



# SACRAMENTO CITY UNIFIED SCHOOL DISTRICT BOARD OF EDUCATION

Agenda Item# 12.3

**Meeting Date:** June 13, 2013

**Subject:** Coherent Governance Operational Expectations 5 (OE-5) - Financial Planning - Monitoring Report

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

**Division:** Superintendent's Office

**Recommendation:** Approve Coherent Governance Operational Expectations 5 (OE-5) - Financial Planning - Monitoring Report.

**Background/Rationale:** The Board has directed the Superintendent to provide Monitoring Reports on a regular schedule at open session Board meetings. Monitoring determines the degree to which Board policies are being met. This report is designed to share progress toward the results the Board expects to see for the school system, as well as the effectiveness of the system's operations. This report, therefore, is a review of the organization's performance as it relates to Operational Expectations 5 – Financial Planning.

The report includes the following information:

- The policy
- The Superintendent's certification
- Reasonable Interpretation of the policy
- Evidence of compliance

After the Board meets in open session to discuss the report, two additional sections of the report will be completed by the Board chair:

- Disposition of the Board (The policy is found by the Board to be "in compliance," "in compliance with exceptions," or "not in compliance.")
- Comments

The Board will discuss the data and conclusions from the Monitoring Report in open session. At the end of the discussion, the Board will vote as to whether it will accept the report, as presented, as evidence of reasonable interpretation and reasonable progress toward achieving the Board's policy. The Board will determine whether the policy is "in compliance," "in compliance with exceptions," or "not in compliance." If the policy is found to be "in compliance with exceptions," or "not in compliance," the Board has the option to direct the Superintendent to correct the non-compliance indicators and report back to the Board at a time outside the regular monitoring schedule.

**Financial Considerations:** None.

**Documents Attached:**

1. OE-5 - Monitoring Report

**Estimated Time of Presentation:** 5 minutes

**Submitted by:** Jonathan P. Raymond, Superintendent

**Approved by:** N/A

**OE-5 Monitoring Report Data**  
**EVIDENCE OF COMPLIANCE**  
May 17, 2012 through June 12, 2013

<b>Type of Information</b>	<b>Board Meeting Date</b>
2011-12 Third Interim Financial Report and Preliminary May Revise Update	May 17, 2012
Approve the Budget Revision of the 2011-12 Fiscal Year, for the Period Ending April 30, 2012	May 17, 2012
Enrollment and Attendance Report for Month 8 Ending April 20, 2012	June 14, 2012
Public Hearing and Action on State Categorical Program Flexibility (Tier III) Transfer and 2012-13 Budget Update	June 14, 2012
Public Hearing and Adoption of Proposed Fiscal Year 2012-13 Budget for All Funds	June 21, 2012
Enrollment and Attendance Report for Month 9 Ending May 18, 2012	July 19, 2012
Enrollment and Attendance Report for Month 10 Ending June 13, 2012	July 19, 2012
Approve 2012-13 District Budget Update and Revision – State Budget Approval	August 2, 2012
Application to Participate in the K-3 Class Size Reduction (CSR) Program	September 6, 2012
Approve Resolution No. 2720: Estimate Gann Appropriation Limitation for 2012-13 and Gann Amendment Calculation, 2011-12	October 4, 2012
2011-12 Year End Financial Report and Final Transfers (aka Unaudited Actuals)	October 4, 2012
SCUSD/SCTA Retiree Health Investment and Trust Plan Agreement	October 4, 2012 October 18, 2012
Approve the Budget Revision of the 2012-13 Fiscal Year, for the Period Ending October 31, 2012	December 20, 2012
2012-13 First Interim Financial Report	December 20, 2012
2013-14 Budget Calendar	December 20, 2012
Presentation of Independent Audit Report for the Fiscal Year Ended June 30, 2012 Submitted by Crowe Horwath LLP	January 10, 2013
Governor's Budget Proposal	February 7, 2013

