern. The District averages approximately 94% ADA to enrollment.

Overview of the Financial Statements

This annual report consists of three parts: (1) management's discussion and analysis (this section); (2) the financial statements; and (3) required supplementary information. The financial statements include two kinds of statements that present different views of the Sacramento City Unified School District.

- The first two statements are districtwide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, and report the District's operations in more detail than the district-wide statements.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. The remainder of the management's discussion and analysis highlights the structure and contents of each of the statements.

The district-wide statements report information about the District as a whole. The statement of net position includes all of the District's assets and liabilities and deferred outflows and inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's assets and liabilities and deferred outflows and inflows of resources as a measure of the District's financial position.

In the district-wide financial statements, 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 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.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds. Funds are accounting devices the District uses to keep track of 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 (like repaying its long-term debts) or to show that it is properly using certain revenues (like Bonds).

Fund Financial Statements (Continued)

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 readily be 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. The District's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows. Internal service funds (the other kind 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 the 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.

Governance

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

Mission and Strategic Plan

The District's Mission:

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

The District's *Strategic Plan 2016-21 United for Equity. Committed to Excellence.*

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

Financial Reports

The audit report consists of a series of financial reports. The Statement of Net Position and Statement of Activities report the districtwide financial condition and activities of the District taken as a whole. These two financial statements start on page 15. The individual fund statements, which focus on reporting the District's operations in more detail, begin on page 17.

District-wide Financial Condition

The Statement of Net Position is a districtwide financial statement that reports all that the District owns (assets) and owes (liabilities). Fiscal year 2001-02 was the first year the District accounted for the value of fixed assets and included these values as part of the financial statements. We display 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 of our 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.

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

	30-Jun-17	30-Jun-16	Variance	% Diff
Capital Assets	\$554,196,339	\$516,610,396	\$37,585,943	7%
Other Assets	\$407,462,817	\$356,889,049	\$50,573,768	14%
Total Assets	\$961,659,156	\$873,499,445	\$88,159,711	10%
Deferred Outflows of Resources	\$82,280,898	\$34,985,166	\$47,295,732	135%
Current and Other Liabilities	\$66,448,046	\$88,182,505	(\$21,734,459)	-25%
Long-Term Liabilities	\$1,285,646,178	\$1,102,017,744	\$183,628,434	17%
Total Liabilities	\$1,352,094,224	\$1,190,200,249	\$161,893,975	14%
Deferred Inflows of Resources	\$25,051,000	\$53,091,000	(\$28,040,000)	-53%
Net Investment in Capital Assets (net of related debt)	\$105,170,078	\$91,306,847	\$13,863,231	15%
Restricted Net Position	\$101,339,277	\$88,471,449	\$12,867,828	15%
Unrestricted Net Position	(\$539,714,525)	(\$514,584,934)	(\$25,129,591)	5%
Total Net Position	(\$333,205,170)	(\$334,806,638)	\$1,601,468	0.5%

District-wide Financial Condition (Continued)

At the end of fiscal year 2016-17, the District had a total value of \$1,077,298,092 in capital assets. Capital assets include land, buildings, building improvements, equipment and work in progress. Total accumulated depreciation amounted to \$523,101,753. The net capital assets amounted to \$554,196,339, an increase of \$37,585,943 from prior year. This is a result of capital projects being completed through Measures Q and R General Obligation Bonds and Emergency Repair Funds.

Other assets include cash, investments, receivables, prepaid expenses and stores inventory. An increase in other assets of \$50,573,768 can be attributed to the increase of one-time funds. The governor finished paying the wall of debt and eliminated the State deferrals and an increase in cash with fiscal agent for the Building Fund. The cash account for the Building Fund is used to fund the District's capital asset improvements (i.e. Measures Q and R General Obligations Bonds).

The District ended the year with a total of \$1,352,094,224 in outstanding financing obligations. The increase in total liabilities of \$161,893,975 is mainly attributed to the issuance of new general obligation bonds and the increase of pension liability.

The Statement of Activities is a districtwide 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:

District-wide Financial Condition (Continued)

	30-Jun-17	30-Jun-16	Variance	% Diff
Expenses				
Governmental Activities:				
Instruction	\$370,749,498	\$355,783,382	\$14,966,116	4%
Instruction-Related Services	\$69,765,821	\$73,207,072	(\$3,441,251)	-5%
Pupil Services	\$67,108,590	\$71,189,551	(\$4,080,961)	-6%
General Administration	\$25,065,039	\$25,952,319	(\$887,280)	-3%
Plant Services	\$46,616,595	\$49,436,583	(\$2,819,988)	-6%
Interest on Long-Term Debt	\$20,737,032	\$20,904,407	(\$167,375)	-1%
All Other Expenses and Outgo	\$26,931,353	\$3,752,440	\$23,178,913	618%
Total Governmental Activity Expenses	\$626,973,928	\$600,225,754	\$26,748,174	4%

Revenues				
Charges For Services	\$2,460,607	\$2,296,411	\$164,196	7%
Operating Grants and Contributions	\$166,111,607	\$171,154,837	(\$5,043,230)	-3%
Capital Grants and Contributions	\$0	\$0	\$0	
Taxes Levied for General Purposes	\$89,744,074	\$77,110,807	\$12,633,267	16%
Taxes Levied for Debt and Special Purposes	\$40,745,172	\$43,116,433	\$2,371,261	-5%
Unrestricted Federal and State Aid	\$305,643,603	\$316,293,311	(\$10,649,708)	-3%
Interest and Investment Earnings	\$7,714,085	\$934,911	\$6,779,174	725%
Interagency Revenues	\$2,352,234	\$24,606,014	(\$22,253,780)	-90%
Special and Extraordinary Items	\$0	\$0	\$0	
Miscellaneous	\$13,804,014	\$11,879,631	\$1,924,383	16%
Total Revenues	\$628,575,396	\$647,392,355	(\$18,816,959)	-3%

Change in Net Position	\$1,601,468	\$47,166,601	(\$45,565,133)	-97%
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The District, as a whole, experienced a change in net position by \$1,601,468. Revenues decreased mainly due to the reduction of one-time funds compared to 2015-16.

Expenditures increased by \$26,748,174.

This year's increase in All Other Expenses and Outgo occurred mainly due to the adjustment of \$22,213,281 to remove the CERBT trust activity from the District's fund financials and transfer of resources to CalPERS Trust reflected in the General Fund. The increase in Instruction expenses is due to implementation of Class Size Reduction of 24:1 for grades K-3. Seventy teachers were hired to implement Class Size Reduction.

General Fund Financial and Budgetary Highlights

The General Fund accounts for the primary operations of the District. The District's initial budget is adopted by July 1. Over the course of the year, the District's budget is revised several times to take into account revised and new categorical funding appropriations and related expenditures, and to update budgets for prior year 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, 2017:

	Adopted Budget	Year End Budget	Actual
Total Revenues	\$491,032,371	\$512,812,430	\$498,100,446
Total Expenditures	\$517,030,245	\$532,989,849	\$515,670,957
Total Other Sources/(Uses)	\$1,308,449	\$1,425,000	\$1,104,703

The net revenue increase between Adopted and Year End budget was \$21,780,059, due to current year budgets for categorical funds, which are budgeted as grant award documents are received. Also, the budgets for prior year unspent restricted and unrestricted program funds (carryover) are appropriated mid-year. In addition, the Adopted Budget did not include one-time funds such as \$11,434,000 for Emergency Repair Funds and \$4,925,161 for CTE Incentive.

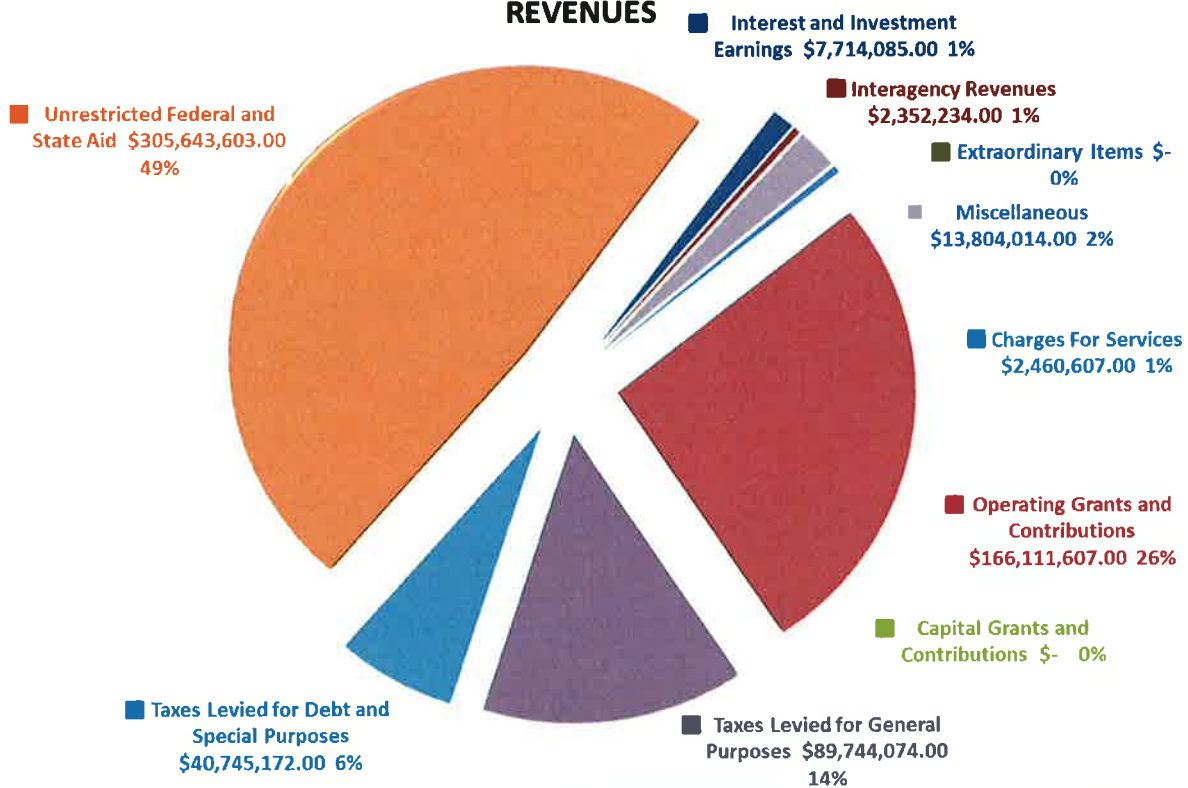
The net increase to the total expenditure budget between Adopted and Year End budget was \$15,959,604, due to revisions to set up expenditures related to the one-time funds described above and the categorical program funds, which are budgeted after July 1 as grant award documents are received and school site plans are approved.

Actual revenues were \$14,711,984, or 2.9% below Year End budget, due primarily to unspent and unearned categorical revenue and one-time revenues that carryover to 2017-18. Actual expenditures were \$17,318,892, or 3.2% below Year End budget, due to timing of grants received in the later part of the year, lower than expected health benefit increase, and unspent categorical revenue and unspent school site program funds.

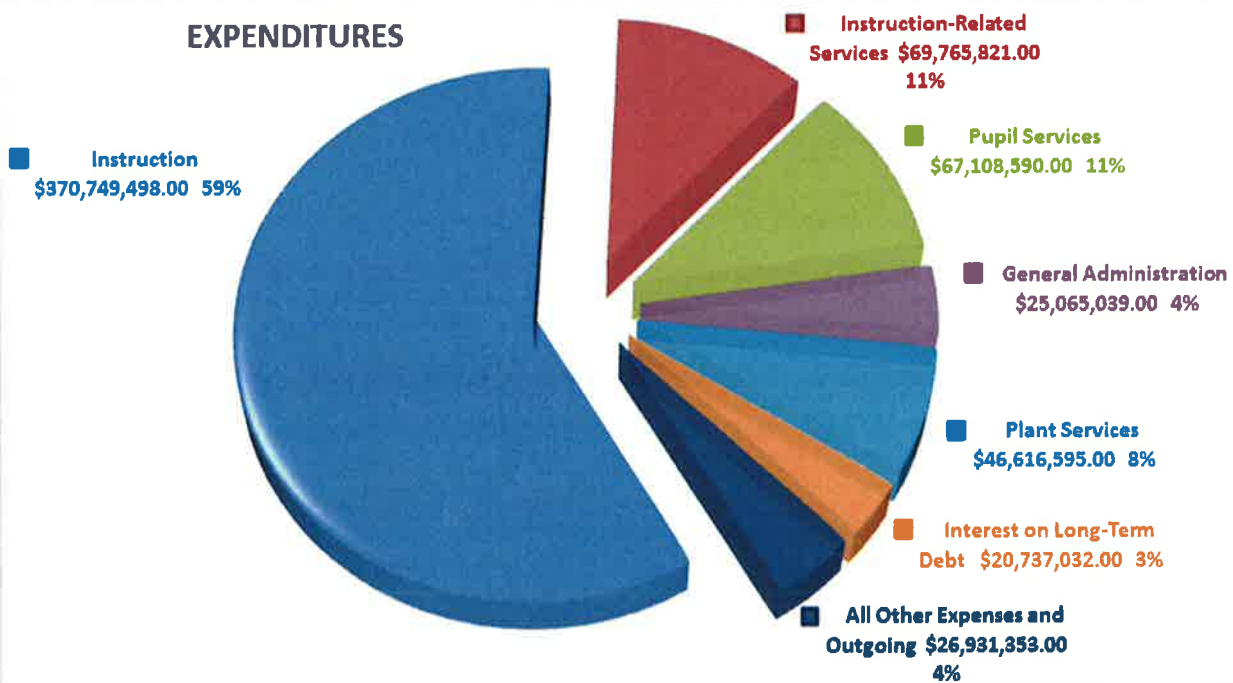
The following table summarizes the General Fund operational fund financial statements for the year ended June 30, 2017:

Total Revenue	\$498,100,446
Total Expenditures	\$515,670,957
Other Financing Sources & Uses	\$1,104,703
Net Change	(\$16,465,808)

REVENUES



EXPENDITURES



The percentage of revenues decreased by 3% for Unrestricted Federal and State Aid and Taxes Levied for General Purposes compared to FY 2015-16, mainly because the reduction of one-time funds. The percentage increase of expenditures for FY 2016-17 is 4% compared to FY 2015-16.

