

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**  
Sacramento, California

**FINANCIAL STATEMENTS**  
June 30, 2013

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**

**FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION**

**For the Year Ended June 30, 2013**

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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, 2013, 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 Sacramento City Unified School District, as of June 30, 2013, 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.

## **Emphasis of Matter**

As discussed in Note 1 to the financial statements, in March 2012, GASB issued Statement No. 65, "Items Previously Reported as Assets and Liabilities." The provisions of this Statement are effective for Sacramento City Unified School District's fiscal year ended June 30, 2014, with earlier application being encouraged. Sacramento City Unified School District has implemented this Statement retroactively for the year ended June 30, 2013 resulting in restated net position as of July 1, 2012. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 4 to 22 and the Required Supplementary Information, such as the General Fund Budgetary Comparison Schedule and Schedule of Other Postemployment Benefits (OPEB) Funding Progress on pages 65 and 66 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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 Sacramento City Unified School District's financial statements. The accompanying schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations 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 financial statements.

The schedule of expenditures of federal awards and other supplementary information as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 expenditures 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 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 financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

## Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2013 on our consideration of Sacramento City Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sacramento City Unified School District's internal control over financial reporting and compliance.

*Crowe Horwath LLP*

Crowe Horwath LLP

Sacramento, California  
December 9, 2013

## Management’s Discussion and Analysis

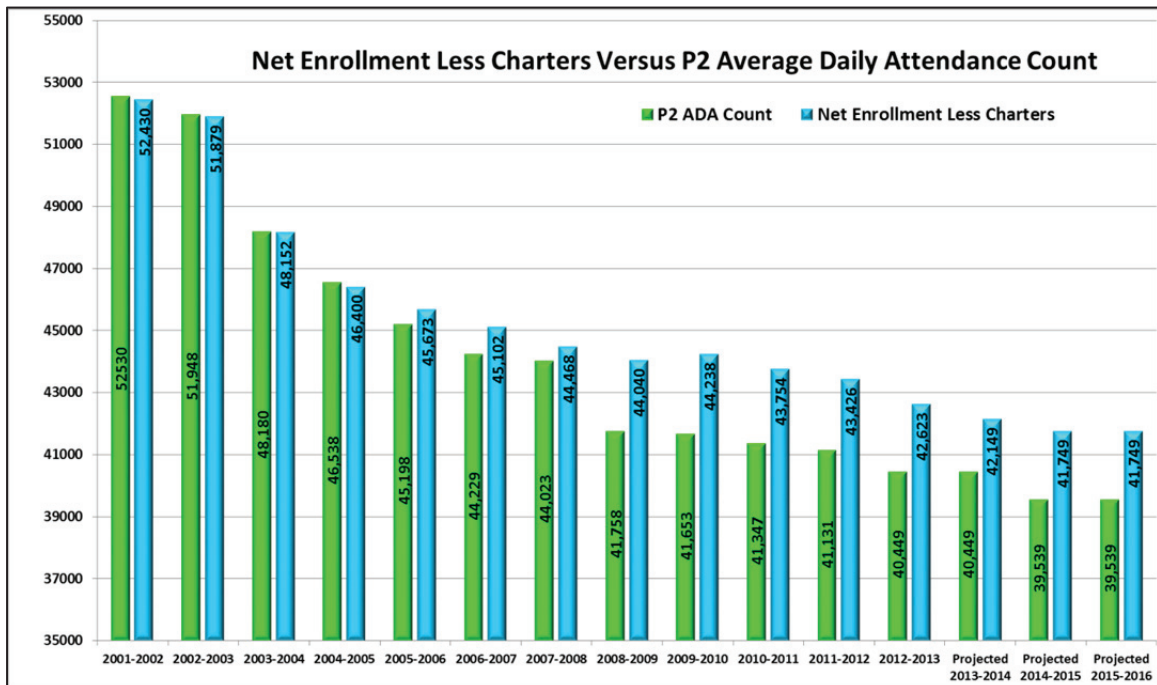
The Management’s Discussion and Analysis (MD&A) Section of the audit report is District management’s overall view of the District’s financial condition and provides an opportunity to discuss important fiscal issues with the Board and the public. The MD&A is an element of the reporting model adopted by the Governmental Accounting Standards Board. Certain comparative information is required to be presented in this document.

### District Overview

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

The District operates 40 elementary schools, eight K-8 schools, seven middle schools, one 7-12 school, seven comprehensive high schools (9-12), five alternative education centers, two special education centers, two adult education centers and 13 charter schools (including both dependent and independent) and 44 children’s centers/preschools serving infants through age 12.

The chart below graphically presents the District declining enrollment trend after the impact of charter schools is taken into account. While the trend has certainly been downward we are currently projecting that enrollment will level off in subsequent years.



Also shown on this chart is the Average Daily Attendance (ADA). The District is funded based on ADA so attendance is tracked on a daily basis with staff following up on areas of concern. The District averages approximately 96% ADA to enrollment which is high for an urban district.



## **Governance**

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

## **Mission and Strategic Plan**

The District's Mission:

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

The District's *Strategic Plan 2010-14: Putting Children First*

- **Career and College Ready Students:** When children graduate from our schools, they will leave us as globally competitive, lifelong learners, prepared for college or a 21<sup>st</sup> Century career path of their choosing.
- **Family and Community Engagement:** Families are our most important allies, and we will develop opportunities for them to participate in their children's education. We will remake our campuses into welcoming, vibrant community hubs and seek out community partners who can provide broad learning opportunities for students.
- **Organizational Transformation:** Our structure will transform to better serve our school sites, provide acute focus on teaching and learning and create a culture of continuous improvement. We will recruit, train, retain and compensate a highly capable and diverse workforce. We will hold ourselves accountable for results.

## **District Practices**

In 2005, the District received a three year ISO 9001:2000 certification by ABS Quality Evaluations, Inc. with respect to certain district central office operations found to be in conformity with international standards, including accounting, budget and information services, risk management, internal audit and seven other areas of management controls. The District was re-certified in May 2008 and again in 2011. ISO 9001:2000 is an internationally recognized standard developed by ISO, the International Organization of Standardization that provides organizations guidance for establishing, improving and maintaining effective management systems. ISO is a non-governmental network of the national standards institutes of 162 countries that develops standards for various industries and sectors through technical committees comprising experts from the relevant sector. The District is one of a very small number of school districts in the country to have received the certification, and is the first school district in California to have done so.

## **Financial Reports**

The audit report consists of a series of financial reports. The Statement of Net Position and Statement of Activities report the district-wide financial condition and activities of the District taken as a whole.

These two financial statements start on page 23. The individual fund statements, which focus on reporting the District's operations in more detail, begin on page 25.

### 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). Fiscal year 2001-02 was the first year the District accounted for the value of fixed assets and included these values as part of financial statements. We display the book value of all district assets including buildings, land and equipment and related depreciation in this financial statement. Land is accounted for at purchase cost, not market value, and is not depreciated. Many of our school sites have low values for even today's market because the district acquired the land many decades ago. School buildings are valued at their historical construction cost less depreciation.

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

	<b>June 30, 2013</b>	<b>June 30, 2012</b>
Capital Assets	\$ 480,069,298	\$ 497,156,835
Other Assets	\$ 182,435,692	\$ 210,023,174
Total Assets	\$ 662,504,990	\$ 707,180,009
Deferred Outflows of Resources	\$ 2,531,398	\$ 0
Current and Other Liabilities	\$ 93,540,123	\$ 114,147,721
Long-Term Liabilities	\$ 576,149,370	\$ 567,575,412
Total Liabilities	\$ 669,689,493	\$ 681,723,133
Net Investment in Capital Assets (net of related debt)	\$ 71,849,640	\$ 82,620,106
Restricted Net Position	\$ 69,174,140	\$ 70,465,246
Unrestricted Net Position	\$ -145,676,885	\$ -127,628,476
Total Net Position	\$ -4,653,105	\$ 25,456,876

FY 2012-13 Capital Assets decreased by -\$17,087,537 compared to FY 2011-12 because \$25,201,617 incurred of Accumulated Depreciation and only \$8,114,080 of additions. FY 2011-12 had additions of \$25,911,779 because of the renovations projects that included The Met High School and new stadium at Luther Burbank High School.

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, 2013	June 30, 2012
<b>Expenses</b>		
Governmental Activities:		
Instruction	\$ 302,585,632	\$ 330,723,808
Instruction-Related Services	\$ 59,905,182	\$ 62,720,728
Pupil Services	\$ 55,290,037	\$ 56,869,086
General Administration	\$ 19,810,826	\$ 20,912,299
Plant Services	\$ 38,844,029	\$ 44,073,004
Interest on Long-Term Debt	\$ 14,465,951	\$ 15,840,293
All Other Expenses and Outgo	\$ 2,276,553	\$ 5,875,554
Total Governmental Activity Expenses	\$ 493,178,210	\$ 537,014,772
<b>Revenues</b>		
Charges For Services	\$ 2,244,135	\$ 2,117,528
Operating Grants and Contributions	\$ 149,202,095	\$ 152,108,398
Capital Grants and Contributions	\$ 4,172,693	\$ 731,519
Taxes Levied for General Purposes	\$ 58,440,209	\$ 60,169,688
Taxes Levied for Debt and Special Purposes	\$ 28,617,686	\$ 29,389,711
Unrestricted Federal and State Aid	\$ 221,276,156	\$ 227,134,803
Interest and Investment Earnings	\$ 332,540	\$ 876,395
Interagency Revenues	\$ 2,163,353	\$ 0
Miscellaneous	\$ 5,621,231	\$ 11,275,175
Total Revenues	\$ 472,070,098	\$ 483,803,217
Change in Net Position	\$ -21,108,112	\$ -53,211,555

Instruction expenses were down in 2012-13 due to a reduction in the total number of teachers which increased class sizes in grades K-3 up to our contract limits. Plant Services were down due to a significant reduction of the number of custodians.

District revenues were adversely affected by a significant reduction in Federal and State Funds. Fiscal Year 2011-12 was the last year that American Recovery Reinvestment Act Funds were available. Federal and State Revenues were revised due to the new census data and with sequestration took the biggest decline by \$5,858,647 compared to FY 2011-12. Property Taxes were down due to the assess values of home and business. Miscellaneous Revenues went down mainly because \$2,300,000 from contributions from SCTA was not in effect for FY 2012-13.

### **General Fund Financial and Budgetary Highlights**

The General Fund accounts for the primary operations of the District. The District's initial budget is adopted by July 1. Over the course of the year, the District's budget is revised several times to take into account revised and new categorical funding appropriations and related expenditures, and to update budgets for prior year carryover amounts. The budget may also be revised to reflect mid-year changes to the State Budget which affect district funding. Additionally, the District is required to prepare expenditure reports and must include multi-year projections at least twice a year. The following table summarizes the General Fund budget to actual information for the year ended June 30, 2013:

	<b>Adopted Budget</b>	<b>Year End Budget</b>	<b>Actual</b>
Total Revenues	\$ 347,436,074	\$392,279,039	\$379,896,678
Total Expenditures	\$ 350,532,871	\$403,475,722	\$383,940,424
Total Other Sources/(Uses)	\$ 2,096,797	\$ 2,385,740	\$ 2,339,596

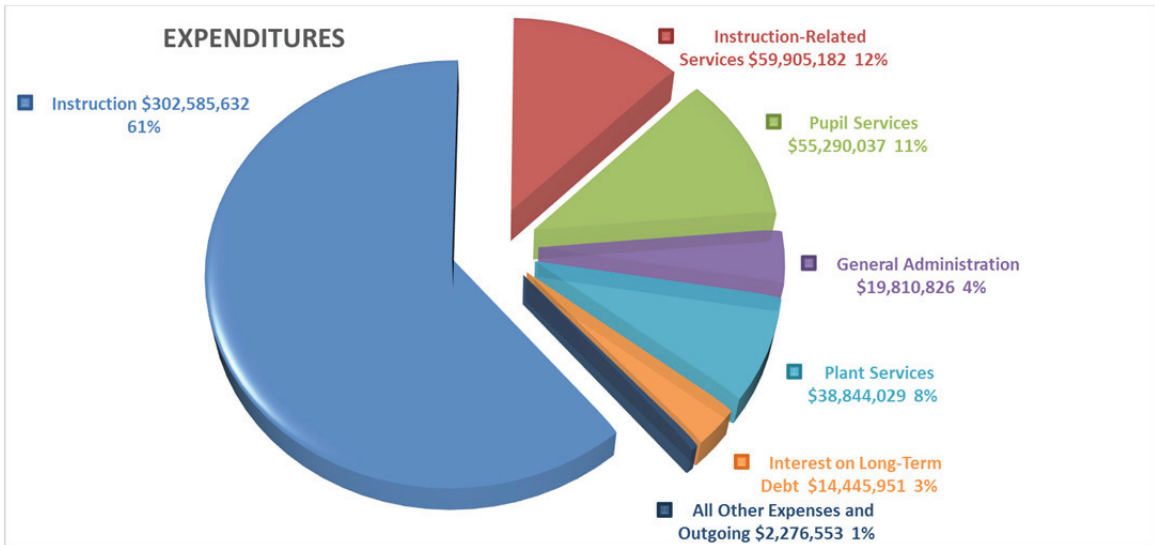
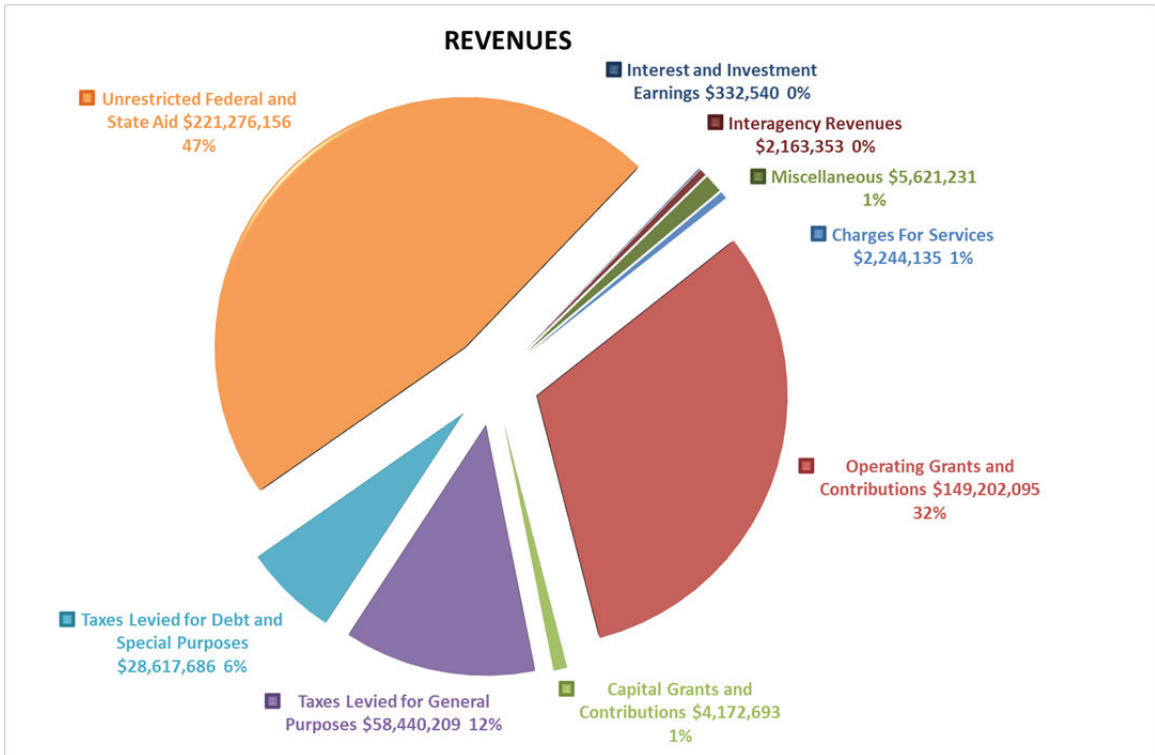
The net revenue increase between Adopted and Year End budget was \$44,842,965 due to current year budgets for categorical funds, which are budgeted as grant award documents are received. Also, the budgets for prior year unspent restricted and unrestricted program funds (carryover) are appropriated mid-year. In addition, the Adopted Budget assumed that Proposition 30 would not pass. The Year End budget includes the passage of Proposition 30.

The net increase to the total expenditure budget between Adopted and Year End budget was \$52,942,851, due to revisions to set up expenditures related to categorical program funds which are budgeted after July 1 as grant award documents are received and school site plans are approved.

Actual revenues were \$12,382,361 or 3.2%, below Year End budget due primarily to unspent and unearned categorical revenue. Actual expenditures were \$19,535,298, or 4.8%, below Year End budget due to unspent categorical revenue and unspent school site program funds.

The following table summarizes the General Fund operational fund financial statements for the year ended June 30, 2013:

Total Revenue	\$ 379,896,678
Total Expenditures	\$ 383,940,424
Other Financing Sources & Uses	\$ 2,339,596
Net Change	\$ -1,704,150



The General Fund ending balance decreased \$1,704,150 as a result of decreases in state and federal revenue sources. Future financial performance is dependent on management’s ability to continue to control expenses and maintain revenue levels. As evidenced in previous years’ budget reductions, the Board has been proactive in making any necessary budget adjustments to maintain district fiscal integrity.

## Capital Projects

Modernization and construction projects are scheduled to continue as we update our existing facilities and continue to close out construction projects. With the passage of Bond Measures Q and R we have begun the planning and design of facility improvements to enhance the learning environment.