**OE-5 Monitoring Report Data**  
**EVIDENCE OF COMPLIANCE**  
May 17, 2012 through June 12, 2013

<b>Type of Information</b>	<b>Board Meeting Date</b>
Resolution No. 2732: Authorizing the Issuance and Sale of the 2012-13 Tax and Revenue Anticipation Notes (TRAN) (First Reading)	February 21, 2013
Resolution No. 2732: Authorizing the Issuance and Sale of the 2012-13 Tax and Revenue Anticipation Notes (TRAN) (Action)	March 7, 2013
Second interim Recommended Budget Reductions for 2013-14	March 21, 2013
2012-13 Second Interim Financial Report	March 21, 2013
Approve the Budget Revision of the 2012-13 Fiscal Year, for the Period Ending January 31, 2013	March 21, 2013
Review and Increase of School Lunch Prices (First Reading)	April 4, 2013
Approve Increase of School Lunch Prices (Action)	April 18, 2013
Resolution No. 2747: Prescribing the Terms of Sale of Bonds from Authorization Granted by the Voters on November 6, 2012 (First Reading)	May 2, 2013
Resolution No. 2747: Prescribing the Terms of Sale of Bonds from Authorization Granted by the Voters on November 6, 2012 (Action)	May 16, 2013
Coherent Governance Operational Expectations (OE) Policy 5.M Financial Planning – Monitoring Report	May 16, 2013
Resolution No. 2751: Utilization of 2012-13 Proposition 30 (Education Protection Account) Funds	May 16, 2013
Public Hearing for the Receipt and Use of Tier III funds for Fiscal Year 2013-14	May 16, 2013

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**  
**Operational Expectation Monitoring Report**  
**OE-5: Financial Planning**  
**June 13, 2013**

**PART I: THE POLICY**

**OE-5: Financial Planning**

The Superintendent shall develop and maintain a balanced financial plan that is related directly to the Board's Results priorities and Operational Expectations goals.

**PART II: SUPERINTENDENT'S CERTIFICATION**

I certify that the information in this report is true for the period

beginning May 17, 2012 and ending June 12, 2013

Based on this report, I believe the school system is

- ☐ In compliance
- ☐ In compliance with exceptions
- ☐ Not in compliance

Signed: \_\_\_\_\_ Date: \_\_\_\_\_  
Jonathan P. Raymond, Superintendent

**PART III: DISPOSITION OF THE BOARD**

Based on this report and our discussion, the Board of Education finds this OE policy to be

- ☐ In compliance
- ☐ In compliance with exceptions
- ☐ Not in compliance

Signed: \_\_\_\_\_ Date: \_\_\_\_\_  
Diana Rodriguez, Board President

**PART IV: COMMENTS**

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## **PART V: INTERPRETATION**

### **Interpretation:**

I interpret “develop and maintain a balanced financial plan” to mean that the district will provide financial information to the Board and stakeholders at regularly scheduled reporting periods. The financial plan will include Adopted, First and Second Interim reports as well as debt service instruments which could include Certificates of Participation, General Obligation Bonds, Tax Revenue and Anticipation Notes or other debt service. Information presented to the Board will include options to maintain a balanced budget for the upcoming fiscal year. I interpret “directly related to the Board’s Results priorities and Operational Expectations goals” to mean that information presented to the Board and stakeholders at regularly scheduled reporting periods will include funds identified to support the Strategic Plan 2010-2014.

**OE-5.1: *The Superintendent will develop a budget that is in a summary format understandable to the Board and public, presented in a manner that allows the Board to understand the relationship between the budget and the results priorities and any Operational Expectations goals for the year.***

### **Interpretation:**

I interpret this to mean that the key components of the Annual Adopted Budget will be summarized and presented to the Board. The Annual Adopted Budget is required to be in the California Standardized Account Code Structure (SACS) and is very detailed and voluminous. Accordingly, the Chief Business Officer or designee will summarize the budget by explaining the total General Fund revenues and expenditures, the main type of anticipated expenditures within the General Fund and the assumptions made in estimated revenues and expenditures. The relationship between the budget and the Results priorities and the Operational Expectations goals for the year will be presented to the Board by showing the percentage of funds allocated to the instructional program as compared to other operating expenditures, dedicated resources to major district strategies and other related information.

