

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS

June 30, 2021

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
 FINANCIAL STATEMENTS
 WITH SUPPLEMENTARY INFORMATION
 For the Year Ended June 30, 2021

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 For the Year Ended June 30, 2021

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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, 2021, 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, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

(Continued)

Emphasis of Matter - Management's Plan

As discussed in Note 13 of the financial statements, the District has suffered from declining student enrollment and attendance percentages, cost pressures related to escalating pension and healthcare costs and costs associated with Special Education program and facilities requirements and significant deficit spending in the General Fund. Management's plan in regard to these matters is described in Note 13. Our opinion is not modified with respect to this matter.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. This resulted in a restatement of the beginning governmental activities net position and the beginning aggregate remaining fund information fund balance totaling \$1,427,892. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 to 14 and the Required Supplementary Information, such as the General Fund Budgetary Comparison Schedule, the Schedule of Changes in Net Other Postemployment Benefits (OPEB) Liability and Related Ratios, the Schedule of the District's Contributions – OPEB, the Schedule of the District's Proportionate Share of the Net Pension Liability, and Schedule of the District's Contributions on pages 61 to 67 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 January 27, 2022 on our consideration of Sacramento City Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Sacramento City Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sacramento City Unified School District's internal control over financial reporting and compliance.



Crowe LLP

Sacramento, California
January 27, 2022

Management’s Discussion and Analysis

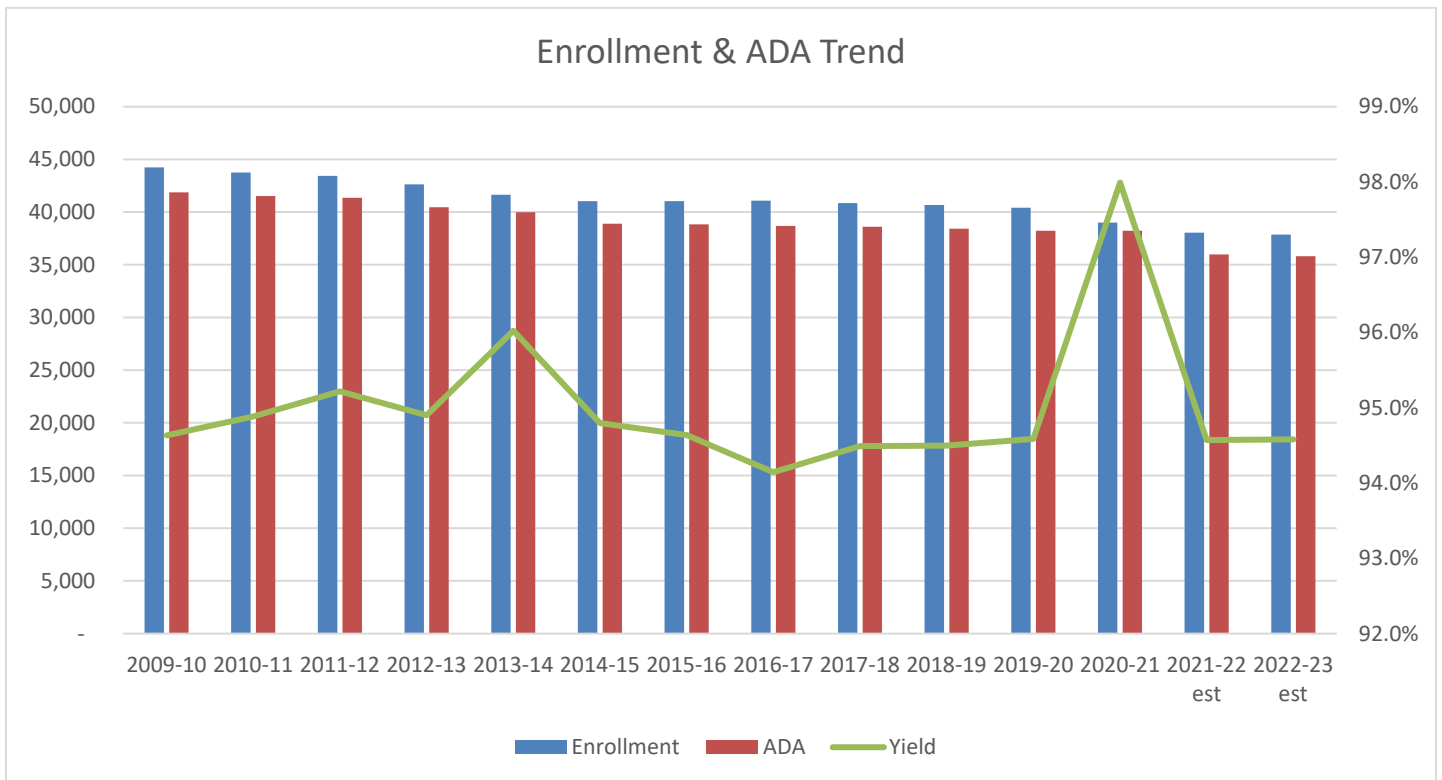
The Management’s Discussion and Analysis (MD&A) Section of the audit report is District management’s overall view of the District’s financial condition and provides an opportunity to discuss important fiscal issues with the Board and the public. The MD&A is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34. Certain comparative information is required to be presented in this document.

District Overview

Sacramento City Unified School District (the “District”), located in Sacramento County, is the thirteenth largest school district in California regarding student enrollment. The District provides educational services to the residents in and around Sacramento, the state capital. The District operates under the jurisdiction of the Sacramento County Office of Education, although the District has attained “fiscal accountability” status under California Education Code.

For fiscal year 2020-21, the District operated forty-two elementary schools (grades K-6), seven elementary/middle schools (grades K-8), six middle schools (grades 7-8), two middle/high schools (grades 7-12), seven high schools (grades 9-12), three alternative schools, two special education centers, two adult education centers, fifteen charter schools (including five district operated charter schools), and forty-eight preschool classrooms.

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



COVID-19 Impacts

On March 13, 2020, California Governor Gavin Newsom issued Executive Order N-26-20, proclaiming a State of Emergency to exist in California as a result of the threat of the COVID-19 virus. On June 29, 2020, the Governor signed Senate Bill 98, amending apportionment rules for the 2020-21 school year. For the purposes of school district funding for fiscal year 2020-21, under SB 98 the Average Daily Attendance (ADA) for the 2020-21 school year was based on the 2019-20 reported ADA. Due to the ongoing COVID-19 pandemic, the district began the 2020-21 school year in the remote learning model and did not return to in person instruction until April 2021. As a result, the district experienced one-time savings in operating costs. While one-time savings, SB 98 and Federal COVID related funding sources have provided relief to school districts, and the short-term and long-term impacts of the COVID-19 outbreak are unknown as the situation continues to evolve.

Governance

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

Strategic Plan and Guiding Principle

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

The District's Mission:

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

The District's Vision:

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

The District's Core Values:

- **Equity:** Commitment to reducing the academic achievement gap by ensuring that all students have equal access to the opportunities, supports and the tools they need to be successful.
- **Achievement:** Students will be provided with a relevant, rigorous and well-rounded curriculum, with the expectation that all will be well prepared for a career and post-secondary education.
- **Integrity:** Communication and interaction among and between students, parents, staff, labor and community partners is defined by mutual respect, trust and support.
- **Accountability:** Commitment to transparency and ongoing review of data will create a culture focused on results and continuous improvement in a fiscally sustainable manner.

The District's Goals:

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

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

Overview of the Financial Statements

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

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

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

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

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

These two financial statements start on page 15.

The remaining statements are fund financial statements that report on the District's operations in more detail than the district-wide statements. These statements begin on page 17.

District-wide Financial Condition

The Statement of Net Position is a district-wide financial statement that reports all that the District owns (assets) and owes (liabilities). The District displays the book value of all district assets including buildings, land and equipment, and related depreciation, in this financial statement. Land is accounted for at purchase cost, not market value, and is not depreciated. Many school sites have low values because the District acquired the land many decades ago. School buildings are valued at their historical construction cost less depreciation. Comparative financial information as of June 30 from the Statement of Net Position is summarized in the following table:

	June 30 2021	June 30, 2020	Variance	% Diff
Capital Assets	\$644,996,247	\$634,742,766	\$10,253,481	2%
Other Assets	\$374,139,484	\$318,570,580	\$55,568,904	17%
Total Assets	\$1,019,135,731	\$953,313,346	\$65,822,385	7%
Deferred Outflows of Resources	\$194,852,094	\$210,452,896	(\$15,600,802)	-7%
Current and Other Liabilities	\$119,959,555	\$73,558,105	\$46,401,450	63%
Long-Term Liabilities	\$1,380,986,742	\$1,663,304,598	(\$282,317,856)	-17%
Total Liabilities	\$1,500,946,297	\$1,736,862,703	(\$235,916,406)	-14%
Deferred Inflows of Resources	\$448,594,060	\$254,121,097	\$194,472,963	77%
Net Investment in Capital Assets (net of related debt)	\$155,836,813	\$147,137,588	\$8,699,225	6%
Restricted Net Position	\$109,386,515	\$60,141,603	\$49,244,912	82%
Unrestricted Net Position	(\$1,000,775,860)	(\$1,034,496,749)	\$33,720,889	3%
Total Net Position	(\$735,552,532)	(\$827,217,558)	\$91,665,026	11%

At the end of fiscal year 2020-21, the District had a total value of \$1,308,166,257 in capital assets. Capital assets include land, buildings, site improvements, equipment and work in progress. Total accumulated depreciation amounted to \$663,170,010. Net capital assets totaled \$644,996,247, an increase of \$10,253,481 from prior year. Current and other liabilities include accounts payable, unpaid self-insurance claims and unearned revenue. The District ended the year with a total of \$1,500,946,297 in outstanding obligations, which was a decrease of \$235,916,406 over the prior year. The primary reason for the decrease in liabilities was a decrease of \$250,168,760 in net OPEB liability.

District-wide Financial Condition (Continued)

