

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS

June 30, 2015

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2015

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WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2015

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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, 2015, 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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

(Continued)

Emphasis of Matter

As discussed in Note 1 to the financial statements, in June 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68, "Accounting and Financial Reporting for Pensions." Also, in November 2013 the GASB issued GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date". As discussed in notes 9 and 10, GASB Statements No. 68 and No. 71 are effective for the District's fiscal year ending June 30, 2015. These Statements replace the requirements of GASB Statement No. 27, "Accounting for Pensions by State and Local Governmental Employers" and GASB Statement No. 50, "Pension Disclosures". GASB Statements No. 68 and No. 71 establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and expenses as well as identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to period of employee service. Note disclosures and required supplementary information (RSI) requirements about pensions are also addressed. 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 14 and the General Fund Budgetary Comparison Schedule, Schedule of Other Postemployment Benefits (OPEB) Funding Progress, Schedule of the District's Proportionate Share of the Net Pension Liability, and Schedule of the District's Contributions on pages 60 to 65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sacramento City Unified School District's basic financial statements. The accompanying schedule of expenditure 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 basic financial statements.

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

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

(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2015 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 14, 2015

Management's Discussion and Analysis

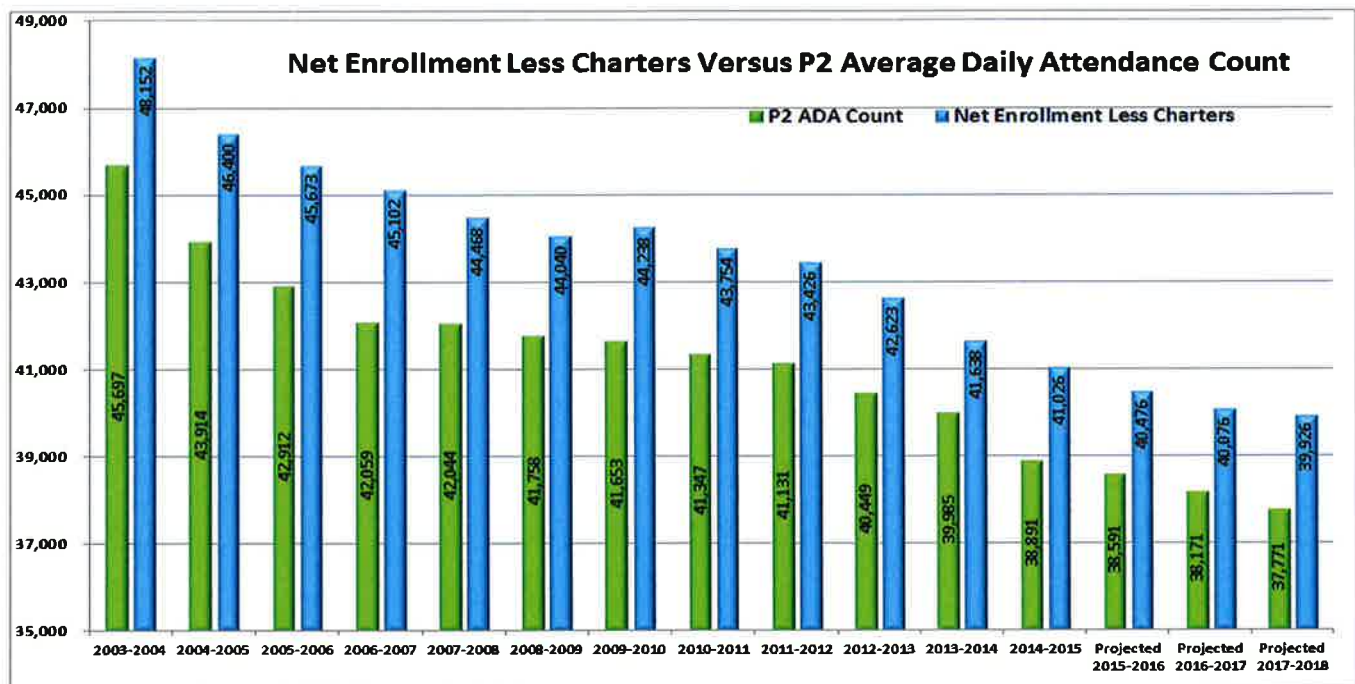
The Management's Discussion and Analysis (MD&A) Section of the audit report is District management's overall view of the District's financial condition and provides an opportunity to discuss important fiscal issues with the Board and the public. The MD&A is an element of the reporting model adopted by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

District Overview

Sacramento City Unified School District (the "District"), located in Sacramento County, is the thirteenth largest school district in California 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.