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, 2017

<u>Measure Q</u>	<u>\$38,857,558</u>
● Program Management Expenditures	\$1,132,232
● Completed Project Expenditures:	
▪ Core Academic Renovation	\$53,693
▪ District-wide Fire and Irrigation Improvements	\$916,640
▪ Modernization, Repair and Upgrades	\$9,794,896
▪ Program Enhancements	\$1,847,597
▪ Resource and Energy Conservation Improvement Projects	\$121,459
▪ Technology Upgrades	(\$605,075)
● In Progress Project Expenditures:	
▪ Core Academic Renovation	\$19,882,942
▪ District-wide Fire and Irrigation Improvements	\$354,511
▪ Modernization, Repair and Upgrades	\$1,045,028
▪ Program Enhancements	\$4,308,606
▪ Technology Upgrades	\$5,029
<u>Measure R</u>	<u>\$390,442</u>
● Program Management Expenditures	\$216,979
● Completed Project Expenditures:	
▪ Modernization, Repair and Upgrades	(\$43,990)
● In Progress Project Expenditures:	
▪ Athletics: Fields, Gyms, Locker Rooms	\$144,044
▪ Nutrition Services Center	\$73,409

Summary of Future Projects as of June 30, 2017

<u>Project Year(s)</u>	<u>Projects</u>	<u>Estimated Budget</u>
<u>Measure Q</u>		<u>\$87,100,000</u>
2018-2021	Core Academic Renovation	\$27,729,000
2018-2021	Modernization, Repair and Upgrade Projects	\$56,871,000
2018-2021	Resource and Energy Conservation Improvement Projects	\$2,500,000
<u>Measure R</u>		<u>\$30,900,000</u>
2018-2021	Nutrition Services Center	

District Indebtedness

As of June 30, 2017, the District has incurred \$1,285,646,178 of long-term liabilities. Of this amount, \$529,458,884 is General Obligation Bonds and Accreted Interest backed by property tax increases voted on by District residents in 1999, 2002 and 2012, and \$67,920,000 of Lease Revenue Bonds, backed by Mello-Roos Community Facilities funds.

Financial Issues

Since the beginning of the “Great Recession,” revenues for school districts within the State, from what has been known as the “Revenue Limit Calculation,” have been significantly below the 2008-2009 funding level. Funding for the 2015-2016 and 2016-2017 fiscal year was the exception. It was slightly higher than 2008-09 when the district incurred about 20% reduction. With the passage of the Local Control Funding Formula (LCFF) and Proposition 30, the prospects for increased State funding are dramatically improved.

Funding is however only part of the equation. Declining ADA with level enrollment, increased operating expenses, such as pension and health benefits increases, and uncertain future state resources are the 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. Internal factors of compensation and the number of employees must be commensurate with the number of students. Sacramento City Unified School District must be vigilant in monitoring all expenditures to avoid fiscal distress.

BASIC FINANCIAL STATEMENTS

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2017

	<u>Governmental Activities</u>
ASSETS	
Cash and investments (Note 2)	\$ 365,467,704
Receivables	41,264,317
Prepaid expenses	16,636
Stores inventory	714,160
Non-depreciable capital assets (Note 4)	58,045,675
Depreciable capital assets, net of accumulated depreciation (Note 4)	<u>496,150,664</u>
Total assets	<u>961,659,156</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - pensions (Notes 8 and 9)	79,524,351
Deferred loss on refunding of debt	<u>2,756,547</u>
Total deferred outflows of resources	<u>82,280,898</u>
LIABILITIES	
Accounts payable	59,028,908
Unpaid claims and claim adjustment expenses (Note 5)	755,880
Unearned revenue	6,663,258
Long-term liabilities (Note 6):	
Due within one year	63,948,803
Due after one year	<u>1,221,697,375</u>
Total liabilities	<u>1,352,094,224</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pensions (Notes 8 and 9)	<u>25,051,000</u>
NET POSITION	
Net investment in capital assets	105,170,078
Restricted:	
Legally restricted programs	25,120,917
Capital projects	25,403,975
Debt service	40,952,072
Self-Insurance	9,862,313
Unrestricted	<u>(539,714,525)</u>
Total net position	<u>\$ (333,205,170)</u>

See accompanying notes to the financial statements

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

	Expenses	Charges For Services	Program Revenues		Net (Expense) Revenue and Changes in Net Position
			Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 370,749,498	\$ 1,218,017	\$ 106,935,619	\$ -	\$ (262,595,862)
Instruction-related services:					
Supervision and administration	30,578,271	159,610	14,608,370	-	(15,810,291)
Library, media and technology	2,855,562	127	327,171	-	(2,528,264)
School site administration	36,331,988	1,387	2,300,637	-	(34,029,964)
Pupil services:					
Home-to-school transportation	12,176,052	654	140,115	-	(12,035,283)
Food services	24,472,408	928,386	23,134,154	-	(409,868)
All other pupil services	30,460,130	58,964	12,996,347	-	(17,404,819)
General administration:					
Centralized data processing	4,252,645	493	3,778	-	(4,248,374)
All other general administration	20,812,394	40,616	2,763,641	-	(18,008,137)
Plant service	46,616,595	44,596	1,505,018	-	(45,066,981)
Ancillary services	2,879,186	417	73,812	-	(2,804,957)
Community services	847,659	-	411,296	-	(436,363)
Enterprise activities	22,209,738	-	-	-	(22,209,738)
Other outgo	994,770	7,340	911,649	-	(75,781)
Interest on long-term liabilities	20,737,032	-	-	-	(20,737,032)
Total governmental activities	\$ 626,973,928	\$ 2,460,607	\$ 166,111,607	\$ -	(458,401,714)
General revenues:					
Taxes and subventions:					
Taxes levied for general purposes					89,744,074
Taxes levied for debt service					38,087,615
Taxes levied for other specific purposes					2,657,557
Federal and state aid not restricted to specific purposes					305,643,603
Interest and investment earnings					7,714,085
Interagency revenues					2,352,234
Miscellaneous					13,804,014
Total general revenues					460,003,182
Change in net position					1,601,468
Net position, July 1, 2016					(334,806,638)
Net position, June 30, 2017					\$ (333,205,170)

See accompanying notes to the financial statements

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

	<u>General Fund</u>	<u>Building Fund</u>	<u>Bond Interest and Redemption Funds</u>	<u>All Non-Major Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and investments:					
Cash in County Treasury	\$ 92,414,388	\$ 17,009,997	\$ 46,075,684	\$ 17,251,646	\$ 172,751,715
Cash on hand and in banks	1,700,267	-	-	1,685,740	3,386,007
Cash in revolving fund	225,000	-	-	2,000	227,000
Cash with Fiscal Agent	-	170,248,077	7,910,606	-	178,158,683
Local Agency Investment Fund (LAIF)	-	664,375	-	-	664,375
Receivables	12,008,190	715,975	157,759	8,523,089	21,405,013
Due from grantor governments	17,961,176	-	-	1,553,510	19,514,686
Due from other funds	2,963,638	696,065	-	4,292,614	7,952,317
Prepaid expenditures	16,636	-	-	-	16,636
Stores inventory	126,654	-	-	587,506	714,160
	<u>127,415,949</u>	<u>189,334,489</u>	<u>54,144,049</u>	<u>33,896,105</u>	<u>404,790,592</u>
Total assets	<u>\$ 127,415,949</u>	<u>\$ 189,334,489</u>	<u>\$ 54,144,049</u>	<u>\$ 33,896,105</u>	<u>\$ 404,790,592</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 34,529,308	\$ 5,732,219	\$ 13,191,977	\$ 1,856,954	\$ 55,310,458
Unearned revenue	6,458,836	-	-	204,422	6,663,258
Due to other funds	4,960,998	3,548	-	2,987,771	7,952,317
	<u>45,949,142</u>	<u>5,735,767</u>	<u>13,191,977</u>	<u>5,049,147</u>	<u>69,926,033</u>
Total liabilities	<u>45,949,142</u>	<u>5,735,767</u>	<u>13,191,977</u>	<u>5,049,147</u>	<u>69,926,033</u>
Fund balances:					
Nonspendable	368,290	-	-	589,506	957,796
Restricted	8,327,289	183,598,722	40,952,072	28,257,452	261,135,535
Assigned	52,758,095	-	-	-	52,758,095
Unassigned	20,013,133	-	-	-	20,013,133
	<u>81,466,807</u>	<u>183,598,722</u>	<u>40,952,072</u>	<u>28,846,958</u>	<u>334,864,559</u>
Total fund balances	<u>81,466,807</u>	<u>183,598,722</u>	<u>40,952,072</u>	<u>28,846,958</u>	<u>334,864,559</u>
Total liabilities and fund balances	<u>\$ 127,415,949</u>	<u>\$ 189,334,489</u>	<u>\$ 54,144,049</u>	<u>\$ 33,896,105</u>	<u>\$ 404,790,592</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, 2017

Total fund balances - Governmental Funds \$ 334,864,559

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 \$1,077,298,092 and the accumulated depreciation is \$523,101,753 (Note 4). 554,196,339

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, 2017 consisted of (Note 6):

General Obligation Bonds	\$	(514,847,966)	
Accreted interest		(14,610,918)	
Lease Revenue Bonds		(67,920,000)	
Premium on issuance		(39,164,880)	
Capitalized lease obligations		(98,039)	
Net pension liability (Notes 8 and 9)		(405,079,000)	
Net OPEB liability (Note 10)		(235,580,734)	
Compensated absences		<u>(8,344,641)</u>	
			(1,285,646,178)

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: 9,862,313

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: (3,712,101)

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. 2,756,547

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	\$	79,524,351	
Deferred inflows of resources relating to pensions		<u>(25,051,000)</u>	
			<u>54,473,351</u>

Total net position - governmental activities \$ (333,205,170)

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, 2017

	General Fund	Building Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total Governmental Funds
Revenues:					
Local control funding formula (LCFF):					
State apportionment	\$ 283,664,516	\$ -	\$ -	\$ 15,662,335	\$ 299,326,851
Local sources	<u>79,238,343</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>79,238,343</u>
Total LCFF	<u>362,902,859</u>	<u>-</u>	<u>-</u>	<u>15,662,335</u>	<u>378,565,194</u>
Federal sources	41,219,643	-	-	35,792,502	77,012,145
Other state sources	83,134,267	-	436,858	12,524,906	96,096,031
Other local sources	<u>10,843,677</u>	<u>1,894,011</u>	<u>45,500,490</u>	<u>15,369,172</u>	<u>73,607,350</u>
Total revenues	<u>498,100,446</u>	<u>1,894,011</u>	<u>45,937,348</u>	<u>79,348,915</u>	<u>625,280,720</u>
Expenditures:					
Current:					
Certificated salaries	192,501,260	-	-	17,428,909	209,930,169
Classified salaries	58,343,622	646,204	-	14,756,588	73,746,414
Employee benefits	141,343,139	239,979	-	18,982,735	160,565,853
Books and supplies	12,897,800	674,594	-	14,671,365	28,243,759
Contract services and operating expenditures	87,290,180	492,433	425,358	4,489,718	92,697,689
Other outgo	216,459	-	1,120	-	217,579
Capital outlay	23,010,286	41,838,917	-	3,608,459	68,457,662
Debt service:					
Principal retirement	65,426	-	26,510,000	2,265,000	28,840,426
Interest	<u>2,785</u>	<u>-</u>	<u>17,593,725</u>	<u>3,202,604</u>	<u>20,799,114</u>
Total expenditures	<u>515,670,957</u>	<u>43,892,127</u>	<u>44,530,203</u>	<u>79,405,378</u>	<u>683,498,665</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(17,570,511)</u>	<u>(41,998,116)</u>	<u>1,407,145</u>	<u>(56,463)</u>	<u>(58,217,945)</u>
Other financing sources (uses):					
Transfers in	3,126,985	823,292	-	1,200,764	5,151,041
Transfers out	(2,022,282)	-	-	(3,128,759)	(5,151,041)
Proceeds from the issuance of debt	-	122,000,000	-	-	122,000,000
Premium from issuance of debt	<u>-</u>	<u>-</u>	<u>7,888,686</u>	<u>-</u>	<u>7,888,686</u>
Total other financing sources (uses)	<u>1,104,703</u>	<u>122,823,292</u>	<u>7,888,686</u>	<u>(1,927,995)</u>	<u>129,888,686</u>
Change in fund balances	(16,465,808)	80,825,176	9,295,831	(1,984,458)	71,670,741
Fund balances, July 1, 2016	<u>97,932,615</u>	<u>102,773,546</u>	<u>31,656,241</u>	<u>30,831,416</u>	<u>263,193,818</u>
Fund balances, June 30, 2017	<u>\$ 81,466,807</u>	<u>\$ 183,598,722</u>	<u>\$ 40,952,072</u>	<u>\$ 28,846,958</u>	<u>\$ 334,864,559</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, 2017