### **Indicators for Compliance:**

I, as the Superintendent, will show compliance through the following indicators:

- PowerPoint presentation from Annual Adopted Budget Board meeting will include information outlined in the interpretation
- SACS Documents presented at the Annual Adopted Budget Board meeting
- Presentations and/or documents from Board meetings regarding assumptions and allocations leading up to the approval of the Annual Adopted Budget

### **EVIDENCE OF COMPLIANCE May 17, 2012 through June 12, 2013**

- **At the June 21, 2012 Board meeting, a PowerPoint presentation for the 2012-13 Adopted Budget included a summary and detail of the General Fund revenues and expenditures. In addition, the assumptions used for the 2012-13 Adopted Budget were included. The PowerPoint presentation was posted as part of the Board meeting agenda and can be found on the district’s website at: <http://www.scusd.edu/financial-document/public-hearing-and-adoption-proposed-fiscal-year-2012-13-budget-all-funds>.**

<ul style="list-style-type: none"> <li>• All supporting financial documents and presentations are available on the district's website at: <i>About Us/ Financial Presentations and Reports. Choose the fiscal year in which the item went to the Board. Items are found under their relative category, such as Bonds/Building Funds, Budget Documents, Financial Statements/Auditor's Reports, and Interim Reports.</i></li> </ul>
<ul style="list-style-type: none"> <li>• As part of the 2012-13 Adopted Budget presented to the Board on June 21, 2012, the state required Standardized Account Code Structure (SACS) reports were included. SACS reports reflected expenditures by function which included: Instruction; Instruction Related Services; Pupil Services; Ancillary Services; Community Services; General Administration; Plant Services; and, Other Outgo. This document was posted on the district's website at: <a href="http://www.scusd.edu/financial-document/public-hearing-and-adoption-proposed-fiscal-year-2012-13-budget-all-funds">http://www.scusd.edu/financial-document/public-hearing-and-adoption-proposed-fiscal-year-2012-13-budget-all-funds</a>.</li> </ul>
<ul style="list-style-type: none"> <li>• The 2012-13 Budget Book contained budget detail for district departments and initiatives. The 2012-13 Budget Book can be found on the district's website at: <a href="http://www.scusd.edu/financial-document/2012-13-budget-book">http://www.scusd.edu/financial-document/2012-13-budget-book</a></li> </ul>
<ul style="list-style-type: none"> <li>• Assumptions and allocations were discussed for the 2012-13 Adopted Budget at the following Board meetings: <ul style="list-style-type: none"> <li>- January 12, 2012 <a href="http://www.scusd.edu/financial-document/2011-12-and-2012-13-budget-recommendations-and-reductions">http://www.scusd.edu/financial-document/2011-12-and-2012-13-budget-recommendations-and-reductions</a></li> <li>- February 2, 2012 <a href="http://www.scusd.edu/financial-document/governors-budget-proposal-and-2011-12-and-2012-13-budget-recommendations-and-reductions">http://www.scusd.edu/financial-document/governors-budget-proposal-and-2011-12-and-2012-13-budget-recommendations-and-reductions</a></li> <li>- April 19, 2012 <a href="http://www.scusd.edu/financial-document/budget-overview-presentation">http://www.scusd.edu/financial-document/budget-overview-presentation</a></li> <li>- May 17, 2012 <a href="http://www.scusd.edu/financial-document/2011-12-third-interim-financial-report-and-preliminary-may-revise-update">http://www.scusd.edu/financial-document/2011-12-third-interim-financial-report-and-preliminary-may-revise-update</a></li> <li>- June 14, 2012 <a href="http://www.scusd.edu/financial-document/public-hearing-and-action-state-categorical-program-flexibility-tier-iii-transfer">http://www.scusd.edu/financial-document/public-hearing-and-action-state-categorical-program-flexibility-tier-iii-transfer</a></li> <li>- June 21, 2012 (final budget adoption) <a href="http://www.scusd.edu/financial-document/public-hearing-and-adoption-proposed-fiscal-year-2012-13-budget-all-funds">http://www.scusd.edu/financial-document/public-hearing-and-adoption-proposed-fiscal-year-2012-13-budget-all-funds</a></li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>• Board Action on items incorporated into the 2012-13 Adopted Budget were taken on the following dates: <ul style="list-style-type: none"> <li>- January 12, 2012 (link listed above)</li> <li>- February 2, 2012 (link listed above)</li> <li>- April 19, 2012 (link listed above)</li> <li>- June 14, 2012 (link listed above)</li> <li>- June 21, 2012 (link listed above)</li> </ul> </li> </ul>

Compliance Status	In Compliance
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**OE-5.2: *The Superintendent will describe revenues, expenditures and fund balances with accuracy.***

**Interpretation:**

I interpret this to mean that the Annual Adopted Budget will follow the State required Standardized Account Code Structure (SACS) format to provide the various revenues expected to be received and the funds expected to be spent by the district during the period from July 1<sup>st</sup> through June 30<sup>th</sup> of the following year. The Annual Adopted Budget will provide realistic assumptions regarding the major components of revenues and expenditures based on the best information known at the time. The Annual Adopted Budget will be submitted to the Sacramento County Office of Education with all required supporting documentation.