For FY 2014-15, the District operated forty elementary schools (grades K-6), eight elementary/middle schools (K-8), six middle schools, one middle school (grades 7-9), one 7-12 middle/high school, seven comprehensive high schools (grades 9-12), three alternative education centers, two special education centers, two adult education centers and fourteen charter schools (including both dependent and independent) and forty-four children's centers/preschools serving infants through age 12.

The chart below graphically presents the District's declining enrollment trend after the impact of charter schools is taken into account. The District continues to decline in student enrollment, although the trend suggests the decrease is not as great as in prior years.



Also shown on this chart is the Average Daily Attendance (ADA). The District is funded based on ADA, which is

tracked on a daily basis with staff following up on areas of concern. The District averages approximately 95% - ADA to enrollment which is high for an urban district.

Overview of the Financial Statements

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

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

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

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

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

In the district-wide financial statements the District's activities are divided into two categories:

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

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues (like Bonds).

Fund Financial Statements (Continued)

The District has three kinds of funds:

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

Governance

The District is governed by a Board of Education consisting of seven members and one student member. The regular members are elected to staggered four-year terms every two years. As a result of the passage of two ballot measures at the November 7, 2006 election, Board member elections starting with the November 4, 2008 election, are no longer held 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 is currently working on a new strategic plan.

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 21st 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.

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 14. The individual fund statements, which focus on reporting the District's operations in more detail, begin on page 16.

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.

The Governmental Accounting Standards Board approved GASB Statement No. 68 (GASB 68), Accounting and Financial Reporting for Pensions. The primary objective of this Statement, issued in June 2012, is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. Due to GASB 68, the District's net position for fiscal year ending June 30, 2015 changed to \$(381,973,239) from \$(20,561,611) at June 30, 2014.

District-wide Financial Condition (Continued)

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

	30-Jun-15	30-Jun-14	Variance	% Diff
Capital Assets	\$493,294,144	\$486,259,118	\$7,035,026	1%
Other Assets	\$292,136,730	\$211,765,497	\$80,371,233	38%
Total Assets	\$785,430,874	\$698,024,615	\$87,406,259	13%
Deferred Outflows of Resources	\$25,829,924	\$9,193,644	\$16,636,280	181%
Current and Other Liabilities	\$72,333,086	\$66,633,717	\$5,699,369	9%
Long-Term Liabilities	\$1,042,411,701	\$661,146,173	\$381,265,528	58%
Total Liabilities	\$1,114,744,787	\$727,779,890	\$386,964,897	53%
Deferred Inflows of Resources	\$78,489,250	\$-	\$78,489,250	100%
Net Investment in Capital Assets (net of related debt)	\$44,376,658	\$71,543,543	(\$27,166,885)	(38%)
Restricted Net Position	\$93,329,065	\$69,418,324	\$23,910,741	34%
Unrestricted Net Position	(\$519,678,962)	(\$161,523,478)	(\$358,155,484)	222%
Total Net Position	(\$381,973,239)	(\$20,561,611)	(\$361,411,628)	1,758%

At the end of fiscal year 2014-15, the District had a total value of \$962,109,498 in capital assets. Capital assets include land, buildings, building improvements, equipment and work in progress. Total accumulated depreciation amounted to \$468,815,354. The net capital assets amounted to \$493,294,144 an increase of \$7,035,026 from prior year. This is a result of capital projects being completed through Measures Q and R General Obligation Bonds.