Measure Q – Total Expenses through June 30, 2013 \$1,040,981.75

- County of Sacramento:
  - Voter Registration & Elections Office: Sample ballot costs \$29,575.00
- Projects:
  - Alice Birney – 4 Classroom Portables and 1 Restroom Portable \$122,621.61
  - Rosa Parks – Conversion to K-8 \$35,396.22
  - Area 1 – Mini-Modernization Projects (25 Schools) \$35,415.00
  - Area 2 – Mini-Modernization Projects (6 Schools) \$43,372.00
  - Area 3 – Mini-Modernization Projects (7 Schools) \$85,879.29
  - Area 4 – Mini-Modernization Projects (20 Schools) \$38,283.70
  - Serna Center – Data storage hardware and system support \$180,109.80
  - Purchasing/Warehouse – Network hardware replacement \$27,676.16
  - David Lubin Elementary – Site review for projects \$7,500.00
  - Ethel Baker Elementary – Site review for projects \$26,275.94
  - William Land Elementary – Site review for projects \$1,194.00
  - Will C Wood Middle – Roof repair \$193,231.22
  - CK McClatchy High – Exterior walkways repair \$9,000.00
  - Earl Warren Elementary – Pavement repair \$27,762.20
  - Pacific Elementary – Portable restroom \$9,356.41
  - Luther Burbank High – Kitchen floor renovation \$158,389.20
  - Theodore Judah Elementary – Site review for projects \$9,944.00

Measure R – Total Expenses through June 30, 2013 \$35,503.00

County of Sacramento:

- Voter Registration & Elections Office: Sample ballot costs \$23,003.00
- Projects:
  - John F Kennedy High – Athletic field renovation \$7,000.00
  - Rosemont High – Athletic field renovation \$5,500.00

A future project summary as known on June 30, 2013 is provided below:

<b>Measure Q</b>		Estimated Budget
Project Year(s)	Project	
2013-2014	Deferred Maintenance: Roofing @ Fern Bacon and LDV; Playgrounds/Blacktops	\$2.7M
2013-2014	Modernization and other site improvements at various schools	\$7.0M
2013-2014	Portable classroom projects	\$2.5M
2013-2014	District wide technology infrastructure upgrades and equipment	\$23.4M
2013-2014	Sustainable or “green” projects	\$2.0M
2015-2016	CK McClatchy High modernization, renovation and repairs	\$26.0M
2015-2016	West Campus High modernization, renovation and repairs	\$12.6M
2015-2016	Sacramento Charter High modernization, renovation and repairs	\$1.0M
2015-2016	Deferred Maintenance	\$8.5M

2015-2016	District wide technology improvements	\$5.2M
2015-2016	District wide fire sprinkler, irrigation and water metering improvements	\$7.5M
2015-2016	Sustainable or “green” projects	\$2.0M
2017-2018	Luther Burbank High modernization, renovation and repairs	\$18.0M
2017-2018	John F Kennedy High modernization, renovation and repairs	\$17.3M
2017-2018	Albert Einstein Middle modernization, renovation and repairs	\$10.1M
2017-2018	Sustainable or “green” projects	\$1.0M
2017-2018	Deferred Maintenance	\$17.2M
2019-2020	Kit Carson Middle modernization, renovation and repairs	\$7.9M
2019-2020	American Legion High modernization, renovation and repairs	\$6.4M
2019-2020	Hiram Johnson High modernization, renovation and repairs	\$23.4M
2019-2020	Deferred Maintenance	\$3.7M

### Measure R

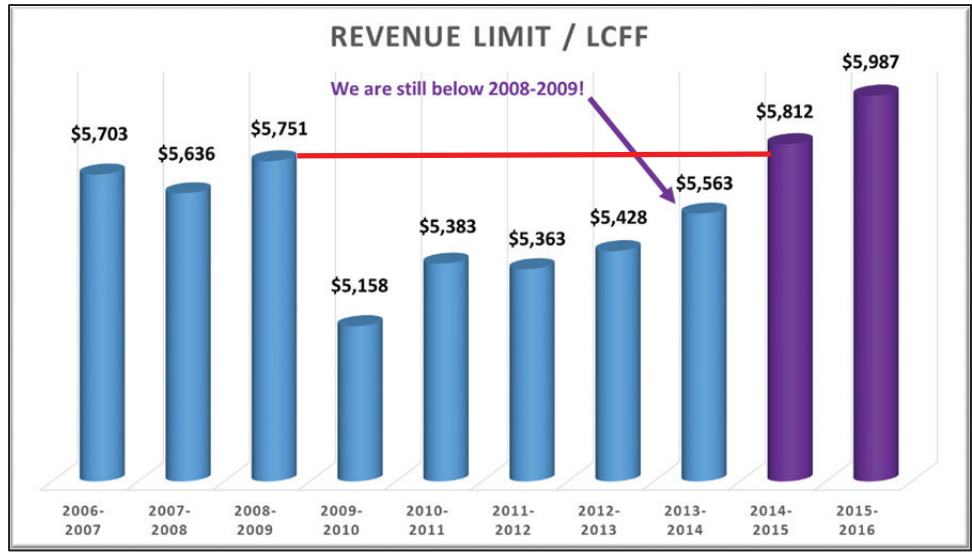
Project Year(s)	Project	Estimated Budget
2013-2014	California Middle gym modernization	\$2.0M
2013-2014	Rosemont High athletic field improvements	\$2.0M
2013-2014	John F Kennedy High athletic field renovation	\$4.9M
2013-2014	John F Kennedy High stadium restroom building and snack bar	\$1.0M
2013-2014	CK McClatchy High gym floor renovation	\$2.0M
2013-2014	Hiram Johnson High gym renovation	\$3.3M
2013-2014	West Campus High athletic field improvements	\$2.0M
2013-2014	Deferred Maintenance	\$7.00M
2015-2016	Fern Bacon Middle bleachers and ADA improvements	\$1.0M
2015-2016	Central Nutrition Center	\$22.0M
2015-2016	Deferred Maintenance	\$4.0M

### District Indebtedness

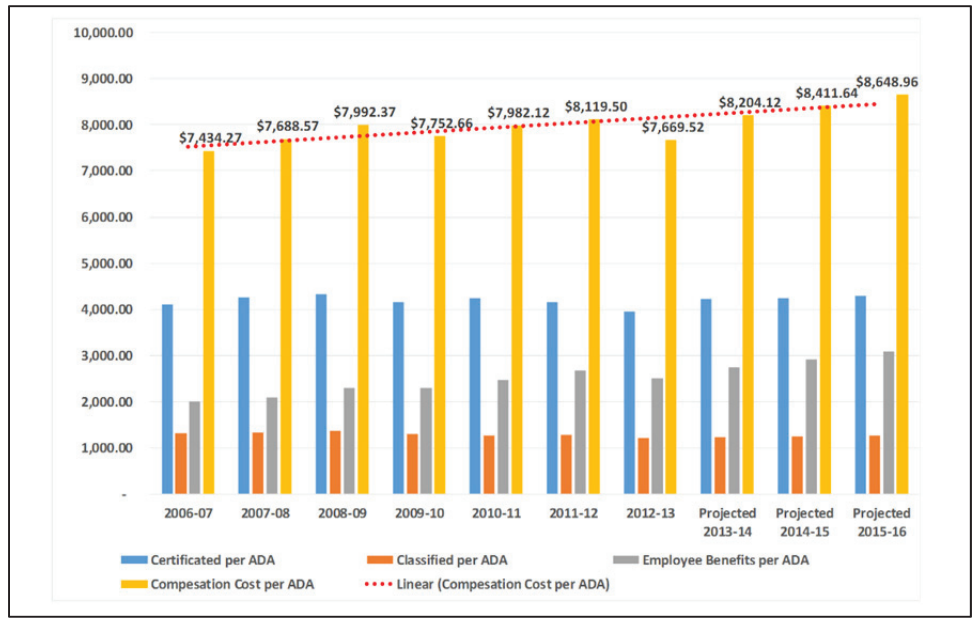
As of June 30, 2013, the District has incurred \$576,149,370 of long-term liabilities. Of this amount, \$277,830,000 is General Obligation Bonds and \$33,824,010 Capital Appreciation Bonds backed by property tax increases voted on by district residents in 1999 and 2002, and \$595,000 is a Special Tax Bond, also backed by property tax increases voted on by residents.

### Financial Issues

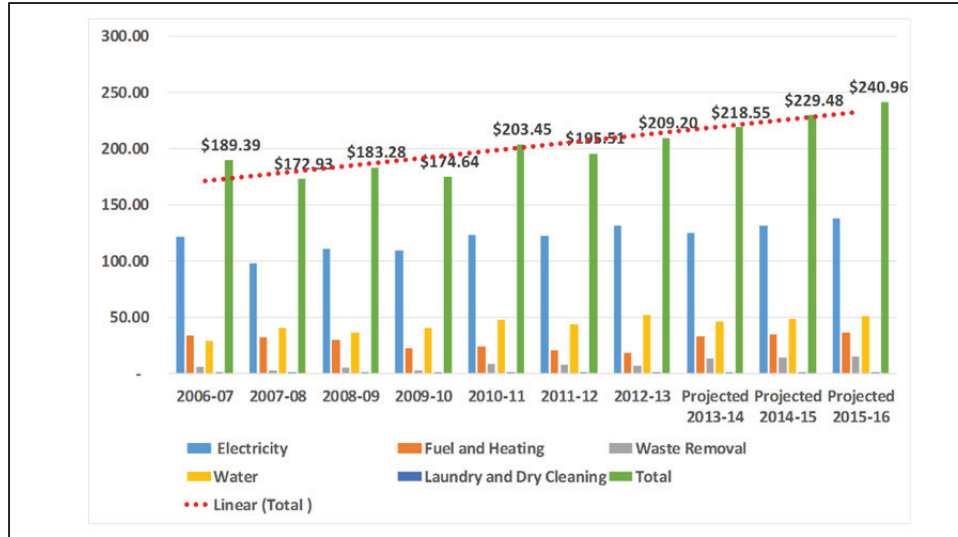
Since the beginning of the “Great Recession” revenues for schools districts within the State from what has been known as the “Revenue Limit Calculation” have been significantly below the 2008-2009 funding level. Funding for the 2012-2013 fiscal year was no exception although it was slightly higher than the previous year. With the passage in June of 2013 of the Local Control Funding Formula (LCFF) the prospects for increased State funding are dramatically improved. The chart below shows historical and projected base levels of funding from the State.



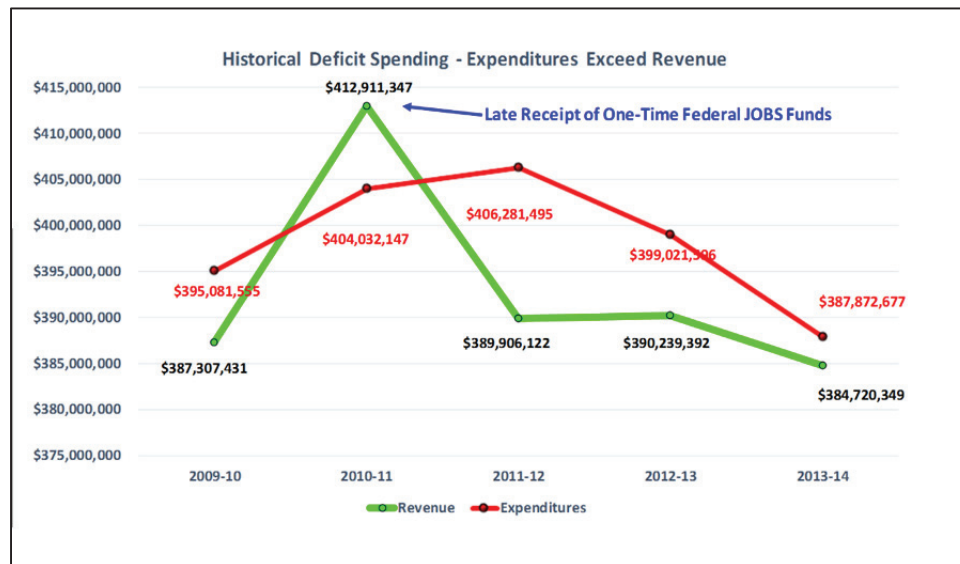
Funding is however only part of the equation. As illustrated by the next two charts the District, despite significant efforts to reduce expenditures, has seen ever increasing pressure as expenses continue to rise. Staff reductions, furlough days, and the absence of cost of living raises have only helped reduce not eliminate the pressure on the overall budget.







The District is working with its bargaining units in an effort to jointly address our need to control expenditures until ongoing revenues are sufficient to properly sustain operations. With the passage of LCFF, anticipated revenue increases should allow the District to insure that our history of deficit spending is stopped going forward with the 2014-2015 fiscal year.



### Local Control Funding Formula (LCFF)<sup>1</sup>

The 2013-14 Budget Act reflects a significant improvement in the state's finances and a dramatic shift in how K-12 schools are funded within California. Education Code Section 42238.03 provides the operational directives associated with LCFF. The new LCFF eliminates the old funding methodology based on revenue limits and state categorical programs and replaces it with three distinct categories of funding:

- The **base** grant for each school district. The amount varies by grade span levels K-3, 4-6, 7-8 and 9-12. Grades K-3 will receive an adjustment of 10.4 percent for class size relief. Grades 9-12 receive an adjustment of 2.6 percent;

- The **supplemental grant** is equal to 20 percent of the adjusted base grant for targeted disadvantaged students. The three categories that the state has defined are English Learners (EL), students eligible to receive free or reduced-price meals (FRPM), and foster youth, or any combination of these factors from an unduplicated count;
- The **concentration grant** is equal to 50 percent of the adjusted base grant for targeted students exceeding 55 percent of a Local Educational Agency's (LEA) enrollment.

The adopted budget maintains Home-to-School Transportation and Targeted Instructional Improvement (TIIG) Block Grant funding as additional add-ons to the LCFF. The budget also requires a maintenance of effort (MOE) related to the Home-to-School Transportation, Adult Education and Regional Occupational Program (ROP) funding requiring that expenditure levels not be lower than the amount received in the 2012-13 fiscal year for these purposes. This 2012-13 minimum funding level must be maintained each year, thereafter.

Proposition 98 which was adopted by the voters in 1988 is a constitutional guarantee that specifies the required minimum funding level for K-12 education and community colleges. While it provides the minimum amount that must be funded, it does not stipulate what programs will be funded. This leaves significant discretion of how to distribute these funds to the legislature and the Governor each year.

The LCFF is the model by which state funds will be allocated to school districts, charter schools, and County Offices of Education (COE's) starting with the 2013-14 fiscal year. Unlike the previous methodologies, revenue limits and Tier III categorical programs, there are no state statutes that specify the annual appropriation to support LCFF. A district's annual LCFF amount will be determined by "any available appropriations" (Education Code Section [E.C.] 42238.03[b][3]).

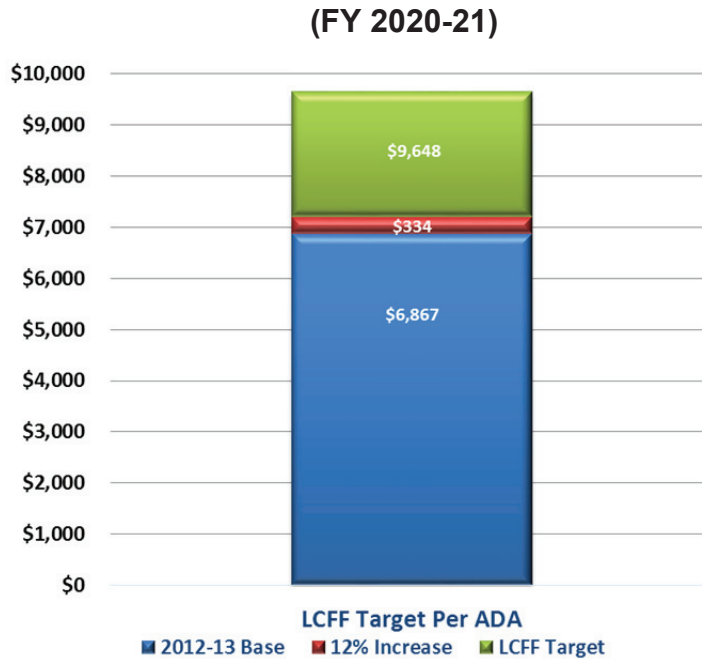
<sup>1</sup>Much of the information contained in the LCFF section was derived from a presentation prepared and presented by School Services of California, Inc., 2013.

Our 2013-14 LCFF Entitlement is provided below:

FACTORS	SCUSD
<b>2012-13 Base</b>	<b>\$6,867</b>
<b>LCFF Target</b>	<b>\$9,648</b>
<b>Difference</b>	<b>\$2,781</b>
<b>State Factor</b>	<b>12%</b>
<b>2013-14 Increase</b>	<b>\$334</b>

There are two distinct phases of the LCFF. The eight year implementation phase and the fully funded phase. The implementation phase is not set in statute and will be shorter or longer depending upon the amount of appropriation provided by the legislature and Governor each year.

Our 2013-14 growth towards our target is illustrated below:



Multiyear budgeting under the eight year implementation phase will be extremely difficult. There is nothing in statute to force the legislature to fund LCFF from year to year and no guidance given for forecasting purposes. If the district were to use the projected annual growth towards the LCFF target, it may be significantly over-estimating anticipated revenue. If you look at the last 20 years, the state has either reduced or held to zero the funding increases to schools six times. Therefore, we will not be anticipating that annual growth in our funding will be the 12 percent annual target outlined in LCFF. The District will work with the County Office of Education and come to an agreed upon anticipated revenue increase that reflects the forecasted funding situation for subsequent budget years.

Another component of LCFF base, specifies that districts must limit class enrollment in grades K-3 as a condition of receiving the 10.4 percent K-3 Class Size Reduction (CSR) adjustment. Eventually (by 2020-21) K-3 class sizes must be no more than an average class size of 24 students per site unless an alternate ratio is locally negotiated. Our district has negotiated alternate class size limits and will maintain class size at or below these levels until funding improves and reducing class sizes may be discussed with our Board of Education, our teachers, and our community. Our negotiated class size limits are presented below:

Grade Level	Negotiated Class Size
Kindergarten	32:1
1-3	31:1
4-6	33:1
7-8	31:1
9-12	32:1*

\*Up to 35 in core classes, English, Social Studies, Mathematics, and Science, not to exceed 170 pupil contacts per day.

LCFF replaces most state categorical programs with two of the weighting factors applied against the LCFF base grant. However, a number of categorical programs remain. Here is a listing of programs that remain within our budget:

- Special education
- After School Education and Safety Program
- State Preschool
- Quality Education Investment Act
- State Testing Program
- American Indian Education Centers
- Early Childhood Education Programs
- Specialized Secondary Programs
- California Partnership Academies
- Agricultural Education Incentive Program
- Foster Youth Programs
- Adults in Correctional Facilities

LCFF will use a three-year rolling average of California Longitudinal Pupil Achievement Data Systems (CAPADS) reported counts. For 2013-14, one year of data will be used. For 2014-15, the average of two years will be used. For 2015-16 and all future years, a three year average will be used.

Using what is referred to as the unduplicated count, (if a student is in more than one category they still only count once), pupils enrolled for each school district as a percentage of total enrollment in each of these three areas the district will receive supplement and concentration grant funding.

- English Learners.
- Pupils eligible for free and reduced-price meals program.
- Foster Youth

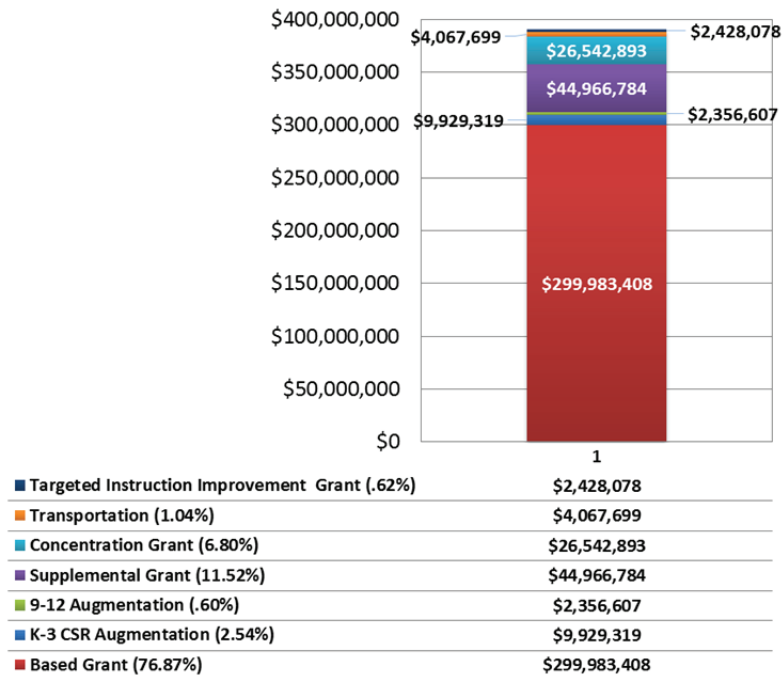
To obtain the LCFF Target for our school district requires a series of calculations provided below:

**It is forecast to take eight years to reach this LCFF target.**

LCFF Total Target Calculation					
Grade Level	K-3	4-6	7-8	9-12	Total
Average Daily Attendance (ADA) Used For Calculations	13,733.10	9,613.38	6,336.55	10,766.33	40,449.36
Target Base Calculation	K-3	4-6	7-8	9-12	Total
Base Per ADA	\$ 6,845	\$ 6,947	\$ 7,154	\$ 8,289	
Cost of Living Adjustment (COLA) @ 1.565%	\$ 107.12	\$ 108.72	\$ 111.96	\$ 129.72	
Sub-Total 2013-14 Adjusted Base	\$ 6,952.12	\$ 7,055.72	\$ 7,265.96	\$ 8,418.72	
K-3 Class Size Relief (CSR) Adjustment @ 10.4%	\$ 723.02				
Career Technical Education (CTE) Adjustment 2.6%				\$ 218.89	
<b>Total Base Funding Per Pupil</b>	<b>\$ 7,675</b>	<b>\$ 7,056</b>	<b>\$ 7,266</b>	<b>\$ 8,638</b>	

Total Base Calculation	K-3	4-6	7-8	9-12	Total
Total Cola Adjusted Base Per ADA	\$ 95,474,217.54	\$ 67,829,322.82	\$ 46,041,119.47	\$ 90,638,748.38	\$ 299,983,408.21
K-3 Class Size Relief (CSR) Adjustment @ 10.4%	\$ 9,929,318.62				\$ 9,929,318.62
Career Technical Education (CTE) Adjustment 2.6%				\$ 2,356,607.46	\$ 2,356,607.46
Sub-Total Base Component Target	\$ 105,403,536.16	\$ 67,829,322.82	\$ 46,041,119.47	\$ 92,995,355.84	\$ 312,269,334.29

This chart represents the components of our overall target:



Below is the calculation that translates the LCFF Eight Year Target into the funding that is being provided next year.