Net change in fund balances - Total Governmental Funds	\$ 71,670,741
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).	69,118,243
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(31,394,735)
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).	(137,565)
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).	28,840,426
In governmental funds, proceeds from debt are recognized as other financing sources. In the statement of net position, proceeds from debt are reported as increases to liabilities (Note 6).	(122,000,000)
Accreted interest is an expense that is not reported in the governmental funds (Note 6).	(1,835,718)
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. The premiums added in the current year due to new debt issuance activity is \$7,888,686 and the current year annual amortization is \$2,320,038 (Note 6).	(5,568,648)
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:	(335,656)
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.	(124,432)

(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, 2017

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:	\$ 761,918
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:	1,582,388
In the statement of activities, expenses related to net OPEB liability and compensated absences are measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used (Notes 6 and 10).	<u>(8,975,494)</u>
Change in net position of governmental activities	<u>\$ 1,601,468</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, 2017

ASSETS

Current assets:

Cash and investments:

Cash in County Treasury	\$ 10,017,665
Cash on hand and in banks	12,259
Cash with Fiscal Agent	250,000
Receivables	<u>344,618</u>

Total current assets 10,624,542

LIABILITIES

Current liabilities:

Accounts payable	6,349
Unpaid claims and claim adjustment expenses	<u>755,880</u>

Total current liabilities 762,229

NET POSITION

Restricted for self-insurance \$ 9,862,313

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, 2017

Operating revenues:	
Self-insurance premiums	\$ 15,213,673
Other local revenue	<u>16,000</u>
Total operating revenues	<u>15,229,673</u>
Operating expenses:	
Classified salaries	261,402
Employee benefits	132,878
Books and supplies	4,318
Contract services	<u>14,136,685</u>
Total operating expenses	<u>14,535,283</u>
Net operating income	694,390
Non-operating income:	
Interest income	<u>67,528</u>
Change in net position	761,918
Total net position, July 1, 2016	<u>9,100,395</u>
Total net position, June 30, 2017	<u><u>\$ 9,862,313</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, 2017

Cash flows from operating activities:	
Cash received from self-insurance premiums	\$ 15,083,627
Cash paid for employee benefits	(14,552,453)
Cash paid for other expenses	<u>(426,461)</u>
Net cash provided by operating activities	104,713
Cash flows provided by investing activities:	
Interest income received	<u>67,528</u>
Change in cash and investments	172,241
Cash and investments, July 1, 2016	<u>10,107,683</u>
Cash and investments, June 30, 2017	<u>\$ 10,279,924</u>
Reconciliation of net operating income to net cash provided by operating activities:	
Net operating income	\$ <u>694,390</u>
Adjustments to reconcile net operating income to net cash provided by operating activities:	
(Increase) in:	
Receivables	(146,046)
(Decrease) increase in:	
Unpaid claims and claim adjustment expenses	(417,603)
Accounts payable	(19,356)
Unearned revenue	(3,000)
Due to other funds	<u>(3,672)</u>
Total adjustments	<u>(589,677)</u>
Net cash provided by operating activities	<u>\$ 104,713</u>

See accompanying notes to the financial statements.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
TRUST AND AGENCY FUNDS
June 30, 2017

	<u>Trust Fund</u>	<u>Agency Fund</u>
	<u>Scholar- ship Trust</u>	<u>Student Body Funds</u>
ASSETS		
Cash and investments (Note 2):		
Cash on hand and in banks	\$ 475,282	\$ 1,272,000
Receivables	-	110
Stores inventory	-	2,193
Other assets	<u>-</u>	<u>667</u>
Total assets	<u>475,282</u>	<u>\$ 1,274,970</u>
LIABILITIES		
Accounts payable	-	\$ 1,217
Due to student groups	<u>-</u>	<u>1,273,753</u>
Total liabilities	<u>-</u>	<u>\$ 1,274,970</u>
NET POSITION		
Restricted for scholarship	<u>\$ 475,282</u>	

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, 2017

	Scholarship Trust
Additions:	
Other local sources	\$ <u>17,278</u>
Deductions:	
Contract services and operating expenditures	<u>27,673</u>
Change in net position	(10,395)
Net position, July 1, 2016	<u>485,677</u>
Net position, June 30, 2017	<u><u>\$ 475,282</u></u>

See accompanying notes to the financial statements

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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.

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. The District has assumed a "moral obligation," and potentially a legal obligation, for any debt incurred by the Corporation and the Authority.

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 Corporation's Certificates of Participation and 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. Certificates of Participation issued by the Corporation and Lease Revenue Bonds issued by the Authority are included in the government-wide financial statements.

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.

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Fund Accounting: The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

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, Cafeteria and Deferred Maintenance 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, County School Facilities and Community Facilities Funds.

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2017.

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.

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 which is 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 pension 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 pension liability reported which is in the Statement of Net Position.

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	\$ 49,336,600	\$ 30,187,751	\$ 79,524,351
Deferred inflows of resources	\$ 13,299,000	\$ 11,752,000	\$ 25,051,000
Net pension liability	\$ 299,780,000	\$ 105,299,000	\$ 405,079,000
Pension expense	\$ 42,619,994	\$ 5,621,685	\$ 48,241,679

Compensated Absences: Compensated absences totaling \$8,344,641 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.

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 appropriate 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 self-insurance represents the portion of net position restricted for paying insurance premiums. 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 do 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.

A - Nonspendable Fund Balance:

The nonspendable fund balance classification reflects amounts that are not in spendable form, such as revolving fund cash, stores 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, 2017, the District had no committed fund balances.

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2017, 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, 2017, the District has not established a minimum fund balance policy nor has it established a stabilization arrangement.

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.

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 2 – CASH AND INVESTMENTS

Cash and investments at June 30, 2017 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	<u>\$172,751,715</u>	<u>\$ 10,017,665</u>	<u>\$182,769,380</u>	<u>\$ -</u>
Deposits:				
Cash on hand and in banks	3,386,007	12,259	3,398,266	1,747,282
Cash in revolving fund	<u>227,000</u>	<u>-</u>	<u>227,000</u>	<u>-</u>
Total deposits	<u>3,613,007</u>	<u>12,259</u>	<u>3,625,266</u>	<u>1,747,282</u>
Investments:				
Cash with Fiscal Agent	178,158,683	250,000	178,408,683	-
Local Agency Investment Fund	<u>664,375</u>	<u>-</u>	<u>664,375</u>	<u>-</u>
Total investments	<u>178,823,058</u>	<u>250,000</u>	<u>179,073,058</u>	<u>-</u>
Total cash and investments	<u>\$355,187,780</u>	<u>\$ 10,279,924</u>	<u>\$365,467,704</u>	<u>\$ 1,747,282</u>

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 - Deposits: 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, 2017, the carrying amount of the District's accounts was \$5,372,548 and the bank balance was \$6,331,767. \$1,242,160 of the bank balance was FDIC insured and \$5,089,607 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.

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 2 – CASH AND INVESTMENTS (Continued)

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

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

Interest Rate Risk: The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2017, 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, 2017, the District had no concentration of credit risk.

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

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, 2017 were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Funds:		
General	\$ 2,963,638	\$ 4,960,998
Building	696,065	3,548
Non-Major Funds:		
Charter Schools	3,777,732	869,723
Adult Education	67,394	511,345
Child Development	329,544	684,683
Cafeteria	114,396	916,850
Developer Fees	-	688
County Facilities	3,548	3,548
Community Facilities	-	934
	<u> </u>	<u> </u>
Totals	<u>\$ 7,952,317</u>	<u>\$ 7,952,317</u>

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 3 – INTERFUND TRANSACTIONS (Continued)

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

Transfers for the 2016-2017 fiscal year were as follows:

Transfer from the General Fund to the Charter Schools Fund to sustain Sacramento New Tech Charter School.	\$ 482,345
Transfer from the General Fund to the Adult Education fund for contribution for parent education for preschool classes.	377,319
Transfer from the General Fund to the Child Development Fund to sustain child development programs.	322,344
Transfer from the General Fund to the Cafeteria Fund to reimburse child nutrition for bad debt for negative meal accounts.	18,756
Transfer from the General Fund to the Building Fund to reimburse prior year developer fee expenses with emergency repair program funds.	821,518
Transfer from the Charter Schools Fund to the General Fund for Charter Fees.	1,578,479
Transfer from the Adult Education Fund to General Fund for indirect costs.	67,733
Transfer from the Child Development Fund to the General Fund for indirect costs.	655,919
Transfer from the Cafeteria Fund to the General Fund for indirect costs.	824,854
Transfer from the County Schools Facilities Fund to the Building Fund to transfer revenue from a County deposit fund to a District managed fund.	1,774
	<u>1,774</u>
	<u>\$ 5,151,041</u>

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 4 – CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2017 is shown below:

	Balance July 1, <u>2016</u>	Transfers and <u>Additions</u>	Transfers and <u>Deductions</u>	Balance June 30, <u>2017</u>
<u>Governmental Activities</u>				
Non-depreciable:				
Land	\$ 19,873,250	\$ -	\$ 82,755	\$ 19,790,495
Work-in-process	17,932,588	33,836,087	13,513,495	38,255,180
Depreciable:				
Buildings	769,563,806	30,032,760	-	799,596,566
Site improvements	149,650,245	16,933,171	-	166,583,416
Equipment	<u>52,610,981</u>	<u>1,829,720</u>	<u>1,368,266</u>	<u>53,072,435</u>
Totals, at cost	<u>1,009,630,870</u>	<u>82,631,738</u>	<u>14,964,516</u>	<u>1,077,298,092</u>
Less accumulated depreciation:				
Buildings	(379,896,977)	(20,126,872)	-	(400,023,849)
Site improvements	(79,322,045)	(7,330,724)	-	(86,652,769)
Equipment	<u>(33,801,452)</u>	<u>(3,937,139)</u>	<u>(1,313,456)</u>	<u>(36,425,135)</u>
Total accumulated depreciation	<u>(493,020,474)</u>	<u>(31,394,735)</u>	<u>(1,313,456)</u>	<u>(523,101,753)</u>
Capital assets, net	<u>\$ 516,610,396</u>	<u>\$ 51,237,003</u>	<u>\$ 13,651,060</u>	<u>\$ 554,196,339</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 27,466,499
Food services	309,970
All other pupil services	239,899
Community services	2,104,062
All other general administration	339,590
Plant services	<u>934,715</u>
Total depreciation expense	<u>\$ 31,394,735</u>

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

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 April 10, 2017 and April 18, 2016 for the years ended June 30, 2017 and June 30, 2016, respectively.

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

	June 30, <u>2016</u>	June 30, <u>2017</u>
Unpaid claim and claim adjustment expenses, beginning of year	\$ 1,346,419	\$ 1,173,483
Total incurred claims and claim adjustment expenses	13,122,856	14,134,850
Total payments	<u>(13,295,792)</u>	<u>(14,552,453)</u>
Total unpaid claims and claim adjustment expenses at end of year	<u>\$ 1,173,483</u>	<u>\$ 755,880</u>

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 6 – LONG-TERM LIABILITIES

General Obligation Bonds

A summary of General Obligation Bonds payable as of June 30, 2017 follows:

<u>Series</u>	<u>Interest Rate</u>	<u>Original Maturity</u>	<u>Balance July 1, 2016</u>	<u>Current Year Issuance</u>	<u>Current Year Refunded & Matured</u>	<u>Balance June 30, 2017</u>
2007 - CI	3.5 - 5.0%	2022	\$ 2,285,000	\$ -	\$ 2,285,000	\$ -
2007 - CA	4.6 - 4.8%	2032	26,077,966	-	-	26,077,966
2011	0.5 - 5.5%	2029	60,245,000	-	4,255,000	55,990,000
2012	2.0 - 5.3%	2031	98,700,000	-	5,170,000	93,530,000
2013 - A	2.0 - 5.0%	2038	13,090,000	-	350,000	12,740,000
2013 - B	5.7%	2038	40,000,000	-	-	40,000,000
2014	2.0 - 5.0%	2027	42,385,000	-	2,200,000	40,185,000
2015	2.0 - 5.0%	2030	32,575,000	-	-	32,575,000
2015 C1	2.0 - 5.0%	2041	66,260,000	-	12,250,000	54,010,000
2015 C2	0.7 - 1.2%	2033	23,740,000	-	-	23,740,000
2016	2.0-4.0%	2041	14,000,000	-	-	14,000,000
2017 - E	3.0-5.0%	2047	-	112,000,000	-	112,000,000
2017 - C	3.0-5.0%	2047	-	10,000,000	-	10,000,000
			<u>\$ 419,357,966</u>	<u>\$ 122,000,000</u>	<u>\$ 26,510,000</u>	<u>\$ 514,847,966</u>

The Series 2007, 2011, 2012, 2013, 2014, 2015, 2016 and 2017 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.