Other assets include cash, receivables, investments, due from (to) other funds, stores inventory and pre-paid expenses. An increase in other assets of \$80,371,233 can be attributed to the decrease of State deferrals of general fund revenues and an increase in cash with fiscal agent for the building fund. The cash account for the building fund is used to fund the district's capital asset improvements (i.e. Measure I, Q and R General Obligations Bonds).

The District ended the year with a total of \$1,114,744,787 in outstanding financing obligations. The increase in long-term debt of \$381,265,528 is mainly attributed to the reporting of Pensions and increase of OPEB liability.

District-wide Financial Condition (Continued)

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

	30-Jun-15	30-Jun-14	Variance	% Diff
Expenses				
Governmental Activities:				
Instruction	\$347,643,202	\$315,943,694	\$31,699,508	10%
Instruction-Related Services	\$66,356,870	\$62,029,858	\$4,327,012	7%
Pupil Services	\$61,540,505	\$56,194,744	\$5,345,761	10%
General Administration	\$20,117,060	\$20,050,493	\$66,567	0%
Plant Services	\$42,207,793	\$48,008,987	(\$5,801,194)	(12%)
Interest on Long-Term Debt	\$24,449,958	\$16,514,783	\$7,935,175	48%
All Other Expenses and Outgoing	\$3,805,279	\$6,801,754	(\$2,996,475)	(44%)
Total Governmental Activity Expenses	\$566,120,667	\$525,544,313	\$40,576,354	8%

Revenues				
Charges For Services	\$2,157,473	\$2,042,632	\$114,841	5%
Operating Grants and Contributions	\$146,997,448	\$140,232,385	\$6,765,063	5%
Capital Grants and Contributions	\$996,507	\$ -		
Taxes Levied for General Purposes	\$70,227,570	\$66,323,770	\$3,903,800	6%
Taxes Levied for Debt and Special Purposes	\$36,953,413	\$36,725,954	\$227,459	1%
Unrestricted Federal and State Aid	\$271,035,836	\$246,667,624	\$24,368,212	9%
Interest and Investment Earnings	\$1,021,920	\$168,123	\$853,797	84%
Interagency Revenues	\$3,403,398	\$3,656,193	(\$252,795)	(7%)
Special and Extraordinary Items	\$0	\$4,678,634	(\$4,678,634)	
Miscellaneous	\$10,939,876	\$9,140,492	\$1,799,384	16%
Total Revenues	\$543,733,441	\$509,635,807	\$34,097,634	6%
Change in Net Position	(\$22,387,226)	(\$15,908,506)	(\$6,478,720)	41%

The District, as a whole, experienced a change in net position by (\$22,387,226). Revenues increased by \$34,097,634 which is primarily attributable to the increase in temporary taxes due to Proposition 30 and also for taxes levied for debt service. This amount also includes an increase in unrestricted state aid due to the change in calculating school district revenue, i.e., Local Control Funding Formula (LCFF). Expenditures increased by \$40,576,354 which are primarily instructional and instructional-related services.

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, 2015:

	Adopted Budget	Year End Budget	Actual
Total Revenues	\$ 414,635,464	\$454,320,443	\$432,650,573
Total Expenditures	\$ 426,175,853	\$461,476,302	\$428,832,132
Total Other Sources/(Uses)	\$ 2,465,769	\$ (2,521,267)	\$ (528,584)