**Indicators for Compliance:**

I, as the Superintendent, will show compliance through the following indicators:

- The most recent available fiscal year's audited financial results will be used as evidence of whether budgeting methods are realistic and predictably attainable
- The Annual Adopted Budget will be available on the district's website
- Notification from the Sacramento County Office of Education that they have received the district's Annual Adopted Budget

<b>EVIDENCE OF COMPLIANCE</b> <b>May 17, 2012 through June 12, 2013</b>	
•	<b>The 2012 Financial Audit, Page 49, reflects revenue and expenditure information beginning with the original (Adopted) budget, the final budget and the actual revenues and expenditures. Variances are normal and the fund balance variance was positive. The 2012 Financial Audit can be found on the district's website at: <a href="http://www.scusd.edu/financial-statements-auditors-reports">www.scusd.edu/financial-statements-auditors-reports</a></b>
•	<b>The district received notification dated August 31, 2012 that the Sacramento County Office of Education received and reviewed the 2012-13 Annual Adopted Budget. See Attachment A.</b>

<b>Compliance Status</b>	In Compliance
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**OE-5.3: *The Superintendent will show the amount spent in each budget category for the most recently completed fiscal year, the amount budgeted for the current fiscal year, and the amount budgeted for the next two fiscal years.***

**Interpretation:**

I interpret this to mean that at key reporting periods, Annual Adopted budget, First Interim and Second Interim, documents presented to the Board will provide a summary by major object code of the General Fund budgeted expenditures which will include four years of data. I interpret the General Fund as defined by the California School Accounting Manual. The first column will be the prior year that has ended and may or may not yet be audited and will include actual expenditures. The second column will include budgeted expenditures for the current budget year followed by two years of projected budgeted expenditures. Major object codes are defined

as Certificated Salaries, Classified Salaries, Employee Benefits, Books and Supplies, Services/Other Operating Expenditures, Capital Outlay and Other Outgo.

**Indicators for Compliance:**

I, as the Superintendent, will show compliance through the following indicators:

- Annual Adopted Budget will include the data as outlined in the interpretation above
- First Interim Financial Report will include the data as outlined in the interpretation above
- Second Interim Financial Report will include the data as outlined in the interpretation above

<b>EVIDENCE OF COMPLIANCE</b> <b>May 17, 2012 through June 12, 2013</b>	
<ul style="list-style-type: none"> <li>• The 2012-13 Annual Adopted Budget included three out of the four years of data outlined in the interpretation above. The Adopted Budget for 2012-13 was presented to the Board on June 21, 2012. The presentation can be found at: <a href="http://www.scusd.edu/financial-document/public-hearing-and-adoption-proposed-fiscal-year-2012-13-budget-all-funds">http://www.scusd.edu/financial-document/public-hearing-and-adoption-proposed-fiscal-year-2012-13-budget-all-funds</a>.</li> </ul>	
<ul style="list-style-type: none"> <li>• The 2012-13 First Interim Financial Report included three out of the four years of data outlined in the interpretation above. The First Interim Financial Report was presented to the Board on December 20, 2012. The presentation can be found at: <a href="http://www.scusd.edu/financial-document/2012-13-first-interim-financial-report">http://www.scusd.edu/financial-document/2012-13-first-interim-financial-report</a>.</li> </ul>	
<ul style="list-style-type: none"> <li>• The 2012-13 Second Interim Financial Report included three out of the four years of data outlined in the interpretation above. The Second Interim Financial Report was presented to the Board March 21, 2013. The report can be found at: <a href="http://www.scusd.edu/financial-document/2012-13-second-interim-financial-report">http://www.scusd.edu/financial-document/2012-13-second-interim-financial-report</a>.</li> </ul>	
<ul style="list-style-type: none"> <li>• The 2011-12 Unaudited Actuals presented to the Board on October 4, 2012 included the year of data not presented with the Adopted Budget, First and Second Interim Reports. A consolidated format will be implemented with the 2013-14 Adopted Budget. The Unaudited Actuals can be found at: <a href="http://www.scusd.edu/financial-document/2011-12-year-end-financial-report-and-final-transfers">http://www.scusd.edu/financial-document/2011-12-year-end-financial-report-and-final-transfers</a></li> </ul>	