#### LCFF Total Target Calculation Continued

Grade Level	K-3	4-6	7-8	9-12	Total
Average Daily Attendance (ADA) Used For Calculations	13,733.10	9,613.38	6,336.55	10,766.33	40,449.36

Supplemental Additions	K-3	4-6	7-8	9-12	Total
Supplemental 20% Eligible ADA	9,887.83	6,921.63	4,562.32	7,751.76	29,123.54
Supplemental 20% Per Eligible ADA	\$ 1,535.03	\$ 1,411.14	\$ 1,453.19	\$ 1,727.52	\$ -
Supplemental Addition	\$ 15,178,109.21	\$ 9,767,422.49	\$ 6,629,921.20	\$ 13,391,331.24	\$ 44,966,784.14
Concentration Eligible ADA	2,334.63	1,634.27	1,077.21	1,830.28	6,876.39
Concentration 50% Per Eligible ADA	\$ 3,837.57	\$ 3,527.86	\$ 3,632.98	\$ 4,318.80	\$ -
Concentration Addition	\$ 8,959,300.57	\$ 5,765,492.44	\$ 3,913,495.16	\$ 7,904,605.25	\$ 26,542,893.42
Total Supplemental & Concentration Funding	\$ 24,137,409.78	\$ 15,532,914.93	\$ 10,543,416.36	\$ 21,295,936.49	\$ 71,509,677.55

Total LCFF Target Funding	\$ 383,779,011.85
Transportation Funding	\$ 4,067,699.00
Targeted Instruction Improvement Grant (TIIG)	\$ 2,428,078.00
Total LCFF Entitlement 8 Year Target	\$ 390,274,788.85
FY 2012-13 Base Funding	\$ 277,758,567.00
Total LCFF Entitlement 8 Year Funding Increase	\$ 112,516,221.85
FY 2013-14 Projected Increase In Funding	\$ 13,501,946.62
Less School Transportation Funding That Is Same As FY 2012-13	\$ (4,067,699.00)
Targeted Instruction Improvement Grant (TIIG) That Is Same As FY 2012-13	\$ (2,428,078.00)
Net FY 2013-14 Projected Increase In Funding	\$ 7,006,169.62

### LCFF Total Target Calculation Continued

LCFF Entitlement Components	Eight Year LCFF Analysis	Eight Year Percent	LCFF Component Percent	Eight Year Per ADA	FY 2013-14 Component LCFF Increase Transportation TIIG
Base Component	\$ 299,983,408.21	76.86%	78.16%	\$ 7,416.27	\$ 5,476,022.17
K-3 Class Size Relief (CSR)	\$ 9,929,318.62	2.54%	2.59%	\$ 245.48	\$ 181,459.79
Adjustment 2.6%	\$ 2,356,607.46	0.60%	0.61%	\$ 58.26	\$ 42,737.63
Supplemental Addition	\$ 44,966,784.14	11.52%	11.72%	\$ 1,111.68	\$ 821,123.08
Concentration Addition	\$ 26,542,893.41	6.80%	6.92%	\$ 656.20	\$ 484,826.94
<b>Total LCFF Target Funding</b>	<b>\$ 383,779,011.85</b>	<b>98.34%</b>	<b>100.00%</b>	<b>\$ 9,487.89</b>	<b>\$ 7,006,169.62</b>
School Transportation	\$ 4,067,699.00	1.04%		\$ 100.56	\$ 4,067,699.00
Targeted Instruction Improvement Grant (TIIG)	\$ 2,428,078.00	0.62%		\$ 60.03	\$ 2,428,078.00
<b>Total LCFF</b>	<b>\$ 390,274,788.85</b>	<b>100.00%</b>		<b>\$ 9,648.48</b>	<b>\$ 13,501,946.62</b>

### LCFF Accountability

As part of LCFF, we will be required to develop, adopt, and annually update a three-year Local Control and Accountability Plan (LCAP), beginning July 1, 2014, using a template adopted by the California State Board of Education (SBE) on or before March 31, 2014. LCFF also includes other accountability components:

- Districts will be required to show that they have increased and improved services for the three areas of targeted students:
  - English Learners.
  - Pupils eligible for free and reduced-price meals program.
  - Foster Youth.
- The District must obtain parent and public input in developing, revising, and updating our LCAP.
- The District must receive approval of its LCAP from the County Superintendent. The County Superintendent must ensure that our planned spending aligns with the improvement in services and LCAP goals.

Budget forums, community meetings, and the development of the LCAP. Simultaneously, we will be developing a new budget system and modifying our chart of accounts. The following is a list of State Board Deadlines:

- January 1, 2014 State Board of Education Adopts Budget Standards and Criteria
- January 31, 2014 State Board of Education Adopts Spending Regulations
- March 31, 2014 State Board of Education Adopts Budget LCAP Plan Templates
- October 1, 2015 State Board of Education Adopts Technical Assistance Plan and Intervention Rubric

As you can see, things have dramatically changed with regard to funding for future fiscal years. We have every intention of keeping the public, the Board of Education, and our staff informed of all developments as the implementation of LCFF takes place.

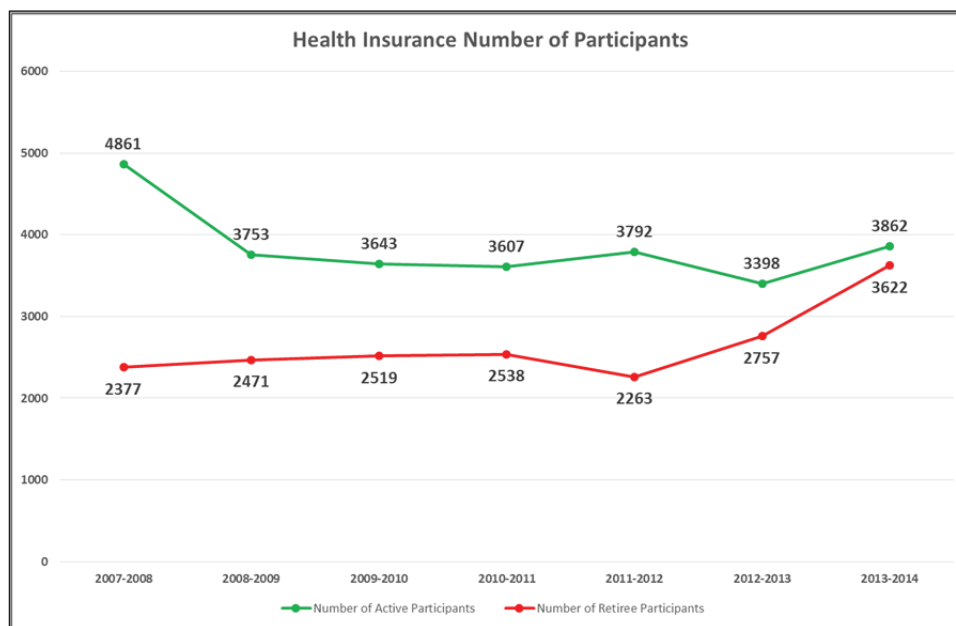
### Health Care Costs

District-wide Health Care costs have been growing dramatically and continue to do so in this budget year. Rate increases continue to rise much faster than funding increases which negatively impacts the District's budget. During negotiations scheduled for early 2014 this will be a major topic of discussion.

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

December 2006 Liability	\$ 505.7 Million
December 2008 Liability	\$ 552.4 Million
December 2010 Liability	\$ 566.3 Million
December 2012 Liability	\$ 632.7 Million
Total Increase from 2006	\$ 127.0 Million

Through the negotiations process, efforts to fund the liability have started. Changes effective with the 2010-11 school year have been implemented. Of major concern is the number of active employees versus retiree’s that are utilizing our benefit program.



Additional efforts will be made to bring the number of active employees in relation to retirees to a more sustainable level.

The District has commissioned a study to determine the specific impact of the Affordable Care Act (ACA) to future District obligations. Once completed, the study will be shared with all concerned in an effort to arrive at a common solution to raising employee benefit expenses. The results of the study will be ready before 2014 negotiations start.

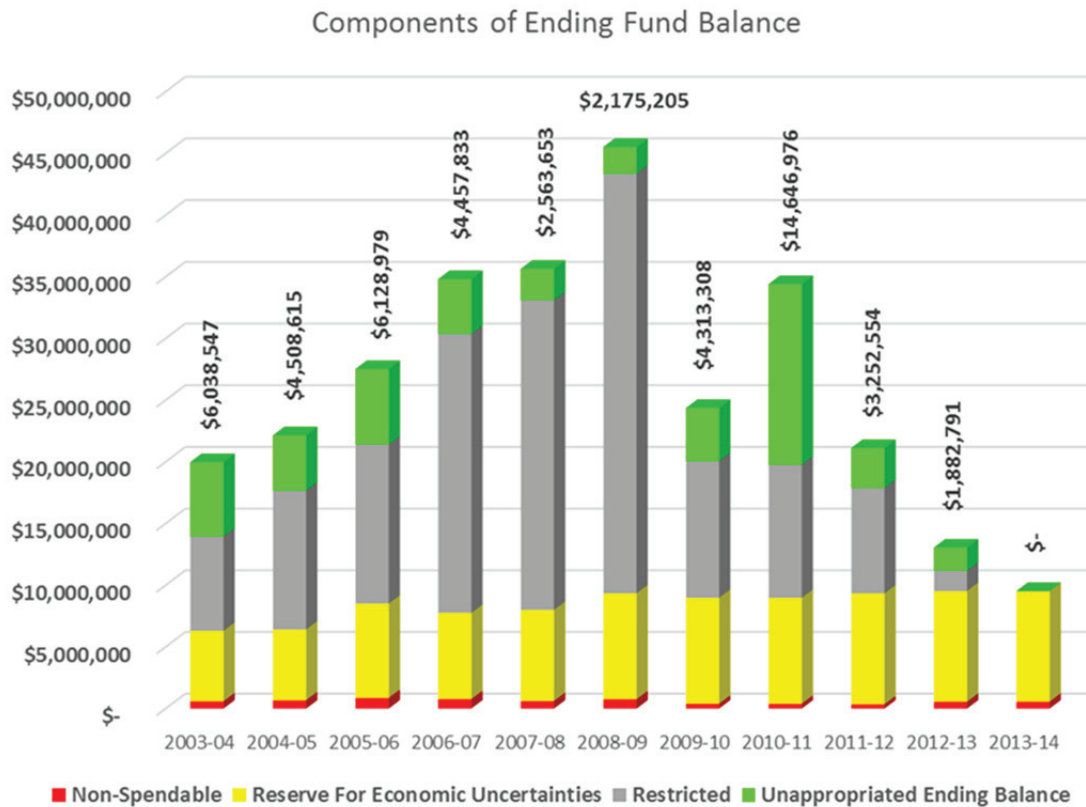
### Categorical Funding

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

district to maintain a balanced budget while facing mid-year reductions. With Federal sequestration and the change in funding methodology to LCFF categorical funding is being significantly reduced. We have taken into account anticipated changes in this area in all future year projections.

### Ending Fund Balance

Due to the significant reduction in State and Federal funding the District has utilized its ending fund balance in an effort to sustain critical programs for students. As seen in the chart below there have been significant swings in the District's unappropriated ending fund balance. As shown below the District is no longer anticipating having any unappropriated ending fund balance within the General Fund to assist in sustaining operations. Therefore, the District is taking the appropriate steps to ensure that in all future years revenues are at least equal to, but preferably greater than, anticipated expenditures. As part of the 2014-2015 budget proposal, the Board of Education will be presented with a formal recommendation for establishing an appropriate ending fund balance policy and level.



As part of this commitment, we are projecting that a modest unappropriated ending fund balance be maintained for the 2013-2013 and 2014-2015 fiscal years and that we begin rebuilding the reserve in the 2015-2016 fiscal year. This would be in addition to beginning an ongoing commitment to fund Other Post-Employment Benefits (OPEB) obligations. The multi-year forecast provided below is based on what we believe to be conservative future revenue estimates of 4.5%.



<b>Multi-Year Forecast - No Use of Reserve 4.5% Annual Increase</b>					
<b>Enrollment Funded Average Daily Attendance</b>	<b>FY 2013-14</b>	<b>FY 2014-15</b>	<b>% Change</b>	<b>FY 2015-16</b>	<b>% Change</b>
	<b>42,149</b>	<b>41,749</b>		<b>41,749</b>	
	<b>40,449</b>	<b>39,539</b>		<b>39,539</b>	
<b>Revenue Description</b>	<b>Amount</b>	<b>Amount</b>	<b>% Change</b>	<b>Amount</b>	<b>% Change</b>
All Revenue Objects and Transfers In	\$ 404,601,185	\$ 410,985,282	1.6%	\$ 420,212,186	2.2%
Beginning Fund Balance	\$ 19,409,345	\$ 9,206,383	-52.6%	\$ 8,886,289	-3.5%
<b>Total Anticipated Revenue &amp; Beginning Fund Balance</b>	<b>\$ 424,010,530</b>	<b>\$ 420,191,666</b>	<b>-0.9%</b>	<b>\$ 429,098,474</b>	<b>2.1%</b>
<b>Expenditure Description</b>	<b>Amount</b>	<b>Amount</b>	<b>% Change</b>	<b>Amount</b>	<b>% Change</b>
Certificated Salaries	\$ 173,799,059	\$ 175,355,854	0.9%	\$ 174,951,153	-0.2%
Classified Salaries	\$ 49,884,204	\$ 50,141,394	0.5%	\$ 50,165,904	0.0%
Employee Benefits	\$ 110,514,985	\$ 115,120,810	4.2%	\$ 118,797,015	3.2%
Books & Supplies	\$ 26,038,469	\$ 17,176,470	-34.0%	\$ 17,405,810	1.3%
Services & Other Operating Expenses	\$ 52,898,353	\$ 53,756,210	1.6%	\$ 53,186,234	-1.1%
Capital Outlay	\$ 287,655	\$ 287,655	0.0%	\$ 287,655	0.0%
Other Outgo/Indirect Costs/Other Adjustments	\$ 1,381,423	\$ (533,015)	-138.6%	\$ 310,320	-158.2%
<b>Amount Available To Address Expenditure Requirements</b>				<b>\$ 3,528,319</b>	
<b>Total Adopted Budget Expenditures</b>	<b>\$ 414,804,146</b>	<b>\$ 411,305,377</b>	<b>-0.8%</b>	<b>\$ 418,632,411</b>	<b>1.8%</b>
<b>Anticipated Ending Fund Balance</b>	<b>\$ 9,206,383</b>	<b>\$ 8,886,289</b>	<b>-3.5%</b>	<b>\$ 10,466,064</b>	<b>17.8%</b>
<b>Required Reserves</b>	<b>Amount</b>	<b>Amount</b>	<b>% Change</b>	<b>Amount</b>	<b>% Change</b>
Reserve For Economic Uncertainties	\$ 8,296,082	\$ 8,242,928	-0.6%	\$ 8,622,648	4.6%
Revolving Cash	\$ 225,000	\$ 225,000	0.0%	\$ 225,000	0.0%
Stores Inventory	\$ 320,000	\$ 320,000	0.0%	\$ 320,000	0.0%
Reserve For Other Post Employment Benefits (OPEB)	\$ -	\$ -		\$ 1,000,000	0.0%
<b>Total Required Reserves</b>	<b>\$ 8,841,082</b>	<b>\$ 8,787,928</b>	<b>-0.6%</b>	<b>\$ 10,167,648</b>	<b>15.7%</b>
<b>Anticipated Unreserved Ending Fund Balance</b>	<b>\$ 685,301</b>	<b>\$ 418,361</b>	<b>-39.0%</b>	<b>\$ 618,415</b>	<b>47.8%</b>
Salaries include step and column increase for FY 2014-15 and FY 2015-16					
Health Benefits are projected to increase by 10% for FY 2014-15 and FY 2015-16.					
Utilities increase by 10% for FY 2014-15.					
Possible Sequestration Reductions for FY 2014-2015 & 2015-16 have not be factored into above forecast.					

## The District's Future

During many years of funding reductions and increasing costs, the District has had to significantly reduce expenditures. The Board of Education and Superintendent have made it a priority to limit reductions that affect the classroom. However, despite best efforts, budget reductions have had a negative impact on the classroom. These difficult decisions helped the District manage during these difficult financial times. We believe that the worst is behind us, however, we are continually pointing out the need for fiscal constraint for at least the next two years to allow revenues to more adequately come in line with projected expenditures. Continued review of programs will be necessary to allow the District to more quickly ensure ongoing fiscal health.

The District will be looking at its *Strategic Plan 2010-14: Putting Children First* to fund priorities as the budget cycle continues. The District will be ensuring that it is in compliance with both the regulations and the intent associated with LCFF as it builds conservative budgets for all future fiscal years.

## District Leadership Changes

On October 16, 2013 the current Superintendent of Schools, Jonathan P. Raymond submitted his resignation effective December 31, 2013. Subsequently, the Board of Education at the November 21, 2013 meeting appointed Sara Noguchi, Ed.D as the Interim Superintendent effective December 2, 2013. Dr. Noguchi currently serves as one of the District's three Area Assistant Superintendents and oversees 21 schools.

Dr. Noguchi began her tenure at the District in 2011. She previously served in the Elk Grove Unified School District for 17 years, most recently as Director of Secondary Education. She also taught math in the Elk Grove United School District and served as principal of James Rutter Middle School. She holds a doctorate in education from the University of the Pacific. Her doctorate studies focused on the professional development needs of middle and high school principals.

It is anticipated that the Board of Education will direct Dr. Noguchi to begin the search efforts for a permanent Superintendent in January of 2014 with the goal of having a permanent Superintendent in place by July 1, 2014.