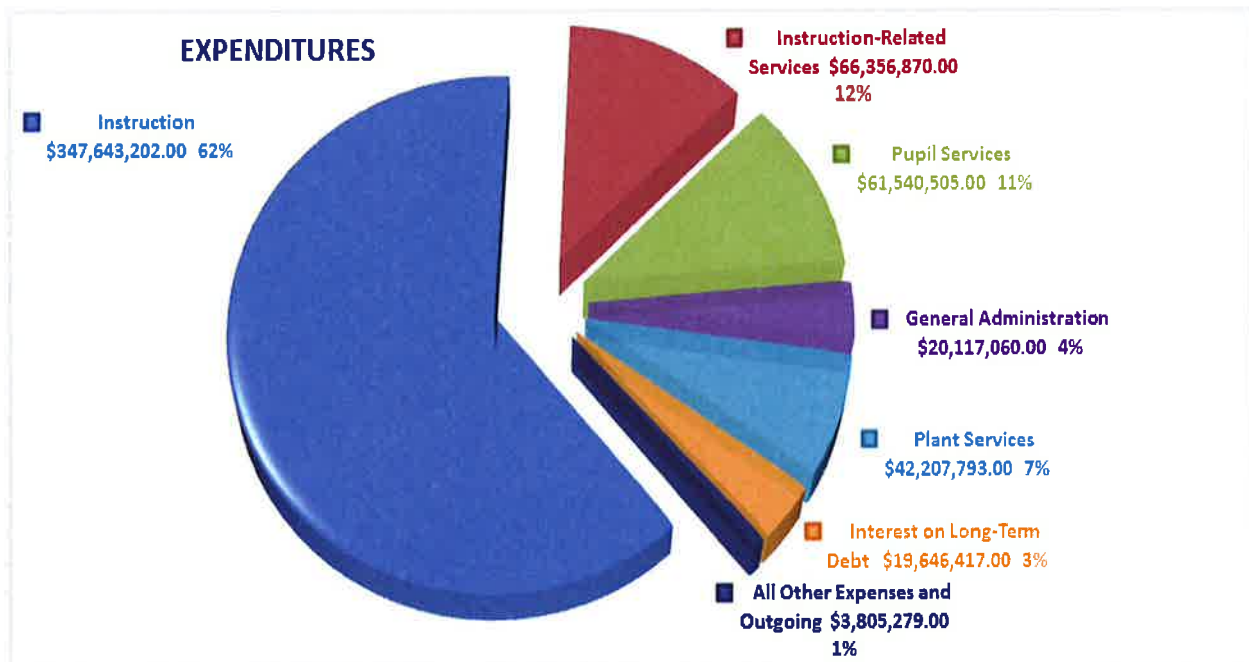
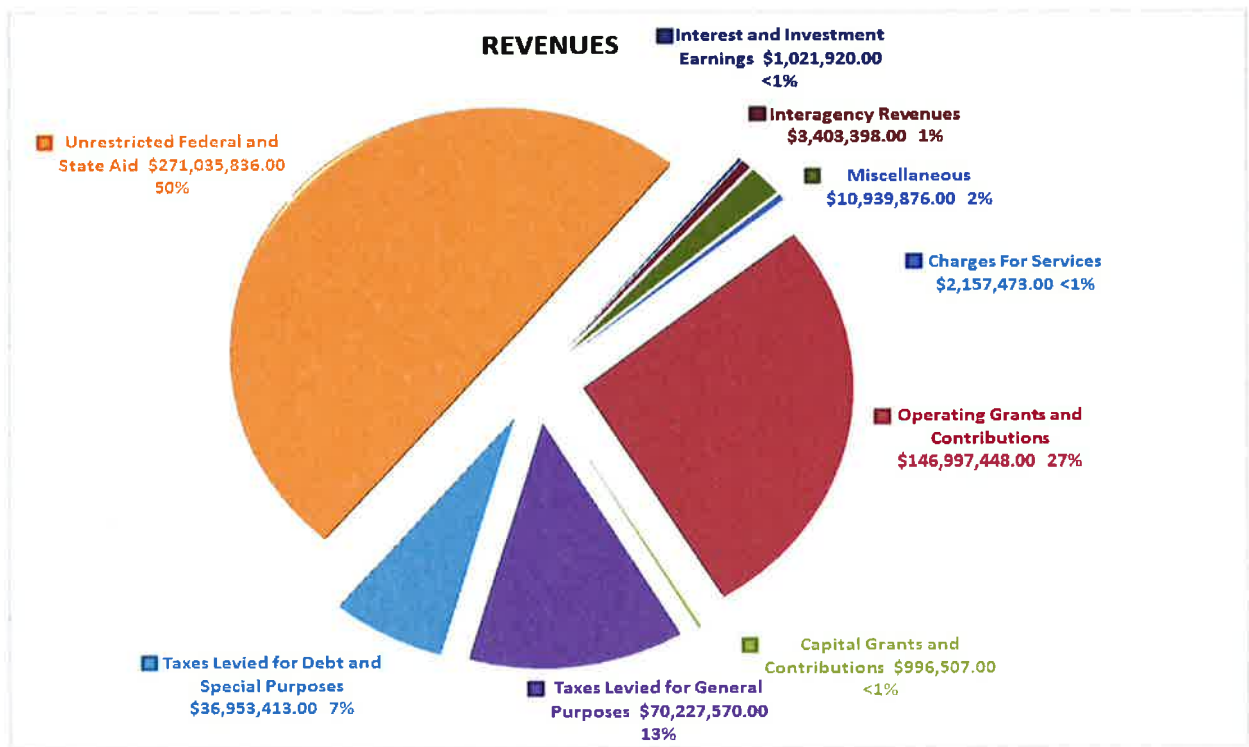
The net revenue increase between Adopted and Year End budget was \$39,684,979 due to current year budgets for categorical funds, which are budgeted as grant award documents are received. Also, the budgets for prior year unspent restricted and unrestricted program funds (carryover) are appropriated mid-year. In addition, the Adopted Budget did not include one-time funds such as \$22,241,946 for the Emergency Repair Funds and \$8,879,270 for the STRS Pension Fund and \$2,409,869 for Mandated Cost Reimbursement.