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

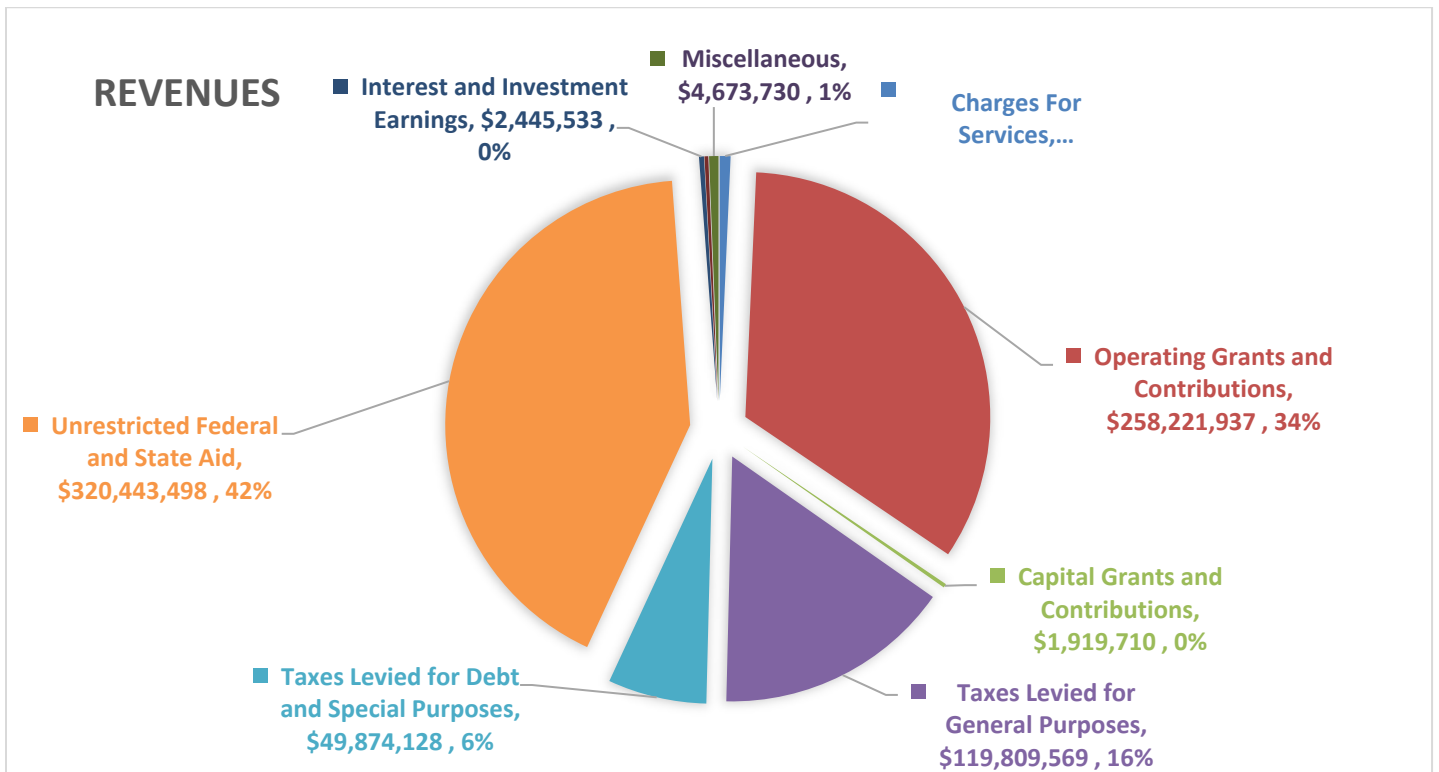
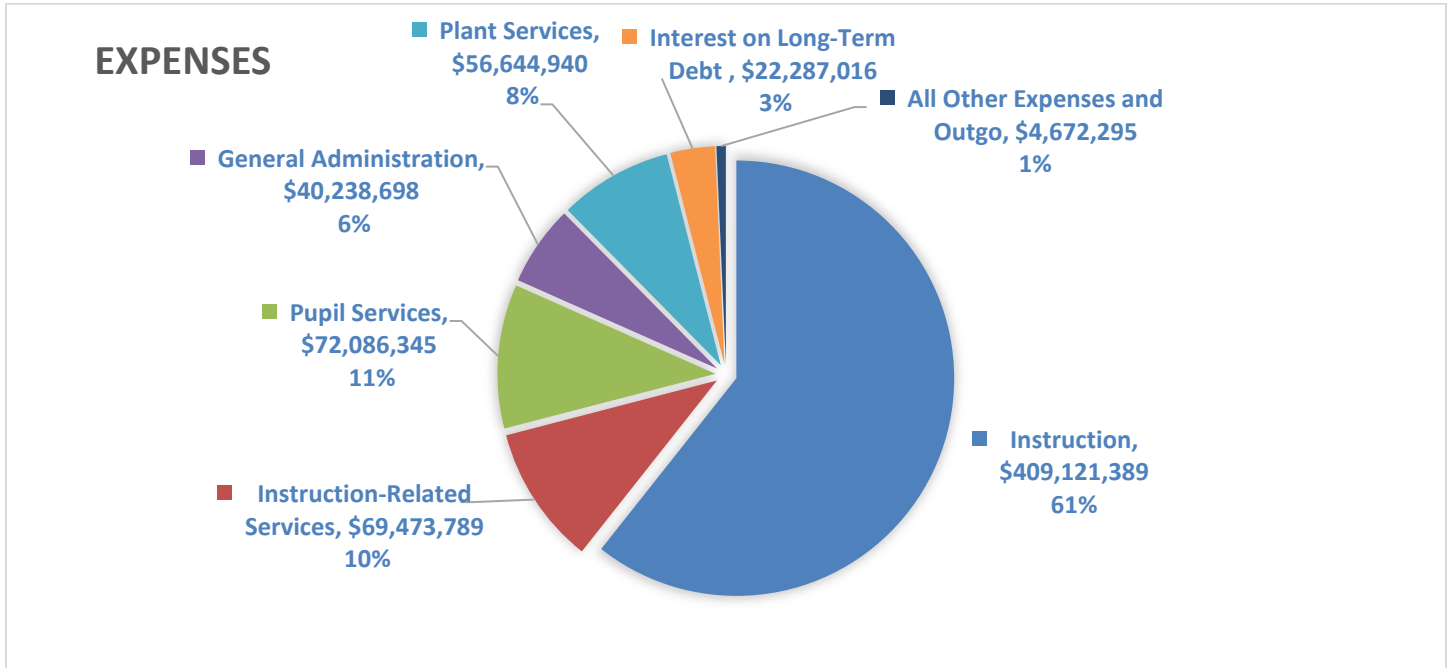
	June 30, 2021	June 30, 2020	Variance	% Diff
Expenses				
Governmental Activities:				
Instruction	\$409,121,389	\$404,009,047	\$5,112,342	1%
Instruction-Related Services	\$69,473,789	\$74,907,523	(\$5,433,734)	-7%
Pupil Services	\$72,086,345	\$76,687,871	(\$4,601,526)	-6%
General Administration	\$40,238,698	\$27,513,618	\$12,725,080	46%
Plant Services	\$56,644,940	\$57,996,921	(\$1,351,981)	-2%
Interest on Long-Term Debt	\$22,287,016	\$23,461,485	(\$1,174,469)	-5%
All Other Expenses and Outgo	\$4,672,295	\$5,383,065	(\$710,770)	-13%
Total Governmental Activity Expenses	\$674,524,472	\$669,959,530	\$4,564,942	1%

Revenues				
Charges For Services	\$5,422,128	\$7,711,938	(\$2,289,810)	-30%
Operating Grants and Contributions	\$258,221,937	\$171,956,963	\$86,264,974	50%
Capital Grants and Contributions	\$1,919,710	\$0	\$1,919,710	0%
Taxes Levied for General Purposes	\$119,809,569	\$113,311,579	\$6,497,990	6%
Taxes Levied for Debt and Special Purposes	\$49,874,128	\$63,160,559	(\$13,286,431)	-21%
Unrestricted Federal and State Aid	\$320,443,498	\$332,180,511	(\$11,737,013)	-4%
Interest and Investment Earnings	\$2,445,533	\$3,775,001	(\$1,329,468)	-35%
Interagency Revenues	\$1,951,373	\$2,314,622	(\$363,249)	-16%
Special and Extraordinary Items	\$0	\$0	\$0	0%
Miscellaneous	\$4,673,730	\$6,706,201	(\$2,032,471)	-30%
Total Revenues	\$764,761,606	\$701,117,374	\$63,644,232	9%

Change in Net Position	\$90,237,134	\$31,157,844	\$59,079,290	190%
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District-wide Financial Condition (Continued)

The District overall experienced a \$90,237,134 increase in net position. Total revenues increased by 9% or \$63,644,232 from the 2019-20 fiscal year primarily due to an increase in operating grants and contributions. Total expenditures increased by 1% or \$4,564,942 from the 2019-20 fiscal year. The slight increase in expenditures is primarily due to an increase in General Administration costs.



Fund Financial Statements

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

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

The District has three kinds of funds:

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

General Fund Financial and Budgetary Highlights

The General Fund accounts for the primary operations of the District. The District's initial budget is adopted by July 1. Over the course of the year, the District's budget is revised several times to account for revised and new categorical funding appropriations and related expenditures, and to update budgets for prior year carryover amounts. The budget may also be revised to reflect mid-year changes to the State Budget which affect district funding. Additionally, the District is required to prepare expenditure reports and must include multi-year projections at least twice a year. The following table summarizes the General Fund budget to actual information for the year ended June 30, 2021:

	Adopted Budget	Year End Budget	Actual
Total Revenues	\$613,800,230	\$721,864,869	\$626,752,179
Total Expenditures	\$642,020,473	\$616,677,856	\$591,568,014
Total Other Financing Sources/(Uses)	\$1,816,400	\$1,750,228	(\$2,326,059)

The net revenue increase of \$108,064,639 between Adopted Budget and Year End Budget is due to an increase in Federal and State Revenue due to the recognition of COVID related funding sources.

The net decrease to the total expenditure budget between Adopted and Year End Budget was \$25,342,617, primarily due to one time savings including a \$39M decrease in books and supplies.

Actual revenues were \$95,112,689, or 13.18% below the Year End Budget, due primarily to change in the recognition of COVID related funding sources as directed by the California Department of Education. Actual expenditures were \$25,109,842 or 4.07% below Year End Budget due to one time savings in multiple categories as a result of the COVID-19 pandemic.

The following table summarizes the General Fund financial statements for the year ended June 30, 2021:

Total Revenues	\$626,752,179
Total Expenditures	\$591,568,014
Total Other Financing Sources/ (Uses)	(\$2,326,059)
Net Change	\$32,858,106

District Reserves and Net Ending Balance

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

The District also has the option of committing or assigning the ending balance. Committing funds requires the Board of Education to designate the funds for any purpose by a majority vote at a Board meeting. Once the funds are committed, the amounts cannot be used for any other purpose unless the Board takes action to remove or change the constraints for the committed funds. The Board has not taken any action in 2020-21 to commit funds. Assigned ending balances are constrained by the District's intent but are neither restricted nor committed. An example of assignment is designating the ending balance to be used for a future textbook adoption.

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

Ending Fund Balances	June 30, 2021	June 30, 2020	Difference
Fund 01 General	\$125,906,717	\$93,048,612	\$32,858,106
Fund 08 Student Activity Fund	\$1,219,952	\$1,427,892	(\$207,940)
Fund 09 Charter Schools	\$6,381,614	\$3,975,367	\$2,406,248
Fund 11 Adult Education	\$801,095	\$353,245	\$447,850
Fund 12 Child Development	\$413,039	\$15,285	\$397,754
Fund 13 Cafeteria	\$16,414,434	\$12,807,059	\$3,607,376
Fund 14 Deferred Maintenance	\$0	\$0	\$0
Fund 21 Building	\$34,418,837	\$62,467,593	(\$28,048,756)
Fund 25 Developer Fees	\$19,607,667	\$20,196,507	(\$588,840)
Fund 49 Community Facilities	\$1,106,162	\$2,020,746	(\$914,584)
Fund 51 Bond Interest and Redemption	\$40,845,636	\$42,936,840	(\$2,091,204)
Fund 67 Self Insurance	\$12,632,456	\$12,935,257	(\$302,801)

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, 2021

Measure Q Total \$ 23,502,285

- Program Management Expenditures \$ 1,097,269
- Completed Project Expenditures:
 - Modernization, Repair & Upgrades \$ 4,218,159
 - Technology Upgrades Restated to COVID Funding Source (\$ 4,143,067)
- In Progress Project Expenditures:
 - Core Academic Renovation \$ 6,742,145
 - Modernization, Repair & Upgrades \$ 15,587,779

Measure R Total \$ 9,900,162

- Program Management Expenditures \$ 87,698
- In Progress Project Expenditures:
 - Nutrition Services Center \$ 9,812,464

Summary of Future Projects as of June 30, 2021

<u>Project Year(s)</u>	<u>Projects</u>	<u>Estimated Budget</u>
<u>Measure Q Total</u>		<u>\$ 99,200,000</u>
2022-2024	Core Academic Renovation	\$ 16,988,613
2022-2024	District Wide Fire & Irrigation Improvements	\$ 2,000,000
2021-2024	Modernization, Repair and Upgrade Projects	\$ 73,611,387
2022-2024	Resource & energy Conservation Improvement Projects	\$ 2,000,000
2021-2024	Program Management	\$ 4,600,000

District Indebtedness

As of June 30, 2021, the District has incurred \$1,380,986,742 in long-term liabilities. Of this amount, \$436,422,966 are General Obligation Bonds and \$22,869,400 are Accreted Interest backed by property tax increases voted on by District residents in 1999, 2002 and 2012. Additionally, \$57,855,000 are Lease Revenue Bonds, backed by Developer Fees and Mello-Roos Community Facilities funds.

The District continues to provide lifetime health benefits to eligible retirees. The recognized net OPEB liability decreased by \$250,168,760 from \$567,907,029 to \$317,738,269 due to sustained contributions to the District's OPEB trust which resulted in a change in the discount rate assumed for the actuarial report.

Financial Outlook

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

The District's 2021-22 First Interim multi-year projections indicate that the District will be able to meet its financial obligations for the current and two subsequent years. The District has taken measures to reduce expenditures and increase reserves over the last fiscal year, primarily due to one-time savings as a result of the COVID-19 pandemic. The District has also passed two Fiscal Recovery Plans, one on February 4, 2021 and the second on December 17, 2021 to help address the District's ongoing structural deficit. However the District's projected deficit persists in the multi-year projections as of the 2021-2022 First Interim Financial Report. As of the 2021-22 First interim report the District is projected to have positive cash balances at June 30 for all three fiscal years 2021-22, 2022-2023 and 2023-2024.

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

BASIC FINANCIAL STATEMENTS

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2021

	<u>Governmental Activities</u>
ASSETS	
Cash and investments (Note 2)	\$ 297,428,360
Receivables	75,054,225
Stores inventory	1,656,899
Non-depreciable capital assets (Note 4)	96,425,154
Depreciable capital assets, net of accumulated depreciation (Note 4)	<u>548,571,093</u>
Total assets	<u>1,019,135,731</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - pensions (Notes 8 and 9)	130,261,777
Deferred outflows of resources - OPEB (Note 10)	62,992,483
Deferred loss on refunding of debt	<u>1,597,834</u>
Total deferred outflows of resources	<u>194,852,094</u>
LIABILITIES	
Accounts payable	108,025,247
Unpaid claims and claim adjustment expenses (Note 5)	458,433
Unearned revenue	11,475,875
Long-term liabilities (Note 6):	
Due within one year	40,659,733
Due after one year	<u>1,340,327,009</u>
Total liabilities	<u>1,500,946,297</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - OPEB (Note 10)	401,670,060
Deferred inflows of resources - pensions (Notes 8 and 9)	<u>46,924,000</u>
Total deferred inflows of resources	<u>448,594,060</u>
NET POSITION	
Net investment in capital assets	155,836,813
Restricted:	
Legally restricted programs	47,428,736
Capital projects	21,112,143
Debt service	40,845,636
Unrestricted	<u>(1,000,775,860)</u>
Total net position	<u>\$ (735,552,532)</u>

See accompanying notes to the financial statements.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021