The annual requirements to amortize the General Obligation Bonds payable and outstanding as of June 30, 2017 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 27,235,000	\$ 20,363,089	\$ 47,598,089
2019	33,435,000	20,929,276	54,364,276
2020	24,200,000	19,808,126	44,008,126
2021	23,155,000	18,771,601	41,926,601
2022	24,475,000	17,667,576	42,142,576
2023-2027	113,520,278	84,299,358	197,819,636
2028-2032	105,860,239	69,378,607	175,238,846
2033-2037	45,647,449	38,160,382	83,807,831
2038-2042	84,505,000	13,798,463	98,303,463
2043-2047	<u>32,815,000</u>	<u>4,032,800</u>	<u>36,847,800</u>
	<u>\$ 514,847,966</u>	<u>\$ 307,209,278</u>	<u>\$ 822,057,244</u>

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 6 – LONG-TERM LIABILITIES (Continued)

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 were paid off as of June 30, 2017.

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 were paid off as of June 30, 2017.

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 were paid off as of June 30, 2017.

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 were paid off as of June 30, 2016.

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.

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>
2018	\$ 2,155,000	\$ 1,931,450	\$ 4,086,450
2019	2,245,000	1,845,250	4,090,250
2020	2,370,000	1,733,000	4,103,000
2021	2,495,000	1,614,500	4,109,500
2022	2,625,000	1,489,750	4,114,750
2023-2027	8,945,000	5,487,000	14,432,000
2028-2032	-	4,556,250	4,556,250
2033-2037	9,650,000	3,861,750	13,511,750
2038-2040	<u>8,575,000</u>	<u>871,500</u>	<u>9,446,500</u>
	<u>\$ 39,060,000</u>	<u>\$ 23,390,450</u>	<u>\$ 62,450,450</u>

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 6 – LONG-TERM LIABILITIES (Continued)

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 June 30,	Principal	Interest	Total
2018	\$ 200,000	\$ 1,180,374	\$ 1,380,374
2019	200,000	1,172,194	1,372,194
2020	200,000	1,164,014	1,364,014
2021	200,000	1,155,834	1,355,834
2022	200,000	1,147,654	1,347,654
2023-2027	7,490,000	5,488,985	12,978,985
2028-2032	18,185,000	2,553,816	20,738,816
2033	<u>2,185,000</u>	<u>89,367</u>	<u>2,274,367</u>
	<u>\$ 28,860,000</u>	<u>\$ 13,952,238</u>	<u>\$ 42,812,238</u>

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

Year Ending June 30,	Lease Payments
2018	\$ 50,263
2019	50,263
2020	<u>2,867</u>
Total payments	103,393
Less amount representing interest	<u>(5,354)</u>
Net minimum lease payments	<u>\$ 98,039</u>

Schedule of Changes in Long-Term Liabilities: A schedule of changes in long-term liabilities for the year ended June 30, 2017 is shown below:

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017	Amounts Due Within One Year
Governmental activities:					
General Obligation Bonds	\$ 419,357,966	\$ 122,000,000	\$ 26,510,000	\$ 514,847,966	\$ 27,235,000
Accreted interest	12,775,200	1,835,718	-	14,610,918	-
Lease Revenue Bonds	70,185,000	-	2,265,000	67,920,000	2,355,000
Premium on issuance	33,596,232	7,888,686	2,320,038	39,164,880	2,467,442
Capitalized lease obligations	163,465	-	65,426	98,039	46,720
Net Pension Liability (Notes 8 & 9)	330,990,000	74,089,000	-	405,079,000	-
Net OPEB liability (Note 10)	227,067,350	53,938,107	45,424,723	235,580,734	23,500,000
Compensated absences	<u>7,882,531</u>	<u>462,110</u>	<u>-</u>	<u>8,344,641</u>	<u>8,344,641</u>
	<u>\$ 1,102,017,744</u>	<u>\$ 260,213,621</u>	<u>\$ 76,585,187</u>	<u>\$ 1,285,646,178</u>	<u>\$ 63,948,803</u>

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SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 6 – LONG-TERM LIABILITIES (Continued)

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. 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.

NOTE 7 – FUND BALANCES

Fund balances, by category, at June 30, 2017 consisted of the following:

	General Fund	Building Fund	Bond Interest Redemption Fund	All Non-Major Funds	Total
Nonspendable:					
Revolving cash fund	\$ 225,000	\$ -	\$ -	\$ 2,000	\$ 227,000
Stores inventory	126,654	-	-	587,506	714,160
Prepaid expenditures	<u>16,636</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,636</u>
Subtotal nonspendable	<u>368,290</u>	<u>-</u>	<u>-</u>	<u>589,506</u>	<u>957,796</u>
Restricted:					
Legally restricted programs	8,327,289	-	-	16,204,122	24,531,411
Capital projects	-	183,598,722	-	12,053,330	195,652,052
Debt service	<u>-</u>	<u>-</u>	<u>40,952,072</u>	<u>-</u>	<u>40,952,072</u>
Subtotal restricted	<u>8,327,289</u>	<u>183,598,722</u>	<u>40,952,072</u>	<u>28,257,452</u>	<u>261,135,535</u>
Assigned:					
Cover Deficit Spending in Future Years	23,372,041	-	-	-	23,372,041
Textbook Adoption	6,000,000	-	-	-	6,000,000
Districtwide Technology Upgrades	5,000,000	-	-	-	5,000,000
Equity/Access/Social Justice Initiatives	5,000,000	-	-	-	5,000,000
Other Post Employment Liability	3,000,000	-	-	-	3,000,000
Settlement of Negotiations 2016-17	2,906,463	-	-	-	2,906,463
POs Brought Forward	2,377,354	-	-	-	2,377,354
Vacation Liability - Negotiated Amount	2,121,860	-	-	-	2,121,860
Donation at School Sites	1,131,702	-	-	-	1,131,702
Fleet Replacement	927,131	-	-	-	927,131
Supplemental/Concentration Carryover	477,818	-	-	-	477,818
Regional Occupational Programs	343,544	-	-	-	343,544
CA English Language DT - CELDT	<u>100,182</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,182</u>
Subtotal assigned	<u>52,758,095</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,758,095</u>
Unassigned:					
Designated for economic uncertainty	<u>20,013,133</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,013,133</u>
Total fund balances	<u>\$ 81,466,807</u>	<u>\$ 183,598,722</u>	<u>\$ 40,952,072</u>	<u>\$ 28,846,958</u>	<u>\$ 334,864,559</u>

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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 three consecutive years 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 three consecutive years of credited service.

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

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.

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 2016-17. Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 9.205 percent of applicable member earnings for fiscal year 2016-17.

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.

Effective July 1, 2014, with the passage of AB 1469, member contributions for those under the 2% at 60 benefit structure increase from 8.0 percent to a total of 10.25 percent of applicable member earnings, phased in over the next three years. For members under the 2% at 62 benefit structure, contributions will increase from 8.0 percent to 9.205 percent of applicable member earnings, again phased in over three years, if there is no change to normal cost.

Employers – 12.58 percent of applicable member earnings.

In accordance with AB 1469, employer contributions will increase from 8.25 percent to a total of 19.1 percent of applicable member earnings phased in over seven years starting in 2014. The legislation also gives the 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 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.

The CalSTRS employer contribution rate increases effective for fiscal year 2016-17 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, 2016	8.25%	4.33%	12.58%
July 01, 2017	8.25%	6.18%	14.43%
July 01, 2018	8.25%	8.03%	16.28%
July 01, 2019	8.25%	9.88%	18.13%
July 01, 2020	8.25%	10.85%	19.10%
July 01, 2046	8.25%	Increase from prior rate ceases in 2046-47	

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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

The District contributed \$25,504,600 to the plan for the fiscal year ended June 30, 2017.

State - 8.828 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 2046-2047. The CalSTRS state contribution rates effective for fiscal year 2016-17 and beyond are summarized in the table below.

As shown in the subsequent table, the state rate will increase to 4.811 percent on July 1, 2017, 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.

<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, 2016	2.017%	4.311%	2.50%	8.828%
July 01, 2017	2.017%	4.811%(2)	2.50%	9.328%
July 01, 2018 to June 30, 2046	2.017%	(3)	2.50%	(3)
July 1, 2046 and thereafter	2.017%	(3)	2.50%	4.517%(3)

(1) This rate does not include the \$72 million reduction in accordance with Education Code Section 22954.

(2) During its April 2017 meeting, the board of CalSTRS exercised its limited authority to increase the state contribution rate by 0.5 percent of the payroll effective July 1, 2017.

(3) The CalSTRS board has limited authority to adjust state contribution rates from July 1, 2017, 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. Rates in effect prior to July 1, 2014, are reinstated if necessary to address any remaining 1990 unfunded actuarial obligation from July 1, 2046, and thereafter.

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

At June 30, 2017, 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	\$ 299,780,000
State's proportionate share of the net pension liability associated with the District	<u>170,676,000</u>
Total	<u>\$ 470,456,000</u>

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. 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, 2016, the District's proportion was 0.371 percent, which was a decrease of 0.004 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$42,619,994 and revenue of \$14,021,713 for support provided by the State. At June 30, 2017, 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	\$ -	\$ 7,313,000
Changes of assumptions	-	-
Net differences between projected and actual earnings on investments	23,832,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	5,986,000
Contributions made subsequent to measurement date	<u>25,504,600</u>	<u>-</u>
Total	<u>\$ 49,336,600</u>	<u>\$ 13,299,000</u>

\$25,504,600 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years Ended June 30,</u>	
2018	\$ (1,932,459)
2019	\$ (1,932,459)
2020	\$ 11,425,767
2021	\$ 6,495,283
2022	\$ (2,443,967)
2023	\$ (1,079,165)

Differences between expected and actual experience and changes in assumptions 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, 2016 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, 2017

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, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2015
Experience Study	July 1, 2006 through June 30, 2010
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.60%
Consumer Price Inflation	3.00%
Wage Growth	3.75%
Post-retirement Benefit Increases	2.00% simple for DB Not applicable for DBS/CBB

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries. See CalSTRS July 1, 2006 – June 30, 2010 experience analysis and June 30, 2015 Actuarial Program Valuations for more information.

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 board in 2012 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%	6.30%
Private Equity	13	9.30
Real Estate	13	5.20
Inflation Sensitive	4	3.80
Fixed Income	12	0.30
Absolute Return / Risk Mitigating Strategies	9	2.90
Cash / Liquidity	2	(1.00)

* 20-year geometric average

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

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

Discount Rate: The discount rate used to measure the total pension liability was 7.60 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 Assembly Bill 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 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 7.60 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 (6.60 percent) or 1-percentage-point higher (8.60 percent) than the current rate:

	1% Decrease <u>(6.60%)</u>	Current Discount Rate <u>(7.60%)</u>	1% Increase <u>(8.60%)</u>
District's proportionate share of the net pension liability	<u>\$431,451,000</u>	<u>\$299,780,000</u>	<u>\$190,422,000</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:

<https://www.calpers.ca.gov/docs/forms-publications/cafr-2016.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, 2017

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 agencies first join the PERF, 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, 2017 were as follows:

Members - The member contribution rate was 6.0 or 7.0 percent of applicable member earnings for fiscal year 2016-17.

Employers - The employer contribution rate was 13.888 percent of applicable member earnings.

The District contributed \$9,319,751 to the plan for the fiscal year ended June 30, 2017.

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

At June 30, 2017, the District reported a liability of \$105,299,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. 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, 2016, the District's proportion was 0.533 percent, which was a decrease of 0.001 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$5,621,685. At June 30, 2017, 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	\$ 4,529,000	\$ -
Changes of assumptions	-	3,164,000
Net differences between projected and actual earnings on investments	16,339,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	8,588,000
Contributions made subsequent to measurement date	<u>9,319,751</u>	<u>-</u>
Total	<u>\$ 30,187,751</u>	<u>\$ 11,752,000</u>

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

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

\$9,319,751 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended June 30,	
2018	\$ (6,302,407)
2019	\$ 1,614,594
2020	\$ 9,539,413
2021	\$ 4,264,400

Differences between expected and actual experience 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, 2016 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.