The net increase to the total expenditure budget between Adopted and Year End budget was \$35,300,449 due to revisions to set up expenditures related to the one-time funds described above and the categorical program funds which are budgeted after July 1 as grant award documents are received and school site plans are approved.

Actual revenues were \$21,669,870 or 4.8%, below Year End budget due primarily to unspent and unearned categorical revenue and one-time revenues that carryover to 2015-16. Actual expenditures were \$32,644,170, or 7.1%, below Year End budget due to timing of grants received late part in the year, lower than expected health benefit increase, and unspent categorical revenue and unspent school site program funds.

The following table summarizes the General Fund operational fund financial statements for the year ended June 30, 2015:

Total Revenue	\$ 432,650,573
Total Expenditures	\$ 428,832,132
Other Financing Sources & Uses	\$ (528,584)
Net Change	\$ 3,289,857



The percentage of Revenues increased by 2% for Unrestricted Federal and State Aid and Taxes Levied for General Purposes compared to FY 2013-14 mainly because of LCFF. The percentage of expenditures is almost the same for FY 2014-15 compared to FY 2013-14.

Capital Projects

Modernization and construction projects are scheduled to continue as we update our existing facilities and continue to close out construction projects.

With the passage of Bond Measures Q and R in 2012, the District continues facility improvements, modernization and construction projects that enhance the learning environment.

Total Expenditures for Fiscal Year Ended June 30, 2015

<u>Measure Q</u>	<u>\$ 11,337,038</u>
• Program Management Expenditures	\$ 1,442,793
• Completed Project Expenditures:	
▪ District Wide Fire & Irrigation Improvements	\$ 146,711
▪ Modernization, Repair & Upgrades	\$ 1,586,434
▪ Resource and Energy Conservation Improvement Projects	\$ 218,058
▪ Technology Upgrades	\$ 869,138
• In Progress Project Expenditures:	
▪ District Wide Fire & Irrigation Improvements	\$ 794,485
▪ Modernization, Repair & Upgrades	\$ 547,819
▪ Program Enhancements	\$ 160,432
▪ Technology Upgrades	\$ 5,571,168
<u>Measure R</u>	<u>\$ 13,699,806</u>
• Program Management Expenditures	\$ 482,121
• Completed Project Expenditures:	
▪ Athletics: Fields, Gyms, Locker Rooms	\$ 3,623,460
▪ Modernization, Repair & Upgrades	\$ 2,908,534
• In Progress Project Expenditures:	
▪ Athletics: Fields, Gyms, Locker Rooms	\$ 5,746,784
▪ Modernization, Repair & Upgrades	\$ 938,907