<b>Compliance Status</b>	In Compliance
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**OE-5.4: *The Superintendent will disclose budget planning assumptions.***

**Interpretation:**

I interpret this to mean that throughout the budget development process for the upcoming fiscal year, the Board will be provided in a public meeting the major assumptions used to determine projected revenues or expenditures. Assumptions will include changes to the revenue limit funding as determined by the state, increases or decreases in state and federal funding, significant negotiated total compensation agreements (significant is defined as impacting the majority of the bargaining unit), anticipated cost increases including but not limited to insurance and utilities.

## Indicators for Compliance:

I, as the Superintendent, will show compliance through the following indicators:

- Documents from public Board meetings which may include PowerPoint presentations as well as state required SACS documents
- Annual Adopted Budget documents presented to the Board for the upcoming year

<b>EVIDENCE OF COMPLIANCE</b> <b>May 17, 2012 through June 12, 2013</b>	
<ul style="list-style-type: none"><li>• Assumptions related to revenues and expenditures regarding the 2012-13 Adopted Budget were discussed at the following Board meetings:</li><li>• January 12, 2012 <a href="http://www.scusd.edu/financial-document/2011-12-and-2012-13-budget-recommendations-and-reductions">http://www.scusd.edu/financial-document/2011-12-and-2012-13-budget-recommendations-and-reductions</a></li><li>• February 2, 2012 <a href="http://www.scusd.edu/financial-document/governors-budget-proposal-and-2011-12-and-2012-13-budget-recommendations-and-reductions">http://www.scusd.edu/financial-document/governors-budget-proposal-and-2011-12-and-2012-13-budget-recommendations-and-reductions</a></li><li>• April 19, 2012 <a href="http://www.scusd.edu/financial-document/budget-overview-presentation">http://www.scusd.edu/financial-document/budget-overview-presentation</a></li><li>• May 17, 2012 <a href="http://www.scusd.edu/financial-document/2011-12-third-interim-financial-report-and-preliminary-may-revise-update">http://www.scusd.edu/financial-document/2011-12-third-interim-financial-report-and-preliminary-may-revise-update</a></li><li>• June 14, 2012 <a href="http://www.scusd.edu/financial-document/public-hearing-and-action-state-categorical-program-flexibility-tier-iii-transfer">http://www.scusd.edu/financial-document/public-hearing-and-action-state-categorical-program-flexibility-tier-iii-transfer</a></li><li>• June 21, 2012 (final budget adoption) <a href="http://www.scusd.edu/financial-document/public-hearing-and-adoption-proposed-fiscal-year-2012-13-budget-all-funds">http://www.scusd.edu/financial-document/public-hearing-and-adoption-proposed-fiscal-year-2012-13-budget-all-funds</a></li></ul>	
<ul style="list-style-type: none"><li>• The assumptions used for revenues and expenditures are included in the 2012-13 Adopted Budget which was approved by the Board on June 21, 2012, beginning on Page 7. The 2012-13 Adopted Budget can be found on the district's website at: <a href="http://www.scusd.edu/financial-document/public-hearing-and-adoption-proposed-fiscal-year-2012-13-budget-all-funds">http://www.scusd.edu/financial-document/public-hearing-and-adoption-proposed-fiscal-year-2012-13-budget-all-funds</a>.</li><li>• Similar information will be provided in the 2013-14 Adopted Budget, which will be presented to the Board on June 13, 2013 with anticipated action on June 20, 2013.</li></ul>	

<b>Compliance Status</b>	In Compliance
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**OE-5.5: *The Superintendent will assure fiscal soundness.***

## Interpretation:

I interpret fiscal soundness to mean that the Annual Adopted Budget that is presented will show a positive General Fund ending fund balance. I also interpret fiscal soundness to mean that the Required Reserve for Economic Uncertainties will be no less than the minimum of the state required percentage unless specifically approved by the Board. In addition, the Annual Adopted Budget will meet each of the state adopted "Criteria

and Standards.” If a specific criterion or standard is not met, a reasonable explanation will be provided in the document.