### **Request for Information**

This financial report is designed to provide citizens, taxpayers, parents, students, investors and creditors with a general overview of the School District and show the School District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Ken A. Forrest  
Chief Business Officer  
Sacramento City Unified School District  
5735 47<sup>th</sup> Avenue  
Sacramento, CA 95824  
916-643-9055

## **BASIC FINANCIAL STATEMENTS**

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**

**STATEMENT OF NET POSITION**

**June 30, 2013**

	<b><u>Governmental Activities</u></b>
<b>ASSETS</b>	
Cash and investments (Note 2)	\$ 86,287,802
Receivables	95,516,216
Prepaid expenses	58,557
Stores inventory	573,117
Non-depreciable capital assets (Note 4)	23,493,172
Depreciable capital assets, net of accumulated depreciation (Note 4)	<u>456,576,126</u>
Total assets	<u>662,504,990</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred loss on refunding of debt	<u>2,531,398</u>
<b>LIABILITIES</b>	
Accounts payable	17,689,777
Unpaid claims and claim adjustment expenses (Note 5)	1,905,550
Deferred compensation (Note 2)	2,424,401
Tax Revenue Anticipation Note (TRAN) (Note 6)	60,000,000
Unearned revenue	11,520,395
Long-term liabilities (Note 7):	
Due within one year	37,227,313
Due after one year	<u>538,922,057</u>
Total liabilities	<u>669,689,493</u>
<b>NET POSITION</b>	
Net investment in capital assets	71,849,640
Restricted (Note 8)	69,174,140
Unrestricted	<u>(145,676,885)</u>
Total net position	<u>\$ (4,653,105)</u>

See accompanying notes to the financial statements

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2013

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Revenue and Changes in Net Position</u>
					<u>Governmental Activities</u>
Governmental activities (Note 4):					
Instruction	\$ 302,585,632	\$ 497,802	\$ 77,876,932	\$ 4,172,693	\$ (220,038,205)
Instruction-related services:					
Supervision and administration	24,149,515	271,537	17,833,317	-	(6,044,661)
Library, media and technology	1,643,575	743	899,991	-	(742,841)
School site administration	34,112,092	22,840	2,066,009	-	(32,023,243)
Pupil services:					
Home-to-school transportation	11,815,082	149	5,275,788	-	(6,539,145)
Food services	19,696,013	982,659	20,515,746	-	1,802,392
All other pupil services	23,778,942	189,027	19,183,161	-	(4,406,754)
General administration:					
Centralized data processing	2,631,814	34,204	217,092	-	(2,380,518)
All other general administration	17,179,012	65,664	2,721,277	-	(14,392,071)
Plant service	38,844,029	159,483	2,036,158	-	(36,648,388)
Ancillary services	1,615,953	524	128,300	-	(1,487,129)
Community services	471,054	-	106,302	-	(364,752)
Enterprise activities	155,505	10,378	100,662	-	(44,465)
Other outgo	34,041	9,125	241,360	-	216,444
Interest on long-term liabilities	14,465,951	-	-	-	(14,465,951)
Total governmental activities	<u>\$ 493,178,210</u>	<u>\$ 2,244,135</u>	<u>\$ 149,202,095</u>	<u>\$ 4,172,693</u>	<u>(337,559,287)</u>
General revenues:					
Taxes and subventions:					
Taxes levied for general purposes					58,440,209
Taxes levied for debt service					25,835,658
Taxes levied for other specific purposes					2,782,028
Federal and state aid not restricted to specific purposes					221,276,156
Interest and investment earnings					332,540
Interagency revenues					2,163,353
Miscellaneous					<u>5,621,231</u>
Total general revenues					<u>316,451,175</u>
Change in net position					<u>(21,108,112)</u>
Net position, July 1, 2012, as previously reported					25,456,876
Cumulative effect of change in accounting principle					<u>(9,001,869)</u>
Net position, July 1, 2012, as restated					<u>16,455,007</u>
Net position, June 30, 2013					<u>\$ (4,653,105)</u>

See accompanying notes to the financial statements

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**

**BALANCE SHEET**

**GOVERNMENTAL FUNDS**

**June 30, 2013**

	<u>General Fund</u>	<u>Building Fund</u>	<u>Bond Interest and Redemption Funds</u>	<u>All Non-Major Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and investments:					
Cash in County Treasury	\$ 9,329,475	\$ 17,819,677	\$ 23,181,980	\$ 17,282,017	\$ 67,613,149
Cash on hand and in banks	510,691	-	-	3,141,155	3,651,846
Cash in revolving fund	225,000	-	-	2,000	227,000
Cash with Fiscal Agent	-	2,906,110	-	3,692,001	6,598,111
Local Agency Investment Fund (LAIF)	-	904,549	-	-	904,549
Deferred compensation	2,424,401	-	-	-	2,424,401
Receivables	84,734,409	65,034	229,509	10,118,848	95,147,800
Due from other funds	1,827,097	-	-	1,543,938	3,371,035
Prepaid expenditures	55,686	-	-	2,871	58,557
Stores inventory	<u>129,180</u>	<u>-</u>	<u>-</u>	<u>443,937</u>	<u>573,117</u>
Total assets	<u>\$ 99,235,939</u>	<u>\$ 21,695,370</u>	<u>\$ 23,411,489</u>	<u>\$ 36,226,767</u>	<u>\$ 180,569,565</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 10,514,617	\$ 1,165,468	\$ 34,352	\$ 1,596,958	\$ 13,311,395
TRAN payable	60,000,000	-	-	-	60,000,000
Deferred compensation	2,424,401	-	-	-	2,424,401
Unearned revenue	1,709,477	-	9,729,302	81,616	11,520,395
Due to other funds	<u>5,178,099</u>	<u>24</u>	<u>-</u>	<u>1,890,054</u>	<u>7,068,177</u>
Total liabilities	<u>79,826,594</u>	<u>1,165,492</u>	<u>9,763,654</u>	<u>3,568,628</u>	<u>94,324,368</u>
Fund balances:					
Nonspendable	409,866	-	-	448,808	858,674
Restricted	6,642,610	20,529,878	13,647,835	32,209,331	73,029,654
Assigned	4,349,415	-	-	-	4,349,415
Unassigned	<u>8,007,454</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,007,454</u>
Total fund balances	<u>19,409,345</u>	<u>20,529,878</u>	<u>13,647,835</u>	<u>32,658,139</u>	<u>86,245,197</u>
Total liabilities and fund balances	<u>\$ 99,235,939</u>	<u>\$ 21,695,370</u>	<u>\$ 23,411,489</u>	<u>\$ 36,226,767</u>	<u>\$ 180,569,565</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, 2013**

Total fund balances - Governmental Funds \$ 86,245,197

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 \$894,750,835 and the accumulated depreciation is \$414,681,537 (Note 4). 480,069,298

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, 2013 consisted of (Note 7):

Special Tax Bonds	\$ (595,000)	
General Obligation Bonds	(277,830,000)	
Premium on issuance	(23,197,168)	
Capital Appreciation Bonds	(33,824,010)	
Certificates of Participation	(80,160,000)	
Capitalized lease obligations	(116,140)	
PARS 403(b)	(1,042,493)	
Net OPEB liability (Note 10)	(151,760,155)	
Compensated absences	<u>(7,624,404)</u>	
		(576,149,370)

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: 3,198,338

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: (547,966)

Losses on the refunding of debt are recognized as expenditures in the period they are incurred. In the government-wide statements, they are categorized as deferred outflows and are amortized over the life of the related debt. 2,531,398

Total net position - governmental activities \$ (4,653,105)

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, 2013**

	<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>
Revenues:					
Revenue limit sources:					
State apportionment	\$ 167,285,273	\$ -	\$ -	\$ 8,938,673	\$ 176,223,946
Local sources	<u>53,090,769</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>53,090,769</u>
Total revenue limit	<u>220,376,042</u>	<u>-</u>	<u>-</u>	<u>8,938,673</u>	<u>229,314,715</u>
Federal sources	47,813,970	-	-	34,182,975	81,996,945
Other state sources	103,236,312	-	355,422	12,645,574	116,237,308
Other local sources	<u>8,470,354</u>	<u>120,417</u>	<u>25,569,419</u>	<u>12,892,385</u>	<u>47,052,575</u>
Total revenues	<u>379,896,678</u>	<u>120,417</u>	<u>25,924,841</u>	<u>68,659,607</u>	<u>474,601,543</u>
Expenditures:					
Certificated salaries	160,051,515	-	-	13,864,600	173,916,115
Classified salaries	48,975,962	289,362	-	12,996,917	62,262,241
Employee benefits	101,434,551	73,854	-	14,821,129	116,329,534
Books and supplies	10,711,932	364,322	-	10,457,607	21,533,861
Contract services and operating expenditures	59,986,078	261,245	-	4,098,013	64,345,336
Capital outlay	569,142	6,271,714	-	993,167	7,834,023
Other outgo	34,041	-	2,045	-	36,086
Debt service:					
Principal retirement	1,451,227	-	9,770,000	635,000	11,856,227
Interest	<u>725,976</u>	<u>27,270</u>	<u>13,642,347</u>	<u>2,454,870</u>	<u>16,850,463</u>
Total expenditures	<u>383,940,424</u>	<u>7,287,767</u>	<u>23,414,392</u>	<u>60,321,303</u>	<u>474,963,886</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(4,043,746)</u>	<u>(7,167,350)</u>	<u>2,510,449</u>	<u>8,338,304</u>	<u>(362,343)</u>
Other financing sources (uses):					
Operating transfers in	2,274,988	4,152,198	-	-	6,427,186
Operating transfers out	-	-	-	(6,427,186)	(6,427,186)
Proceeds from capital lease obligations	<u>64,608</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>64,608</u>
Total other financing sources (uses)	<u>2,339,596</u>	<u>4,152,198</u>	<u>-</u>	<u>(6,427,186)</u>	<u>64,608</u>
Change in fund balances	(1,704,150)	(3,015,152)	2,510,449	1,911,118	(297,735)
Fund balances, July 1, 2012	<u>21,113,495</u>	<u>23,545,030</u>	<u>11,137,386</u>	<u>30,747,021</u>	<u>86,542,932</u>
Fund balances, June 30, 2013	<u>\$ 19,409,345</u>	<u>\$ 20,529,878</u>	<u>\$ 13,647,835</u>	<u>\$ 32,658,139</u>	<u>\$ 86,245,197</u>

See accompanying notes to the financial statements



**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS -  
TO THE STATEMENT OF ACTIVITIES**

**For the Year Ended June 30, 2013**

Net change in fund balances - Total Governmental Funds		\$ (297,735)
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).	\$ 8,114,080	
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(25,201,617)	
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 7).	11,856,227	
In governmental funds, proceeds from debt are recognized as other financing sources. In the statement of net position, proceeds from debt are reported as increases to liabilities (Note 7).	(64,608)	
Accreted interest is an expense that is not reported in the governmental funds (Note 7).	(1,525,949)	
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 7).	1,353,060	
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.	28,004	
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:	(642,015)	
In the statement of activities, expenses related to PARS 403(b), net OPEB liability and compensated absences are measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used (Note 7).	<u>(14,727,559)</u>	<u>(20,810,377)</u>
Change in net position of governmental activities		<u>\$ (21,108,112)</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, 2013**

**ASSETS**

Cash and investments:	
Cash in County Treasury	\$ 4,618,685
Cash with Fiscal Agent	250,000
Cash on hand and in banks	61
Receivables	<u>327,317</u>
Total assets	<u>5,196,063</u>

**LIABILITIES**

Accounts payable	92,042
Due to other funds	133
Unpaid claims and claim adjustment expenses	<u>1,905,550</u>
Total liabilities	<u>1,997,725</u>

**NET POSITION**

Restricted	<u><u>\$ 3,198,338</u></u>
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See accompanying notes to the financial statements

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

**SELF-INSURANCE FUND**

**For the Year Ended June 30, 2013**

Operating revenues:	
Self-insurance premiums	\$ 12,656,033
Other local revenue	<u>208</u>
Total operating revenue	<u>12,656,241</u>
Operating expenses:	
Classified salaries	296,885
Employee benefits	151,512
Books and supplies	3,155
Contract services	<u>12,878,192</u>
Total operating expenses	<u>13,329,744</u>
Operating loss	(673,503)
Non-operating income:	
Interest income	<u>31,488</u>
Change in net position	(642,015)
Total net position, July 1, 2012	<u>3,840,353</u>
Total net position, June 30, 2013	<u><u>\$ 3,198,338</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, 2013**

Cash flows from operating activities:	
Cash received from self-insurance premiums	\$ 12,866,694
Cash paid for employee benefits	(13,125,703)
Cash paid for other expenses	<u>(53,189)</u>
Net cash used in operating activities	(312,198)
Cash flows provided by investing activities:	
Interest income received	<u>31,488</u>
Change in cash and investments	(280,710)
Cash and investments, July 1, 2012	<u>5,149,456</u>
Cash and investments, June 30, 2013	<u><u>\$ 4,868,746</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	<u>\$ (673,503)</u>
Adjustments to reconcile operating loss to net cash used in operating activities:	
Decrease in:	
Receivables	210,453
Due from other funds	2,000,000
Decrease in:	
Unpaid claims and claim adjustment expenses	(247,511)
Accounts payable	(1,601,454)
Due to other funds	<u>(183)</u>
Total adjustments	<u>361,305</u>
Net cash used in operating activities	<u><u>\$ (312,198)</u></u>

See accompanying notes to the financial statements

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**

**STATEMENT OF FIDUCIARY NET POSITION**

**TRUST AND AGENCY FUNDS**

June 30, 2013

	Trust Funds			Agency Fund	
	Retiree Benefits Trust	Scholar- ship Trust	Trust Total	Student Body Funds	Total
<b>ASSETS</b>					
Cash and investments (Note 2):					
Cash in County Treasury	\$10,143,893	\$ -	\$10,143,893	\$ -	\$10,143,893
Cash on hand and in banks	-	198,660	198,660	1,515,437	1,714,097
Cash with fiscal agent	400,000	-	400,000	-	400,000
Investment	3,760,628	-	3,760,628	-	3,760,628
Receivables	48,612	-	48,612	106	48,718
Due from other funds (Note 3)	3,738,374	-	3,738,374	-	3,738,374
Stores inventory	-	-	-	4,480	4,480
Other assets	-	-	-	9,470	9,470
Total assets	<u>18,091,507</u>	<u>198,660</u>	<u>18,290,167</u>	<u>1,529,493</u>	<u>19,819,660</u>
<b>LIABILITIES</b>					
Accounts payable	74,699	-	74,699	186,957	261,656
Due to other funds (Note 3)	41,099	-	41,099	-	41,099
Due to student groups	-	-	-	1,342,536	1,342,536
Total liabilities	<u>115,798</u>	<u>-</u>	<u>115,798</u>	<u>1,529,493</u>	<u>1,645,291</u>
<b>NET POSITION</b>					
Restricted (Note 8)	-	198,660	198,660	-	198,660
Held in trust for retiree benefits (Note 8)	<u>17,975,709</u>	<u>-</u>	<u>17,975,709</u>	<u>-</u>	<u>17,975,709</u>
Total net position	<u>\$17,975,709</u>	<u>\$ 198,660</u>	<u>\$18,174,369</u>	<u>\$ -</u>	<u>\$18,174,369</u>

See accompanying notes to the financial statements

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF CHANGE IN FIDUCIARY NET POSITION**  
**TRUST FUNDS**

**For the Year Ended June 30, 2013**

	<b>Retiree Benefits <u>Trust</u></b>	<b>Scholarship Trust <u>Trust</u></b>	<b><u>Total</u></b>
Revenues:			
Other local sources	\$ 20,406,179	\$ 85,219	\$ 20,491,398
Expenditures:			
Contract services and operating expenditures	<u>18,321,674</u>	<u>99,949</u>	<u>18,421,623</u>
Change in net position	2,084,505	(14,730)	2,069,775
Net position, July 1, 2012	<u>15,891,204</u>	<u>213,390</u>	<u>16,104,594</u>
Net position, June 30, 2013	<u>\$ 17,975,709</u>	<u>\$ 198,660</u>	<u>\$ 18,174,369</u>

See accompanying notes to the financial statements

# SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### Reporting Entity

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

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

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

#### A - Manifestations of Oversight

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

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

(Continued)

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

Reporting Entity (Continued)

**B - Accounting for Fiscal Matters**

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

**C - Scope of Public Service and Financial Presentation**

1. The Corporation was created for the sole purpose of financially assisting the District.
2. The Corporation is a nonprofit, public benefit corporation incorporated under the laws of the State of California and recorded by the Secretary of State. The Corporation was formed to provide financing assistance to the District for construction and acquisition of major capital facilities. Upon completion the District intends to occupy all Corporation facilities. When the Corporation's Certificates of Participation have been paid with state reimbursements and the District's developer fees, title of all Corporation property will pass to the District for no additional consideration.
3. The Corporation's financial activity is presented in the financial statements in the Building Fund. Certificates of Participation issued by the Corporation are included in the government-wide financial statements.

Basis of Presentation - 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.



**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

(Continued)

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

Basis of Presentation - Government-Wide Financial Statements (Continued)

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.

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.

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

(Continued)

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

Basis of Presentation - Fund Accounting (Continued)

A - Major Funds: (Continued)

2. Building Fund:

The Building Fund is 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 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:

1. Special Revenue Funds:

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

2. Capital Projects Funds:

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

3. Debt Service Funds:

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

4. Self-Insurance Fund:

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

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

(Continued)

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

Basis of Presentation - Fund Accounting (Continued)

**B - Other Funds: (Continued)**

**5. Retiree Benefits Trust Fund:**

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

**6. Scholarship Trust Fund:**

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

**7. Student Body Funds:**

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

Basis of Accounting

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

Accrual

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.

# SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### 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 for Revenue Limit funding and Categorical programs. The District has determined that no allowance for doubtful accounts was required as of June 30, 2013.

#### Stores Inventory

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

#### Capital Assets

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

#### Compensated Absences

Compensated absences totaling \$7,624,404 are recorded as a liability of the District. The liability is for the earned but unused benefits.

# SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

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

#### Accumulated Sick Leave

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

#### 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.

#### 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 unspent categorical program revenues and state programs represent programs where the revenue received is restricted for expenditures only in that particular program. The restriction for special revenues represents the portion of net position restricted for special purposes. The restriction for debt service repayments represents the portion of net position which the District plans to expend on debt repayment in the ensuing year. The restriction for capital projects represents the portion of net position restricted for capital projects. The restriction for self-insurance represents the portion of net position restricted for paying insurance premiums. The restriction for retiree benefits represents the portion of net position which will be used for payment of health insurance premiums for current and future retirees. 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.

#### Fund Balance Classifications

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

#### A - Nonspendable Fund Balance:

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

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

(Continued)

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

Fund Balance Classifications (Continued)

**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, 2013, 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, 2013, 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.

# SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

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

#### 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, 2013, the District has not established a minimum fund balance policy nor has it established a stabilization arrangement.

#### Property Taxes

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

#### Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. All encumbrances are liquidated as of June 30.

#### Eliminations and Reclassifications

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

#### Estimates

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

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

(Continued)

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

New Accounting Pronouncements

In November 2010, the GASB issued Statement No. 61, The Financial Reporting Entity: Omnibus. The Statement improves financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, The Financial Reporting Entity, and the related financial reporting requirements of Statement No. 34, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments, were amended to better meet user needs and to address reporting entity issues. This statement was adopted for the District’s fiscal year ended June 30, 2013 with no material impact on the District.

In December 2010, the GASB issued Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. The Statement incorporates into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: (1) Financial Accounting Standards Board (FASB) Statements and Interpretations; (2) Accounting Principles Board Opinions; and (3) Accounting Research Bulletins of the American Institute of Certified Public Accountants’ (AICPA) Committee on Accounting Procedure. This statement was adopted for the District’s fiscal year ended June 30, 2013 with no material impact on the District.

In June 2011, the GASB issued Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. This Statement provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (which is the net residual amount of the other elements). This Statement requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. This Statement also amends certain provisions of GASB Statement No. 34, Basic Financial Statement – and Management’s Discussion and Analysis – for State and Local Governments, and related pronouncements to reflect the residual measure in the statement of financial position as net position, rather than net assets. This statement was adopted for the District’s fiscal year ended June 30, 2013 with no material impact on the District.



**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

(Continued)

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

New Accounting Pronouncements (Continued)

In March 2012, the GASB issued Statement No. 65, Items Previously Reported as Assets and Liabilities. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. The provisions of this Statement are effective for the District's fiscal year ended June 30, 2014, with earlier application being encouraged. Based on the implementation of Statement No. 65 the District's net position as of July 1, 2012 was restated by \$9,001,869 because bond issuance costs were no longer capitalized, and also resulted in \$2,531,398 in deferred outflows due to loss on refunding of debt.