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, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2015
Experience Study	June 30, 1997 through June 30, 2011
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.65%
Consumer Price Inflation	2.75%
Wage Growth	Varies by entry age and service
Post-retirement Benefit Increases	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 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS' website.

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

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

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</u>
Global Equity	51%	5.25%
Global Debt Securities	20	0.99
Inflation Assets	6	0.45
Private Equity	10	6.83
Real Estate	10	4.50
Infrastructure & Forestland	2	4.50
Liquidity	1	(0.55)

* 10-year geometric average

Discount Rate: The discount rate used to measure the total pension liability was 7.65 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.

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 (11-60 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 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 rounded down to the nearest one quarter of one percent.

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

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

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 7.65 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 (6.65 percent) or 1-percentage-point higher (8.65 percent) than the current rate:

	1% Decrease <u>(6.65%)</u>	Current Discount Rate <u>(7.65%)</u>	1% Increase <u>(8.65%)</u>
District's proportionate share of the net pension liability	<u>\$ 157,106,000</u>	<u>\$ 105,299,000</u>	<u>\$ 62,159,000</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 HEALTHCARE PLAN

Plan Description: Sacramento City Unified School District's Retired Employees Healthcare Plan (REHP), is a single-employer defined benefit healthcare plan administered by the Sacramento City Unified School District. 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 participates in the California Employer's Retiree Benefit Trust Program (CERBT) to pre-fund OPEB liabilities. The CERBT is an agent multiple employer plan consisting of an aggregation of single-employer plans, with pooled administrative and investment functions that are administered by PERS. A copy of the aggregated CERBT annual financial report may be obtained @www.calpers.ca.gov. CERBT serves as an irrevocable trust, to ensure that funds contributed into the Trust are dedicated to service the needs of member districts, and their employees and retirees.

The District provides these benefits on a pay-as-you-go basis. The CERBT agent plan consists of an aggregation of single employer plans under the terms of which separate accounts will be maintained for each employer. So the District's assets will provide benefits only under the District's plan. Separate financial statements are not prepared for the District's Single Employer Plan.

Funding Policy: The contribution requirements of the District are established and may be amended by the Board of Education. The required contribution is based on projected pay-as-you-go financing requirements, with an amount to fund the actuarial accrued liability as determined annually by the Board. For fiscal year ended June 30, 2017, the District contributed \$45,424,723 to the plan.

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 10 – OTHER POSTEMPLOYMENT HEALTHCARE PLAN (Continued)

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

Annual required contribution	\$ 56,770,807
Interest on net OPEB obligation	10,117,483
Adjustment to annual required contribution	<u>(12,950,183)</u>
Annual OPEB cost (expense)	53,938,107
Contributions made	<u>(45,424,723)</u>
Increase in net OPEB obligation	8,513,384
Net OPEB obligation - beginning of year	<u>227,067,350</u>
Net OPEB obligation - end of year	<u><u>\$ 235,580,734</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2017 and preceding two years were as follows:

Fiscal Year Ended	Percentage of Annual Annual OPEB Cost	OPEB Cost Contributed	Net OPEB Obligation
June 30, 2015	\$ 50,035,815	55.6%	\$ 203,728,665
June 30, 2016	\$ 51,629,885	54.8%	\$ 227,067,350
June 30, 2017	\$ 53,938,107	84.2%	\$ 235,580,734

Funded Status and Funding Progress: As of July 1, 2015, the most recent actuarial valuation date, the plan was 4.0% funded. The actuarial accrued liability for benefits was \$647.2 million, and the actuarial value of assets was \$25.9 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$621.3 million. The covered payroll (annual payroll of active employees covered by the plan) was \$263.8 million, and the ratio of the UAAL to the covered payroll was 236 percent. The OPEB plan is currently operated as a pay-as-you-go plan and contributions toward prefunding began during the fiscal year ended June 30, 2014. The District signed an irrevocable trust agreement on October 18, 2012 and began accumulating funds. The funds are held in the California Employer's Retiree Benefit Trust Program described above.

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 10 – OTHER POSTEMPLOYMENT HEALTHCARE PLAN (Continued)

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

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

In the July 1, 2015, actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included an annual healthcare cost trend rate of 6.00 percent initially, reduced by decrements to an ultimate rate of 4.50 percent after five years and a discount rate of 4.50 percent for explicit subsidy and 4.0 percent for implicit subsidy. The UAAL is being amortized as a level percentage of projected payroll. The remaining amortization period at June 30, 2017, was 21 years.

See required supplementary information following the notes to the basic financial statements, which presents multi-year trend information on whether assets are increasing or decreasing over time relative to the plan liabilities.

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, 2017:

Total assets	\$ 140,450,093
Deferred outflows	\$ 1,580,594
Total liabilities	\$ 67,894,697
Deferred inflows	\$ 253,160
Total net position	\$ 73,882,830
Total revenues	\$ 54,917,755
Total expenses	\$ 47,903,083
Change in net position	\$ 7,014,672

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, 2017

NOTE 12 – CONTINGENCIES

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

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

At June 30, 2017 the District had approximately \$7,547,190 in outstanding construction contract commitments.

REQUIRED SUPPLEMENTARY INFORMATION

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2017

	<u>Budget</u>		<u>Actual</u>	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues:				
LCFF:				
State apportionment	\$ 300,170,148	\$ 283,824,607	\$ 283,664,516	\$ (160,091)
Local sources	<u>65,161,773</u>	<u>79,933,740</u>	<u>79,238,343</u>	<u>(695,397)</u>
Total LCFF	<u>365,331,921</u>	<u>363,758,347</u>	<u>362,902,859</u>	<u>(855,488)</u>
Federal sources	45,535,813	49,507,325	41,219,643	(8,287,682)
Other state sources	74,263,554	91,124,430	83,134,267	(7,990,163)
Other local sources	<u>5,901,083</u>	<u>8,422,328</u>	<u>10,843,677</u>	<u>2,421,349</u>
Total revenues	<u>491,032,371</u>	<u>512,812,430</u>	<u>498,100,446</u>	<u>(14,711,984)</u>
Expenditures:				
Current:				
Certificated salaries	186,397,275	194,012,240	192,501,260	1,510,980
Classified salaries	58,714,203	58,731,004	58,343,622	387,382
Employee benefits	149,592,688	141,570,772	141,343,139	227,633
Books and supplies	20,168,575	18,304,455	12,897,800	5,406,655
Contract services and operating expenditures	85,096,701	87,948,619	87,290,180	658,439
Other outgo	-	-	216,459	(216,459)
Capital outlay	17,060,803	32,354,548	23,010,286	9,344,262
Debt service:				
Principal retirement	-	65,426	65,426	-
Interest	<u>-</u>	<u>2,785</u>	<u>2,785</u>	<u>-</u>
Total expenditures	<u>517,030,245</u>	<u>532,989,849</u>	<u>515,670,957</u>	<u>17,318,892</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(25,997,874)</u>	<u>(20,177,419)</u>	<u>(17,570,511)</u>	<u>2,606,908</u>
Other financing sources (uses):				
Transfers in	3,038,449	3,026,611	3,126,985	100,374
Transfers out	<u>(1,730,000)</u>	<u>(1,601,611)</u>	<u>(2,022,282)</u>	<u>(420,671)</u>
Total other financing sources (uses)	<u>1,308,449</u>	<u>1,425,000</u>	<u>1,104,703</u>	<u>(320,297)</u>
Change in fund balance	(24,689,425)	(18,752,419)	(16,465,808)	2,286,611
Fund balance, July 1, 2016	<u>97,932,615</u>	<u>97,932,615</u>	<u>97,932,615</u>	<u>-</u>
Fund balance, June 30, 2017	<u>\$ 73,243,190</u>	<u>\$ 79,180,196</u>	<u>\$ 81,466,807</u>	<u>\$ 2,286,611</u>

See accompanying note to required supplementary information.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
 SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)
 FUNDING PROGRESS
 For the Year Ended June 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets	<u>Schedule of Funding Progress</u>		Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
		Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)			
December 1, 2010	\$ -	\$566,291,438	\$566,291,438	0.0%	\$227,500,000	248.9%
December 1, 2012	\$ -	\$632,679,806	\$632,679,806	0.0%	\$217,700,000	290.6%
July 1, 2013	\$ 3,760,628	\$615,169,050	\$611,408,422	1.0%	\$218,400,000	279.9%
July 1, 2015	\$ 25,922,638	\$647,189,172	\$621,266,534	4.0%	\$263,800,000	235.5%

Only four years of actuarial valuation data is provided because the District has only had four valuations performed.

See accompanying notes 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, 2017

State Teachers' Retirement Plan
 Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>
District's proportion of the net pension liability	0.382%	0.375%	0.371%
District's proportionate share of the net pension liability	\$233,056,000	\$252,331,000	\$299,780,000
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>
Total net pension liability	<u>\$367,748,000</u>	<u>\$385,786,000</u>	<u>\$470,456,000</u>
District's covered payroll	\$170,012,000	\$173,962,000	\$184,718,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	137.082%	145.049%	162.291%
Plan fiduciary net position as a percentage of the total pension liability	76.52%	74.02%	70.04%

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, 2017

Public Employer's Retirement Fund B
 Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>
District's proportion of the net pension liability	0.541%	0.534%	0.533%
District's proportionate share of the net pension liability	\$ 61,440,000	\$ 78,659,000	\$105,299,000
District's covered payroll	\$ 56,813,000	\$ 59,079,000	\$ 63,963,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	108.14%	133.14%	164.62%
Plan fiduciary net position as a percentage of the total pension liability	83.38%	79.43%	73.89%

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, 2017

State Teachers' Retirement Plan
 Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$ 15,447,858	\$ 19,820,280	\$ 25,504,600
Contributions in relation to the contractually required contribution	<u>15,447,858</u>	<u>19,820,280</u>	<u>25,504,600</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$173,962,000	\$184,718,000	\$202,739,000
Contributions as a percentage of covered payroll	8.88%	10.73%	12.58%

All years prior to 2015 are not available.

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
For the Year Ended June 30, 2017

Public Employer's Retirement Fund B
Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$ 6,954,207	\$ 7,577,683	\$ 9,319,751
Contributions in relation to the contractually required contribution	<u>6,954,207</u>	<u>7,577,683</u>	<u>9,319,751</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 59,079,000	\$ 63,963,000	\$ 67,107,000
Contributions as a percentage of covered payroll	11.77%	11.85%	13.89%

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, 2017

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 Other Postemployment Benefits Funding Progress

The Schedule of Other Postemployment Benefits Funding Progress presents multi-year trend information which compares, over time, the actuarially accrued liability for benefits with the actuarial value of accumulated plan assets.

C - 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.

D - Schedule of the District's Contributions

The Schedule of the District's 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.

E - Changes of Benefit Terms

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

F - Changes of Assumptions

The discount rate for the Public Employer's Retirement Fund B was 7.50, 7.65 and 7.65 percent in June 30, 2013, 2014 and 2015 actuarial reports, respectively. There are no changes in assumptions reported for the State Teachers' Retirement Plan.

SUPPLEMENTARY INFORMATION

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 ALL NON-MAJOR FUNDS
 June 30, 2017

	Charter Schools Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	County Deferred Maintenance Fund	Developer Fees Fund	School Facilities Fund	Community Facilities Fund	Total
ASSETS									
Cash in County Treasury	\$ 919,055		\$ 260,172	\$ 4,638,033	\$ 303,775	\$ 8,734,667		\$ 2,395,944	\$ 17,251,646
Cash on hand and in banks	1,774	346,533	368,743	533,035	-	435,655		-	1,685,740
Cash in revolving account	-			2,000	-			-	2,000
Receivables	82,638	570,463	1,190,421	6,167,994	2,002	491,350		18,221	8,523,089
Due from grantor government	585,537	291,727	660,870	15,376	-			-	1,553,510
Due from other funds	3,777,732	67,394	329,544	114,396	-		3,548	-	4,292,614
Stores inventory	-			587,506	-			-	587,506
Total assets	\$ 5,366,736	\$ 1,276,117	\$ 2,809,750	\$ 12,058,340	\$ 305,777	\$ 9,661,672	\$ 3,548	\$ 2,414,165	\$ 33,896,105
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ 466,559	\$ 296,094	\$ 633,404	\$ 294,848	\$ 145,164	\$ 16,717		\$ 4,168	\$ 1,856,954
Unearned revenue	9,642	1,000	193,780	-	-			-	204,422
Due to other funds	869,723	511,345	684,683	916,850	-	688	3,548	934	2,987,771
Total liabilities	1,345,924	808,439	1,511,867	1,211,698	145,164	17,405	3,548	5,102	5,049,147
Fund balances:									
Nonspendable	-			589,506	-			-	589,506
Restricted	4,020,812	467,678	1,297,883	10,257,136	160,613	9,644,267		2,409,063	28,257,452
Total fund balances	4,020,812	467,678	1,297,883	10,846,642	160,613	9,644,267		2,409,063	28,846,958
Total liabilities and fund balances	\$ 5,366,736	\$ 1,276,117	\$ 2,809,750	\$ 12,058,340	\$ 305,777	\$ 9,661,672	\$ 3,548	\$ 2,414,165	\$ 33,896,105