	Program Revenues			Net (Expense)	
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position	
				Governmental Activities	
Governmental activities:					
Instruction	\$ 409,121,389	\$ 168,703	\$ 140,115,875	\$ 1,919,710	\$ (266,917,101)
Instruction-related services:					
Supervision and administration	29,910,559	91,972	18,848,431	-	(10,970,156)
Library, media and technology	2,340,772	-	532,191	-	(1,808,581)
School site administration	37,222,458	14,786	7,159,140	-	(30,048,532)
Pupil services:					
Home-to-school transportation	9,049,965	555	2,365,920	-	(6,683,490)
Food services	24,672,965	14,574	30,404,617	-	5,746,226
All other pupil services	38,363,415	66,773	17,596,872	-	(20,699,770)
General administration:					
Centralized data processing	8,250,356	2,857	4,269,387	-	(3,978,112)
All other general administration	31,988,342	7,545	12,793,183	-	(19,187,614)
Plant services	56,644,940	(296,335)	22,809,139	-	(34,132,136)
Ancillary services	3,109,146	10,486	437,200	-	(2,661,460)
Community services	233,946	-	-	-	(233,946)
Enterprise activities	63,739	-	47,480	-	(16,259)
Other outgo	1,265,463	5,340,212	842,502	-	4,917,251
Interest on long-term liabilities	22,287,017	-	-	-	(22,287,017)
Total governmental activities	<u>\$ 674,524,472</u>	<u>\$ 5,422,128</u>	<u>\$ 258,221,937</u>	<u>\$ 1,919,710</u>	<u>(408,960,697)</u>
General revenues:					
Taxes and subventions:					
Taxes levied for general purposes					119,809,569
Taxes levied for debt service					45,087,095
Taxes levied for other specific purposes					4,787,033
Federal and state aid not restricted to specific purposes					320,443,498
Interest and investment earnings					2,445,533
Interagency revenues					1,951,373
Miscellaneous					4,673,730
Total general revenues					<u>499,197,831</u>
Change in net position					90,237,134
Net position, July 1, 2020					<u>(827,217,558)</u>
Cumulative effect of GASB 84 implementation					1,427,892
Net Position, July 1, 2020, as restated					<u>(825,789,666)</u>
Net position, June 30, 2021					<u>\$ (735,552,532)</u>

See accompanying notes to the financial statements.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2021

	<u>General Fund</u>	<u>Building Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>All Non-Major Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and investments:					
Cash in County Treasury	\$ 158,261,952	\$ 17,560,304	\$ 52,847,002	\$ 35,770,801	\$ 264,440,059
Cash in banks	65,145	343,001	-	4,573,297	4,981,443
Cash in revolving fund	225,000	-	-	2,000	227,000
Cash with fiscal agent	-	16,117,637	-	-	16,117,637
Collections awaiting deposit	-	-	-	14,650	14,650
Receivables	25,914,449	393,693	117,699	6,063,341	32,489,182
Due from grantor governments	37,009,626	-	-	3,252,125	40,261,751
Due from other funds	5,121,124	3,653,633	-	4,102,053	12,876,810
Stores inventory	104,480	-	-	1,552,419	1,656,899
	<u>104,480</u>	<u>-</u>	<u>-</u>	<u>1,552,419</u>	<u>1,656,899</u>
 Total assets	 <u>\$ 226,701,776</u>	 <u>\$ 38,068,268</u>	 <u>\$ 52,964,701</u>	 <u>\$ 55,330,686</u>	 <u>\$ 373,065,431</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 80,424,899	\$ 3,649,430	\$ 12,119,065	\$ 3,305,033	\$ 99,498,427
Due to grantor governments	2,066,651	-	-	32,015	2,098,666
Unearned revenue	10,583,206	-	-	892,669	11,475,875
Due to other funds	7,720,303	-	-	5,156,589	12,876,892
	<u>7,720,303</u>	<u>-</u>	<u>-</u>	<u>5,156,589</u>	<u>12,876,892</u>
 Total liabilities	 <u>100,795,059</u>	 <u>3,649,430</u>	 <u>12,119,065</u>	 <u>9,386,306</u>	 <u>125,949,860</u>
Fund balances:					
Nonspendable	329,480	-	-	1,554,419	1,883,899
Restricted	22,198,603	34,418,838	40,845,636	44,389,961	141,853,038
Assigned	57,976,955	-	-	-	57,976,955
Unassigned	45,401,679	-	-	-	45,401,679
	<u>45,401,679</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,401,679</u>
 Total fund balances	 <u>125,906,717</u>	 <u>34,418,838</u>	 <u>40,845,636</u>	 <u>45,944,380</u>	 <u>247,115,571</u>
 Total liabilities and fund balances	 <u>\$ 226,701,776</u>	 <u>\$ 38,068,268</u>	 <u>\$ 52,964,701</u>	 <u>\$ 55,330,686</u>	 <u>\$ 373,065,431</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, 2021

Total fund balances - Governmental Funds \$ 247,115,571

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 \$1,308,166,257 and the accumulated depreciation is \$663,170,010 (Note 4). 644,996,247

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, 2021 consisted of (Note 6):

General Obligation Bonds	\$	(436,422,966)	
Accreted interest		(22,869,400)	
Lease Revenue Bonds		(57,855,000)	
Premium on issuance		(30,500,244)	
Net pension liability (Notes 8 and 9)		(510,272,000)	
Net OPEB liability (Note 10)		(317,738,269)	
Compensated absences		<u>(5,328,863)</u>	
			(1,380,986,742)

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Net position of the Self-Insurance Fund is: 12,632,456

In the governmental funds, interest on long-term liabilities is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred: (5,568,098)

Losses on the refunding of debt are recognized as expenditures in the period they are incurred. In the government-wide statements, they are categorized as deferred outflows and are amortized over the life of the related debt. 1,597,834

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

Deferred outflows of resources relating to OPEB		62,992,483	
Deferred inflows of resources relating to OPEB		<u>(401,670,060)</u>	
			(338,677,577)

In governmental 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		130,261,777	
Deferred inflows of resources relating to pensions		<u>(46,924,000)</u>	
			<u>83,337,777</u>

Total net position - governmental activities \$ (735,552,532)

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, 2021

	General Fund	Building Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total Governmental Funds
Revenues:					
Local control funding formula (LCFF):					
State apportionment	\$ 307,220,871	\$ -	\$ -	\$ 18,191,947	\$ 325,412,818
Local sources	105,461,865	-	-	-	105,461,865
Total LCFF	412,682,736	-	-	18,191,947	430,874,683
Federal sources	106,543,983	-	-	39,532,343	146,076,326
Other state sources	99,545,932	-	382,505	11,703,415	111,631,852
Other local sources	7,979,528	3,683,408	46,083,191	14,555,612	72,301,739
Total revenues	626,752,179	3,683,408	46,465,696	83,983,317	760,884,600
Expenditures:					
Current:					
Certificated salaries	213,345,658	-	-	14,498,746	227,844,404
Classified salaries	62,484,309	427,082	-	11,512,013	74,423,404
Employee benefits	177,007,077	242,540	-	18,356,090	195,605,707
Books and supplies	56,495,308	393,267	-	12,931,946	69,820,521
Contract services and operating expenditures	76,546,897	656,227	-	3,662,460	80,865,584
Other outgo	1,265,463	-	-	-	1,265,463
Capital outlay	4,423,302	36,008,626	-	8,738,927	49,170,855
Debt service:					
Principal retirement	-	-	28,705,000	2,695,000	31,400,000
Interest	-	-	19,851,900	2,770,334	22,622,234
Total expenditures	591,568,014	37,727,742	48,556,900	75,165,516	753,018,172
Excess (deficiency) of revenues over (under) expenditures	35,184,165	(34,044,334)	(2,091,204)	8,817,801	7,866,428
Other financing sources (uses):					
Transfers in	3,181,213	5,995,579	-	1,430,985	10,607,777
Transfers out	(5,507,272)	-	-	(5,100,505)	(10,607,777)
Total other financing sources (uses)	(2,326,059)	5,995,579	-	(3,669,520)	-
Change in fund balances	32,858,106	(28,048,755)	(2,091,204)	5,148,281	7,866,428
Fund balances, July 1, 2020	93,048,611	62,467,593	42,936,840	39,368,207	237,821,251
Cumulative effect of GASB 84 implementation	-	-	-	1,427,892	1,427,892
Fund balance, July 1, 2020, as restated	93,048,611	62,467,593	42,936,840	40,796,099	239,249,143
Fund balances, June 30, 2021	\$ 125,906,717	\$ 34,418,838	\$ 40,845,636	\$ 45,944,380	\$ 247,115,571

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, 2021

Net change in fund balances - Total Governmental Funds	\$	7,866,428
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).		50,116,641
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4)		(39,367,603)
In the governmental funds, the entire proceeds (loss) from the disposal of capital assets is reported as revenue (loss). In the statement of activities, only the resulting gain or loss is reported (Note 4)		(495,557)
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).		31,400,000
Accreted interest is an expense that is not recorded in the governmental funds (Note 6).		(2,208,384)
Premiums related to the issuance of long-term liabilities is recognized as an other financing source in the governmental funds, but decreases the liability in the statement of net position. (Note 6).		2,530,870
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:		(152,585)
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.		175,935
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:		(302,801)

(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, 2021

In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was (Notes 8 and 9):	\$ (25,516,395)
In the statement of activities, expenses related to compensated absences are measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used (Notes 6).	(358,390)
In the statement of activities, expenses related to net OPEB liability are measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used (Notes 6 and 10).	<u>66,548,975</u>
Change in net position of governmental activities	<u>\$ 90,237,134</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, 2021

ASSETS

Current assets:

Cash and investments:

Cash in County Treasury	\$ 11,397,179
Cash in banks	392
Cash with fiscal agent	250,000
Receivables	2,303,292
Due from other funds	<u>82</u>

Total current assets 13,950,945

LIABILITIES

Current liabilities:

Accounts payable	860,056
Unpaid claims and claim adjustment expenses	<u>458,433</u>

Total current liabilities 1,318,489

NET POSITION

Unrestricted \$ 12,632,456

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, 2021

Operating revenues:	
Self insurance premiums	<u>\$ 14,017,741</u>
Operating expenses:	
Classified salaries	351,419
Employee benefits	221,513
Books and supplies	4,372
Contract services	1,166
Provision for claims and claim adjustment expenses	<u>13,796,510</u>
Total operating expenses	<u>14,374,980</u>
Net operating loss	(357,239)
Non-operating income:	
Interest income	<u>54,438</u>
Change in net position	(302,801)
Total net position, July 1, 2020	<u>12,935,257</u>
Total net position, June 30, 2021	<u><u>\$ 12,632,456</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, 2021

Cash flows provided by operating activities:

Cash received from self-insurance premiums and other revenue	\$ 14,220,712
Cash paid for employee benefits	(13,686,146)
Cash paid for other expenses	<u>263,532</u>

Net cash provided by operating activities 798,098

Cash flows provided by investing activities:

Interest income received	<u>54,438</u>
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Change in cash and investments 852,536

Cash and investments, July 1, 2020 10,795,035

Cash and investments, June 30, 2021 \$ 11,647,571

Reconciliation of net operating loss to net cash provided by operating activities:

Net operating loss \$ (357,239)

Adjustments to reconcile operating loss to net cash provided by operating activities:

Decrease (increase) in:

Receivables	202,971
Due from other funds	(82)

(Decrease) increase in:

Unpaid claims and claim adjustment expenses	110,364
Accounts payable	842,338
Due to other funds	<u>(254)</u>

Total adjustments 1,155,337

Net cash provided by operating activities \$ 798,098

See accompanying notes to the financial statements.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
TRUST FUND
June 30, 2021

	Scholarship <u>Trust</u>
ASSETS	
Cash and investments (Note 2)	
Cash on hand and in banks	\$ <u>435,401</u>
NET POSITION	
Restricted for scholarships	\$ <u>435,401</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, 2021

	Scholarship Trust
Additions:	
Other local sources	\$ <u>15,455</u>
Deduction:	
Contract services and operating expenditures	<u>33,883</u>
Change in net position	(18,428)
Net position, July 1, 2020	<u>453,829</u>
Net position, June 30, 2021	<u>\$ 435,401</u>

See accompanying notes to the financial statements.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

A - Manifestations of Oversight

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

B - Accounting for Fiscal Matters

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

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C - Scope of Public Service and Financial Presentation

1. The Corporation and the Authority were created for the sole purpose of financially assisting the District.
2. The Corporation is a nonprofit, public benefit corporation incorporated under the laws of the State of California and recorded by the Secretary of State. The Authority was created pursuant to a joint powers agreement between the District and the California Statewide Communities Development Authority, pursuant to the California Government Code, commencing with Section 6500. The Corporation and the Authority were formed to provide financing assistance to the District for construction and acquisition of major capital facilities. Upon completion the District intends to occupy all Corporation and Authority facilities. When the Authority's Lease Revenue Bonds have been paid with state reimbursements and the District's developer fees, title of all Corporation and Authority property will pass to the District for no additional consideration.
3. The Corporation's and the Authority's financial activity is presented in the financial statements in the Building Fund. Lease Revenue Bonds issued by the Authority are included in the government-wide financial statements. There are currently no outstanding Certificates of Participation under the Corporation as of June 30, 2021.

Basis of Presentation - Government-Wide Financial Statements: The Statement of Net Position and the Statement of Activities displays information about the reporting government as a whole. Fiduciary funds are not included in the government-wide financial statements. Fiduciary funds are reported only in the Statement of Fiduciary Net Position and the Statement of Change in Fiduciary Net Position at the fund financial statement level.

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

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

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

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

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A - Major Funds:

1. **General Fund:** The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.
2. **Building Fund:** The Building Fund is a capital projects fund used to account for resources used for the acquisition or construction of capital facilities by the District.
3. **Bond Interest and Redemption Fund:** The Bond Interest and Redemption Fund is a debt service fund used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. All records relating to the Bond Interest and Redemption Fund are maintained by the Sacramento County Auditor-Controller. The revenue for this fund is raised by school district taxes which are levied, collected, and administered by County officials. The Education Code stipulates that the tax rate levied shall be sufficient to provide monies for the payment of principal and interest as they become due on outstanding school district bonds.