In March 2012, the GASB issued Statement No. 66, Technical Corrections – 2013, an amendment of GASB Statements No. 10 and No. 61. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 64, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre- November 30, 1989 FASB and AICPA Pronouncements. This Statement amends Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. As a result, Districts should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement No. 54 and Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments. This Statement also amends Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, Accounting for Operating Leases with Scheduled Rent Increases, and result in guidance that is consistent with the requirements in Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues, respectively. The provisions of this Statement are effective for the District's fiscal year ended June 30, 2014, with earlier application encouraged. Management has not determined what impact, if any, this GASB statement will have on the District's financial statements.

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

(Continued)

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

New Accounting Pronouncements (Continued)

In June 2012, the GASB issued Statement No. 67, Financial Reporting for Pension Plans. This Statement replaces the requirements of Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans and Statement No. 50 as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. The Statement builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. Statement No. 67 enhances note disclosures and RSI for both defined benefit and defined contribution pension plans. Statement No. 67 also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules. This Statement is effective for the District's financial period beginning June 30, 2014. Management has not determined what impact, if any, this GASB statement might have on its financial statements.

In June 2012, the GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions. This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers and Statement No. 50, Pension Disclosures, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI). This Statement is effective for the District's financial period beginning June 30, 2015. Management has not determined what impact, if any, this GASB statement might have on its financial statements.

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

(Continued)

**2. CASH AND INVESTMENTS**

Cash and investments at June 30, 2013 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	\$ 67,613,149	\$ 4,618,685	\$ 72,231,834	\$ 10,143,893
Deposits:				
Cash on hand and in banks	3,651,846	61	3,651,907	1,714,097
Cash in revolving fund	227,000	-	227,000	-
Total deposits	3,878,846	61	3,878,907	1,714,097
Investments:				
Cash with Fiscal Agent	6,598,111	250,000	6,848,111	400,000
Deferred compensation	2,424,401	-	2,424,401	-
Investments	-	-	-	3,760,628
Local Agency Investment Fund	904,549	-	904,549	-
Total investments	9,927,061	250,000	10,177,061	4,160,628
Total cash and investments	\$ 81,419,056	\$ 4,868,746	\$ 86,287,802	\$ 16,018,618

Pooled Funds

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

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

In accordance with applicable state laws, the Sacramento County Treasurer may invest in derivative securities. However, at June 30, 2013, the Sacramento County Treasurer has represented that the Treasurer's pooled investment fund contained no derivatives or other investments with similar risk profiles.

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

(Continued)

**2. CASH AND INVESTMENTS (Continued)**

Deposits - Custodial Credit Risk - Deposits

The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2013, the carrying amount of the District's accounts was \$5,593,004 and the bank balance was \$5,770,672. \$1,397,844 of the bank balance was FDIC insured and \$4,372,828 remained uninsured.

Investments

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

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

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

The Investment in the Retiree Benefits Trust Fund represents cash segregated for the future payment of other postemployment benefits. These amounts are held in the California Public Employees Retirement System (CalPERS) CERBT Strategy 2 investment portfolio, which is pooled with other agencies, therefore there are no significant credit risks related to the investments held. The investments held by the portfolio is in accordance with Sections 53601 and 53602 of the California Government code.

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

(Continued)

**2. CASH AND INVESTMENTS (Continued)**

Investments (Continued)

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

Interest Rate Risk

The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2013, 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, 2013, the District had no concentration of credit risk.

**3. INTERFUND TRANSACTIONS**

Interfund Activity

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

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

(Continued)

**3. INTERFUND TRANSACTIONS (Continued)**

Interfund Receivables/Payables

Individual interfund receivable and payable balances at June 30, 2013 were as follows:

Fund	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Funds:		
General	\$ 1,827,097	\$ 5,178,099
Building	-	24
Non-Major Funds:		
Charter Schools	1,261,612	882,261
Adult Education	176	41,815
Child Development	262,089	863,003
Cafeteria	20,061	101,417
Developer Fees	-	1,558
Proprietary Fund:		
Self-Insurance	-	133
Trust Fund:		
Retiree Benefits Trust	3,738,374	41,099
Totals	\$ 7,109,409	\$ 7,109,409

Interfund Transfers

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

Interfund transfers for the 2012-2013 fiscal year were as follows:

Transfer from the Adult Education Fund to the General Fund for indirect costs.	\$ 20,168
Transfer from the Child Development Fund to the General Fund for indirect costs.	473,040
Transfer from the Cafeteria Fund to the General Fund for indirect costs.	835,927
Transfer from the Charter Schools Fund to the General Fund for charter school fees and indirect support.	945,853
Transfer from the County School Facilities Fund to the Building Fund for State Apportionments received and used in building projects.	4,152,198
	\$ 6,427,186

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

(Continued)

**4. CAPITAL ASSETS**

A schedule of changes in capital assets for the year ended June 30, 2013 is shown below:

	Balance July 1, <u>2012</u>	Transfers and <u>Additions</u>	Transfers and <u>Deductions</u>	Balance June 30, <u>2013</u>
<u>Governmental Activities</u>				
Non-depreciable:				
Land	\$ 19,873,250	\$ -	\$ -	\$ 19,873,250
Work-in-process	653,981	3,926,738	(960,797)	3,619,922
Depreciable:				
Buildings	712,369,377	2,421,340	451,478	715,242,195
Site improvements	121,101,362	884,033	509,319	122,494,714
Equipment	<u>32,638,785</u>	<u>881,969</u>	<u>-</u>	<u>33,520,754</u>
Totals, at cost	<u>886,636,755</u>	<u>8,114,080</u>	<u>-</u>	<u>894,750,835</u>
Less accumulated depreciation:				
Buildings	(305,935,304)	(18,119,582)	-	(324,054,886)
Site improvements	(56,993,237)	(5,199,288)	-	(62,192,525)
Equipment	<u>(26,551,379)</u>	<u>(1,882,747)</u>	<u>-</u>	<u>(28,434,126)</u>
Total accumulated depreciation	<u>(389,479,920)</u>	<u>(25,201,617)</u>	<u>-</u>	<u>(414,681,537)</u>
Capital assets, net	<u>\$ 497,156,835</u>	<u>\$ (17,087,537)</u>	<u>\$ -</u>	<u>\$ 480,069,298</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 23,279,498
Food services	262,976
All other pupil services	424,480
All other general administration	861,849
Plant services	163,423
Community services	<u>209,391</u>
Total depreciation expense	<u>\$ 25,201,617</u>

**5. SELF-INSURANCE CLAIMS**

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

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.

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

(Continued)

**5. SELF-INSURANCE CLAIMS (Continued)**

District management recomputes the liability annually using available updated claims data. Annually, the District contracts with an actuary who performs an actuarial study using a variety of statistical techniques to produce current estimates that consider claim frequency and other economic factors. The liability for workers compensation is based on an actuarial study dated April 8, 2013.

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

	June 30, <u>2013</u>	June 30, <u>2012</u>
Unpaid claim and claim adjustment expenses, beginning of year	\$ 2,153,061	\$ 2,797,156
Total incurred claims and claim adjustment expenses	12,878,192	9,270,304
Total payments	<u>(13,125,703)</u>	<u>(9,914,399)</u>
Total unpaid claims and claim adjustment expenses at end of year	<u>\$ 1,905,550</u>	<u>\$ 2,153,061</u>

**6. TAX AND REVENUE ANTICIPATION NOTE**

On April 9, 2013, the District issued \$60,000,000 of Tax and Revenue Anticipation Note (TRAN) maturing on September 26, 2013, with an interest rate of 1%, to provide for anticipated cash flow deficits from operations. The TRAN is a general obligation of the District and is payable from revenues and cash receipts generated by the District during the fiscal year ended June 30, 2013. As of June 30, 2013, the District is fully utilizing the cash from the TRAN and has recorded a liability of \$60,000,000 in the basic financial statements. The TRAN was paid off subsequent to June 30, 2013.

**7. LONG-TERM LIABILITIES**

Special Tax Bonds

<u>Series</u>	<u>Interest Rate</u>	<u>Balance July 1, 2012</u>	<u>Current Year Proceeds</u>	<u>Current Year Maturities</u>	<u>Balance June 30, 2013</u>
1997 C	3.7% to 5.5%	<u>\$ 1,230,000</u>	<u>\$ -</u>	<u>\$ 635,000</u>	<u>\$ 595,000</u>

Special Tax Bonds outstanding represent the unpaid portion of a bond issuance by voters to finance construction of three school facilities. All records relating to bond redemption and payments of interest are maintained by the Sacramento County Auditor/Controller. The Special Tax Bonds mature on September 1, 2013.



**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

(Continued)

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

Special Tax Bonds (Continued)

Scheduled payments on Series 1997 C Special Tax Bond are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 595,000	\$ 16,363	\$ 611,363

General Obligation Bonds

Series 2005:

On July 1, 2005, the District issued 2002 General Obligation Bonds, Series 2005, totaling \$80,000,000. Bond proceeds are being spent to construct, repair and expand local schools. Repayment of the bonds will be made from property taxes levied by the County of Sacramento. The bonds bear interest at rates ranging from 3.0% to 5.0% and are scheduled to mature through 2031 as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ -	\$ 1,774,375	\$ 1,774,375
2015	1,540,000	3,510,250	5,050,250
2016	1,770,000	3,427,500	5,197,500
2017	2,020,000	3,332,750	5,352,750
2018	2,280,000	3,225,250	5,505,250
2019-2023	16,010,000	14,005,750	30,015,750
2024-2028	25,770,000	8,844,500	34,614,500
2029-2031	<u>21,585,000</u>	<u>1,676,875</u>	<u>23,261,875</u>
	<u>\$ 70,975,000</u>	<u>\$ 39,797,250</u>	<u>\$ 110,772,250</u>

Series 2007:

On November 14, 2007, the District issued 2002 General Obligation Bonds, Series 2007, totaling \$64,997,966. The bonds were issued as current interest bonds and capital appreciation bonds totaling \$38,920,000 and \$26,077,966, respectively. Bond proceeds are being spent to construct, repair and expand local schools. Repayment of the bonds will be made from property taxes levied by the County of Sacramento.

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

(Continued)

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

General Obligation Bonds (Continued)

Series 2007: (Continued)

The current interest bonds bear interest at rates ranging from 3.5% to 5.0% and are scheduled to mature through 2023 as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ -	\$ 516,903	\$ 516,903
2015	1,700,000	999,806	2,699,806
2016	1,880,000	918,806	2,798,806
2017	2,095,000	819,431	2,914,431
2018	2,285,000	709,931	2,994,931
2019-2023	<u>15,155,000</u>	<u>1,769,872</u>	<u>16,924,872</u>
	<u>\$ 23,115,000</u>	<u>\$ 5,734,749</u>	<u>\$ 28,849,749</u>

The capital appreciation bonds bear interest at rates ranging from 4.55% to 4.75% and are scheduled to mature through 2033 as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024-2028	\$ 20,153,756	\$ 7,651,246	\$ 27,805,002
2029-2033	<u>13,670,254</u>	<u>26,019,744</u>	<u>39,689,998</u>
	<u>\$ 33,824,010</u>	<u>\$ 33,670,990</u>	<u>\$ 67,495,000</u>

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

(Continued)

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

General Obligation Bonds (Continued)

Series 2011 Refunding:

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. Repayment of the bonds will be made from property taxes levied by the County of Sacramento. The bonds bear interest at rates ranging from 0.45% to 5.5% and are scheduled to mature through 2030 as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ -	\$ 1,733,288	\$ 1,733,288
2015	3,820,000	3,390,176	7,210,176
2016	3,965,000	3,214,651	7,179,651
2017	4,160,000	3,067,326	7,227,326
2018	4,255,000	2,912,751	7,167,751
2019-2023	24,550,000	11,191,755	35,741,755
2024-2028	26,225,000	4,460,630	30,685,630
2029-2030	<u>5,215,000</u>	<u>218,489</u>	<u>5,433,489</u>
	<u>\$ 72,190,000</u>	<u>\$ 30,189,066</u>	<u>\$ 102,379,066</u>

Series 2012 Refunding:

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. Repayment of the bonds will be made from property taxes levied by the County of Sacramento. The bonds bear interest at rates ranging from 2.0% to 5.25% and are scheduled to mature through 2032 as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ -	\$ 2,514,731	\$ 2,514,731
2015	3,925,000	4,950,962	8,875,962
2016	4,280,000	4,786,862	9,066,862
2017	4,645,000	4,608,363	9,253,363
2018	5,170,000	4,412,063	9,582,063
2019-2023	32,790,000	18,113,863	50,903,863
2024-2028	25,740,000	11,183,019	36,923,019
2029-2032	<u>35,000,000</u>	<u>3,314,250</u>	<u>38,314,250</u>
	<u>\$ 111,550,000</u>	<u>\$ 53,884,113</u>	<u>\$ 165,434,113</u>

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

(Continued)

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

Certificates of Participation (COPs)

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

Scheduled payments for the 2001 COPs are as follows:

Year Ending <u>June 30.</u>	COPs <u>Payments</u>
2014	\$ 2,791,175
2015	2,788,075
2016	2,786,495
2017	2,791,100
2018	2,786,975
2019-2023	13,947,250
2024-2028	13,944,000
2029-2033	<u>8,366,750</u>
Total payments	50,201,820
Less amount representing interest	<u>(17,546,820)</u>
Net present value of minimum payments	<u>\$ 32,655,000</u>

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

On March 14, 2011, the District remarketed the 2002 Variable Rate Demand Certificates in the original aggregate principal amount of \$58,000,000. The 2002 COPs were remarketed in the aggregate principal amount of \$48,020,000, maturing on March 1, 2040, in connection with the mandatory tender of the 2002 COPs as a result of the District's election to convert the interest rate from weekly rates to SIFMA Term Floater Rates.

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

(Continued)

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

Certificates of Participation (COPs) (Continued)

Scheduled principal payments for the remarketed 2011 COPs are as follows:

Year Ending <u>June 30,</u>	COPs <u>Payments</u>
2014	\$ 280,000
2015	295,000
2016	315,000
2017	335,000
2018	355,000
2019-2023	2,190,000
2024-2028	5,190,000
2029-2033	10,470,000
2034-2038	18,060,000
2039-2040	<u>10,015,000</u>
Total	<u>\$ 47,505,000</u>

Capitalized Lease Obligations

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

Year Ending <u>June 30,</u>	Lease <u>Payments</u>
2014	\$ 61,268
2015	47,099
2016	<u>17,441</u>
Total payments	125,808
Less amount representing interest	<u>(9,668)</u>
Net minimum lease payments	<u>\$ 116,140</u>

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

(Continued)

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

PARS 403(b) Supplementary Retirement Plan

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

Year Ending <u>June 30,</u>	<u>PARS</u> <u>Payments</u>
2014	<u>\$ 1,042,493</u>

Schedule of Changes in Long-Term Liabilities

A schedule of changes in long-term liabilities for the year ended June 30, 2013 is shown below:

	Balance July 1, <u>2012</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2013</u>	Amounts Due Within <u>One Year</u>
Governmental activities:					
Special Tax Bonds	\$ 1,230,000	\$ -	\$ 635,000	\$ 595,000	\$ 595,000
General Obligation Bonds	287,600,000	-	9,770,000	277,830,000	-
Capital Appreciation Bonds	32,298,061	1,525,949	-	33,824,010	-
Premium on issuance	24,550,228	-	1,353,060	23,197,168	1,353,060
Certificates of Participation	81,555,000	-	1,395,000	80,160,000	1,460,000
Capitalized lease obligations	107,759	64,608	56,227	116,140	55,552
PARS 403(b)	4,751,214	-	3,708,721	1,042,493	1,042,493
Net OPEB liability (Note 10)	133,983,455	46,785,275	29,008,575	151,760,155	25,096,804
Compensated absences	<u>6,964,824</u>	<u>659,580</u>	<u>-</u>	<u>7,624,404</u>	<u>7,624,404</u>
	<u>\$ 573,040,541</u>	<u>\$ 49,035,412</u>	<u>\$ 45,926,583</u>	<u>\$ 576,149,370</u>	<u>\$ 37,227,313</u>

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

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

(Continued)

**8. NET POSITION / FUND BALANCES**

Restricted net position consisted of the following at June 30, 2013:

	Governmental <u>Activities</u>	Fiduciary <u>Funds</u>
Restricted for unspent categorical program revenues and state programs	\$ 6,642,610	\$ -
Restricted for special revenues	11,943,981	-
Restricted for debt service	13,811,592	-
Restricted for capital projects	33,577,619	-
Restricted for self insurance	3,198,338	-
Restricted for retiree benefits	-	17,575,709
Restricted for scholarships	-	198,660
	<u>        </u>	<u>        </u>
Total restricted net position	<u><u>\$ 69,174,140</u></u>	<u><u>\$ 17,774,369</u></u>

Fund balances, by category, at June 30, 2013 consisted of the following:

	General <u>Fund</u>	Building <u>Fund</u>	Bond Interest Redemption <u>Fund</u>	All Non-Major <u>Funds</u>	<u>Total</u>
Nonspendable:					
Revolving cash fund	\$ 225,000	\$ -	-	\$ 2,000	\$ 227,000
Prepaid expenditures	55,686	-	-	2,871	58,557
Stores inventory	<u>129,180</u>	<u>-</u>	<u>-</u>	<u>443,937</u>	<u>573,117</u>
Subtotal nonspendable	<u>409,866</u>	<u>-</u>	<u>-</u>	<u>448,808</u>	<u>858,674</u>
Restricted:					
Special revenues	-	-	-	11,495,173	11,495,173
Capital projects	-	20,529,878	-	16,858,400	37,388,278
Debt service	-	-	13,647,835	3,855,758	17,503,593
Unspent categorical revenues	<u>6,642,610</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,642,610</u>
Subtotal restricted	<u>6,642,610</u>	<u>20,529,878</u>	<u>13,647,835</u>	<u>32,209,331</u>	<u>73,029,654</u>
Assigned:					
Donations	789,004	-	-	-	789,004
Regional Occupational Program	138,110	-	-	-	138,110
Lottery	292,819	-	-	-	292,819
Flexibility	<u>3,129,482</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,129,482</u>
Subtotal assigned	<u>4,349,415</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,349,415</u>
Unassigned:					
Designated for economic uncertainty	<u>8,007,454</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,007,454</u>
Total fund balances	<u><u>\$ 19,409,345</u></u>	<u><u>\$ 20,529,878</u></u>	<u><u>13,647,835</u></u>	<u><u>\$ 32,658,139</u></u>	<u><u>\$ 86,245,197</u></u>

## SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

#### 9. EMPLOYEE RETIREMENT SYSTEMS

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

##### Plan Description and Provisions

California Public Employees' Retirement System (CalPERS)

##### *Plan Description*

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Sacramento, California 95811.

##### *Funding Policy*

Active plan members are required to contribute 7% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2012-2013 was 11.417% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2011, 2012 and 2013 were \$6,411,937, \$6,640,921 and \$6,381,013, respectively, and equal 100% of the required contributions for each year.

State Teachers' Retirement System (STRS)

##### *Plan Description*

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



**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

(Continued)

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

Plan Description and Provisions (Continued)

State Teachers' Retirement System (STRS) (Continued)

*Funding Policy*

Active plan members are required to contribute 8% of their salary. The required employer contribution rate for fiscal year 2012-2013 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal years ending June 30, 2011, 2012 and 2013 were \$15,323,790, \$14,823,475 and \$14,075,308, respectively, and equal 100% of the required contributions for each year.

**10. OTHER POSTEMPLOYMENT HEALTHCARE PLAN**

Plan Description

Sacramento City Unified School District's Retired Employees Healthcare Plan (REHP), is a single-employer defined benefit healthcare plan administered by the Sacramento City Unified School District. REHP provides medical insurance benefits to eligible retirees. Benefits are a negotiated component of each bargaining unit agreement. Currently, eligible retirees receive health care benefits that are paid 100% by the District. District teachers qualify for these benefits after attaining age 55 with at least ten years of consecutive service to the District for retirements through June 30, 2013. Other District employees qualify for benefits after attaining age 50 and meeting the requirements outlined in their respective bargaining agreements.