#### Indicators for Compliance:

I, as the Superintendent, will show compliance through the following indicators:

- Unaudited Actuals for the prior year will show a positive ending fund balance
- Annual Adopted Budget, First and Second Interim reports will reflect at a minimum the state required percentage for the Reserve for Economic Uncertainties or the agenda item approved by the Board that specifically states the Reserve has been reduced
- The Annual Adopted Budget, First and Second Interim reports will include “Standards and Criteria” documents with reasonable explanations provided for any criterion or standards not met

<b>EVIDENCE OF COMPLIANCE</b> <b>May 17, 2012 through June 12, 2013</b>	
<ul style="list-style-type: none"> <li>• Unaudited actuals were presented to the Board on October 4, 2012 for the 2011-12 fiscal year. Page 5 of the document reflects positive ending fund balances for all funds. The document can be found on the district’s website at: <a href="http://www.scusd.edu/financial-document/2011-12-year-end-financial-report-and-final-transfers">http://www.scusd.edu/financial-document/2011-12-year-end-financial-report-and-final-transfers</a>.</li> </ul>	
<ul style="list-style-type: none"> <li>• The 2012-13 Adopted Budget was approved by the Board on June 21, 2012 and, as indicated on Page 17 of that document on the multi-year projection, the district met its 2% reserve requirement for 2012-13. The 2013-14 Adopted Budget, which will be presented to the Board on June 20, 2013, will include the required 2% reserve.</li> <li>• The 2012-13 First Interim Report was approved by the Board on December 20, 2012 and, as indicated on Page 44 of that document, the district met its 2% required reserves. This report can be found at: <a href="http://www.scusd.edu/financial-document/2012-13-first-interim-financial-report">http://www.scusd.edu/financial-document/2012-13-first-interim-financial-report</a>.</li> <li>• The 2012-13 Second Interim Report was approved by the Board on March 21, 2013 and, as indicated on Page 44 of that document, the district met its 2% required reserve. These documents can be found on the district’s website at: <a href="http://www.scusd.edu/financial-document/2012-13-second-interim-financial-report">http://www.scusd.edu/financial-document/2012-13-second-interim-financial-report</a>.</li> </ul>	
<ul style="list-style-type: none"> <li>• The 2012-13 Adopted Budget was approved by the Board on June 21, 2012. Beginning on Page 178, standards and criterion documents are provided with explanations for criterion or standards that were not met. Standards and criterion are established by state guidelines and are part of the state required SACS documents.</li> <li>• The 2012-13 First Interim Report, which was approved by the Board on December 20, 2012, includes standards and criterion documents beginning on Page 72 and includes explanations for variances not met. This report can be found at: <a href="http://www.scusd.edu/financial-document/2012-13-first-interim-financial-report">http://www.scusd.edu/financial-document/2012-13-first-interim-financial-report</a>.</li> <li>• The 2012-13 Second Interim Report, which was approved by the Board on March 21, 2013, includes standard and criterion documents beginning on Page 72. Explanations are provided for variances not met. These documents can be found on the district’s website at: <a href="http://www.scusd.edu/financial-document/2012-13-second-interim-financial-report">http://www.scusd.edu/financial-document/2012-13-second-interim-financial-report</a>.</li> </ul>	

<b>Compliance Status</b>	In Compliance
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**OE-5.6: *The Superintendent will reflect anticipated changes in employee compensation, including inflationary adjustments, step increases, performance increases and benefits.***

**Interpretation:**

I interpret this to mean that the Annual Adopted Budget, First and Second Interim reports will include significant negotiated total compensation agreements with significant defined as impacting the majority of the bargaining unit. The Annual Adopted Budget will include the most current information available regarding employee compensation or benefit information. Costs for step and column increases and increased health insurance premiums are included in the Annual Adopted Budget. Major changes that may take place throughout the year are included in the First or Second Interim reports.

**Indicators for Compliance:**

I, as the Superintendent, will show compliance through the following indicators:

- AB1200 requirements are met which include prior approval of negotiated agreements by the Sacramento County Office of Education
- Budget projections will specifically identify increased costs for employee compensation
- Standards and Criteria document will reflect negotiated settlement information