B - Other Funds:

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

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

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

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

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.

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2021.

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

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

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

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

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

	<u>STRP</u>	<u>PERF B</u>	<u>Total</u>
Deferred outflows of resources	\$ 104,648,690	\$ 25,613,087	\$ 130,261,777
Deferred inflows of resources	\$ 35,243,000	\$ 11,681,000	\$ 46,924,000
Net pension liability	\$ 364,571,000	\$ 145,701,000	\$ 510,272,000
Pension expense	\$ 79,837,146	\$ 22,289,538	\$ 102,126,684

Compensated Absences: Compensated absences totaling \$5,328,863 are recorded as a long-term liability of the District. The liability is for the earned but unused benefits.

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

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

Net Position: Net position is displayed in three components:

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

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

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

C - Committed Fund Balance: The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Board of Education. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. Formal action by the Board of Education is required to remove any commitment from any fund balance. At June 30, 2021, the District had no committed fund balances.

D - Assigned Fund Balance: The assigned fund balance classification reflects amounts that the District's Board of Education has approved to be used for specific purposes, based on the District's intent related to those specific purposes. The Board of Education can designate personnel with the authority to assign fund balances, however, as of June 30, 2021, 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, 2021, 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.

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

New Accounting Pronouncements: In January 2017, the GASB issued GASB Statement No. 84, *Fiduciary Activities*. The principal objective of this Statement is to enhance the consistency and comparability of fiduciary activity reporting by state and local governments. The provisions in GASB Statement No. 84 are effective for reporting periods beginning after December 15, 2019. Based on the implementation of GASB Statement No. 84, the District restated its beginning net position of governmental activities as well as the aggregate remaining fund information beginning fund balance for a total of \$1,427,892.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments at June 30, 2021 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	\$ 264,440,059	\$ 11,397,179	\$ 275,837,238	\$ -
Deposits:				
Cash on hand and in banks	4,981,443	392	4,981,835	435,401
Cash in revolving fund	227,000	-	227,000	-
Cash awaiting deposit	14,650	-	14,650	-
Total deposits	5,223,093	392	5,223,485	435,401
Investments:				
Cash with fiscal agent	16,117,637	250,000	16,367,637	-
Total cash and investments	\$ 285,780,789	\$ 11,647,571	\$ 297,428,360	\$ 435,401

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.

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2021

NOTE 2 – CASH AND INVESTMENTS (Continued)

Deposits - Custodial Credit Risk: The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2021, the carrying amount of the District's accounts was \$5,658,886 and the bank balance was \$5,616,087. \$985,377 of the bank balance was FDIC insured and \$4,620,354 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, Schools' Insurance Authority, for the District's self-insurance activities.

Interest Rate Risk: The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2021, 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, 2021, the District had no concentration of credit risk.

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, 2021 were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Funds:		
General	\$ 5,121,124	\$ 7,720,303
Building Fund	3,653,633	-
Non-Major Funds:		
Charter Schools	3,427,186	3,537,109
Adult Education	25,411	391,130
Child Development	649,228	551,649
Cafeteria	228	518,700
Developer Fees Fund	-	158,001
Self-Insurance	82	-
	<u> </u>	<u> </u>
Totals	<u>\$ 12,876,892</u>	<u>\$ 12,876,892</u>

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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 2020-2021 fiscal year were as follows:

Transfer from the General Fund to the Building Fund to reimburse for Chrome-book purchases.	\$ 4,076,287
Transfer from the General Fund to the Adult Education Fund to sustain the Adult Education programs.	596,835
Transfer from the General Fund to the Child Development Fund to sustain the Child Development programs.	549,131
Transfer from the General Fund to the Charter Schools Fund for New Tech Charter School	245,201
Transfer from the General Fund to the Cafeteria Fund to cover paid meals outstanding balances.	39,818
Transfer from the Charter Schools Fund to the General Fund for charter fees.	2,169,080
Transfer from the Charter Schools Fund to the General Fund for indirect costs.	7,611
Transfer from the Adult Education Fund to the General Fund for indirect costs.	62,003
Transfer from the Child Development Fund to the General Fund for indirect costs.	427,951
Transfer from the Cafeteria Fund to the General Fund for indirect costs.	514,568
Transfer from the County School Facilities Fund to the Building Fund to reimburse bond expenditures with State Bond reimbursents funds for modernization and new construction projects.	<u>1,919,292</u>
	<u>\$ 10,607,777</u>

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 4 – CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2021 is shown below:

	Balance July 1, <u>2020</u>	Transfers and <u>Additions</u>	Transfers and <u>Deductions</u>	Balance June 30, <u>2021</u>
<u>Governmental Activities</u>				
Non-depreciable:				
Land	\$ 21,223,495	\$ -	\$ -	\$ 21,223,495
Work-in-process	78,333,953	32,031,315	35,163,609	75,201,659
Depreciable:				
Buildings	906,287,607	45,147,069	41,691	951,392,985
Site improvements	191,881,422	5,447,494	2,584,864	194,744,052
Equipment	<u>63,315,230</u>	<u>2,654,372</u>	<u>365,536</u>	<u>65,604,066</u>
Totals, at cost	<u>1,261,041,707</u>	<u>85,280,250</u>	<u>38,155,700</u>	<u>1,308,166,257</u>
Less accumulated depreciation:				
Buildings	(466,625,348)	(26,575,350)	(41,691)	(493,159,007)
Site improvements	(110,507,838)	(8,664,431)	(2,089,307)	(117,082,962)
Equipment	<u>(49,165,755)</u>	<u>(4,127,822)</u>	<u>(365,536)</u>	<u>(52,928,041)</u>
Total accumulated depreciation	<u>(626,298,941)</u>	<u>(39,367,603)</u>	<u>(2,496,534)</u>	<u>(663,170,010)</u>
Capital assets, net	<u>\$ 634,742,766</u>	<u>\$ 45,912,647</u>	<u>\$ 35,659,166</u>	<u>\$ 644,996,247</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 34,001,939
Food services	376,925
All other pupil services	1,518,580
Community services	229,088
All other general administration	2,755,438
Plant services	<u>485,633</u>
Total depreciation expense	<u>\$ 39,367,603</u>

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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 May 3, 2021 and September 3, 2020 for the years ended June 30, 2021 and June 30, 2020, respectively.

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

	June 30, <u>2020</u>	June 30, <u>2021</u>
Unpaid claim and claim adjustment expenses, beginning of year	\$ 446,188	\$ 348,069
Total incurred claims and claim adjustment expenses	13,651,736	13,796,510
Total payments	<u>(13,749,855)</u>	<u>(13,686,146)</u>
Total unpaid claims and claim adjustment expenses at end of year	<u>\$ 348,069</u>	<u>\$ 458,433</u>

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 6 – LONG-TERM LIABILITIES

General Obligation Bonds: A summary of General Obligation Bonds payable as of June 30, 2021 follows:

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

<u>Series</u>	<u>Interest Rate</u>	<u>Original Maturity</u>	<u>Balance July 1, 2020</u>	<u>Current Year Issuance</u>	<u>Current Year Refunded & Matured</u>	<u>Balance June 30, 2021</u>
2007 - CA	4.6 - 4.8%	2032	\$ 26,077,966	\$ -	\$ -	\$ 26,077,966
2011	0.5 - 5.5%	2029	41,935,000	-	5,120,000	36,815,000
2012	2.0 - 5.3%	2031	74,975,000	-	7,040,000	67,935,000
2013 - A	2.0 - 5.0%	2038	11,635,000	-	390,000	11,245,000
2013 - B	5.7%	2038	40,000,000	-	-	40,000,000
2014	2.0 - 5.0%	2027	31,965,000	-	3,375,000	28,590,000
2015	2.0 - 5.0%	2030	25,090,000	-	3,055,000	22,035,000
2015 C1	2.0 - 5.0%	2041	62,735,000	-	1,835,000	60,900,000
2016	2.0-4.0%	2041	12,465,000	-	390,000	12,075,000
2017 - E	3.0-5.0%	2047	93,300,000	-	1,765,000	91,535,000
2017 - C	3.0-5.0%	2047	9,800,000	-	185,000	9,615,000
2018 - F	2.46%	2025	4,250,000	-	2,750,000	1,500,000
2019 - D	2.375-5.0%	2049	30,900,000	-	2,800,000	28,100,000
			<u>\$ 465,127,966</u>	<u>\$ -</u>	<u>\$ 28,705,000</u>	<u>\$ 436,422,966</u>

The annual requirements to amortize the General Obligation Bonds payable and outstanding as of June 30, 2021 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 29,975,000	\$ 18,639,966	\$ 48,614,966
2023	19,145,000	17,351,711	36,496,711
2024	23,352,074	18,888,567	42,240,641
2025	24,445,453	18,067,231	42,512,684
2026	25,161,992	17,281,222	42,443,214
2027-2031	123,082,605	74,889,423	197,972,028
2032-2036	50,720,842	48,744,614	99,465,456
2037-2041	92,565,000	19,690,575	112,255,575
2042-2046	31,535,000	6,108,375	37,643,375
2047-2049	16,440,000	699,725	17,139,725
	<u>\$ 436,422,966</u>	<u>\$ 240,361,409</u>	<u>\$ 676,784,375</u>

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 6 – LONG-TERM LIABILITIES (Continued)

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

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

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

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

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

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

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

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

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

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

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 6 – LONG-TERM LIABILITIES (Continued)

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

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

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 2,625,000	\$ 1,489,750	\$ 4,114,750
2023	2,770,000	1,358,500	4,128,500
2024	2,915,000	1,220,000	4,135,000
2025	3,025,000	1,074,250	4,099,250
2026	235,000	923,000	1,158,000
2027-2031	-	4,556,250	4,556,250
2032-2036	7,060,000	4,214,750	11,274,750
2037-2040	<u>11,165,000</u>	<u>1,429,750</u>	<u>12,594,750</u>
	<u>\$ 29,795,000</u>	<u>\$ 16,266,250</u>	<u>\$ 46,061,250</u>

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

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 200,000	\$ 1,147,654	\$ 1,347,654
2023	200,000	1,139,474	1,339,474
2024	200,000	1,131,294	1,331,294
2025	240,000	1,123,114	1,363,114
2026	3,215,000	1,113,298	4,328,298
2027-2031	19,720,000	3,360,364	23,080,364
2032-2033	<u>4,285,000</u>	<u>264,623</u>	<u>4,549,623</u>
	<u>\$ 28,060,000</u>	<u>\$ 9,279,821</u>	<u>\$ 37,339,821</u>

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 6 – LONG-TERM LIABILITIES (Continued)

Schedule of Changes in Long-Term Liabilities: A schedule of changes in long-term liabilities for the year ended June 30, 2021 is shown below:

	Balance <u>July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2021</u>	Amounts Due Within <u>One Year</u>
Debt:					
General Obligation Bonds	\$ 465,127,966	\$ -	\$ 28,705,000	\$ 436,422,966	\$ 29,975,000
Accreted interest	20,661,016	2,208,384	-	22,869,400	-
Lease Revenue Bonds	60,550,000	-	2,695,000	57,855,000	2,825,000
Premium on issuance	33,031,114	-	2,530,870	30,500,244	2,530,870
Other Long-Term Liabilities:					
Net Pension Liability (Notes 8 & 9)	511,057,000	-	785,000	510,272,000	-
Net OPEB liability (Note 10)	567,907,029	-	250,168,760	317,738,269	-
Compensated absences	4,970,473	358,390	-	5,328,863	5,328,863
	<u>\$ 1,663,304,598</u>	<u>\$ 2,566,774</u>	<u>\$ 284,884,630</u>	<u>\$ 1,380,986,742</u>	<u>\$ 40,659,733</u>

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

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 7 – FUND BALANCES

Fund balances, by category, at June 30, 2021 consisted of the following:

	General Fund	Building Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total
Nonspendable:					
Revolving cash fund	\$ 225,000	\$ -	\$ -	\$ 2,000	\$ 227,000
Stores inventory	<u>104,480</u>	-	-	<u>1,552,419</u>	<u>1,656,899</u>
Subtotal nonspendable	<u>329,480</u>	-	-	<u>1,554,419</u>	<u>1,883,899</u>
Restricted:					
Legally restricted programs:					
Grants (unspent categorical revenues)	22,198,603	-	-	-	22,198,603
Student body activities	-	-	-	1,214,018	1,214,018
Adult education operations	-	-	-	801,095	801,095
Child development	-	-	-	413,039	413,039
Cafeteria operations	-	-	-	14,865,948	14,865,948
Charter schools	-	-	-	6,381,614	6,381,614
Capital projects	-	34,418,838	-	20,714,247	55,133,085
Debt service	-	-	<u>40,845,636</u>	-	<u>40,845,636</u>
Subtotal restricted	<u>22,198,603</u>	<u>34,418,838</u>	<u>40,845,636</u>	<u>44,389,961</u>	<u>141,853,038</u>
Assigned:					
2021-22 LCAP Supplemental	4,934,619	-	-	-	4,934,619
2021-22 Projected Deficit	6,694,864	-	-	-	6,694,864
2022-23 Projected Deficit	18,217,212	-	-	-	18,217,212
2023-24 Projected Deficit	24,926,753	-	-	-	24,926,753
MAA Carryover	837,733	-	-	-	837,733
School Site Supplemental carryover	1,400,000	-	-	-	1,400,000
Donations/Lost Textbooks carryover	<u>965,774</u>	-	-	-	<u>965,774</u>
Subtotal assigned	<u>57,976,955</u>	-	-	-	<u>57,976,955</u>
Unassigned:					
Designated for economic uncertainty	11,907,405	-	-	-	11,907,405
Unassigned	<u>33,494,274</u>	-	-	-	<u>33,494,274</u>
Subtotal unassigned	<u>45,401,679</u>	-	-	-	<u>45,401,679</u>
Total fund balances	<u>\$ 125,906,717</u>	<u>\$ 34,418,838</u>	<u>\$ 40,845,636</u>	<u>\$ 45,944,380</u>	<u>\$ 247,115,571</u>

(Continued)

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

General Information about the State Teachers' Retirement Plan

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

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

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

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

CalSTRS 2% at 60

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

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

CalSTRS 2% at 62

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

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

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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

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

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

Also, SB 90 appropriated future supplemental state contributions to reduce the state's portion of the unfunded actuarial obligation of the DB Program in fiscal years 2019-20 through 2022-23. These contributions are funded from future excess General Fund revenues, pursuant to the requirements of California Proposition 2, Rainy-Day Budget Stabilization Fund Act which passed in 2014. Accordingly, the contribution amounts are subject to change each year. For fiscal year 2019-20, CalSTRS received \$1.1 billion of supplemental state contributions pursuant to SB 90.