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, 2017

	Charter Schools Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	County Deferred Maintenance Fund	Developer Fees Fund	Schools Facilities Fund	Community Facilities Fund	Total
Revenues:									
LCFF	\$ 15,662,335								\$ 15,662,335
Federal sources	306,304	1,780,390	11,421,557	22,284,251	-	-	-	-	36,792,502
Other state sources	1,432,359	1,841,319	7,884,991	1,366,237	-	-	-	-	12,524,906
Other local sources	97,412	4,408,128	2,237,836	1,183,364	27,080	5,728,711	2	1,686,639	15,369,172
Total revenues	<u>17,498,410</u>	<u>8,029,837</u>	<u>21,544,384</u>	<u>24,833,852</u>	<u>27,080</u>	<u>5,728,711</u>	<u>2</u>	<u>1,686,639</u>	<u>79,348,915</u>
Expenditures:									
Current:									
Certificated salaries	7,793,701	2,167,525	7,467,683	-	-	-	-	-	17,428,909
Classified salaries	1,263,972	1,560,383	4,941,006	6,991,227	-	-	-	-	14,756,588
Employee benefits	5,124,745	2,160,453	7,683,532	4,014,005	-	-	-	-	18,982,735
Books and supplies	613,215	486,714	416,766	13,067,746	85,958	966	-	-	14,671,365
Contract services and operating expenditures	1,971,267	1,814,813	377,849	202,148	104,310	290	-	19,041	4,489,718
Capital outlay	71,113	-	-	79,262	211,177	2,307,990	-	938,917	3,608,459
Debt service:									
Principal retirement	-	-	-	-	-	-	-	-	2,265,000
Interest	-	-	-	-	-	-	-	-	3,202,604
Total expenditures	<u>16,838,013</u>	<u>8,189,888</u>	<u>20,886,836</u>	<u>24,354,388</u>	<u>401,445</u>	<u>2,309,246</u>	<u>-</u>	<u>6,425,562</u>	<u>79,405,378</u>
Excess (deficiency) of revenues over (under) expenditures	<u>660,397</u>	<u>(160,051)</u>	<u>657,548</u>	<u>479,464</u>	<u>(374,365)</u>	<u>3,419,465</u>	<u>2</u>	<u>(4,738,923)</u>	<u>(56,463)</u>
Other financing sources (uses):									
Transfers in	482,345	377,319	322,344	18,756	-	-	-	-	1,200,764
Transfers out	<u>(1,578,479)</u>	<u>(67,733)</u>	<u>(655,919)</u>	<u>(824,854)</u>	<u>-</u>	<u>-</u>	<u>(1,774)</u>	<u>-</u>	<u>(3,128,759)</u>
Total other financing sources (uses)	<u>(1,096,134)</u>	<u>309,586</u>	<u>(333,575)</u>	<u>(806,098)</u>	<u>-</u>	<u>-</u>	<u>(1,774)</u>	<u>-</u>	<u>(1,927,995)</u>
Net change in fund balances	<u>(435,737)</u>	<u>149,535</u>	<u>323,973</u>	<u>(326,634)</u>	<u>(374,365)</u>	<u>3,419,465</u>	<u>(1,772)</u>	<u>(4,738,923)</u>	<u>(1,984,458)</u>
Fund balances, July 1, 2016	<u>4,456,549</u>	<u>318,143</u>	<u>973,910</u>	<u>11,173,276</u>	<u>534,978</u>	<u>6,224,802</u>	<u>1,772</u>	<u>7,147,986</u>	<u>30,831,416</u>
Fund balances, June 30, 2017	<u>\$ 4,020,812</u>	<u>\$ 467,678</u>	<u>\$ 1,297,883</u>	<u>\$ 10,846,642</u>	<u>\$ 160,613</u>	<u>\$ 9,644,267</u>	<u>\$ -</u>	<u>\$ 2,409,063</u>	<u>\$ 28,846,958</u>

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES
 IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 For the Year Ended June 30, 2017

	Balance July 1, 2016	<u>Additions</u>	<u>Deductions</u>	Balance June 30, 2017
Student Body Funds				
<u>C.K. McClatchy High School</u>				
Assets:				
Cash on hand and in banks	\$ 208,643	\$ 221,866	\$ 315,363	\$ 115,146
Receivables	-	-	-	-
Stores inventory	-	-	-	-
Other assets	-	-	-	-
Total assets	<u>\$ 208,643</u>	<u>\$ 221,866</u>	<u>\$ 315,363</u>	<u>\$ 115,146</u>
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to student groups	<u>208,643</u>	<u>221,866</u>	<u>315,363</u>	<u>115,146</u>
Total liabilities	<u>\$ 208,643</u>	<u>\$ 221,866</u>	<u>\$ 315,363</u>	<u>\$ 115,146</u>
<u>Hiram Johnson High School</u>				
Assets:				
Cash on hand and in banks	\$ 66,993	\$ 146,656	\$ 139,378	\$ 74,271
Receivables	-	-	-	-
Stores inventory	-	-	-	-
Other assets	-	-	-	-
Total assets	<u>\$ 66,993</u>	<u>\$ 146,656</u>	<u>\$ 139,378</u>	<u>\$ 74,271</u>
Liabilities:				
Accounts payable	\$ 582	\$ 577	\$ 101	\$ 1,058
Due to student groups	<u>66,411</u>	<u>146,079</u>	<u>139,277</u>	<u>73,213</u>
Total liabilities	<u>\$ 66,993</u>	<u>\$ 146,656</u>	<u>\$ 139,378</u>	<u>\$ 74,271</u>

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES
 IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 For the Year Ended June 30, 2017

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
<u>Luther Burbank High School</u>				
Assets:				
Cash on hand and in banks	\$ 106,130	\$ 185,351	\$ 192,583	\$ 98,898
Receivables	-	-	-	-
Stores inventory	-	842	377	465
Other assets	-	-	-	-
	<u>106,130</u>	<u>186,193</u>	<u>192,960</u>	<u>99,363</u>
Total assets	<u>\$ 106,130</u>	<u>\$ 186,193</u>	<u>\$ 192,960</u>	<u>\$ 99,363</u>
Liabilities:				
Accounts payable	\$ 235	\$ 1,023	\$ 1,099	\$ 159
Due to student groups	<u>105,895</u>	<u>185,170</u>	<u>191,861</u>	<u>99,204</u>
	<u>106,130</u>	<u>186,193</u>	<u>192,960</u>	<u>99,363</u>
Total liabilities	<u>\$ 106,130</u>	<u>\$ 186,193</u>	<u>\$ 192,960</u>	<u>\$ 99,363</u>
<u>John F. Kennedy High School</u>				
Assets:				
Cash on hand and in banks	\$ 210,147	\$ 323,501	\$ 361,075	\$ 172,573
Receivables	90	20	-	110
Stores inventory	-	-	-	-
Other assets	-	-	-	-
	<u>210,237</u>	<u>323,521</u>	<u>361,075</u>	<u>172,683</u>
Total assets	<u>\$ 210,237</u>	<u>\$ 323,521</u>	<u>\$ 361,075</u>	<u>\$ 172,683</u>
Liabilities:				
Accounts payable	\$ 23,544	\$ -	\$ 23,544	\$ -
Due to student groups	<u>186,693</u>	<u>323,521</u>	<u>337,531</u>	<u>172,683</u>
	<u>210,237</u>	<u>323,521</u>	<u>361,075</u>	<u>172,683</u>
Total liabilities	<u>\$ 210,237</u>	<u>\$ 323,521</u>	<u>\$ 361,075</u>	<u>\$ 172,683</u>

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES
 IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 For the Year Ended June 30, 2017

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
<u>Rosemont High School</u>				
Assets:				
Cash on hand and in banks	\$ 56,988	\$ 189,480	\$ 171,633	\$ 74,835
Receivables	-	-	-	-
Stores inventory	-	-	-	-
Other assets	-	-	-	-
	<u>56,988</u>	<u>189,480</u>	<u>171,633</u>	<u>74,835</u>
Total assets	<u>\$ 56,988</u>	<u>\$ 189,480</u>	<u>\$ 171,633</u>	<u>\$ 74,835</u>
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to student groups	56,988	189,480	171,633	74,835
	<u>56,988</u>	<u>189,480</u>	<u>171,633</u>	<u>74,835</u>
Total liabilities	<u>\$ 56,988</u>	<u>\$ 189,480</u>	<u>\$ 171,633</u>	<u>\$ 74,835</u>
<u>Hiram Johnson West Campus</u>				
Assets:				
Cash on hand and in banks	\$ 122,025	\$ 341,334	\$ 299,096	\$ 164,263
Receivables	-	-	-	-
Stores inventory	-	1,728	-	1,728
Other assets	-	667	-	667
	<u>122,025</u>	<u>343,729</u>	<u>299,096</u>	<u>166,658</u>
Total assets	<u>\$ 122,025</u>	<u>\$ 343,729</u>	<u>\$ 299,096</u>	<u>\$ 166,658</u>
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to student groups	122,025	343,729	299,096	166,658
	<u>122,025</u>	<u>343,729</u>	<u>299,096</u>	<u>166,658</u>
Total liabilities	<u>\$ 122,025</u>	<u>\$ 343,729</u>	<u>\$ 299,096</u>	<u>\$ 166,658</u>

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES
 IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 For the Year Ended June 30, 2017

	Balance July 1, <u>2016</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2017</u>
<u>Charles A. Jones Skills and Education Center</u>				
Assets:				
Cash on hand and in banks	\$ 22,260	\$ 2,534	\$ 1,189	\$ 23,605
Receivables	-	-	-	-
Stores inventory	-	-	-	-
Other assets	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 22,260</u>	<u>\$ 2,534</u>	<u>\$ 1,189</u>	<u>\$ 23,605</u>
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to student groups	<u>22,260</u>	<u>2,534</u>	<u>1,189</u>	<u>23,605</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>\$ 22,260</u>	<u>\$ 2,534</u>	<u>\$ 1,189</u>	<u>\$ 23,605</u>
<u>A. Warren McClaskey Adult Center</u>				
Assets:				
Cash on hand and in banks	\$ 72,909	\$ 19,814	\$ 23,183	\$ 69,540
Receivables	-	-	-	-
Stores inventory	-	-	-	-
Other assets	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 72,909</u>	<u>\$ 19,814</u>	<u>\$ 23,183</u>	<u>\$ 69,540</u>
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to student groups	<u>72,909</u>	<u>19,814</u>	<u>23,183</u>	<u>69,540</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>\$ 72,909</u>	<u>\$ 19,814</u>	<u>\$ 23,183</u>	<u>\$ 69,540</u>

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES
 IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 For the Year Ended June 30, 2017

	Balance July 1, 2016	<u>Additions</u>	<u>Deductions</u>	Balance June 30, 2017
<u>Elementary and Middle Schools</u>				
Assets:				
Cash on hand and in banks	\$ 497,670	\$ 1,213,913	\$ 1,232,714	\$ 478,869
Receivables	-	-	-	-
Stores inventory	-	-	-	-
Other assets	-	-	-	-
	<u>497,670</u>	<u>1,213,913</u>	<u>1,232,714</u>	<u>478,869</u>
Total assets	<u>\$ 497,670</u>	<u>\$ 1,213,913</u>	<u>\$ 1,232,714</u>	<u>\$ 478,869</u>
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to student groups	<u>497,670</u>	<u>1,213,913</u>	<u>1,232,714</u>	<u>478,869</u>
	<u>497,670</u>	<u>1,213,913</u>	<u>1,232,714</u>	<u>478,869</u>
Total liabilities	<u>\$ 497,670</u>	<u>\$ 1,213,913</u>	<u>\$ 1,232,714</u>	<u>\$ 478,869</u>
<u>Total Agency Funds</u>				
Assets:				
Cash on hand and in banks	\$ 1,363,765	\$ 2,644,449	\$ 2,736,214	\$ 1,272,000
Receivables	90	20	-	110
Stores inventory	-	2,570	377	2,193
Other assets	-	667	-	667
	<u>1,363,855</u>	<u>2,647,706</u>	<u>2,736,591</u>	<u>1,274,970</u>
Total assets	<u>\$ 1,363,855</u>	<u>\$ 2,647,706</u>	<u>\$ 2,736,591</u>	<u>\$ 1,274,970</u>
Liabilities:				
Accounts payable	\$ 24,361	\$ 1,600	\$ 24,744	\$ 1,217
Due to student groups	<u>1,339,494</u>	<u>2,646,106</u>	<u>2,711,847</u>	<u>1,273,753</u>
	<u>1,363,855</u>	<u>2,647,706</u>	<u>2,736,591</u>	<u>1,274,970</u>
Total liabilities	<u>\$ 1,363,855</u>	<u>\$ 2,647,706</u>	<u>\$ 2,736,591</u>	<u>\$ 1,274,970</u>

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
ORGANIZATION
June 30, 2017

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-one elementary schools (grades K-6), eight elementary/middle schools (grades K-8), six middle schools (grades 7-8), one middle/high school (grades 7-11) one 7-12 middle/high school, seven high schools (grades 9-12), one independent study school, three continuation/alternative schools, two adult education centers, two special education centers and forty-four children's centers and preschools, serving infants through age 12. Fourteen 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>
Jay Hansen	President	November 2018
Jessie Ryan	Vice President	November 2018
Darrel Woo	Second Vice President	November 2018
Ellen Cochrane	Member	November 2018
Christina Pritchett	Member	November 2020
Michael Minnick	Member	November 2020
Mai Vang	Member	November 2020
Natalie Rosas	Student Member	June 2017*

ADMINISTRATION

José L. Banda**
Superintendent

Cathy Allen
Chief Operations Officer

Lisa Allen
Deputy Superintendent

Alex Barrios
Chief Communications Officer

Gerardo Castillo, CPA
Chief Business Officer

Vacant***
Chief Continuous Improvement and Accountability Officer

Elliot Lopez
Chief Information Officer

Cancy McArn
Chief Human Resources Officer

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
ORGANIZATION
June 30, 2017

ADMINISTRATION
(Continued)

Iris Taylor, Ed.D.
Chief Academic Officer

*Sara Nguyen voted into office as the student member in June 2017 for the 2017-18 fiscal year.