<b>EVIDENCE OF COMPLIANCE</b> <b>May 17, 2012 through June 12, 2013</b>	
<ul style="list-style-type: none"><li>• Budget presentations for the 2012-13 Adopted Budget on the following dates included anticipated increased or decreased costs for employee compensation:</li><li>• January 12, 2012 <a href="http://www.scusd.edu/financial-document/2011-12-and-2012-13-budget-recommendations-and-reductions">http://www.scusd.edu/financial-document/2011-12-and-2012-13-budget-recommendations-and-reductions</a></li><li>• February 2, 2012 <a href="http://www.scusd.edu/financial-document/governors-budget-proposal-and-2011-12-and-2012-13-budget-recommendations-and">http://www.scusd.edu/financial-document/governors-budget-proposal-and-2011-12-and-2012-13-budget-recommendations-and</a></li><li>• April 19, 2012 <a href="http://www.scusd.edu/financial-document/budget-overview-presentation">http://www.scusd.edu/financial-document/budget-overview-presentation</a></li><li>• June 14, 2012 <a href="http://www.scusd.edu/financial-document/public-hearing-and-action-state-categorical-program-flexibility-tier-iii-transfer">http://www.scusd.edu/financial-document/public-hearing-and-action-state-categorical-program-flexibility-tier-iii-transfer</a></li><li>• June 21, 2012 (final budget adoption) <a href="http://www.scusd.edu/financial-document/public-hearing-and-adoption-proposed-fiscal-year-2012-13-budget-all-funds">http://www.scusd.edu/financial-document/public-hearing-and-adoption-proposed-fiscal-year-2012-13-budget-all-funds</a></li></ul>	
<ul style="list-style-type: none"><li>• The 2012-13 Adopted Budget was approved by the Board on June 21, 2012. Section S8 of the School District Criteria and Standards state required report reflects the status of labor agreements. These documents can be found on the district's website at: <a href="http://www.scusd.edu/financial-document/public-hearing-and-adoption-proposed-fiscal-year-2012-13-budget-all-funds">http://www.scusd.edu/financial-document/public-hearing-and-adoption-proposed-fiscal-year-2012-13-budget-all-funds</a>.</li><li>• The First Interim Report which was approved by the Board on December 20, 2012 includes School District Criteria and Standards that reflect the status of labor agreements in section S8. These documents can be found on the district's website at: <a href="http://www.scusd.edu/financial-document/2012-13-first-interim-financial-report">http://www.scusd.edu/financial-document/2012-13-first-interim-financial-report</a>.</li></ul>	

- The Second Interim Report which was approved by the Board on March 21, 2013 includes School District Criteria and Standards that reflect the status of labor agreements in section S8. These documents can be found on the district's website at: <http://www.scusd.edu/financial-document/2012-13-second-interim-financial-report>.

<b>Compliance Status</b>	In Compliance
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**OE-5.7: *The Superintendent may not develop a budget that: Plans for the expenditure in any fiscal year of more funds that are conservatively projected to be available during the year.***

**Interpretation:**

I interpret this to mean that anticipated revenues for the year are based on factual information, wherever possible. When factual information is not available, estimates will be made conservatively. Conservatively means that based upon a range of possible revenue from that source, the estimate actually budgeted will be at the low end of the range. Recommendations from the Sacramento County Office of Education, education experts such as School Services of California and School Innovations & Advocacy and other outside sources of information will be taken into consideration.

**Indicators for Compliance:**

I, as the Superintendent, will show compliance through the following indicators:

- In the Annual Adopted Budget and First and Second Interim reports, expenditures will not exceed budgeted revenues plus beginning fund balance which state law or accounting standards deem available for specified expenditures
- The district has produced a budget that includes key budget indicators that have been validated with the Sacramento County Office of Education and education experts such as School Services of California

EVIDENCE OF COMPLIANCE May 17, 2012 through June 12, 2013	
<ul style="list-style-type: none"> <li>• The following Board approved items include a SACS report summary that reflects revenues, expenditures, beginning and ending fund balances. In each of these three reports, the ending fund balance was a positive number: <ul style="list-style-type: none"> <li>- 2012-13 Adopted Budget approved by the Board on June 21, 2012 <a href="http://www.scusd.edu/financial-document/public-hearing-and-adoption-proposed-fiscal-year-2012-13-budget-all-funds">http://www.scusd.edu/financial-document/public-hearing-and-adoption-proposed-fiscal-year-2012-13-budget-all-funds</a></li> <li>- 2012-13 First Interim Financial Report approved by the Board on December 20, 2012 <a href="http://www.scusd.edu/financial-document/2012-13-first-interim-financial-report">http://www.scusd.edu/financial-document/2012-13-first-interim-financial-report</a></li> <li>- 2012-13 Second Interim Financial Report approved by the Board on March 21, 2013 <a href="http://www.scusd.edu/financial-document/2012-13-second-interim-financial-report">http://www.scusd.edu/financial-document/2012-13-second-interim-financial-report</a></li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• The 2012-13 Adopted Budget included a document beginning on Page 7 that outlines assumptions used in the Adopted Budget. The financial projection factors are based on School Services of California Dartboard in conjunction with recommendations from the Sacramento County Office of Education provided to all districts in the county. This document can be found on the district's website at: <a href="http://www.scusd.edu/financial-document/public-hearing-and-">http://www.scusd.edu/financial-document/public-hearing-and-</a></li> </ul>