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

In addition, the board's rate-setting authority for the state contribution rate was suspended for fiscal year 2020–21 by AB 84. Although the board exercised its authority in May 2020 to increase the state contribution rate by 0.50 percent effective July 1, 2020, the rate increase did not go into effect. Instead, the state rate remained at the 2019–20 level of 7.828 percent.

A summary of statutory contribution rates and other sources of contributions to the DB Program pursuant to the CalSTRS Funding Plan, SB 90 and SB84, are as follows:

Members - Under CalSTRS 2% at 60, the member contribution rate was 10.25 percent of applicable member earnings for fiscal year 2020-2021.

Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 10.205 percent of applicable member earnings for fiscal year 2020-2021. According to current law, the contribution rate for CalSTRS 2% at 62 members is adjusted if the normal cost increases or decreases by more than 1percent since the last timethe member contribution rate was set. Based on the June 30, 2019, valuation adopted by the board in May 2020, the increase in normal cost was less than 1percent. Therefore, the contribution rate for CalSTRS 2% at 62 members did not change effective July 1, 2020.

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2021

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

Employers – 16.15 percent of applicable member earnings. This rate reflects the original employer contribution rate of 19.10 percent resulting from the CalSTRS Funding Plan, and subsequently reduced for the 2.95 percentage points to be paid on behalf of employers pursuant to SB 90 and AB 84.

The CalSTRS Funding Plan, which was enacted in June 2014 with the passage of California Assembly Bill (AB) 1469, required that 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 gave the CalSTRS board limited authority to adjust employer contribution rates from July 1, 2021 through June 2046 in order to eliminate the remaining unfunded actuarial obligation related to service credited to members prior to July 1, 2014. The CalSTRS board cannot adjust the rate by more than 1 percent in a fiscal year, and the total contribution rate in addition to the 8.25 percent cannot exceed 12 percent.

The CalSTRS employer contribution rates effective for fiscal year 2020-2021 through fiscal year 2046-47 are summarized in the table below:

<u>Effective Date</u>	<u>Base Rate</u>	<u>Supplemental Rate Per CalSTRS Funding Plan</u>	<u>Rate Adjustment Per Special Legislation</u>	<u>Total</u>
July 1, 2020	8.250%	10.850%	(2.950%)	16.150%
July 1, 2021	8.250%	10.850%	(2.180%)	16.920%
July 1, 2022 to June 30, 2046	8.250%	(1)	N/A	(1)
July 1, 2046	8.250%	Increase from AB 1469 rate ends in 2046-47		

(1) The CalSTRS Funding Plan authorizes the board to adjust the employer contribution rate up or down by up to 1% each year, but no higher than 20.250% total and no lower than 8.250%.

The District contributed \$34,403,690 to the plan for the fiscal year ended June 30, 2021.

State – 10.328 percent of the members’ calculated based on creditable compensation from two fiscal years prior.

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

The state’s base contribution to the DB Program is calculated based on creditable compensation from two fiscal years prior. As a result of the CalSTRS Funding Plan, the state is required to make additional contributions to pay down the unfunded liabilities associated with the benefit structure that was in place in 1990 prior to certain enhancements in benefits and reductions in contributions. The additional state appropriation required to fully fund the benefits in effect as of 1990 by 2046 is specified in subdivision (b) of Education Code section 22955.1. The increased contributions end as of fiscal year 2045–46. Pursuant to AB 84, the state contribution rate remained at 5.811% for fiscal year 2020-21.

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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

The CalSTRS state contribution rates effective for fiscal year 2020-21 and beyond are summarized in the table below.

<u>Effective Date</u>	<u>Base Rate</u>	<u>Supplemental Rate Per CalSTRS Funding Plan</u>	<u>SBMA Funding⁽¹⁾</u>	<u>Total</u>
July 01, 2020	2.017%	5.811%	2.50%	10.328%
July 01, 2021	2.017%	6.311%	2.50%	10.828%
July 01, 2022 to June 30, 2046	2.017%	(2)	2.50%	(2)
July 01, 2046	2.017%	(3)	2.50%	(3)

- (1) The SBMA contribution rate excludes the \$72 million that is reduced from the required contribution in accordance with Education Code section 22954.
- (2) The board has limited authority to adjust the state contribution rate annually through June 2046 in order to eliminate the remaining unfunded actuarial obligation. The board cannot increase the supplemental rate by more than 0.5% in a fiscal year, and if there is no unfunded actuarial obligation, the supplemental contribution rate imposed would be reduced to 0%.
- (3) From July 1, 2046, and thereafter, the rates in effect prior to July 1, 2014, are reinstated, if necessary, to address any remaining unfunded actuarial obligation.

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

At June 30, 2021, 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	\$ 364,571,000
State's proportionate share of the net pension liability associated with the District	<u>199,236,000</u>
	<u>\$ 563,807,000</u>

The net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019. 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, 2020, the District's proportion was 0.376 percent, which was a decrease of 0.012 percent from its proportion measured as of June 30, 2019.

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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

For the year ended June 30, 2021, the District recognized pension expense of \$79,837,146 and revenue of \$28,444,509 for support provided by the State. At June 30, 2021, 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	\$ 643,000	\$ 10,282,000
Changes of assumptions	35,551,000	-
Net differences between projected and actual earnings on investments	8,660,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	25,391,000	24,961,000
Contributions made subsequent to measurement date	<u>34,403,690</u>	<u>-</u>
Total	<u>\$ 104,648,690</u>	<u>\$ 35,243,000</u>

\$34,403,690 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending <u>June 30,</u>	
2022	\$ 6,922,734
2023	\$ 9,512,733
2024	\$ 18,522,233
2025	\$ 4,420,900
2026	\$ (2,058,600)
2027	\$ (2,318,000)

Differences between expected and actual experience and changes in assumptions and changes in proportion and differences between District contributions and proportionate share of contributions are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of the June 30, 2020 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, 2021

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, 2019, and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2019
Experience Study	July 1, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%
Post-retirement Benefit Increases	2.00% simple for DB, maintain 85% Purchasing power level for DB, not applicable for DBS/CBB

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS investment staff and investment consultants as inputs to the process.

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2021

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

The actuarial investment rate of return assumption was adopted by the CalSTRS board in January 2020 in conjunction with the most recent experience study. For each current and 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>
Public Equity	42%	4.8%
Real Estate Assets	15	3.6
Private Equity	13	6.3
Fixed Income	12	1.3
Risk Mitigating Strategies	10	1.8
Inflation Sensitive	6	3.3
Cash / Liquidity	2	(0.4)

* 20-year geometric average

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 7.1 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 (6.1 percent) or 1-percentage-point higher (8.1 percent) than the current rate:

	1% Decrease <u>(6.10%)</u>	Current Discount Rate <u>(7.10%)</u>	1% Increase <u>(8.10%)</u>
District's proportionate share of the net pension liability	<u>\$ 550,816,000</u>	<u>\$ 364,571,000</u>	<u>\$ 210,800,000</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.

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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

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

<https://www.calpers.ca.gov/docs/forms-publications/cafr-2020.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.

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

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

Required contribution rates for active plan members and employers as a percentage of payroll for the year ended June 30, 2021 were as follows:

Members - The member contribution rate was 7.0 percent of applicable member earnings for fiscal year 2020-21.

Employers - The employer contribution rate was 20.70 percent of applicable member earnings.

The District contributed \$13,762,087 to the plan for the fiscal year ended June 30, 2021.

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

At June 30, 2021, the District reported a liability of \$145,701,000 or its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019. 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, 2020 the District's proportion was 0.475 percent, which was a decrease of 0.052 percent from its proportion measured as of June 30, 2019.

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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

For the year ended June 30, 2021, the District recognized pension expense of \$22,289,538. At June 30, 2021, 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	\$ 7,226,000	\$ -
Changes of assumptions	534,000	-
Net differences between projected and actual earnings on investments	3,033,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	1,058,000	11,681,000
Contributions made subsequent to measurement date	<u>13,762,087</u>	<u>-</u>
Total	<u>\$ 25,613,087</u>	<u>\$ 11,681,000</u>

\$13,762,087 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 ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending <u>June 30,</u>	
2021	\$ 786,166
2022	\$ (905,833)
2023	\$ (1,106,333)
2024	\$ 1,396,000

Differences between expected and actual experience, changes in assumptions and changes in proportion and differences between District contributions and proportionate share of contributions are amortized over a closed period equal to the average remaining service life of plan members, which is 4 years as of the June 30, 2020 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, 2021

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

Actuarial Methods and Assumptions: The total pension liability for the Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2019, and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2019
Experience Study	June 30, 1997 through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.15%
Consumer Price Inflation	2.50%
Wage Growth	Varies by entry age and service
Post-retirement Benefit Increases	Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.50% thereafter

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

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

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

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

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

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

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2021

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

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical and forecasted information for all the funds’ asset classes, expected compound (geometric) returns were calculated over the short term (first 10 years) and the long term (11+ years) using a building-block approach. Using the expected nominal returns for both short term and long term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long- term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

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

	1% Decrease <u>(6.15%)</u>	Current Discount Rate <u>(7.15%)</u>	1% Increase <u>(8.15%)</u>
District’s proportionate share of the net pension liability	<u>\$ 209,472,000</u>	<u>\$ 145,701,000</u>	<u>\$ 92,774,000</u>

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

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

General Information - Other Postemployment Benefits Plan (OPEB)

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

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

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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

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

Benefits Provided: Sacramento City Unified School District's Retired Employees Healthcare Plan (REHP), is a single employer defined benefit healthcare plan administered by the Sacramento City Unified School District. The plan does not issue separate financial statements. REHP provides medical insurance benefits to eligible retirees. Benefits are a negotiated component of each bargaining unit agreement. Currently, eligible retirees receive health care benefits that are paid 100% by the District. District teachers qualify for these benefits after attaining age 55 with at least five years of consecutive service to the District, age 50 with 30 years of service (if a member prior to January 1, 2013), or approved disability retirement with 5 years of service. CalPERS employees qualify for benefits after attaining age 50 (age 52, if a new CalPERS member on or after January 1, 2013) with 5 years of State or public agency service or approved disability and meeting the requirements outlined in their respective bargaining agreements.

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

Employees Covered by Benefit Terms: The following is a table of plan participants as of the June 30, 2020 valuation:

	<u>Number of Participants</u>
Inactive Plan members, covered spouses, or beneficiaries currently receiving benefits	3,098
Active employees	<u>4,089</u>
	<u>7,187</u>

Contributions: California Government Code specifies that the District's contribution requirements for covered employees are established and may be amended by the Governing Board. Contributions to the Plan are voluntary. Contributions to the Plan from the District were \$31,199,420 for the year ended June 30, 2021.

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

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

*Geometric average

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2021

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

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

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

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

Actuarial Assumptions: The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	June 30, 2020
Measurement date	June 30, 2021
Funding Method	Entry age normal, level percent of pay
General Inflation Rate	2.5%
Long Term Return on Assets	7.00% as of June 30, 2020 and June 30, 2019, net of plan investment expenses and including inflation
Discount rate	7.00% as of June 30, 2020, determined by the blending of the asset returns and the 20-year high grade municipal bond rate as of June 30, 2020.
Salary increase	3.0% per year, used only to allocate the cost of benefits between service years
Assumed Wage inflation	3.0% per year; used as a component of assumed salary increases
Health care cost trend rate	7.00% for 2021 and 2019, decreasing 0.5 percent per year thereafter to an ultimate rate of 5.00% for year 2024 and later years.
Mortality	For certificated employees the 2020 CalSTRS mortality tables were used For classified employees the 2017 CalPERS active mortality for miscellaneous employees were used

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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

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

Changes in the Net OPEB Liability:

	Total OPEB Liability (a)	Total Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance, June 30, 2020	\$ 654,240,872	\$ 86,333,843	\$ 567,907,029
Changes for the year:			
Service cost	22,361,924	-	22,361,924
Interest	26,023,049	-	26,023,049
Actuarial experience	(98,105,689)	-	(98,105,689)
Assumption changes	(170,763,789)	-	(170,763,789)
Employer contributions	-	26,713,074	(26,713,074)
Interest income	-	3,013,601	(3,013,601)
Administrative expense	-	(42,420)	42,420
Benefit payments	(18,690,251)	(18,690,251)	-
Net change	(239,174,756)	10,994,004	(250,168,760)
Balance, June 30, 2021	\$ 415,066,116	\$ 97,327,847	\$ 317,738,269

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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

The changes in assumptions include a change in the discount rate from 3.90 percent in the prior valuation, to 7.00 percent in the current valuation.