**José L. Banda retired effective June 30, 2017. Jorge A. Aguliar was hired effective July 1, 2017.

***Vincent Harris was hired effective August 4, 2017.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
 SCHEDULE OF AVERAGE DAILY ATTENDANCE
 For the Year Ended June 30, 2017

	<u>Second Period Report</u>	<u>Annual Report</u>
<u>District</u>		
Certificate Number:	3231ECE0	71D0C2CD
Elementary:		
Transitional Kindergarten through Third	12,202	12,192
Fourth through Sixth	9,628	9,600
Seventh and Eighth	6,270	6,245
Special Education	236	227
Community Day School	<u>20</u>	<u>27</u>
	<u>28,356</u>	<u>28,291</u>
Secondary:		
Ninth through Twelfth	10,165	10,048
Special Education	<u>165</u>	<u>155</u>
Total Secondary	<u>10,330</u>	<u>10,203</u>
District ADA Totals	<u><u>38,686</u></u>	<u><u>38,494</u></u>
<u>Charter Schools</u>		
Certificate Number:	3005E966	82CE562E
Bowling Green Elementary - Classroom-Based:		
Transitional Kindergarten through Third	459	459
Fourth through Sixth	<u>325</u>	<u>323</u>
Total Bowling Green Elementary Charter	<u>784</u>	<u>782</u>
Certificate Number:	F5F79EB6	22976843
George Washington Carver School of Arts and Science - Classroom-Based:		
Ninth through Twelfth	<u>270</u>	<u>270</u>
Certificate Number:	4FEB6B4C	A55A12B9
New Joseph Bonnheim - Classroom-Based:		
Transitional Kindergarten through Third	160	160
Fourth through Sixth	<u>110</u>	<u>110</u>
Total New Joseph Bonnheim Charter	<u>270</u>	<u>270</u>
Certificate Number:	4C264790	660B89C3
New Technology High - Classroom-Based:		
Ninth through Twelfth	<u>169</u>	<u>166</u>
Certificate Number:	2A34BA2D	DA6D024B
The Met Sacramento High School - Non-Classroom-Based:		
Ninth through Twelfth	<u>273</u>	<u>271</u>
Total Charter Schools	<u><u>1,766</u></u>	<u><u>1,759</u></u>

See accompanying notes to supplementary information.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
For the Year Ended June 30, 2017

<u>Grade Level</u>	<u>Statutory Minutes Requirement</u>	<u>2016-2017 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Number of Days Multitrack Calendar</u>	<u>Status</u>
<u>District</u>					
Kindergarten	36,000	36,000	180	N/A	In Compliance
Grade 1	50,400	50,492	180	N/A	In Compliance
Grade 2	50,400	50,492	180	N/A	In Compliance
Grade 3	50,400	50,492	180	N/A	In Compliance
Grade 4	54,000	54,008	180	N/A	In Compliance
Grade 5	54,000	54,008	180	N/A	In Compliance
Grade 6	54,000	54,008	180	N/A	In Compliance
Grade 7	54,000	54,130	180	N/A	In Compliance
Grade 8	54,000	54,130	180	N/A	In Compliance
Grade 9	64,800	64,800	180	N/A	In Compliance
Grade 10	64,800	64,800	180	N/A	In Compliance
Grade 11	64,800	64,800	180	N/A	In Compliance
Grade 12	64,800	64,800	180	N/A	In Compliance
<u>Bowling Green Charter School - Classroom Based</u>					
Kindergarten	36,000	36,000	180	N/A	In Compliance
Grade 1	50,400	50,492	180	N/A	In Compliance
Grade 2	50,400	50,492	180	N/A	In Compliance
Grade 3	50,400	50,492	180	N/A	In Compliance
Grade 4	54,000	54,008	180	N/A	In Compliance
Grade 5	54,000	54,008	180	N/A	In Compliance
Grade 6	54,000	54,008	180	N/A	In Compliance
<u>George Washington Carver School of Arts and Science - Classroom Based</u>					
Grade 9	64,800	64,800	180	N/A	In Compliance
Grade 10	64,800	64,800	180	N/A	In Compliance
Grade 11	64,800	64,800	180	N/A	In Compliance
Grade 12	64,800	64,800	180	N/A	In Compliance
<u>New Joseph Bonnheim Charter School - Classroom Based</u>					
Kindergarten	36,000	36,000	180	N/A	In Compliance
Grade 1	50,400	50,492	180	N/A	In Compliance
Grade 2	50,400	50,492	180	N/A	In Compliance
Grade 3	50,400	50,492	180	N/A	In Compliance
Grade 4	54,000	54,008	180	N/A	In Compliance
Grade 5	54,000	54,008	180	N/A	In Compliance
Grade 6	54,000	54,008	180	N/A	In Compliance
<u>New Technology High School - Classroom Based</u>					
Grade 9	64,800	67,242	175	N/A	In Compliance
Grade 10	64,800	67,242	175	N/A	In Compliance
Grade 11	64,800	67,242	175	N/A	In Compliance
Grade 12	64,800	67,242	175	N/A	In Compliance

See accompanying notes to supplementary information.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
For the Year Ended June 30, 2017

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	Special Education IDEA: Basic and Local Assistance Entitlement, Part B, Sec 611	13379	\$ 8,213,476
84.027	Special Education IDEA: Private School ISP	13379	18,218
84.173	Special Education: IDEA Preschool Grants, Part B, Section 619 (Age 3-5)	13430	264,343
84.027A	Special Education IDEA: Preschool Local Entitlement, Part B, Sec 611 (Age 3-5)	13682	755,184
84.027A	Special Education IDEA: Mental Health Services, Part B, Sec 611	14468	477,504
84.173A	Special Education: Alternative Dispute Resolution, Part B, Sec 611	*	<u>19,834</u>
	Subtotal Special Education Cluster		<u>9,748,559</u>
Adult Education Program:			
84.002A	Adult Education: Adult Basic Education & ESL Section 231	14508	156,208
84.002	Adult Education: Adult Basic Secondary Education Section 231	13978	38,767
84.002A	Adult Education: English Literacy and Civics Education Local Grant	14109	<u>51,327</u>
	Subtotal Adult Education Program		<u>246,302</u>
Carl D. Perkins Program:			
84.048	Vocational Programs: Voc & Applied Single Parent II (Carl Perkins Act)	*	256,908
84.048	Carl D. Perkins Career and Technical Education: Adult, Sec. 132 (Vocational Education)	14893	61,505
84.048	Carl D. Perkins Career and Technical Education: Secondary, Sec 131 (Vocational Education)	14894	<u>476,394</u>
	Subtotal Carl D. Perkins Program		<u>794,807</u>

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
For the Year Ended June 30, 2017

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>			
84.010	ESEA: Title I, Part A, Basic Grants Low-Income and Neglected	14329	\$ 17,148,985
84.367	ESEA: Title II, Part A, Improving Teacher Quality Local Grants	14341	3,237,785
84.215G	Growing Lifelong Readers Project	*	617,101
84.126	Department of Rehabilitation: Workability II, Transitions Partnership Program	10006	189,964
84.181	Special Education: Early Intervention Grants, Part C	23761	139,420
84.365	ESEA: Title III, Limited English Proficiency (LEP) Student Program	14346	1,235,519
84.060	Indian Education (From Federal Government)	10011	30,724
84.063	Pell Grants	*	1,048,314
84.287	ESEA: Title IV, Part B, 21st Century Community Learning Centers Program	14349	4,738,146
84.330B	NCLB: Title I, Part G: Advanced Placement (AP) Test Fee Reimbursement Program	*	97,376
84.377	NCLB: Title I, School Improvement Grant (SIG) for QEIA Schools	14971	<u>905,982</u>
Total U.S. Department of Education			<u>40,178,984</u>
<u>U.S. Department of Health and Human Services - Passed through California Department of Health Care Services</u>			
93.778	Medicaid Cluster: Medi-Cal Billing Option	10013	1,091,035
<u>U.S. Department of Health and Human Services - Passed through California Department of Education</u>			
93.596	Child Care and Development Fund Cluster: Child Development: Federal General (CCTR) and State Preschool (CSPP); Rs 5026, Family Child Care Home (CFCC)	13609	343,611
93.674	Chafee Foster Care Independent Living	*	99,999
93.600	Head Start	10016	<u>11,077,946</u>
Total U.S. Department Health and Human Services			<u>12,612,591</u>

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
For the Year Ended June 30, 2017

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture - Passed through California Department of Education</u>			
	Child Nutrition Cluster:		
10.555	National School Lunch Program	13396	\$ 17,045,758
10.559	Child Nutrition: Summer Food Service Program Operations	13004	<u>394,639</u>
	Subtotal Child Nutrition Cluster		<u>17,440,397</u>
10.558	Child Nutrition: Child Care Food Program	13666	4,734,156
10.582	Child Nutrition: Fresh Fruit and Vegetable Program	14968	68,862
10.575	Child Nutrition: Feast Grant	*	<u>40,836</u>
	Total U.S. Department of Agriculture		<u>22,284,251</u>
<u>Substance Abuse and Mental Health Services Administration</u>			
92.243	Meadowview Project Aware Grant	*	<u>120,065</u>
<u>U.S. Department of Justice</u>			
16.543	Missing Children's Assistance	*	22,050
16.710	Community Oriented Policing	*	<u>80,481</u>
	Total U.S. Department of Agriculture		<u>102,531</u>
<u>U.S. Department of Defense</u>			
12.357	ROTC	*	<u>307,426</u>
<u>U.S. Department of Labor</u>			
17.259	Workforce Innovation and Opportunity Act Cluster: Workforce Investment Act, Youth Activities	*	<u>167,362</u>
	Total Federal Programs		<u>\$ 75,773,210</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, 2017

	Bond Interest and Redemption <u>Fund</u>
June 30, 2017 Unaudited Actual Financial Reporting Ending Fund Balance:	\$ 44,603,568
District proposed entry to adjust the Bond Interest and Redemption Fund to the corrected ending balance.	<u>(3,651,496)</u>
June 30, 2017 Audited Financial Statements Ending Fund Balance	<u>\$ 40,952,072</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, 2017
(UNAUDITED)

<u>General Fund</u>	(Budget) <u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Revenues and other financing sources	<u>\$ 483,532,823</u>	<u>\$ 501,227,431</u>	<u>\$ 556,064,225</u>	<u>\$ 435,884,308</u>
Expenditures	502,057,350	515,670,957	494,529,456	428,832,132
Other uses and transfers out	<u>1,730,000</u>	<u>2,022,282</u>	<u>8,386,451</u>	<u>3,762,319</u>
Total outgo	<u>503,787,350</u>	<u>517,693,239</u>	<u>502,915,907</u>	<u>432,594,451</u>
Change in fund balance	<u>\$ (20,254,527)</u>	<u>\$ (16,465,808)</u>	<u>\$ 53,148,318</u>	<u>\$ 3,289,857</u>
Ending fund balance	<u>\$ 61,212,280</u>	<u>\$ 81,466,807</u>	<u>\$ 97,932,615</u>	<u>\$ 44,784,297</u>
Available reserves	<u>\$ 20,013,133</u>	<u>\$ 20,013,133</u>	<u>\$ 18,763,133</u>	<u>\$ 12,763,133</u>
Designated for economic uncertainties	<u>\$ 20,013,133</u>	<u>\$ 20,013,133</u>	<u>\$ 18,763,133</u>	<u>\$ 12,763,133</u>
Undesignated fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Available reserves as percentages of total outgo	<u>4.0%</u>	<u>4.0%</u>	<u>3.7%</u>	<u>2.9%</u>
<u>All Funds</u>				
Total long-term liabilities	<u>\$1,221,697,375</u>	<u>\$1,285,646,178</u>	<u>\$1,102,017,744</u>	<u>\$1,042,411,701</u>
Average daily attendance at P-2, excluding Adult and Charter School	<u>38,591</u>	<u>38,686</u>	<u>38,837</u>	<u>39,113</u>

The General Fund fund balance has increased by \$39,972,367 over the past three years. The District has incurred operating surpluses in two of the past three years, and anticipates incurring an operating deficit during the 2017-2018 fiscal year. The fiscal year 2017-2018 budget projects a decrease of \$20,254,527. 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, 2017, the District has met this requirement.