**adoption-proposed-fiscal-year-2012-13-budget-all-funds.**

<b>Compliance Status</b>	In Compliance
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**OE-5.8: *The Superintendent may not develop a budget that:  
Allows for a carry-over fund of monies in any budget line item that fails to appropriately be used for its intended purpose.***

**Interpretation:**

I interpret this to mean that the district will not build in to any budget or budget projections, the use of funds unspent in one fiscal year that may be used the following year that is not used as directed by the granting agency. This would apply to federal, state and local funds that must be spent for a specific purpose. This would not include funds that may be identified by the federal, state or local agency as “sweepable” or “unrestricted.” An example would be Tier III programs that the state recently changed from restricted categorical funds for a specific purpose to unrestricted funds for district general purpose use.

**Indicators for Compliance:**

I, as the Superintendent, will show compliance through the following indicators:

- Annual external audit indicates no misuse of funds
- No notifications from federal, state or local agencies that indicate a misuse of funds

<b>EVIDENCE OF COMPLIANCE May 17, 2012 through June 12, 2013</b>
<ul style="list-style-type: none"><li>• The 2012 Financial Audit presented to the Board on January 10, 2013 states, “In our opinion, the financial statement referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Sacramento City Unified School District as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.” Page 81 of the 2012 Financial Audit indicates that no material weaknesses were identified. As noted on Page 67, there were no audit adjustments proposed to any funds of the district. The 2012 Financial Audit can be found on the district’s website at: <a href="http://www.scusd.edu/financial-document/presentation-independent-audit-report-fiscal-year-ended-june-30-2012-submitted">http://www.scusd.edu/financial-document/presentation-independent-audit-report-fiscal-year-ended-june-30-2012-submitted</a>.</li><li>• The district did not receive any notifications from federal, state or local agencies that any funds were misused.</li></ul>

# Sacramento Office of Education County

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PHYSICAL LOCATION: 10474 Mather Boulevard, Mather, CA  
(916) 228-2500 • www.scoe.net

David W. Gordon  
Superintendent

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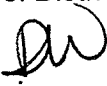
Harold Fong

Brian M. Rivas

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John C. Scribner

**TO:** Patricia A. Hagemeyer, Chief Business Officer  
Sacramento City Unified School District

**FROM:** Debra J. Wilkins, Coordinator,   
Fiscal Support & Advisory Services

**DATE:** August 31, 2012

**SUBJECT:** 2012/13 Adopted Budget

Enclosed for you is a technical advisory list for your use in preparation for submission of future reports. I would appreciate a written response to those items for our files by September 7, 2012. This list should not be interpreted as all-inclusive, but consists of those items that came to my attention during the review. Please feel free to share this information with your superintendent or others, as you deem appropriate.

Enclosures

DW/dp

# Received

SEP -5 2012

SCUSD  
Administrative Services



**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT  
ADOPTED BUDGET REPORT, 2012/13  
TECHNICAL ADVISORY LIST  
JULY, 2012**

1. Form SIAA, - Direct Costs-Interfund Transfers-In (5750) and Transfers-Out (5750) are out of balance by \$125. Please review.
2. Form RL, - Budget, Unemployment Insurance Revenue (UIR) (Line 18, Data ID 0060) - The amount reported is \$3,545,686. However, based on the amount reported in each fund as follows, the claimed amount should be \$3,263,495 (see below). Please review.

Fund	UIR
01	\$3,065,468
11	36,711
12	139,784
13	91,761
21	2,825
67	<u>4,033</u>
Total	\$3,340,582
Less 1975/76 Actual Unemployment Expenditures	<u>77,087</u>
The amount that should be claimed is	\$3,263,495