There were no changes between the measurement date and the year ended June 30, 2021, which had a significant effect on the District's total OPEB liability.

Sensitivity of the Net OPEB Liability to Assumptions: The following presents the net OPEB liability calculated using the discount rate of 7.0 percent. The schedule also shows what the net OPEB liability would be if it were calculated using a discount rate that is 1 percent lower (6.0 percent) and 1 percent higher (8.0 percent):

	1% Decrease <u>(6.0%)</u>	Current Discount Rate <u>(7.0%)</u>	1% Increase <u>(8.0%)</u>
Net OPEB liability	\$ <u>374,432,365</u>	\$ <u>317,738,269</u>	\$ <u>271,004,914</u>

The following table presents the net OPEB liability calculated using the health care cost trend rate of 5.70 percent. The schedule also shows what the net OPEB liability would be if it were calculated using a health care cost trend rate that is 1 percent lower (4.70 percent) and 1 percent higher (6.70 percent):

	1% Decrease <u>(4.70%)</u>	Healthcare Cost Trend Rates Rate <u>(5.70%)</u>	1% Increase <u>(6.70%)</u>
Net OPEB liability	\$ <u>266,258,689</u>	\$ <u>317,738,269</u>	\$ <u>381,722,685</u>

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

For the year ended June 30, 2021, the District recognized OPEB expense of \$66,548,975. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 2,931,225	\$ 165,626,267
Changes of assumptions	26,103,164	236,043,793
Net differences between projected and actual earnings on investments	2,758,674	-
Benefits paid subsequent to measurement date	<u>31,199,420</u>	<u>-</u>
Total	<u>\$ 62,992,483</u>	<u>\$ 401,670,060</u>

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2021

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

\$31,199,420 reported as deferred outflows of resources related to benefits paid subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending <u>June 30,</u>	
2022	\$ (77,454,265)
2023	\$ (77,201,145)
2024	\$ (72,265,794)
2025	\$ (63,778,550)
2026	\$ (37,014,699)
Thereafter	\$ (42,162,544)

Differences between projected and actual earnings on investment are amortized over a closed period of 5 years as of the June 30, 2020 measurement date. Changes in assumptions and differences between expected and actual experience are amortized over a closed period of 7.11 years as of the June 30, 2020 measurement date.

NOTE 11 – JOINT POWERS AGREEMENTS

Schools Insurance Authority: The District is a member with other school districts of a Joint Powers Authority, Schools Insurance Authority (SIA), for the operation of a common risk management and insurance program for property and liability coverage. The joint powers agency is to be self-sustaining through member premiums. SIA enters into insurance agreements for coverage above self-insured retention layers, whereby it cedes various amounts of risk to other insurance companies or joint power authorities. SIA's Property, Liability and Workers' Compensation Programs provide self-insured retention of \$100,000, \$750,000 and \$1,000,000 per incident, respectively. The District continues to carry commercial insurance for all other risks of loss, including employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from coverage in the prior year. The following is a summary of financial information for SIA at June 30, 2021:

Total assets	\$ 217,113,543
Deferred outflows	\$ 1,855,968
Total liabilities	\$ 87,859,871
Deferred inflows	\$ 751,640
Total net position	\$ 130,358,000
Total revenues	\$ 73,201,625
Total expenses	\$ 57,783,763
Change in net position	\$ 15,417,862

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)

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, 2021, the District had approximately \$3.3 million in outstanding construction contract commitments.

NOTE 13 – MANAGMENT'S PLANS

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

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

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

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

Due to the ongoing COVID-19 pandemic, the District realized additional one-time savings in the 2020-21 fiscal year that helped bolster the District's ending fund balance and delay a fiscal crisis. However, similar to many other districts within the State, the District continues to face challenges with declining student enrollment, average daily attendance percentages, and unduplicated student group percentages. These are all variables that impact the District's basis for revenues. Furthermore, additional cost pressures compound the above challenges due to escalating employer pension costs, escalating healthcare costs and increased contributions from the Unrestricted General Fund to meet student needs in the Special Education program.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 13 – MANAGMENT’S PLANS (Continued)

The District’s 2021-22 First Interim multi-year projections indicate that the District will be able to meet its financial obligations for the current and two subsequent years. As of the 2021-22 First interim report the District is projected to have positive cash balances at June 30 for all three fiscal years 2021-22, 2022-2023 and 2023-2024. The District has taken measures to reduce expenditures and increase reserves, including the one-time savings resulting from the COVID-19 pandemic as described above. The District has passed two Student-Centered Fiscal Recovery Plans, one on February 4, 2021 and the second on December 17, 2021 to help address the District’s ongoing structural deficit. Although the District has taken measures to reduce expenditures and increase reserves, the District’s projected deficit persists in the multi-year projections as of the 2021-22 First Interim Financial Report and the District still needs an on-going Fiscal Recovery Plan of \$26M in order to balance the budget and avoid a fiscal crisis.

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

NOTE 14 – CONTINGENCIES

On July 8, 2021, the District issued \$77,100,000 of 2021 Series 6 (E2012 – Measure Q) General Obligation Bonds maturing on August 1, 2049 with interest rates ranging from 0.32 – 4.00%.

On July 8, 2021, the District issued \$33,355,000 of 2021 General Obligation Refunding Bonds maturing on July 1, 2029 with interest rate of 4.00% to refund the 2011 General Obligation Refunding Bonds.

REQUIRED SUPPLEMENTARY INFORMATION

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2021

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
LCFF:				
State apportionment	\$ 313,314,872	\$ 307,220,871	\$ 307,220,871	\$ -
Local sources	98,916,693	105,555,867	105,461,865	(94,002)
Total LCFF	<u>412,231,565</u>	<u>412,776,738</u>	<u>412,682,736</u>	<u>(94,002)</u>
Federal sources	116,834,764	181,531,770	106,543,983	(74,987,787)
Other state sources	75,048,088	118,975,915	99,545,932	(19,429,983)
Other local sources	9,685,814	8,580,446	7,979,528	(600,918)
Total revenues	<u>613,800,231</u>	<u>721,864,869</u>	<u>626,752,179</u>	<u>(95,112,690)</u>
Expenditures:				
Current:				
Certificated salaries	215,532,888	217,921,879	213,345,658	4,576,221
Classified salaries	58,460,874	64,054,920	62,484,309	1,570,611
Employee benefits	181,174,974	179,874,682	177,007,077	2,867,605
Books and supplies	101,259,537	62,238,857	56,495,308	5,743,549
Contract services and operating expenditures	84,007,765	87,379,753	76,546,897	10,832,856
Other outgo	1,100,000	1,265,463	1,265,463	-
Capital outlay	484,435	3,942,302	4,423,302	(481,000)
Total expenditures	<u>642,020,473</u>	<u>616,677,856</u>	<u>591,568,014</u>	<u>25,109,842</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(28,220,242)</u>	<u>105,187,013</u>	<u>35,184,165</u>	<u>(70,002,848)</u>
Other financing sources (uses):				
Transfers in	3,798,264	3,181,213	3,181,213	-
Transfers out	(1,981,864)	(1,430,985)	(5,507,272)	(4,076,287)
Total other financing sources (uses)	<u>1,816,400</u>	<u>1,750,228</u>	<u>(2,326,059)</u>	<u>(4,076,287)</u>
Change in fund balance	(26,403,842)	106,937,241	32,858,106	(74,079,135)
Fund balance, July 1, 2020	<u>93,048,611</u>	<u>93,048,611</u>	<u>93,048,611</u>	<u>-</u>
Fund balance, June 30, 2021	<u>\$ 66,644,769</u>	<u>\$ 199,985,852</u>	<u>\$ 125,906,717</u>	<u>\$ (74,079,135)</u>

See accompanying note to required supplementary information.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
For the Year Ended June 30, 2021

Last 10 Fiscal Years

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

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
TOTAL OPEB LIABILITY				
Service cost	\$ 33,273,763	\$ 28,429,909	\$ 20,002,277	\$ 22,361,924
Interest on total OPEB liability	24,982,078	28,454,100	25,888,179	26,023,049
Differences between expected and actual experience	-	(135,537,910)	-	(98,105,689)
Changes of assumptions	(89,783,252)	(83,559,205)	29,041,398	(170,763,789)
Benefit payments	<u>(20,462,037)</u>	<u>(19,351,654)</u>	<u>(19,644,632)</u>	<u>(18,690,251)</u>
Net change in total OPEB liability	(51,989,448)	(181,564,760)	55,287,222	(239,174,756)
Total OPEB liability - beginning of year (a)	<u>832,507,858</u>	<u>780,518,410</u>	<u>598,953,650</u>	<u>654,240,872</u>
Total OPEB liability - end of year (b)	<u>\$ 780,518,410</u>	<u>\$ 598,953,650</u>	<u>\$ 654,240,872</u>	<u>\$ 415,066,116</u>
PLAN FIDUCIARY NET POSITION				
Contributions - employer	\$ 48,000,844	\$ 33,078,830	\$ 28,640,257	\$ 26,713,074
Net investment income	3,951,473	4,395,048	4,575,947	3,013,601
Administrative expenses	(19,446)	(29,756)	(15,667)	(42,420)
Other expenses	-	(72,482)	-	-
Benefit payments	<u>(20,462,037)</u>	<u>(19,351,654)</u>	<u>(19,644,632)</u>	<u>(18,690,251)</u>
Change in plan fiduciary net position	31,470,834	18,019,986	13,555,905	10,994,004
Fiduciary trust net position - beginning of year (c)	<u>23,287,118</u>	<u>54,757,952</u>	<u>72,777,938</u>	<u>86,333,843</u>
Fiduciary trust net position - end of year (d)	<u>\$ 54,757,952</u>	<u>\$ 72,777,938</u>	<u>\$ 86,333,843</u>	<u>\$ 97,327,847</u>
Net OPEB liability - beginning (a) - (c)	<u>\$ 809,220,740</u>	<u>\$ 725,760,458</u>	<u>\$ 526,175,712</u>	<u>\$ 567,907,029</u>
Net OPEB liability - ending (b) - (d)	<u>\$ 725,760,458</u>	<u>\$ 526,175,712</u>	<u>\$ 567,907,029</u>	<u>\$ 317,738,269</u>
Plan fiduciary net position as a percentage of the total OPEB liability	7%	12%	13%	23%
Covered employee payroll	\$ 263,777,849	\$ 284,495,904	\$ 271,833,894	\$ 279,376,002
Net OPEB liability as a percentage of covered employee payroll	275%	185%	209%	114%

See accompanying note to required supplementary information.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS - OPEB
For the Year Ended June 30, 2021

Other Postemployment Benefits
Last 10 Fiscal Years

	<u>2018</u>	<u>2019</u>	<u>2020*</u>	<u>2021</u>
Actuarially determined contribution	\$ 41,766,451	\$ 29,997,546	\$ 30,861,105	\$ 31,958,000
Contributions in relation to the actuarially determined contribution	<u>(33,078,830)</u>	<u>(28,640,257)</u>	<u>(26,713,074)</u>	<u>(31,199,420)</u>
Contribution deficiency (excess)	<u>\$ 8,687,621</u>	<u>\$ 1,357,289</u>	<u>\$ 4,148,031</u>	<u>\$ 758,580</u>
Covered employee payroll	\$ 284,495,904	\$ 271,833,894	\$ 279,376,002	\$ 302,034,133
Contributions as a percentage of covered employee payroll	11.63%	10.54%	9.56%	10.33%

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

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

See accompanying note to required supplementary information.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
For the Year Ended June 30, 2021

	State Teachers' Retirement Plan Last 10 Fiscal Years						
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
District's proportion of the net pension liability	0.382%	0.375%	0.371%	0.372%	0.385%	0.396%	0.376%
District's proportionate share of the net pension liability	\$ 233,056,000	\$ 252,331,000	\$ 299,780,000	\$ 344,390,000	\$ 353,827,000	\$ 357,334,000	\$ 364,571,000
State's proportionate share of the net pension liability associated with the District	<u>134,692,000</u>	<u>133,455,000</u>	<u>170,676,000</u>	<u>203,739,000</u>	<u>202,583,000</u>	<u>194,951,000</u>	<u>199,236,000</u>
Total net pension liability	<u>\$ 367,748,000</u>	<u>\$ 385,786,000</u>	<u>\$ 470,456,000</u>	<u>\$ 548,129,000</u>	<u>\$ 556,410,000</u>	<u>\$ 552,285,000</u>	<u>\$ 563,807,000</u>
District's covered payroll	\$ 170,012,000	\$ 173,962,000	\$ 184,718,000	\$ 197,366,000	\$ 202,167,000	\$ 220,584,000	\$ 212,770,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	137.08%	145.05%	162.29%	174.49%	175.02%	161.99%	171.35%
Plan fiduciary net position as a percentage of the total pension liability	76.52%	74.02%	70.04%	69.46%	70.99%	72.56%	71.82%

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, 2021

	Public Employer's Retirement Fund B Last 10 Fiscal Years						
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
District's proportion of the net pension liability	0.541%	0.534%	0.533%	0.518%	0.541%	0.527%	0.475%
District's proportionate share of the net pension liability	\$ 61,440,000	\$ 78,659,000	\$ 105,299,000	\$ 123,753,000	\$ 144,170,000	\$ 153,723,000	\$ 145,701,000
District's covered payroll	\$ 56,813,000	\$ 59,079,000	\$ 63,963,000	\$ 66,095,000	\$ 72,476,000	\$ 73,410,000	\$ 68,605,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	108.14%	133.14%	164.62%	187.24%	198.92%	209.40%	212.38%
Plan fiduciary net position as a percentage of the total pension liability	83.38%	79.43%	73.89%	71.87%	70.85%	70.05%	70.00%

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, 2021

State Teachers' Retirement Plan
Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Contractually required contribution	\$ 15,447,858	\$ 19,820,280	\$ 24,828,643	\$ 29,172,733	\$ 35,911,088	\$ 36,383,635	\$ 34,403,690
Contributions in relation to the contractually required contribution	<u>(15,447,858)</u>	<u>(19,820,280)</u>	<u>(24,828,643)</u>	<u>(29,172,733)</u>	<u>(35,911,088)</u>	<u>(36,383,635)</u>	<u>(34,403,690)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 173,962,000	\$ 184,718,000	\$ 197,366,000	\$ 202,167,000	\$ 220,584,000	\$ 212,770,000	\$ 180,124,000
Contributions as a percentage of covered payroll	8.88%	10.73%	12.58%	14.43%	16.28%	17.10%*	16.15%**

All years prior to 2015 are not available.