Funding Policy

The contribution requirements of the District are established and may be amended by the Board of Education. The required contribution is based in projected pay-as-you-go financing requirements, with an amount to fund the actuarial accrued liability as determined annually by the Board. For fiscal year ended June 30, 2013, the District contributed \$29.0 million to the plan.

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

(Continued)

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

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$ 47,394,540
Interest on net OPEB obligation	5,589,015
Adjustment to annual required contribution	<u>(6,198,280)</u>
Annual OPEB cost (expense)	46,785,275
Contributions made	<u>(29,008,575)</u>
Increase in net OPEB obligation	17,776,700
Net OPEB obligation - beginning of year	<u>133,983,455</u>
Net OPEB obligation - end of year	<u><u>\$151,760,155</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2013 and preceding two years were as follows:

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage</u> <u>of Annual</u> <u>OPEB Cost</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
June 30, 2011	\$ 43,610,327	55.6%	\$111,133,251
June 30, 2012	\$ 45,781,527	50.1%	\$133,983,455
June 30, 2013	\$ 46,785,275	62.0%	\$151,760,155

## SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

#### 10. OTHER POSTEMPLOYMENT HEALTHCARE PLAN (Continued)

##### Funded Status and Funding Progress

As of December 1, 2012, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$632.7 million, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$632.7 million. For fiscal year ending June 30, 2013, the covered payroll (annual payroll of active employees covered by the plan) was \$217.7 million, and the ratio of the UAAL to the covered payroll was 291 percent. The OPEB plan is currently operated as a pay-as-you-go plan and contributions toward prefunding began during the fiscal year ended June 30, 2013.

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

##### Actuarial Methods and Assumptions

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

In the December 1, 2012, actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included an annual healthcare cost trend rate of 8.75 percent initially, reduced by decrements to an ultimate rate of 4.64 percent after twelve years and a discount rate of 4.17 percent. The UAAL is being amortized as a level percentage of projected payroll. The remaining amortization period at June 30, 2013, was 25 years.

*See also the Required Supplementary Information.*

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

(Continued)

**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 following is a summary of financial information for SIA at June 30, 2013:

Total assets	\$ 110,869,154
Total liabilities	\$ 48,458,959
Total net position	\$ 62,410,195
Total revenues	\$ 41,915,136
Total expenses	\$ 42,863,046
Change in net position	\$ (947,910)

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.

Self-Insured Schools of California

The District is a member with other school districts of a Joint Powers Authority, Self-Insured Schools of California (SISC). SISC provides a means of combining the administration of claims and obtains lower insurance rates for the benefit of public schools, colleges or other educational agencies. The following is a summary of financial information for SISC at September 30, 2012:

Total assets	\$ 290,186,066
Total liabilities	\$ 131,486,820
Total net assets	\$ 158,699,246
Total revenues	\$1,276,863,026
Total expenses	\$1,264,964,243
Change in net assets	\$ 11,898,783

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.

**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.

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

(Continued)

**12. CONTINGENCIES (Continued)**

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.

**13. FINANCIAL RESPONSIBILITY**

For the 2013-14 fiscal year, Sacramento City Unified School District expects no mid-year reductions due to the passage of Proposition 30 in November. With the severe budget/staffing reductions implemented for the 2012-13 fiscal year, the District will maintain a balanced budget. It is anticipated that some budget reductions may be necessary for 2013-14 due to continued enrollment decline and increased costs for health benefits. However, as in previous years, the District will take the necessary steps to ensure a balanced budget for the current fiscal year as well as future years. Despite the fluctuations at the state level with funding and cash deferrals, the District continues to monitor and will budget for the current and future years to ensure financial stability.

**14. SUBSEQUENT EVENT**

On July 16, 2013, the District issued 2012 General Obligation Bonds, 2013 Series A and 2012 General Obligation, 2013 Series B Qualified School Construction Bonds, totaling \$30,000,000 and \$40,000,000, respectively. Bond proceeds are being spent to construct, repair and expand local schools. Repayment of the bonds will be made from property taxes levied by the County of Sacramento and Federal interest subsidy payments for the Qualified School Construction Bonds. The bonds bear interest at rates ranging from 2.0% to 5.65% and are scheduled to mature through 2039.

**REQUIRED SUPPLEMENTARY INFORMATION**

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**

**GENERAL FUND**

**BUDGETARY COMPARISON SCHEDULE**

**For the Year Ended June 30, 2013**

	<u>Budget</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Revenue limit sources:				
State apportionment	\$ 146,648,226	\$ 167,137,470	\$ 167,285,273	\$ 147,803
Local sources	<u>56,884,524</u>	<u>53,516,796</u>	<u>53,090,769</u>	<u>(426,027)</u>
Total revenue limit	<u>203,532,750</u>	<u>220,654,266</u>	<u>220,376,042</u>	<u>(278,224)</u>
Federal sources	40,200,765	56,077,848	47,813,970	(8,263,878)
Other state sources	101,253,009	106,132,960	103,236,312	(2,896,648)
Other local sources	<u>2,449,550</u>	<u>9,413,965</u>	<u>8,470,354</u>	<u>(943,611)</u>
Total revenues	<u>347,436,074</u>	<u>392,279,039</u>	<u>379,896,678</u>	<u>(12,382,361)</u>
Expenditures:				
Certificated salaries	150,516,766	165,216,075	160,051,515	5,164,560
Classified salaries	44,745,070	49,604,003	48,975,962	628,041
Employee benefits	96,654,613	105,998,521	101,434,551	4,563,970
Books and supplies	10,179,930	19,712,833	10,711,932	9,000,901
Contract services and operating expenditures	46,071,621	60,091,621	59,986,078	105,543
Capital outlay	239,871	617,783	569,142	48,641
Other outgo	-	47,984	34,041	13,943
Debt service:				
Principal retirement	2,125,000	1,451,960	1,451,227	733
Interest	<u>-</u>	<u>734,942</u>	<u>725,976</u>	<u>8,966</u>
Total expenditures	<u>350,532,871</u>	<u>403,475,722</u>	<u>383,940,424</u>	<u>19,535,298</u>
Deficiency of revenues under expenditures	<u>(3,096,797)</u>	<u>(11,196,683)</u>	<u>(4,043,746)</u>	<u>7,152,937</u>
Other financing sources:				
Operating transfers in	2,096,797	2,385,740	2,274,988	(110,752)
Proceeds from the issuance of debt	<u>-</u>	<u>-</u>	<u>64,608</u>	<u>64,608</u>
Total other financing sources (uses)	<u>2,096,797</u>	<u>2,385,740</u>	<u>2,339,596</u>	<u>(46,144)</u>
Change in fund balance	(1,000,000)	(8,810,943)	(1,704,150)	7,106,793
Fund balance, July 1, 2012	<u>21,113,495</u>	<u>21,113,495</u>	<u>21,113,495</u>	<u>-</u>
Fund balance, June 30, 2013	<u>\$ 20,113,495</u>	<u>\$ 12,302,552</u>	<u>\$ 19,409,345</u>	<u>\$ 7,106,793</u>

See accompanying notes to required supplementary information.

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)**  
**FUNDING PROGRESS**

For the Year Ended June 30, 2013

<u>Schedule of Funding Progress</u>							
<u>Fiscal Year Ended</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
6/30/2008	December 1, 2006	\$ -	\$ 505,700,000	\$ 505,700,000	0%	\$ 242,700,000	208.4%
6/30/2009	December 1, 2006	\$ -	\$ 505,700,000	\$ 505,700,000	0%	\$ 255,800,000	197.7%
6/30/2010	December 1, 2008	\$ -	\$ 552,400,000	\$ 552,400,000	0%	\$ 227,100,000	243.2%
6/30/2011	December 1, 2010	\$ -	\$ 566,291,438	\$ 566,291,438	0%	\$ 227,500,000	248.9%
6/30/2012	December 1, 2010	\$ -	\$ 591,600,000	\$ 591,600,000	0%	\$ 236,100,000	250.6%
6/30/2013	December 1, 2012	\$ -	\$ 632,679,806	\$ 632,679,806	0%	\$ 217,700,000	290.6%

See accompanying notes to required supplementary information.



**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**1. PURPOSE OF SCHEDULES**

A - Budgetary Comparison Schedule

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

B - Schedule of Other Postemployment Benefits Funding Progress

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

## **SUPPLEMENTARY INFORMATION**

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET

ALL NON-MAJOR FUNDS

June 30, 2013

	<u>Charter Schools Fund</u>	<u>Adult Education Fund</u>	<u>Child Development Fund</u>	<u>Cafeteria Fund</u>	<u>Deferred Maintenance Fund</u>	<u>Developer Fees Fund</u>	<u>County School Facilities Fund</u>	<u>Community Facilities Fund</u>	<u>South Pocket Facilities Fund</u>	<u>Tax Override Fund</u>	<u>Total</u>
<b>ASSETS</b>											
Cash in County Treasury	\$ (1,312,826)	\$ (742,216)	\$ (1,025,742)	\$ 3,528,753	\$ 76,705	\$ 4,679,915	\$ -	\$ 11,913,671	\$ -	\$ 163,757	\$ 17,282,017
Cash on hand and in banks	911	1,828,526	432,136	545,172	-	322,795	-	11,615	-	-	3,141,155
Cash in revolving account	-	-	-	2,000	-	-	-	-	-	-	2,000
Cash with Fiscal Agent	-	-	-	-	-	-	-	-	3,692,001	-	3,692,001
Receivables	2,513,293	880,864	2,820,636	3,725,680	184	153,993	-	24,198	-	-	10,118,848
Due from other funds	1,261,612	176	262,089	20,061	-	-	-	-	-	-	1,543,938
Stores inventory	-	-	-	443,937	-	-	-	-	-	-	443,937
Prepaid expenditures	<u>2,032</u>	<u>839</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,871</u>
Total assets	<u>\$ 2,465,022</u>	<u>\$ 1,968,189</u>	<u>\$ 2,489,119</u>	<u>\$ 8,265,603</u>	<u>\$ 76,889</u>	<u>\$ 5,156,703</u>	<u>\$ -</u>	<u>\$ 11,949,484</u>	<u>\$ 3,692,001</u>	<u>\$ 163,757</u>	<u>\$ 36,226,767</u>
<b>LIABILITIES AND FUND BALANCES</b>											
Liabilities:											
Accounts payable	\$ 104,109	\$ 392,049	\$ 562,072	\$ 291,234	\$ 1,265	\$ 245,479	\$ -	\$ 750	\$ -	\$ -	\$ 1,596,958
Unearned revenue	24,408	2,210	38,063	16,935	-	-	-	-	-	-	81,616
Due to other funds	<u>882,261</u>	<u>41,815</u>	<u>863,003</u>	<u>101,417</u>	<u>-</u>	<u>1,558</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,890,054</u>
Total liabilities	<u>1,010,778</u>	<u>436,074</u>	<u>1,463,138</u>	<u>409,586</u>	<u>1,265</u>	<u>247,037</u>	<u>-</u>	<u>750</u>	<u>-</u>	<u>-</u>	<u>3,568,628</u>
Fund balances:											
Nonspendable	2,032	839	-	445,937	-	-	-	-	-	-	448,808
Restricted	<u>1,452,212</u>	<u>1,531,276</u>	<u>1,025,981</u>	<u>7,410,080</u>	<u>75,624</u>	<u>4,909,666</u>	<u>-</u>	<u>11,948,734</u>	<u>3,692,001</u>	<u>163,757</u>	<u>32,209,331</u>
Total fund balances	<u>1,454,244</u>	<u>1,532,115</u>	<u>1,025,981</u>	<u>7,856,017</u>	<u>75,624</u>	<u>4,909,666</u>	<u>-</u>	<u>11,948,734</u>	<u>3,692,001</u>	<u>163,757</u>	<u>32,658,139</u>
Total liabilities and fund balances	<u>\$ 2,465,022</u>	<u>\$ 1,968,189</u>	<u>\$ 2,489,119</u>	<u>\$ 8,265,603</u>	<u>\$ 76,889</u>	<u>\$ 5,156,703</u>	<u>\$ -</u>	<u>\$ 11,949,484</u>	<u>\$ 3,692,001</u>	<u>\$ 163,757</u>	<u>\$ 36,226,767</u>

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES

ALL NON-MAJOR FUNDS

For the Year Ended June 30, 2013

	<u>Charter Schools Fund</u>	<u>Adult Education Fund</u>	<u>Child Development Fund</u>	<u>Cafeteria Fund</u>	<u>Deferred Maintenance Fund</u>	<u>Developer Fees Fund</u>	<u>County School Facilities Fund</u>	<u>Community Facilities Fund</u>	<u>South Pocket Facilities Fund</u>	<u>Tax Override Fund</u>	<u>Total</u>
Revenues:											
Revenue limit sources:											
State apportionment	\$ 8,938,673	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,938,673
Federal sources	252,582	3,217,891	10,850,434	19,862,068	-	-	-	-	-	-	34,182,975
Other state sources	1,975,591	279,950	4,817,471	1,420,364	-	-	4,152,198	-	-	-	12,645,574
Other local sources	<u>519,496</u>	<u>4,533,854</u>	<u>2,434,634</u>	<u>1,236,036</u>	<u>559</u>	<u>1,877,646</u>	<u>-</u>	<u>1,400,601</u>	<u>889,559</u>	<u>-</u>	<u>12,892,385</u>
Total revenues	<u>11,686,342</u>	<u>8,031,695</u>	<u>18,102,539</u>	<u>22,518,468</u>	<u>559</u>	<u>1,877,646</u>	<u>4,152,198</u>	<u>1,400,601</u>	<u>889,559</u>	<u>-</u>	<u>68,659,607</u>
Expenditures:											
Certificated salaries	5,258,522	2,477,266	6,128,812	-	-	-	-	-	-	-	13,864,600
Classified salaries	680,391	1,308,566	4,839,207	6,152,607	3,422	12,724	-	-	-	-	12,996,917
Employee benefits	2,770,840	1,986,884	6,628,150	3,429,782	2,430	3,043	-	-	-	-	14,821,129
Books and supplies	169,699	337,312	477,460	9,362,195	4,260	104,475	-	2,206	-	-	10,457,607
Contract services and operating expenditures	1,209,708	2,274,901	410,209	164,250	6,410	17,606	-	14,929	-	-	4,098,013
Capital outlay	78,858	-	8,577	410,472	-	479,131	-	16,129	-	-	993,167
Debt service:											
Principal retirement	-	-	-	-	-	-	-	-	635,000	-	635,000
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,405,000</u>	<u>-</u>	<u>-</u>	<u>49,870</u>	<u>-</u>	<u>2,454,870</u>
Total expenditures	<u>10,168,018</u>	<u>8,384,929</u>	<u>18,492,415</u>	<u>19,519,306</u>	<u>16,522</u>	<u>3,021,979</u>	<u>-</u>	<u>33,264</u>	<u>684,870</u>	<u>-</u>	<u>60,321,303</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,518,324</u>	<u>(353,234)</u>	<u>(389,876)</u>	<u>2,999,162</u>	<u>(15,963)</u>	<u>(1,144,333)</u>	<u>4,152,198</u>	<u>1,367,337</u>	<u>204,689</u>	<u>-</u>	<u>8,338,304</u>
Other financing uses:											
Operating transfers out	<u>(945,853)</u>	<u>(20,168)</u>	<u>(473,040)</u>	<u>(835,927)</u>	<u>-</u>	<u>-</u>	<u>(4,152,198)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,427,186)</u>
Net change in fund balances	572,471	(373,402)	(862,916)	2,163,235	(15,963)	(1,144,333)	-	1,367,337	204,689	-	1,911,118
Fund balances, July 1, 2012	<u>881,773</u>	<u>1,905,517</u>	<u>1,888,897</u>	<u>5,692,782</u>	<u>91,587</u>	<u>6,053,999</u>	<u>-</u>	<u>10,581,397</u>	<u>3,487,312</u>	<u>163,757</u>	<u>30,747,021</u>
Fund balances, June 30, 2013	<u>\$ 1,454,244</u>	<u>\$ 1,532,115</u>	<u>\$ 1,025,981</u>	<u>\$ 7,856,017</u>	<u>\$ 75,624</u>	<u>\$ 4,909,666</u>	<u>\$ -</u>	<u>\$ 11,948,734</u>	<u>\$ 3,692,001</u>	<u>\$ 163,757</u>	<u>\$ 32,658,139</u>

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

**ALL AGENCY FUNDS**

**For the Year Ended June 30, 2013**

	<b>Balance July 1, <u>2012</u></b>	<b><u>Additions</u></b>	<b><u>Deductions</u></b>	<b>Balance June 30, <u>2013</u></b>
<b>Student Body Funds</b>				
<u>C.K. McClatchy High School</u>				
Assets:				
Cash on hand and in banks	\$ 323,988	\$ 345,584	\$ 404,186	\$ 265,386
Receivables	-	500	500	-
Stores inventory	-	-	-	-
Capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 323,988</u>	<u>\$ 346,084</u>	<u>\$ 404,686</u>	<u>\$ 265,386</u>
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to student groups	<u>323,988</u>	<u>346,084</u>	<u>404,686</u>	<u>265,386</u>
Total liabilities	<u>\$ 323,988</u>	<u>\$ 346,084</u>	<u>\$ 404,686</u>	<u>\$ 265,386</u>
<u>Hiram Johnson High School</u>				
Assets:				
Cash on hand and in banks	\$ 44,544	\$ 148,324	\$ 146,079	\$ 46,789
Receivables	-	-	-	-
Stores inventory	3,500	-	-	3,500
Capital assets	<u>9,470</u>	<u>-</u>	<u>-</u>	<u>9,470</u>
Total assets	<u>\$ 57,514</u>	<u>\$ 148,324</u>	<u>\$ 146,079</u>	<u>\$ 59,759</u>
Liabilities:				
Accounts payable	\$ -	\$ 7,378	\$ -	\$ 7,378
Due to student groups	<u>57,514</u>	<u>140,946</u>	<u>146,079</u>	<u>52,381</u>
Total liabilities	<u>\$ 57,514</u>	<u>\$ 148,324</u>	<u>\$ 146,079</u>	<u>\$ 59,759</u>

(Continued)

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

**ALL AGENCY FUNDS**  
(Continued)  
**For the Year Ended June 30, 2013**

	<b>Balance July 1, 2012</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2013</b>
<b>Student Body Funds (Continued)</b>				
<u>Luther Burbank High School</u>				
Assets:				
Cash on hand and in banks	\$ 149,594	\$ 227,521	\$ 210,170	\$ 166,945
Receivables	-	-	-	-
Stores inventory	456	524	-	980
Capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<b><u>\$ 150,050</u></b>	<b><u>\$ 228,045</u></b>	<b><u>\$ 210,170</u></b>	<b><u>\$ 167,925</u></b>
Liabilities:				
Accounts payable	\$ 32,503	\$ 4,044	\$ 1,753	\$ 34,794
Due to student groups	<u>117,547</u>	<u>224,001</u>	<u>208,417</u>	<u>133,131</u>
Total liabilities	<b><u>\$ 150,050</u></b>	<b><u>\$ 228,045</u></b>	<b><u>\$ 210,170</u></b>	<b><u>\$ 167,925</u></b>
<u>John F. Kennedy High School</u>				
Assets:				
Cash on hand and in banks	\$ 133,479	\$ 383,954	\$ 402,939	\$ 114,494
Receivables	106	-	-	106
Stores inventory	-	-	-	-
Capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<b><u>\$ 133,585</u></b>	<b><u>\$ 383,954</u></b>	<b><u>\$ 402,939</u></b>	<b><u>\$ 114,600</u></b>
Liabilities:				
Accounts payable	\$ 28,743	\$ 15,510	\$ 15,748	\$ 28,505
Due to student groups	<u>104,842</u>	<u>368,444</u>	<u>387,191</u>	<u>86,095</u>
Total liabilities	<b><u>\$ 133,585</u></b>	<b><u>\$ 383,954</u></b>	<b><u>\$ 402,939</u></b>	<b><u>\$ 114,600</u></b>