Total long-term liabilities have increased by \$243,234,477 over the past two years, due primarily to the issuance of General Obligation Bonds and Lease Revenue Bonds and recognition of the net pension liability (Note 6 to the financial statements).

Average daily attendance has decreased by 427 over the past two years. The District anticipates a decrease of 95 ADA for the 2017-2018 fiscal year.

See accompanying notes to supplementary information.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
 SCHEDULE OF CHARTER SCHOOLS
 For the Year Ended June 30, 2017

<u>Charter No.</u>	<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
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
1386	Oak Park Preparatory Academy	Separate Report
0596	Sacramento Charter High School	Separate Report
0552	Sol Aureus College Preparatory	Separate Report
0491	St. HOPE Public School 7	Separate Report
1186	Yav Pem Suab Academy	Separate Report

See accompanying notes to supplementary information.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
 SCHEDULE OF FIRST 5 REVENUES AND EXPENDITURES
 For the Year Ended June 30, 2017

	<u>Academic and Support Services*</u>	<u>Child Care*</u>
Revenues		
Other local sources	\$ <u>424,833</u>	\$ <u>762,623</u>
Expenditures:		
Certificated salaries	224,016	157,013
Classified salaries	15,740	262,792
Employee benefits	127,189	280,662
Books and supplies	52,361	12,128
Contract services and operating expenditures	5,527	11,871
Indirect costs	<u>-</u>	<u>38,157</u>
Total expenditures	<u>424,833</u>	<u>762,623</u>
Change in fund balance	-	-
Fund balance, July 1, 2016	<u>-</u>	<u>7,308</u>
Fund balance, June 30, 2017	<u>\$ -</u>	<u>\$ 7,308</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.

See accompanying notes to supplementary information.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
 NOTES TO SUPPLEMENTARY INFORMATION
 June 30, 2017

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. The District neither met nor exceeded its target funding. This schedule presents information on the amount of instructional time offered by the District, and whether the District complied with the provisions of Education Code Sections 46201 through 46206.

C - Schedule of Expenditure of Federal Awards

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, as applicable, either the cost principles in OMB Circular A-21, *Cost Principles for Educational Institutions* or 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, 2017.

<u>Description</u>	<u>CFDA Number</u>	<u>Amount</u>
Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances		\$ 77,012,145
Less: Medi-Cal Billing Option Funds not spent	93.778	<u>(1,238,935)</u>
Total Schedule of Expenditure of Federal Awards		<u>\$ 75,773,210</u>

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
June 30, 2017

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 2017-2018 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, 2017, 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 *2016-17 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, 2017.

<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
Mental Health Expenditures	Yes
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After 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
Immunizations	Yes
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.

The District did not operate an After School Education and Safety - Before School 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 *2016-17 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 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 Findings 2017-002 and 2017-003 in the accompanying Schedule of Audit Findings and Questioned Costs, Sacramento City Unified School District did not comply with the requirements regarding Attendance and Nonclassroom-Based Instruction/Independent Study, for charter schools. 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, 2017.

(Continued)

Other Matter

Sacramento City Unified School District's responses to the noncompliance findings identified in our audit are included 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 State Compliance and, accordingly, we express no opinion on them.

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 *2016-17 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 Horwath LLP
Crowe Horwath LLP

Sacramento, California
November 29, 2017

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, 2017, 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 November 29, 2017.

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) to determine the 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 2017-001.

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sacramento City Unified School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Sacramento City Unified School District's Response to Finding

Sacramento City Unified School District's response to the finding identified in our audit is described 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 the basic financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely 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 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 Horwath LLP
Crowe Horwath LLP

Sacramento, California
November 29, 2017

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, 2017.

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, 2017.

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 Horwath LLP
Crowe Horwath LLP

Sacramento, California
November 29, 2017

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, 2017. 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.

Opinion on Each Major Federal Program

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 for the year ended June 30, 2017.

(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 Horwath LLP
Crowe Horwath LLP

Sacramento, California
November 29, 2017

FINDINGS AND RECOMMENDATIONS

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2017

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 No

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

Noncompliance material to financial statements noted? Yes No

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified? Yes No

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

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes 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 93.600 84.367	Special Education Cluster Headstart Title II, Part A, Improving Teacher Quality

Dollar threshold used to distinguish between Type A and Type B programs: \$ 2,273,196

Auditee qualified as low-risk auditee? Yes 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, 2017

SECTION II - FINANCIAL STATEMENT FINDINGS

2017-001 DEFICIENCY - STUDENT BODY ACCOUNTING (30000)

Criteria

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

Condition

At Bowling Green Chacon Elementary, sub-receipt books that are issued are not logged or tracked.

Effect

There exists a risk that ASB funds could potentially be misappropriated.

Cause

Adequate internal control procedures have not been consistently followed and enforced.

Fiscal Impact

Not determinable.

Recommendation

Sub-receipt books that are issued should be logged and tracked.

Views of Responsible Officials and Planned Corrective Action

The District will work with site administration and staff to implement the recommendations. The District will continue to provide staff training on student body accounting procedures, including site visits and quarterly meetings with the organized site support staff.

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

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, 2017

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2017-002 STATE COMPLIANCE - ATTENDANCE REPORTING (40000)

Criteria

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

Condition

One student was improperly counted as present for one day at William Land Elementary.

Effect

The total effect of the error is an overstatement of 0.04 ADA.

Cause

Controls have not been enforced to ensure adequate attendance reporting at the school site.

Fiscal Impact

Not applicable as the error is less than 0.50 ADA.

Recommendation

We recommend that the attendance clerk reconciles attendance log with attendance records to ensure attendance is accurately recorded.

Views of Responsible Officials and Planned Corrective Action

The District will work with site administration and staff to implement the recommendations. The District will continue to provide staff training on attendance reporting procedures.

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2017-003 STATE COMPLIANCE - NONCLASSROOM-BASED INSTRUCTION/INDEPENDENT STUDY, FOR CHARTER SCHOOLS (40000)

Criteria

Education Code section 51747(c)(8) requires that each written agreement shall be signed, prior to the commencement of independent study, by the pupil, the pupil's parent, legal guardian, or caregiver, if the pupil is less than 18 years of age, the certificated employee who has been designated as having responsibility for the general supervision of the independent study, and all persons who have direct responsibility for providing assistance to the pupil.

Condition

At The Met Sacramento High School, thirty-two students did not have a properly signed contract prior to the District claiming ADA.

Effect

The effect of this finding is an overstatement of 10.50 ADA.

Cause

Controls have not been enforced to ensure independent study contracts are signed prior to claiming ADA.

Fiscal Impact

There was an overstatement of 10.50 ADA resulting in a fiscal impact of approximately \$98,216 disallowed revenues.

Recommendation

The District should implement controls to ensure that the independent study contracts are properly signed prior to claiming ADA.

Views of Responsible Officials and Planned Corrective Action

The District will work with new site administration and staff to ensure the independent study contracts are properly signed prior to claiming ADA. The District will provide staff training and perform regular reviews of independent study contracts.

**STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS**

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2017

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
2016-001 <u>Condition:</u> At various school sites selected for testing the following issues were noted: <u>Fern Bacon Middle School</u> <ul style="list-style-type: none">• Fundraiser forms are not being approved by the site Principal.• Student store inventories are not being reviewed periodically to determine propriety as to character and quantities.• Records of inventory sales are not maintained.• Profit and loss statements are not created for the student store.• Profit and loss statements are not being reviewed by the Principal. <u>David Lubin Elementary School</u> <ul style="list-style-type: none">• A dual count is not being performed when funds are turned into the office. <u>Pony Express Elementary School</u> <ul style="list-style-type: none">• A dual count is not being performed when funds are turned into the office. <u>Cesar Chavez Elementary School</u> <ul style="list-style-type: none">• The school site is bypassing the office for fundraising activities and expenditures, as teachers are determining fundraisers or buying items on their own. <u>George Washington Carver School of Arts and Science</u> <ul style="list-style-type: none">• Collection of cash by the ASB in August was not deposited until October.• Purchases for items were not indicated in student minutes.• A dual count is not being performed when funds are turned into the office.	Partially implemented.	See current year finding at 2017-001.

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2017

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
2016-001 (Continued)		
<u>Earl Warren Elementary School</u>		
<ul style="list-style-type: none">• A dual count is not being performed when funds are turned into the office.• Monthly Encumbrance reports are not being signed as evidence of review.		
<u>John Sloat Elementary School</u>		
<ul style="list-style-type: none">• Monthly Encumbrance reports are not being signed as evidence of review.		
<u>Rosemont High School</u>		
<ul style="list-style-type: none">• The school site is not retaining documentation to support cash receipt totals. Nor are detailed records of cash received from sales maintained.• Expenditures lack the proper three persons.• Checks were not being dually approved.• Student store inventories are not being reviewed periodically to determine propriety as to character and quantities.• Profit and loss statements are not created for the student store.• Approval of disbursements were made even though sub-account ASB funds indicated negative balances.• Bank reconciliations were not being reviewed.		
<u>Will C. Wood Middle School</u>		
<ul style="list-style-type: none">• Fundraiser forms were not being properly approved by a site principal.• Student store inventories are not being reviewed periodically to determine propriety as to character and quantities.• Records of sales from the student store are not maintained• Profit and loss statements are not created for the student store.• Monthly Encumbrance reports are not being signed as evidence of review.		

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2017

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
2016-001 (Continued)		
<u>John F. Kennedy High School</u>		
<ul style="list-style-type: none">• Fundraiser forms were not being properly approved by a site principal.• Student store inventories are not being reviewed periodically to determine propriety as to character and quantities.• Profit and loss statements are not created for the student store.• The bank reconciliation for October was not reviewed until March.		
<u>Abraham Lincoln Elementary School</u>		
<ul style="list-style-type: none">• Student store inventories are not being reviewed periodically to determine propriety as to character and quantities.• Profit and loss statements are not created for the student store.		
<u>Golden Empire Elementary School</u>		
<ul style="list-style-type: none">• A dual count is not being performed when funds are turned into the office.		
<u>Recommendation:</u>		
<ul style="list-style-type: none">• Fundraisers should be approved prior to the date of the fundraiser.• Student store inventories should be reviewed periodically to determine propriety as to character and quantities.• Records of sales should be reconciled to money received on a daily basis.• Profit/loss statements should be completed for the student store, and should be reviewed for the associated student body.• A dual count should be performed upon depositing funds to the office.• Detailed schedules of items sold and cash received should be maintained.• Expenditures should be approved by the proper three persons, including the advisor, student, and governing board representative.		

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2017

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
<p>2016-001 (Continued)</p> <p><u>Recommendation:</u></p> <ul style="list-style-type: none"> • Checks should be approved by two designated individuals. • Disbursements should only be approved if there are funds available to prevent expenditures in excess of funds available. • Monthly Encumbrance reports should be reviewed by the site Principal, and a signature should evidence such a review. • Bank reconciliations should be reviewed in a timely manner following the month of the statement. • Collection of cash should be made in a timely manner. • All purchases should be evidenced in the student minutes. 		
<p>2016-002</p> <p><u>Condition:</u></p> <p><u>Rosemont High School - Grades 9-12</u></p> <ul style="list-style-type: none"> • One student was improperly counted as present for one day. <p><u>George Washington Carver School of Arts and Science - Grades 9-12</u></p> <ul style="list-style-type: none"> • One student was improperly counted as present for one day. <p><u>Recommendation:</u> We recommend that the attendance clerk reconciles attendance log with attendance records to ensure attendance is accurately recorded.</p>	Not implemented.	See current year finding at 2017-002.

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2017

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
2016-003	Implemented.	
<p><u>Condition:</u> At multiple sites in the District, six students were improperly included in the Free and Reduced Meal Program and two students were improperly included as English Learner. There was no supporting documentation that these students were approved in the current year for FRPM or to be documented as English Learner status.</p>		
<p>At The Met Sacramento High School one student was improperly included in the Free and Reduced Meal Program. There was no supporting documentation that the student was approved in the current year for FRPM.</p>		
<p>At George Washington Carver School of Arts and Science, two students were improperly included in the Free and Reduced Meal Program. There was no supporting documentation that the students were approved in the current year for FRPM.</p>		
<p><u>Recommendation:</u> The District should ensure that all students are properly reflected in the CalPADS reporting under the appropriate English Learner status. The District should ensure that all appropriate documentation is retained and updated for all students receiving Free and Reduced lunches.</p>		