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

** This rate reflects the original employer contribution rate of 19.10 percent under AB1469, reduced for the 2.95 percentage points to be paid on behalf of employers pursuant to SB 90.

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
For the Year Ended June 30, 2021

	Public Employer's Retirement Fund B Last 10 Fiscal Years						
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Contractually required contribution	\$ 6,954,207	\$ 7,577,683	\$ 9,180,596	\$ 11,256,216	\$ 13,259,325	\$ 13,529,537	\$ 13,762,087
Contributions in relation to the contractually required contribution	<u>(6,954,207)</u>	<u>(7,577,683)</u>	<u>(9,180,596)</u>	<u>(11,256,216)</u>	<u>(13,259,325)</u>	<u>(13,529,537)</u>	<u>(13,762,087)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 59,079,000	\$ 63,963,000	\$ 66,095,000	\$ 72,476,000	\$ 73,410,000	\$ 68,605,000	\$ 66,484,000
Contributions as a percentage of covered payroll	11.77%	11.85%	13.89%	15.53%	18.06%	19.72%	20.70%

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
For the Year Ended June 30, 2021

NOTE 1 - PURPOSE OF SCHEDULES

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

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

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

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

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

F – Changes of Benefit Terms: There are no changes in benefit terms reported in the Required Supplementary Information.

G - Changes of Assumptions: The discount rate for the Net OPEB liability was 2.92, 3.56, 4.25, 3.90 and 7.00 percent in the June 30, 2016, 2017, 2018, 2019 and 2020 actuarial reports, respectively.

The discount rates used for the Public Employer's Retirement Fund B (PERF B) was 7.50, 7.65, 7.65, 7.15, 7.15, 7.15, 7.15 percent in the June 30, 2013, 2014, 2015, 2016, 2017, 2018, 2019, and 2020 actuarial reports, respectively.

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

<u>Assumption</u>	<u>Measurement Period</u>					
	As of June 30, <u>2020</u>	As of June 30, <u>2019</u>	As of June 30, <u>2018</u>	As of June 30, <u>2017</u>	As of June 30, <u>2016</u>	As of June 30, <u>2015</u>
Consumer price inflation	2.75%	2.75%	2.75%	2.75%	3.00%	3.00%
Investment rate of return	7.10%	7.10%	7.10%	7.10%	7.60%	7.60%
Wage growth	3.50%	3.50%	3.50%	3.50%	3.75%	3.75%

SUPPLEMENTARY INFORMATION

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 ALL NON-MAJOR FUNDS
 June 30, 2021

	Student Activity Fund	Charter Schools Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	Developer Fees Fund	County School Facilities Fund	Community Facilities Fund	Total
ASSETS									
Cash in County Treasury	\$ -	\$ 5,527,938	\$ (48,264)	\$ 3,102	\$ 8,333,501	\$ 20,850,740	\$ -	\$ 1,103,784	\$ 35,770,801
Cash in banks	1,214,018	-	283,084	16,641	2,887,662	171,892	-	-	4,573,297
Cash in revolving account	-	-	-	-	2,000	-	-	-	2,000
Collections Awaiting Deposit	-	-	-	-	14,650	-	-	-	14,650
Receivables	-	128,596	235,733	811,303	4,832,737	52,176	418	2,378	6,063,341
Due from grantor government	-	1,802,080	1,231,899	218,146	-	-	-	-	3,252,125
Due from other funds	-	3,427,186	25,411	649,228	228	-	-	-	4,102,053
Stores inventory	5,934	-	-	-	1,546,485	-	-	-	1,552,419
Total assets	\$ 1,219,952	\$ 10,885,800	\$ 1,727,863	\$ 1,698,420	\$ 17,617,263	\$ 21,074,808	\$ 418	\$ 1,106,162	\$ 55,330,686
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ -	\$ 533,115	\$ 508,926	\$ 279,182	\$ 674,670	\$ 1,309,140	\$ -	\$ -	\$ 3,305,033
Due to grantor government	-	32,015	-	-	-	-	-	-	32,015
Unearned revenue	-	401,947	26,712	454,550	9,460	-	-	-	892,669
Due to other funds	-	3,537,109	391,130	551,649	518,700	158,001	-	-	5,156,589
Total liabilities	-	4,504,186	926,768	1,285,381	1,202,830	1,467,141	-	-	9,386,306
Fund balances:									
Nonspendable	5,934	-	-	-	1,548,485	-	-	-	1,554,419
Restricted	1,214,018	6,381,614	801,095	413,039	14,865,948	19,607,667	418	1,106,162	44,389,961
Total fund balance	1,219,952	6,381,614	801,095	413,039	16,414,433	19,607,667	418	1,106,162	45,944,380
Total liabilities and fund balances	\$ 1,219,952	\$ 10,885,800	\$ 1,727,863	\$ 1,698,420	\$ 17,617,263	\$ 21,074,808	\$ 418	\$ 1,106,162	\$ 55,330,686

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, 2021

	Student Activity Fund	Charter Schools Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	Developer Fees Fund	County School Facilities Fund	Community Facilities Fund	Total
Revenues:									
LCFF	\$ -	\$ 18,191,947	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,191,947
Federal sources	-	1,646,214	1,794,065	6,059,896	30,032,168	-	-	-	39,532,343
Other state sources	-	2,025,682	2,126,306	5,593,079	39,056	-	1,919,292	-	11,703,415
Other local sources	135,507	98,577	2,663,911	958,500	525,960	8,302,466	418	1,870,273	14,555,612
Total revenues	135,507	21,962,420	6,584,282	12,611,475	30,597,184	8,302,466	1,919,710	1,870,273	83,983,317
Expenditures:									
Current:									
Certificated salaries	-	8,127,383	1,942,851	4,428,512	-	-	-	-	14,498,746
Classified salaries	-	866,117	1,325,344	2,138,950	7,181,602	-	-	-	11,512,013
Employee benefits	-	5,728,822	2,263,232	5,049,714	5,314,322	-	-	-	18,356,090
Books and supplies	343,447	790,503	270,297	581,765	10,945,934	-	-	-	12,931,946
Contract services and operating expenditures	-	2,053,989	869,540	135,960	372,292	216,156	-	14,523	3,662,460
Capital outlay	-	57,868	-	-	2,700,909	5,980,150	-	-	8,738,927
Debt service:									
Principal retirement	-	-	-	-	-	2,695,000	-	-	2,695,000
Interest	-	-	-	-	-	-	-	2,770,334	2,770,334
Total expenditures	343,447	17,624,682	6,671,264	12,334,901	26,515,059	8,891,306	-	2,784,857	75,165,516
(Deficiency) excess of revenues (under) over expenditures	(207,940)	4,337,738	(86,982)	276,574	4,082,125	(588,840)	1,919,710	(914,584)	8,817,801
Other financing sources (uses):									
Transfers in	-	245,201	596,835	549,131	39,818	-	-	-	1,430,985
Transfers out	-	(2,176,691)	(62,003)	(427,951)	(514,568)	-	(1,919,292)	-	(5,100,505)
Total other financing sources (uses)	-	(1,931,490)	534,832	121,180	(474,750)	-	(1,919,292)	-	(3,669,520)
Net change in fund balances	(207,940)	2,406,248	447,850	397,754	3,607,375	(588,840)	418	(914,584)	5,148,281
Fund balances, July 1, 2020	-	3,975,366	353,245	15,285	12,807,058	20,196,507	-	2,020,746	39,368,207
Cumulative effect of GASB 84 implementation	1,427,892	-	-	-	-	-	-	-	1,427,892
Fund balance, July 1, 2020, as restated	1,427,892	3,975,366	353,245	15,285	12,807,058	20,196,507	-	2,020,746	40,796,099
Fund balances, June 30, 2021	\$ 1,219,952	\$ 6,381,614	\$ 801,095	\$ 413,039	\$ 16,414,433	\$ 19,607,667	\$ 418	\$ 1,106,162	\$ 45,944,380

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
ORGANIZATION
June 30, 2021

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. There were no changes in the District boundaries in the current year under audit. The District operated forty-two elementary schools (grades K-6), seven elementary/middle schools (grades K-8), six middle schools (grades 7-8), two middle/high schools (grades 7-12), seven high schools (grades 9-12), three alternative schools, two adult education centers, two special education centers and forty-two children's centers and preschools, serving infants through age 12. fifteen 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>
Christina Pritchett	President	December 2024
Lisa Murawski	Vice President	December 2022
Darrel Woo	Second Vice President	December 2022
Leticia Garcia	Member	December 2022
Jamee Villa	Member	December 2024
Chinua Rhodes	Member	December 2024
Lavana Phillips	Member	December 2024
Isa Sheikh*	Student Member	June 2021

ADMINISTRATION

Jorge A. Aguilar
Superintendent

Lisa Allen
Deputy Superintendent

Vacant**
Chief Communications Officer

Vacant***
Chief Continuous Improvement and Accountability Officer

Bob Lyons****
Chief Information Officer

Cancy McArn
Chief Human Resources Officer

Rose F. Ramos
Chief Financial Officer

Christine Baeta
Chief Academic Officer

* Jacqueline Zhang voted into office as the new student member in June 2021 for the 2021-22 fiscal year.

** Vincent Harris resigned August 25, 2021.

*** Tara Gallegos resigned September 17, 2021.

**** Bob Lyons hired March 17, 2021.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
 SCHEDULE OF INSTRUCTIONAL TIME
 For the Year Ended June 30, 2021

<u>Grade Level</u>	Number of Days <u>Traditional Calendar</u>	<u>Status</u>
<u>District</u>		
Kindergarten	180	In Compliance
Grade 1	180	In Compliance
Grade 2	180	In Compliance
Grade 3	180	In Compliance
Grade 4	180	In Compliance
Grade 5	180	In Compliance
Grade 6	180	In Compliance
Grade 7	180	In Compliance
Grade 8	180	In Compliance
Grade 9	180	In Compliance
Grade 10	180	In Compliance
Grade 11	180	In Compliance
Grade 12	180	In Compliance
<u>Bowling Green Charter School - Classroom Based</u>		
Kindergarten	180	In Compliance
Grade 1	180	In Compliance
Grade 2	180	In Compliance
Grade 3	180	In Compliance
Grade 4	180	In Compliance
Grade 5	180	In Compliance
Grade 6	180	In Compliance
<u>George Washington Carver School of Arts and Science - Classroom Based</u>		
Grade 9	180	In Compliance
Grade 10	180	In Compliance
Grade 11	180	In Compliance
Grade 12	180	In Compliance
<u>New Joseph Bonnheim Charter School - Classroom Based</u>		
Kindergarten	180	In Compliance
Grade 1	180	In Compliance
Grade 2	180	In Compliance
Grade 3	180	In Compliance
Grade 4	180	In Compliance
Grade 5	180	In Compliance
Grade 6	180	In Compliance
<u>New Technology High School - Classroom Based</u>		
Grade 9	175	In Compliance
Grade 10	175	In Compliance
Grade 11	175	In Compliance
Grade 12	175	In Compliance

See accompanying notes to supplementary information.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
For the Year Ended June 30, 2021

Assistance Listing Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass- Through Entity Identifying Number	Federal Expend- itures
<u>U.S. Department of Education - Passed through California Department of Education</u>			
	Special Education Cluster:		
84.027	IDEA: Basic and Local Assistance Entitlement, Part B, Sec 611	13379	\$ 7,842,010
84.027	IDEA: Private School ISP	13379	21,129
84.173	IDEA Preschool Grants, Part B, Section 619 (Age 3-5)	13430	232,536
84.027A	IDEA: Mental Health Services, Part B, Sec 611	14468	477,100
84.173A	Alternative Dispute Resolution, Part B, Sec 611	13007	<u>40,279</u>
	Subtotal Special Education Cluster		<u>8,613,054</u>
	Adult Education Program:		
84.002A	Adult Education: Adult Basic Education & ESL Section 231	14508	134,915
84.002	Adult Education: Adult Basic Secondary Education Section 231	13978	8,800
84.002A	Adult Education: English Literacy and Civics Education Local Grant	14109	<u>13,408</u>
	Subtotal Adult Education Program		<u>157,123</u>
84.048	Carl D. Perkins Career and Technical Education: Secondary, Sec 131 (Vocational Education)	14894	<u>654,464</u>
	Title I Program:		
84.010	ESEA (ESSA): Title I, Part Basic Grants Low-Income and Neglected	14329	17,500,525
84.010	ESEA: School Improvement Funding for LEAs	15438	<u>1,298,082</u>
	Subtotal Title I Program		<u>18,798,607</u>
	Title III Program:		
84.365	ESEA (ESSA): Title III, English Learner Student Program	14346	599,984
84.365	ESEA (ESSA): Title III, Immigrant Student Program	15146	<u>23,163</u>
	Subtotal Title III Program		<u>623,147</u>