(Continued)

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

**ALL AGENCY FUNDS**  
(Continued)  
**For the Year Ended June 30, 2013**

	<b>Balance July 1, <u>2012</u></b>	<b><u>Additions</u></b>	<b><u>Deductions</u></b>	<b>Balance June 30, <u>2013</u></b>
<b>Student Body Funds (Continued)</b>				
<u>Rosemont High School</u>				
Assets:				
Cash on hand and in banks	\$ 86,411	\$ 222,370	\$ 225,964	\$ 82,817
Receivables	-	-	-	-
Stores inventory	-	-	-	-
Capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 86,411</u>	<u>\$ 222,370</u>	<u>\$ 225,964</u>	<u>\$ 82,817</u>
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to student groups	<u>86,411</u>	<u>222,370</u>	<u>225,964</u>	<u>82,817</u>
Total liabilities	<u>\$ 86,411</u>	<u>\$ 222,370</u>	<u>\$ 225,964</u>	<u>\$ 82,817</u>
<u>Hiram Johnson West Campus</u>				
Assets:				
Cash on hand and in banks	\$ 136,668	\$ 286,446	\$ 320,898	\$ 102,216
Receivables	-	-	-	-
Stores inventory	-	-	-	-
Capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 136,668</u>	<u>\$ 286,446</u>	<u>\$ 320,898</u>	<u>\$ 102,216</u>
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to student groups	<u>136,668</u>	<u>286,446</u>	<u>320,898</u>	<u>102,216</u>
Total liabilities	<u>\$ 136,668</u>	<u>\$ 286,446</u>	<u>\$ 320,898</u>	<u>\$ 102,216</u>

(Continued)

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

**ALL AGENCY FUNDS**  
(Continued)  
**For the Year Ended June 30, 2013**

	<b>Balance July 1, <u>2012</u></b>	<b><u>Additions</u></b>	<b><u>Deductions</u></b>	<b>Balance June 30, <u>2013</u></b>
<b>Student Body Funds (Continued)</b>				
<u>Charles A. Jones Skills and Education Center</u>				
Assets:				
Cash on hand and in banks	\$ 22,479	\$ 19,092	\$ 8,443	\$ 33,128
Receivables	28,423	-	28,423	-
Stores inventory	109,100	-	109,100	-
Capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<b><u>\$ 160,002</u></b>	<b><u>\$ 19,092</u></b>	<b><u>\$ 145,966</u></b>	<b><u>\$ 33,128</u></b>
Liabilities:				
Accounts payable	\$ 53,938	\$ -	\$ 53,938	\$ -
Due to student groups	<u>106,064</u>	<u>19,092</u>	<u>92,028</u>	<u>33,128</u>
Total liabilities	<b><u>\$ 160,002</u></b>	<b><u>\$ 19,092</u></b>	<b><u>\$ 145,966</u></b>	<b><u>\$ 33,128</u></b>
<u>Fremont School for Adults</u>				
Assets:				
Cash on hand and in banks	\$ 10,011	\$ -	\$ 10,011	\$ -
Receivables	-	-	-	-
Stores inventory	-	-	-	-
Capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<b><u>\$ 10,011</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 10,011</u></b>	<b><u>\$ -</u></b>
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to student groups	<u>10,011</u>	<u>-</u>	<u>10,011</u>	<u>-</u>
Total liabilities	<b><u>\$ 10,011</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 10,011</u></b>	<b><u>\$ -</u></b>

(Continued)



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

**ALL AGENCY FUNDS**  
(Continued)  
**For the Year Ended June 30, 2013**

	<b>Balance July 1, <u>2012</u></b>	<b><u>Additions</u></b>	<b><u>Deductions</u></b>	<b>Balance June 30, <u>2013</u></b>
<b>Student Body Funds (Continued)</b>				
<u>A. Warren McClaskey Adult Center</u>				
Assets:				
Cash on hand and in banks	\$ 31,728	\$ 59,155	\$ 27,717	\$ 63,166
Receivables	-	-	-	-
Stores inventory	-	-	-	-
Capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 31,728</u>	<u>\$ 59,155</u>	<u>\$ 27,717</u>	<u>\$ 63,166</u>
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to student groups	<u>31,728</u>	<u>59,155</u>	<u>27,717</u>	<u>63,166</u>
Total liabilities	<u>\$ 31,728</u>	<u>\$ 59,155</u>	<u>\$ 27,717</u>	<u>\$ 63,166</u>
<u>Elementary and Middle Schools</u>				
Assets:				
Cash on hand and in banks	\$ 503,839	\$ 1,179,821	\$ 1,043,164	\$ 640,496
Receivables	-	-	-	-
Stores inventory	-	-	-	-
Capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 503,839</u>	<u>\$ 1,179,821</u>	<u>\$ 1,043,164</u>	<u>\$ 640,496</u>
Liabilities:				
Accounts payable	\$ -	\$ 116,280	\$ -	\$ 116,280
Due to student groups	<u>503,839</u>	<u>1,063,541</u>	<u>1,043,164</u>	<u>524,216</u>
Total liabilities	<u>\$ 503,839</u>	<u>\$ 1,179,821</u>	<u>\$ 1,043,164</u>	<u>\$ 640,496</u>

(Continued)

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

**ALL AGENCY FUNDS**  
(Continued)  
**For the Year Ended June 30, 2013**

	<b>Balance July 1, <u>2012</u></b>	<b><u>Additions</u></b>	<b><u>Deductions</u></b>	<b>Balance June 30, <u>2013</u></b>
<b>Student Body Funds (Continued)</b>				
<u>Total Agency Funds</u>				
Assets:				
Cash on hand and in banks	\$ 1,442,741	\$ 2,872,267	\$ 2,799,571	\$ 1,515,437
Receivables	28,529	500	28,923	106
Stores inventory	113,056	524	109,100	4,480
Capital assets	<u>9,470</u>	<u>-</u>	<u>-</u>	<u>9,470</u>
Total assets	<u>\$ 1,593,796</u>	<u>\$ 2,873,291</u>	<u>\$ 2,937,594</u>	<u>\$ 1,529,493</u>
Liabilities:				
Accounts payable	\$ 115,184	\$ 143,212	\$ 71,439	\$ 186,957
Due to student groups	<u>1,478,612</u>	<u>2,730,079</u>	<u>2,866,155</u>	<u>1,342,536</u>
Total liabilities	<u>\$ 1,593,796</u>	<u>\$ 2,873,291</u>	<u>\$ 2,937,594</u>	<u>\$ 1,529,493</u>

# SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

## ORGANIZATION

June 30, 2013

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

### GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Jeff Cuneo	President	December 2014
Patrick Kennedy	Vice President	November 2016
Darrel Woo	Second Vice President	December 2014
Gustavo Arroyo	Member	November 2016
Jay Hansen	Member	November 2014
Christina Pritchett	Member	November 2016
Diana Rodriguez	Member	November 2016
Margarita Kovalchuk	Student Member	June 2014

### ADMINISTRATION

Jonathan P. Raymond  
Superintendent

Teresa Cummings, Ph.D.  
Chief Accountability Officer

Ken A. Forrest  
Chief Business Officer

Koua Jacklyn Franz  
Chief of Staff

Olivine Roberts, Ed.D.  
Chief Academic Officer

Gabe Ross  
Chief Communications Officer

Jess Serna  
Chief Human Resource Officer

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF AVERAGE DAILY ATTENDANCE**

**For the Year Ended June 30, 2013**

<u>District</u>	<u>Second Period Report</u>	<u>Annual Report</u>
Elementary:		
Kindergarten	3,225	3,215
First through Third	9,909	9,876
Fourth through Eighth	15,254	15,201
Home and Hospital	21	22
Special Education	1,260	1,267
Community Day School	<u>14</u>	<u>22</u>
Total Elementary	<u>29,683</u>	<u>29,603</u>
Secondary:		
Regular Classes	9,775	9,614
Special Education	689	687
Compulsory Continuation Education	287	267
Home and Hospital	<u>15</u>	<u>17</u>
Total Secondary	<u>10,766</u>	<u>10,585</u>
District ADA Totals	<u><u>40,449</u></u>	<u><u>40,188</u></u>
<u>Charter Schools</u>		
Bowling Green Elementary - Classroom-Based:		
Kindergarten	131	124
First through Third	322	328
Fourth through Sixth	<u>322</u>	<u>328</u>
Total Bowling Green Elementary Charter	<u>775</u>	<u>780</u>
George Washington Carver School of Arts and Science - Classroom-Based:		
Ninth through Twelfth	<u>247</u>	<u>242</u>
New Technology High - Classroom-Based:		
Ninth through Twelfth	<u>270</u>	<u>268</u>
The MET - Non-Classroom-Based:		
Ninth through Twelfth	<u>278</u>	<u>279</u>
Total Charter Schools	<u><u>1,570</u></u>	<u><u>1,569</u></u>

See accompanying notes to supplementary information.

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF INSTRUCTIONAL TIME**

For the Year Ended June 30, 2013

<u>Grade Level</u>	<u>Statutory 1986-87 Minutes Require- ment</u>	<u>Reduced 1986-87 Minutes Require- ment</u>	<u>Statutory 1982-83 Actual Minutes</u>	<u>Reduced 1982-83 Actual Minutes</u>	<u>2012-13 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Number of Days Multitrack Calendar</u>	<u>Status</u>
<b><u>District</u></b>								
Kindergarten	36,000	35,000	35,094	34,119	35,600	178	N/A	In Compliance
Grade 1	50,400	49,000	44,137	42,911	49,255	178	N/A	In Compliance
Grade 2	50,400	49,000	44,137	42,911	49,255	178	N/A	In Compliance
Grade 3	50,400	49,000	44,137	42,911	49,820	178	N/A	In Compliance
Grade 4	54,000	52,500	52,875	51,406	52,555	178	N/A	In Compliance
Grade 5	54,000	52,500	52,875	51,406	52,555	178	N/A	In Compliance
Grade 6	54,000	52,500	52,875	51,406	52,555	178	N/A	In Compliance
Grade 7	54,000	52,500	58,163	56,547	56,708	178	N/A	In Compliance
Grade 8	54,000	52,500	58,163	56,547	56,708	178	N/A	In Compliance
Grade 9	64,800	63,000	60,549	58,867	63,730	178	N/A	In Compliance
Grade 10	64,800	63,000	60,549	58,867	63,730	178	N/A	In Compliance
Grade 11	64,800	63,000	60,549	58,867	63,730	178	N/A	In Compliance
Grade 12	64,800	63,000	60,549	58,867	63,730	178	N/A	In Compliance
<b><u>Bowling Green Charter School - Classroom Based</u></b>								
Kindergarten	36,000	34,971	N/A	N/A	35,600	178	N/A	In Compliance
Grade 1	50,400	48,960	N/A	N/A	50,080	178	N/A	In Compliance
Grade 2	50,400	48,960	N/A	N/A	50,080	178	N/A	In Compliance
Grade 3	50,400	48,960	N/A	N/A	50,080	178	N/A	In Compliance
Grade 4	54,000	52,457	N/A	N/A	53,445	178	N/A	In Compliance
Grade 5	54,000	52,457	N/A	N/A	53,445	178	N/A	In Compliance
Grade 6	54,000	52,457	N/A	N/A	53,445	178	N/A	In Compliance
<b><u>George Washington Carver School of Arts and Science - Classroom Based</u></b>								
Grade 9	64,800	62,949	N/A	N/A	63,316	178	N/A	In Compliance
Grade 10	64,800	62,949	N/A	N/A	63,316	178	N/A	In Compliance
Grade 11	64,800	62,949	N/A	N/A	63,316	178	N/A	In Compliance
Grade 12	64,800	62,949	N/A	N/A	63,316	178	N/A	In Compliance
<b><u>New Technology High School - Classroom Based</u></b>								
Grade 9	64,800	62,949	N/A	N/A	67,191	178	N/A	In Compliance
Grade 10	64,800	62,949	N/A	N/A	67,191	178	N/A	In Compliance
Grade 11	64,800	62,949	N/A	N/A	67,191	178	N/A	In Compliance
Grade 12	64,800	62,949	N/A	N/A	67,191	178	N/A	In Compliance

See accompanying notes to supplementary information.

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2013**

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education - Passed through California Department of Education</u>			
	Special Education Cluster:		
84.027	Special Education IDEA: Basic and Local Assistance Entitlement, Part B, Sec 611	13379	\$ 8,879,261
84.173	Special Education: IDEA Preschool Grants, Part B, Section 619 (Age 3-5)	13430	262,660
84.027A	Special Education IDEA: Preschool Local Entitlement, Part B, Sec 611 (Age 3-5)	13682	412,018
84.173A	Special Education: Alternative Dispute Resolution, Part B, Sec 611	13007	8,585
84.027	Special Education: IDEA, Mental Health Services, Part B, Sec 611	14468	436,300
84.173A	Special Education: IDEA, Preschool Staff Development, Part B, Sec 619	13431	<u>262</u>
	Subtotal Special Education Cluster		<u>9,999,086</u>
	NCLB: Title I Program:		
84.010	NCLB: Title I, Part A, Basic Grants Low-Income and Neglected	14329	20,483,329
84.010	NCLB: Title I, Part D, Subpart 2, Local Delinquent Program	14357	56,642
84.010	NCLB: Title I, Part A, Program Improvement LEA, Corrective Action, Moderate Performance Problems	14956	411,592
84.010	NCLB: Title I, Part D, Local Delinquent Programs	15009	<u>253,669</u>
	Subtotal NCLB: Title I Program		<u>21,205,232</u>
	Educational Technology State Grants Cluster:		
84.318	NCLB: Title II, Part D, Enhancing Education Through Technology (EETT), Formula Grants	14334	3,833
84.386	NCLB: ARRA Title II, Part D, Enhancing Education Through Technology (EETT), Formula Grants	15019	<u>140</u>
	Subtotal Educational Technology State Grants Cluster		<u>3,973</u>

(Continued)

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS**  
(Continued)

**For the Year Ended June 30, 2013**

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education - Passed through California Department of Education (Continued)</u>			
	Adult Education Program:		
84.002A	Adult Education: Adult Basic Education & ESL Section 231	14508	\$ 525,054
84.002	Adult Education: Adult Basic Secondary Education Section 231	13978	92,808
84.002A	Adult Education: English Literacy and Civics Education Local Grant	14109	<u>197,499</u>
	Subtotal Adult Education		<u>815,361</u>
	84.215 Program:		
84.215L	Smaller Learning Community	*	1,401,775
84.215E	Project Thrive	*	390,199
84.215X	Teaching American History Grant	*	<u>108,076</u>
	Subtotal 84.215 Program		<u>1,900,050</u>
	Carl D. Perkins Program:		
84.048	Carl D. Perkins Career and Technical Education: Adult, Sec. 132 (Vocational Education)	14893	77,454
84.048	Carl D. Perkins Career and Technical Education: Secondary, Sec 131 (Vocational Education)	14894	<u>466,956</u>
	Subtotal Carl D. Perkins Program		<u>544,410</u>
	NCLB: Title II Program:		
84.367	NCLB: Title II, Part A, Administrator Training	14344	40,018
84.367	NCLB: Title II, Part A, Improving Teacher Quality Local Grants	14341	3,822,581
	Subtotal NCLB: Title II Program		<u>3,862,599</u>
84.184	Safe and Supportive Schools Programmatic Intervention (S3)	15164	534,684
85.158	Department of Rehabilitation: Workability II, Transitions Partnership Program	10006	188,466
84.181	Special Education: Early Intervention Grants, Part C	23761	136,462
84.365	NCLB: Title III, Limited English Proficiency (LEP) Student Program	14346	1,905,465
84.060	Indian Education (From Federal Government)	10011	36,694
84.063	Pell Grants	*	1,625,972
84.196	NCLB: Title X, McKinney-Vento Homeless Children Assistance Grants	14332	114,695
84.287	NCLB: Title IV, Part B, 21st Century Community Learning Centers Program	14535, 14349	3,958,053
84.330	NCLB: Title I, Part G: Advanced Placement (AP) Test Fee Reimbursement Program	*	64,297

(Continued)

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS**  
(Continued)  
**For the Year Ended June 30, 2013**

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education - Passed through California Department of Education</u> (Continued)			
84.184E	Readiness and Emergency Management for Schools	*	\$ 161,024
84.377	NCLB: Title I, School Improvement Grant (SIG) for QEIA Schools	14971	<u>1,136,367</u>
	Total U.S. Department of Education		<u>48,192,890</u>
<u>U.S. Department of Health and Human Services - Passed through California Department of Education</u>			
93.600	Head Start	10016	9,917,304
93.243	Good Behavior	*	129,746
93.596	Child Development: Federal General (CCTR) and State Preschool (CSPP); Rs 5026, Family Child Care Home (CFCC)	13609	933,130
93.674	Chafee Foster Care Independent Living	*	113,441
93.778	Medi-Cal Billing Option	10013	<u>1,734,183</u>
	Total U.S. Department Health and Human Services		<u>12,827,804</u>
<u>U.S. Department of Agriculture - Passed through California Department of Education</u>			
	Child Nutrition Cluster:		
10.555	National School Lunch Program	13396	15,364,035
10.559	Child Nutrition: Summer Food Service Program Operations	13004	<u>323,459</u>
	Subtotal Child Nutrition Cluster		<u>15,687,494</u>
10.558	Child Nutrition: Child Care Food Program	13666	<u>3,098,219</u>
	Total U.S. Department of Agriculture		<u>18,785,713</u>

(Continued)



**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS**  
(Continued)  
**For the Year Ended June 30, 2013**

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass- Through Entity Identifying Number</u>	<u>Federal Expend- itures</u>
<u>U.S. Department of Defense</u>			
12.UKN	ROTC	*	<u>\$ 306,218</u>
<u>U.S. Department of Justice</u>			
16.710	Public Safety Partnership and Community Policing	*	47,195
<u>U.S. Department of Labor</u>			
	WIA Programs:		
17.258	WIA / WtW Pre Vocational Training	*	494,635
17.259	A Title I Youth-Out-of-School Ind. Ser	*	<u>204,469</u>
	Subtotal WIA Program		<u>699,104</u>
	Total Federal Programs		<u>\$ 80,858,924</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, 2013**

There were no audit adjustments proposed to any 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, 2013**

**(UNAUDITED)**

<u>General Fund</u>	<b>(Budget)</b> <b><u>2014</u></b>	<b><u>2013</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>
Revenues and other financing sources	<u>\$ 384,381,146</u>	<u>\$ 382,236,274</u>	<u>\$ 394,757,743</u>	<u>\$ 425,291,744</u>
Expenditures	386,663,943	383,940,424	408,025,782	405,855,019
Other uses and transfers out	<u>-</u>	<u>-</u>	<u>17,890</u>	<u>9,397,892</u>
Total outgo	<u>386,663,943</u>	<u>383,940,424</u>	<u>408,043,672</u>	<u>415,252,911</u>
Change in fund balance	<u>\$ (2,282,797)</u>	<u>\$ (1,704,150)</u>	<u>\$ (13,285,929)</u>	<u>\$ 10,038,833</u>
Ending fund balance	<u>\$ 17,126,548</u>	<u>\$ 19,409,345</u>	<u>\$ 21,113,495</u>	<u>\$ 34,399,424</u>
Available reserves	<u>\$ 8,007,454</u>	<u>\$ 8,007,454</u>	<u>\$ 8,979,822</u>	<u>\$ 8,589,000</u>
Designated for economic uncertainties	<u>\$ 8,007,454</u>	<u>\$ 8,007,454</u>	<u>\$ 8,979,822</u>	<u>\$ 8,589,000</u>
Undesignated fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Available reserves as percentages of total outgo	<u>2.1%</u>	<u>2.1%</u>	<u>2.2%</u>	<u>2.1%</u>
 <u>All Funds</u>				
Total long-term liabilities	<u>\$ 538,922,057</u>	<u>\$ 576,149,370</u>	<u>\$ 567,575,412</u>	<u>\$ 556,010,216</u>
Average daily attendance at P-2, excluding Adult and Charter School	<u>39,510</u>	<u>40,449</u>	<u>41,349</u>	<u>41,515</u>

The General Fund fund balance has decreased by \$4,951,246 over the past three years. The District has incurred operating deficits in two of the past three years, and anticipates incurring an operating deficit during the 2013-2014 fiscal year. The fiscal year 2013-2014 budget projects a decrease of \$2,282,797. 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, 2013, the District has met this requirement.