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
For the Year Ended June 30, 2021

Assistance Listing Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass- Through Entity Identifying Number	Federal Expend- itures
<u>U.S. Department of Education - Passed through California Department of Education (Continued)</u>			
84.126	Department of Rehabilitation: Workability II, Transitions Partnership Program	10006	\$ 202,066
84.181	Special Education: Early Intervention Grants, Part C	23761	139,420
84.060	Indian Education (From Federal Government)	10011	17,734
84.287	ESEA: Title IV, Part B, 21st Century Community Learning Centers Program	14349	1,869,620
84.367	ESEA: Title II, Part A, Improving Teacher Quality Local Grants	14341	1,757,074
84.377	ESEA: Title I, School Improvement Grant (SIG)	*	14,396,905
84.424	ESEA: Title IV, Part A, Student Support and Academic Enrichment	15396	1,584,752
COVID-19: Education Stabilization Fund (ESF) Programs:			
84.425D	COVID-19: Elementary and Secondary School Emergency Relief (ESSER) Fund 1	15536	15,150,825
84.425D	COVID-19: ESSER II	15547	7,411,849
84.425C	COVID-19: Governor's Emergency Education Relief Fund		
84.425F	Higher Education Emergency Relief Funds (HEERF) Program (GEER): Learning Loss Mitigation	P425F204408 15517	1,155,271 44,758
Subtotal ESF Programs			23,762,703
Total U.S. Department of Education			72,576,669
<u>U.S. Department of Health and Human Services - Passed through California Department of Health Care Services</u>			
93.778	Medi-Cal Billing Option - Medicaid Cluster	10013	776,943
93.596	Child Development: Federal General (CCTR) and State Preschool (CSPP); Rs 5026, Family Child Care Home (CFCC) - CCDF Cluster	13609	988
93.674	Chafee Foster Care Independent Living	*	81,455
93.600	Head Start - Head Start Cluster	10016	5,847,229
93.566	Refugee Cash and Medical Assistance Program	*	96,667
<u>U.S. Department of Health and Human Services - Passed through Substance Abuse and Mental Health Services Administration</u>			
93.243	Meadowview Project Aware Grant	*	49,514
Total U.S. Department Health and Human Services			6,852,796

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
 For the Year Ended June 30, 2021

<u>Assistance Listing Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Through Entity Identifying Number</u>	<u>Federal Expend- itures</u>
<u>U.S. Department of Agriculture - Passed through</u>			
<u>California Department of Education</u>			
	Child Nutrition Cluster:		
10.559	Child Nutrition: Summer Food Service Program Operations	13004	\$ 15,267,105
10.558	Child Nutrition: Child Care Food Program	13666	<u>11,618,960</u>
	Total U.S. Department of Agriculture		<u>26,886,065</u>
<u>U.S. Department of Defense</u>			
12.357	ROTC	*	<u>282,505</u>
<u>U.S. Department of Labor</u>			
	Workforce Innovation and Opportunity Act Cluster:		
17.259	Workforce Investment Act, Youth Activities	*	<u>185,200</u>
<u>U.S. Department of Treasury - Passed through</u>			
<u>California Department of Education</u>			
21.019	COVID-19: Coronavirus Relief Funds (CRF): Learning Loss Mitigation	25516	<u>35,369,192</u>
	Total Federal Programs		<u>\$ 142,152,427</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, 2021

	Bond Interest and Redemption <u>Fund</u>
June 30, 2021 Unaudited Actual Financial Reporting Ending Fund Balance	\$ 34,301,529
To correct debt issuance premiums recorded by the Sacramento County Treasurer	<u>6,544,107</u>
June 30, 2021 Audited Financial Statements Ending Fund Balance	<u>\$ 40,845,636</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, 2021
 (UNAUDITED)

	(Budget) <u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<u>General Fund</u>				
Revenues and other financing sources	\$ 562,885,556	\$ 629,933,392	\$ 557,546,896	\$ 555,039,158
Expenditures	591,276,905	591,568,014	532,129,368	553,491,115
Other uses and transfers out	<u>266,000</u>	<u>5,507,272</u>	<u>2,698,262</u>	<u>1,719,449</u>
Total outgo	<u>591,542,905</u>	<u>597,075,286</u>	<u>534,827,630</u>	<u>555,210,564</u>
Change in fund balance	\$ <u>(28,657,349)</u>	\$ <u>32,858,106</u>	\$ <u>22,719,266</u>	\$ <u>(171,406)</u>
Ending fund balance	\$ <u>97,249,368</u>	\$ <u>125,906,717</u>	\$ <u>93,048,611</u>	\$ <u>70,329,345</u>
Available reserves	\$ <u>34,831,550</u>	\$ <u>45,401,679</u>	\$ <u>84,052,645</u>	\$ <u>52,751,482</u>
Designated for economic uncertainties	\$ <u>11,727,858</u>	\$ <u>11,907,405</u>	\$ <u>10,624,585</u>	\$ <u>52,751,482</u>
Undesignated fund balance	\$ <u>23,103,692</u>	\$ <u>33,494,274</u>	\$ <u>73,428,060</u>	\$ <u>-</u>
Available reserves as percentages of total outgo	<u>5.9%</u>	<u>7.6%</u>	<u>15.7%</u>	<u>9.5%</u>
<u>All Funds</u>				
Total long-term liabilities	\$ <u>1,340,327,009</u>	\$ <u>1,380,986,742</u>	\$ <u>1,663,304,598</u>	\$ <u>1,608,818,718</u>
Average daily attendance at P-2, excluding Adult and Charter School	<u>37,547</u>	<u>38,220</u>	<u>38,220</u>	<u>38,425</u>

The General Fund fund balance has increased by \$55,405,966 over the past three years. The District has incurred operating deficits in one of the past three years, and anticipates incurring an operating deficit during the 2021-2022 fiscal year. The fiscal year 2021-2022 budget projects a decrease of \$28,657,349. 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, 2021, the District has met this requirement.

Total long-term liabilities have decreased by \$227,831,976 over the past two years.

Average daily attendance has decreased by 205 over the past two years. The District anticipates a decrease of 673 ADA for the 2021-2022 fiscal year.

See accompanying notes to supplementary information.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
 SCHEDULE OF CHARTER SCHOOLS
 For the Year Ended June 30, 2021

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

See accompanying notes to supplementary information.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
 SCHEDULE OF FIRST 5 REVENUES AND EXPENDITURES
 For the Year Ended June 30, 2021

	<u>Academic and Support Services*</u>	<u>Child Care*</u>
Revenues		
Other local sources	\$ 417,283	\$ 428,868
Expenditures:		
Certificated salaries	260,204	186,709
Classified salaries	-	66,127
Employee benefits	156,677	142,947
Books and supplies	139	1,138
Contract services and operating expenditures	263	1,044
Indirect costs	-	30,903
Total expenditures	<u>417,283</u>	<u>428,868</u>
Change in fund balance	-	-
Fund balance, July 1, 2020	<u>-</u>	<u>-</u>
Fund balance, June 30, 2021	<u>\$ -</u>	<u>\$ -</u>

* Revenues and expenditures for the First 5 Grant are reflected in the District's Child Development Fund. See pages 69 and 70 of the financial statements for a complete presentation of the Child Development Fund.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2021

NOTE 1 - PURPOSE OF SCHEDULES

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

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

C - 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.

D - 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 2021-2022 fiscal year, as required by the State Controller's Office.

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

F - 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, 2021, 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 2020-21 *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, 2021.

<u>Description</u>	<u>Procedures Performed</u>
Attendance and Distance Learning	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	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
K-3 Grade Span Adjustment	Yes
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	Yes
District of Choice	No, see below
California Clean Energy Jobs Act	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Independent Study – Course Based	No, see below
Attendance, for charter schools	Yes
Mode of Instruction, for charter schools	Yes
Nonclassroom-Based Instruction/Independent Study, for charter schools	Yes
Determination of Funding for Nonclassroom-Based Instruction, for charter schools	Yes
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.

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

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

The District did not 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 *2020-21 Guide for Annual Audits of K12 Local Education Agencies and State Compliance Reporting* (Audit Guide). Those standards and the Audit Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on Sacramento City Unified School District's compliance with the state laws and regulations listed above occurred. An audit includes examining, on a test basis, evidence about Sacramento City Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our qualified opinion on compliance with state laws and regulations. However, our audit does not provide a legal determination of Sacramento City Unified School District's compliance.

Basis for Qualified Opinion on Compliance with State Laws and Regulations

As described in Finding 2021-002 in the accompanying Schedule of Audit Findings and Questioned Costs, Sacramento City Unified School District did not comply with the requirements regarding School Accountability Report Card. 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.

(Continued)

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, 2021.

Other Matter

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

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the State of California's *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.


Crowe LLP

Sacramento, California
January 27, 2022

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, 2021, 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 January 27, 2022.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We 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 2021-001.

(Continued)

Compliance and Other Matters

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

Sacramento City Unified School District's Response to Finding

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



Crowe LLP

Sacramento, California
January 27, 2022

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, 2021.

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, 2021.

Purpose of this Report

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


Crowe LLP

Sacramento, California
January 27, 2022

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE
AS REQUIRED BY UNIFORM GUIDANCE

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, 2021. Sacramento City Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Sacramento City Unified School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Sacramento City Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Sacramento City Unified School District's compliance.

Unmodified Opinion on Each of the Major Federal Programs

In our opinion, Sacramento City Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2021.

(Continued)

Report on Internal Control Over Compliance

Management of Sacramento City Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Sacramento City Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Sacramento City Unified School District's internal control over compliance.

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

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

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


Crowe LLP

Sacramento, California
January 27, 2022

FINDINGS AND RECOMMENDATIONS

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2021

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 X No

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

Noncompliance material to financial statements noted? _____ Yes X No

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

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

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

<u>AL Number(s)</u>	<u>Name of Federal Program or Cluster</u>	<u>Type of Opinion</u>
84.425D, 84.425C, 84.425F	COVID-19: ESF Programs	Unmodified
21.019	COVID-19: Coronavirus Relief Funds (CRF)	Unmodified
84.377	Title I: School Improvement Grant	Unmodified

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

Identification of major programs:

<u>AL Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.425D, 84.425C, 84.425F	COVID-19: ESF Programs
21.019	COVID-19: Coronavirus Relief Funds (CRF)
84.377	Title I: School Improvement Grant

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

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

STATE AWARDS

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

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2021

SECTION II - FINANCIAL STATEMENT FINDINGS

2021-001 DEFICIENCY - SEGREGATION OF DUTIES IN JOURNAL ENTRY PROCESSING (30000)

Criteria:

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

Condition:

Three individuals in the Accounting Services department have the ability to prepare and post journal entries into the financial system. This is a repeat finding of 2020-002.

Effect:

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

Cause:

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

Recommendation:

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

Views of Responsible Officials and Planned Corrective Action:

The District currently uses a manual process for the segregation of duties to mitigate the same individual preparing and posting their own journal entries into the financial system. The District will implement stronger internal controls by using the financial system to add an additional level of review and approval.

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2021

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, 2021

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2021-002 STATE COMPLIANCE – SCHOOL ACCOUNTABILITY REPORT CARD (72000)

Criteria:

Education Code Section 33126(b)(8) states that the school accountability report card shall include, but is not limited to, assessment of the following school conditions: (8) Safety, cleanliness, and adequacy of school facilities, including any needed maintenance to ensure good repair as specified in Section 17014, Section 17032.5, subdivision (a) of Section 17070.75, and subdivision (b) of Section 17089.

Condition:

At the following sites, Bowling Green Elementary and West Campus High, one or more attributes on the school accountability report card was not consistent with the information on the Facility Inspection Tool (FIT) for the site.

Context:

We performed the audit procedures enumerated in the State of California *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* and identified the finding described above.

Effect:

The District is not in compliance with Education Code 33126(b)(8) due to the inconsistency noted.

Cause:

The cause of the finding is the District improperly updated the school accountability report card for the site indicating the attributes as follows:

School and Attribute	SARC Rating	FIT Rating
Bowling Green Elementary – Systems	Good	Poor
Bowling Green Elementary – Interior	Poor	Fair
West Campus High – Interior	Good	Poor
West Campus High – External	Poor	Good

Fiscal Impact:

Not applicable.

Recommendation:

The District should ensure the school accountability report cards are completed appropriately based on the information of the most recent Facility Inspection Tool.

View of Responsible Officials and Planned Corrective Action:

The District will implement an additional internal control process of the school accountability report cards before publication to ensure that the school accountability report cards are completed based on the most recent Facility Inspection Tool information.

**STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS**

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2021

2020-001

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

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

Current Status: Implemented.

2020-002

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

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

Current Status: Not implemented. See current year finding 2021-001.

2020-003

Condition: 8 of the 16 comprehensive school safety plans inspected were reviewed and approved after March 1st 2021.

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

Current Status: Implemented.