Total long-term liabilities have increased by \$20,139,154 over the past two years, due primarily to the increase in net OPEB Liability (Notes 7 and 10 to the financial statements).

Average daily attendance has decreased by 1,066 over the past two years. The District anticipates a decrease of 939 ADA for the 2013-2014 fiscal year.

See accompanying notes to supplementary information.

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF CHARTER SCHOOLS**

**For the Year Ended June 30, 2013**

<b><u>Charter Schools Chartered by District</u></b>	<b><u>Included in District Financial Statements, or Separate Report</u></b>
Aspire Capitol Heights Academy	Separate Report
Bowling Green Charter Elementary	Included as Charter Schools Fund
California Montessori Project Capitol Campus	Separate Report
Capitol Collegiate Academy	Separate Report
George Washington Carver School of Arts and Science	Included as Charter Schools Fund
Language Academy of Sacramento	Separate Report
MET Sacramento Charter High School	Included as Charter Schools Fund
New Technology High School	Included as Charter Schools Fund
Oak Park Preparatory Academy	Separate Report
Sacramento Charter High School	Separate Report
Sol Aureus College Preparatory	Separate Report
St. HOPE Public School 7	Separate Report
Yav Pem Suab Academy	Separate Report

See accompanying notes to supplementary information.

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

**For the Year Ended June 30, 2013**

	<b>Academic and Support Services *</b>	<b>Child Care *</b>
Revenues		
Other local sources	\$ <u>412,177</u>	\$ <u>717,849</u>
Expenditures:		
Certificated salaries	193,484	106,500
Classified salaries	26,319	282,943
Employee benefits	107,665	226,603
Books and supplies	80,267	13,653
Contract services and operating expenditures	4,442	58,763
Indirect costs	<u>                    </u>	<u>29,387</u>
Total expenditures	<u>412,177</u>	<u>717,849</u>
Net income	-	-
Net position, July 1, 2012	<u>-</u>	<u>-</u>
Net position, June 30, 2013	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

\* Revenues and expenses for the First 5 Grant are reflected in the District's Child Development Fund. See page 53 of the financial statements for a complete presentation of the Child Development Fund.

See accompanying notes to supplementary information.

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**

**NOTES TO SUPPLEMENTARY INFORMATION**

**1. PURPOSE OF SCHEDULES**

A - Schedule of Average Daily Attendance

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

B - Schedule of Instructional Time

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

C - Schedule of Expenditure of Federal Awards

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

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures and Change in Fund Balances and the related expenditures reported on the Schedule of Expenditure of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2013.

<u>Description</u>	<u>CFDA Number</u>	<u>Amount</u>
Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances		\$ 81,996,945
Less: Medi-Cal Billing Option funds not spent	93.778	(61,666)
National School Lunch Program funds not spent	10.558	(970,624)
Child Nutrition: Summer Food Service Program Operations Funds not spent	10.559	<u>(105,731)</u>
Total Schedule of Expenditure of Federal Awards		<u>\$ 80,858,924</u>

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**

**NOTES TO SUPPLEMENTARY INFORMATION**

(Continued)

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

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

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

E - Schedule of Financial Trends and Analysis - Unaudited

This schedule provides information on the District's financial condition over the past three years and its anticipated condition for the 2013-2014 fiscal year, as required by the State Controller's Office. The information in this schedule has been derived from audited information.

F - Schedule of Charter Schools

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

G - Schedule of First 5 Revenues and Expenses

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

**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, 2013, 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 Standards and Procedures for Audits of California K-12 Local Educational Agencies (the "Audit Guide") to the state laws and regulations listed below for the year ended June 30, 2013.

<u>Description</u>	<u>Audit Guide Procedures</u>	<u>Procedures Performed</u>
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	Yes
Continuation Education	10	Yes
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	No, see below
Instructional Materials:		
General requirements	8	Yes
Ratio of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive Program	4	No, see below
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	No, see below
Class Size Reduction Program:		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	No, see below
Districts with only one school serving K-3	4	No, see below
After School Education and Safety Program:		
General requirements	4	Yes
After school	5	Yes
Before school	6	No, see below
Contemporaneous Records of Attendance, for charter schools	1	Yes
Mode of Instruction, for charter schools	1	Yes
Nonclassroom-Based Instruction/Independent Study, for charter schools	15	Yes
Determination of Funding for Nonclassroom-Based Instruction, for charter schools	3	No, see below
Annual Instructional Minutes - Classroom-Based, for charter schools	4	Yes



The School District is not a County Office; therefore, we did not perform any procedures related to County Office Instructional Time Incentives.

The District does not offer an Early Retirement Incentive Program; therefore, we did not perform steps 2a through d.

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

The District does not participate in Option Two of CSR; therefore, we did not perform any procedures related to Option Two.

The District does not have only one school serving grades K through 3; therefore, we did not perform any procedures relating to one school serving grades K through 3 for the Class Size Reduction Program.

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

The District's reported ADA for Nonclassroom-Based Instruction/Independent Study, for charter schools was below the materiality level that requires testing; therefore, we did not perform testing of Determination of Funding for Nonclassroom-Based Instruction.

### **Management's Responsibility**

Management is responsible for compliance with the requirements of state laws and regulations.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance with state laws and regulations of Sacramento City Unified School District. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the State of California's Standards and Procedures for Audits of California K-12 Local Educational Agencies. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state laws and regulations listed above occurred. An audit includes examining, on a test basis, evidence about Sacramento City Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### **Basis for Qualified Opinion on Compliance with State Laws and Regulations**

As described in Finding 2013-02 and 2013-03 in the accompanying Schedule of Audit Findings and Questioned Costs, Sacramento City Unified School District did not comply with the requirements regarding Kindergarten Continuance and Independent Study Attendance Reporting. Compliance with such requirements are necessary, in our opinion, for Sacramento City Unified School District to comply with state laws and regulations applicable to those programs.

## **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 state laws and regulations referred to above for the year ended June 30, 2013. Further, based on our examination, for items not tested, nothing came to our attention to indicate that Sacramento City Unified School District had not complied with the state laws and regulations.

### **Other Matter**

Sacramento City Unified School District's responses to the noncompliance findings identified in our audit are included in the accompanying Schedule of Audit Findings and Questioned Costs. Sacramento City Unified School District's responses were not subjected to the auditing procedures applied in the audit of State Compliance and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the *State of California's Standards and Procedures for Audits of California K-12 Local Educational Agencies*. Accordingly, this report is not suitable for any other purpose.

*Crowe Horwath LLP*

Crowe Horwath LLP

Sacramento, California  
December 9, 2013

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, 2013, 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 December 9, 2013.

#### **Internal Control Over Financial Reporting**

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

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

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

We identified certain matters involving internal control that we communicated to management as identified in the accompanying Schedule of Audit Findings and Questioned Costs as Finding 2013-01.

## **Compliance and Other Matters**

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

## **Sacramento City Unified School District's Response to Findings**

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 financial statements and, accordingly, we express no opinion on them.

## **Purpose of this Report**

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

*Crowe Horwath LLP*

Crowe Horwath LLP

Sacramento, California  
December 9, 2013

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
THE FIRST 5 SACRAMENTO COUNTY PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE

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, 2013.

**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, 2013.

**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 requirements of laws, regulations, contracts and grants applicable to the First 5 Sacramento Program. In planning and performing our audit, we considered Sacramento City Unified School District's internal control over compliance with requirements that could have a direct and material effect on its First 5 Sacramento County Program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the First 5 Sacramento County Program, 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.

## **Report on Internal Control Over Compliance (Continued)**

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 the First 5 Sacramento County 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 the First 5 Sacramento County 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.

### **Purpose of this Report**

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 results of that testing based on requirements of the First 5 Sacramento County Program. Accordingly, this report is not suitable of any other purposes.

*Crowe Horwath LLP*  
Crowe Horwath LLP

Sacramento, California  
December 9, 2013

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

Board of Education  
Sacramento City Unified School District  
Sacramento, California

### **Report on Compliance for Each Major Federal Program**

We have audited Sacramento City Unified School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 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, 2013. 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 the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Sacramento City Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### **Opinion on Each Major Federal Program**

In our opinion, Sacramento City Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

## 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 OMB Circular A-133, 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.

### Purpose of this Report

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Crowe Horwath LLP*  
Crowe Horwath LLP

Sacramento, California  
December 9, 2013



## **FINDINGS AND RECOMMENDATIONS**

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2013**

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

Any audit findings disclosed that are required to be  
reported in accordance with Circular A-133,  
Section .510(a)? \_\_\_\_\_ Yes   X   No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010	NCLB: Title I Program
84.287	NCLB: Title IV, Part B, 21st Century
10.558	Child Nutrition: Child Care Food Program

Dollar threshold used to distinguish between Type A  
and Type B programs: \$ 2,425,768

Auditee qualified as low-risk auditee?   X   Yes \_\_\_\_\_ No

**STATE AWARDS**

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

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**  
(Continued)  
**Year Ended June 30, 2013**

**SECTION II - FINANCIAL STATEMENT FINDINGS**

**2013-01 DEFICIENCY - STUDENT BODY ACCOUNTS (30000)**

Criteria

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

Condition

Bret Harte Elementary:

- Financial Summaries are not periodically reviewed.

Edward Kemble Elementary School:

- No evidence that funds are received and deposited in a timely manner.
- No evidence of written receipts or documentation of cash receipts.
- No evidence that deposits are performed on a timely basis.

Hollywood Park Elementary School:

- Funds are not dually counted by two independent individuals when funds are initially received.
- Funds are not received and deposited in a timely manner.
- Funds are not held in a secure location.
- Revenue producing activities are not pre-approved by the Principal, District or student body.

Joseph Bonnheim Elementary School:

- Financial Summaries are not periodically reviewed.

Martin Luther King Jr. Elementary School:

- Funds are not dually counted by two independent individuals when funds are initially received.
- Revenue producing activities are not pre-approved by the Principal, District or student body.

Sequoia Elementary School:

- Financial Summaries are not periodically reviewed.
- Funds are not dually counted by two independent individuals when funds are initially received.

Theodore Judah Elementary School:

- Financial Summaries are not periodically reviewed.
- Funds are not dually counted by two independent individuals when funds are initially received.

Fern Bacon Middle School:

- Funds are not received and deposited in a timely manner.
- No periodic inventory count is performed at the student store.
- Profit and Loss Statement is not prepared for the student store.
- Student store sales are not reconciled to funds received.
- Revenue producing activities are not pre-approved by the Principal, District or student body.

Kit Carson Middle School:

- Funds are not dually counted by two independent individuals when funds are initially received.
- No periodic inventory count is performed at the student store.
- No records of sales are maintained for the student store.
- Profit and Loss Statement is not prepared for the Student Store.

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**  
(Continued)  
**Year Ended June 30, 2013**

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

**2013-01 DEFICIENCY - STUDENT BODY ACCOUNTS (30000)** (Continued)

Condition (Continued)

Will C. Wood Middle School:

- Funds are not dually counted by two independent individuals when funds are initially received.
- Profit and Loss Statement is not prepared for the student store.
- No periodic inventory count is performed at the student store.

C.K. McClatchy High School

- Funds are not received and deposited in a timely manner.
- Profit and Loss Statement is not prepared for the student store.

Hiram Johnson High School:

- No periodic inventory count is performed at the student store.
- Profit and Loss Statement is not prepared for the student store.
- A monthly report of financial transactions of various club accounts is not prepared and reviewed.

School of Engineering and Sciences:

- Receipt books issued to student organizations are not tracked by the ASB coordinator.
- Record of receipts issued by student organizations is not kept by ASB coordinator.
- Receipts are not issued when cash receipts are turned in to ASB coordinator.
- Revenue producing activities are not pre-approved by the Principal, District or student body.
- No periodic inventory count is performed at the student store.
- Profit and Loss Statement is not prepared for the student store.
- Financial Summaries are not periodically reviewed.
- Student store sales are not reconciled to funds received.
- Student store funds are not counted in dual custody.
- Student Body meeting minutes were not recorded and maintained.

Rosemont High School:

- Funds are not received, deposited or recorded in a timely manner.
- Expenditures are not approved by the student council and proper personnel.
- No periodic inventory count is performed at the student store.
- Student store sales are not reconciled to funds received.
- Profit and Loss Statement is not prepared for the student store.
- ASB bank account reconciliations are not prepared and reviewed in a timely manner.
- Revenue producing activities are not pre-approved by the Principal, District or student body.

Effect

ASB funds could potentially be misappropriated.

Cause

Internal control procedures have not been enforced.

Fiscal Impact

Not determinable.

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**  
(Continued)  
**Year Ended June 30, 2013**

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

**2013-01 DEFICIENCY - STUDENT BODY ACCOUNTS (30000)** (Continued)

Recommendation

- Receipt books issued to student organizations and receipts issued by student organizations should be tracked by the ASB coordinator.
- Total receipts turned into the office should be supported by detailed schedules defining the number of items received and the unit price per item.
- Receipts should be issued when funds are turned into the ASB coordinator.
- Funds received should be dually counted by two independent individuals when initially received.
- Funds should be received by the ASB coordinator and deposited in a timely manner.
- Funds should be held in a secure location.
- Student body meeting minutes should be recorded and maintained.
- Approval of expenditures should be documented in the student body meeting minutes.
- Revenue producing activities should be pre-approved by the Principal, District or student body.
- Student store funds received should be counted in dual custody and reconciled to sales.
- Periodic inventories should be completed for the student store and evidence of this inventory should be maintained.
- Monthly financial statements, including the student store profit and loss, should be prepared in a timely manner and reviewed by someone independent of the preparer. They should also be provided to the student clubs for review.
- ASB bank account reconciliations should be performed in a timely manner.

Corrective Action Plan

The District will work with site administration and staff to implement the recommendations. The District will also continue to provide staff training on student body accounting procedures.

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**  
(Continued)  
**Year Ended June 30, 2013**

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

No matters were reported.

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**

(Continued)

**Year Ended June 30, 2013**

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

**2013-02 STATE COMPLIANCE - KINDERGARTEN CONTINUANCE (40000)**

Criteria

Pursuant to Education Code Section 46300(g) in computing the average daily attendance of a school district, there shall be included the attendance of pupils in kindergarten after they have completed one school year in kindergarten or pupils in transitional kindergarten program after they have completed one year in that program if one of the following conditions are met: (A) The school district has on file for each of those pupils an agreement made pursuant to Section 48011, approved in form and content by the department and signed by the pupil's parent or guardian, that the pupil may continue in kindergarten for not more than one additional school year.

Condition

For one Kindergarten pupil who was retained for a second year of kindergarten, the "Consent to Retain Pupil in Kindergarten" form was not completed.

Effect

The effect of the error is an overstatement of 0.42 ADA.

Cause

Adequate control procedures have not been implemented and enforced.

Fiscal Impact

The impact is below 0.5 ADA and the District is not required to revise the Period Two Report of Attendance.

Recommendation

We recommend the District ensure "Consent to Retain Pupil in Kindergarten" forms are completed for each student enrolling in a second school year of kindergarten.

Corrective Action Plan

Management will ensure that those tasked with obtaining "Consent to Retain Pupil in Kindergarten" forms are aware of and comply with the control procedures implemented by the District to ensure accurate attendance reporting.

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**  
(Continued)  
**Year Ended June 30, 2013**

**SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS** (Continued)

**2013-03 ATTENDANCE - INDEPENDENT STUDY (10000)**

Criteria

California Education Code (EC) Section 51747 (c) (8) requires that each written agreement shall be signed, prior to the commencement of independent study, by the pupil, the pupil's parent, legal guardian, or caregiver, if the pupil is less than 18 years of age, the certificated employee who has been designated as having responsibility for the general supervision of independent study, and all persons who have direct responsibility for providing assistance to the pupil. For purposes of this paragraph "caregiver" means a person who has met the requirements of Part 1.5 (commencing with Section 6550) of the Family Code.

Condition

One day of apportionment was claimed before the teacher signed the student contract.

Effect

The effect of the error is an overstatement of 0.35 ADA.

Cause

Adequate control procedures have not been implemented and enforced.

Fiscal Impact

The impact is below 0.5 ADA and the District is not required to revise the Period Two Report of Attendance.

Recommendation

We recommend that the school site verify all master agreements to ensure all required criteria including signatures are include on agreements prior to student earning apportionment.

Corrective Action Plan

Management will ensure that those tasked with obtaining independent study contracts are aware of and comply with the control procedures implemented by the District to ensure accurate attendance reporting.



**STATUS OF PRIOR YEAR  
FINDINGS AND RECOMMENDATIONS**

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

**Year Ended June 30, 2013**

<b>Finding/Recommendation</b>	<b>Current Status</b>	<b>District Explanation If Not Implemented</b>
<p>2012-01</p> <p>William Land Elementary School:</p> <ul style="list-style-type: none"> <li>• Support is not provided by the clubs to the Office Manager when funds are turned in to the office.</li> </ul> <p>Ethel I. Baker Elementary School:</p> <ul style="list-style-type: none"> <li>• There was no formal review of the financial statements performed by someone independent of the preparation.</li> </ul> <p>Sam Brannan Middle School:</p> <ul style="list-style-type: none"> <li>• No reconciliation or detail maintained of cash received from the student store to activity.</li> <li>• No periodic inventory count is performed at the student store.</li> <li>• Financial statements are not issued to the student clubs for review.</li> </ul> <p>California Middle School:</p> <ul style="list-style-type: none"> <li>• Financial statements are not issued to the student clubs for review.</li> </ul> <p>Arthur A. Benjamin Health Professions High School:</p> <ul style="list-style-type: none"> <li>• No receipts are issued for the initial receipt of funds.</li> <li>• There was no evidence of a dual cash count being performed by two independent individuals.</li> <li>• No evidence of approval for the yearbook sales by the Principal, District, or student body.</li> <li>• No evidence of students approving expenditures or activities in the student meeting minutes.</li> <li>• No periodic inventory count is performed at the student store.</li> <li>• Financial statements are not issued to the student clubs for review.</li> </ul>	<p>Partially implemented.</p>	<p>See current year finding 2013-01.</p>

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

(Continued)

Year Ended June 30, 2013

Finding/Recommendation	Current Status	District Explanation If Not Implemented
2012-01 (Continued)		
Arthur A. Benjamin Health Professions High School: (Continued)		
<ul style="list-style-type: none"><li>• Total receipts turned into the office should be supported by detailed schedules defining the number of items received and the unit price per item.</li><li>• Monthly financial statements, including the student store profit and loss, should be reviewed by someone independent of the preparer. They should also be provided to the student clubs for review.</li><li>• The student store deposit should be reconciled to the student store activity/sales and evidence of this reconciliation should be maintained.</li><li>• Periodic inventories should be completed for the student store and evidence of this inventory should be maintained.</li><li>• Receipts should be issued with a formal receipt book that has carbon copies.</li><li>• There should be evidence of dual cash count being performed.</li><li>• Approval of expenditures and fundraising activities should be documented in the study body meeting minutes.</li></ul>		