Summary of Future Projects as of June 30, 2015

<u>Project Year(s)</u>	<u>Projects</u>	<u>Estimated Budget</u>
Measure Q		<u>\$ 175,000,000</u>
2016-2017	Core Academic Renovation	34,800,000
2016-2017	District Wide Fire & Irrigation Improvements	12,000,000
2016-2017	Modernization, Repair & Upgrade Projects	21,000,000
2016-2017	Program Enhancements	9,000,000
2016-2017	Resource & Energy Conservation Improvement Projects	3,500,000
2016-2017	Technology	7,500,000
2017-2021	Core Academic Renovation, Modernization, Repair & Upgrade Improvements	87,200,000
Measure R		<u>\$ 25,695,000</u>
2017-2019	Nutrition Services Center	

District Indebtedness

As of June 30, 2015, the District has incurred \$1,042,411,701 of long-term liabilities. Of this amount, \$473,813,295 is General Obligation Bonds and Capital Appreciation Bonds backed by property tax increases voted on by district residents in 1999, 2002 and 2012, and \$72,380,000 of Lease Revenue Bonds, backed by Developer Fees and General Fund.

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 2014-2015 fiscal year was the exception. It was slightly higher than 2008-09 when the district incurred about 20% reduction. With the passage of the Local Control Funding Formula (LCFF) and Proposition 30, the prospects for increased State funding are dramatically improved.

Funding is however only part of the equation. Declining enrollment increased operating expenses and uncertain future state resources are the key issues facing the Sacramento City Unified School District. The development of future budgets will be influenced by external variables such as the State Budget and enrollment changes. Internal factors of compensation and number of employees must be commensurate with the number of students. Sacramento City Unified School District must be vigilant in monitoring all expenditures to avoid fiscal distress.

BASIC FINANCIAL STATEMENTS

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2015

	Governmental Activities
ASSETS	
Cash and investments (Note 2)	\$ 255,947,258
Receivables	35,645,988
Prepaid expenses	51,138
Stores inventory	492,346
Non-depreciable capital assets (Note 4)	41,687,286
Depreciable capital assets, net of accumulated depreciation (Note 4)	<u>451,606,858</u>
Total assets	<u>785,430,874</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - pensions (Notes 9 and 10)	22,402,065
Deferred loss on refunding of debt	<u>3,427,859</u>
Total deferred outflows of resources	<u>25,829,924</u>
LIABILITIES	
Accounts payable	50,242,023
Unpaid claims and claim adjustment expenses (Note 5)	1,346,419
Unearned revenue	20,744,644
Long-term liabilities (Note 7):	
Due within one year	34,702,714
Due after one year	<u>1,007,708,987</u>
Total liabilities	<u>1,114,744,787</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pensions (Notes 9 and 10)	<u>78,489,250</u>
NET POSITION	
Net investment in capital assets	44,376,658
Restricted (Note 8)	93,329,065
Unrestricted	<u>(519,678,962)</u>
Total net position	<u>\$ (381,973,239)</u>

See accompanying notes to the financial statements

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

	Expenses	Charges For Services	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Governmental Activities
Governmental activities:					
Instruction	\$ 347,643,202	\$ 411,042	\$ 82,883,219	\$ 996,507	\$ (263,352,434)
Instruction-related services:					
Supervision and administration	28,179,509	293,022	15,434,507	-	(12,451,980)
Library, media and technology	2,713,170	201	413,183	-	(2,299,786)
School site administration	35,464,191	3,180	2,057,290	-	(33,403,721)
Pupil services:					
Home-to-school transportation	12,804,911	91	226,699	-	(12,578,121)
Food services	21,484,575	790,317	21,311,845	-	617,587
All other pupil services	27,251,019	78,548	14,061,601	-	(13,110,870)
General administration:					
Centralized data processing	3,035,610	2,979	16,654	-	(3,015,977)
All other general administration	17,081,450	55,894	3,482,227	-	(13,543,329)
Plant service	42,207,793	369,430	3,581,409	-	(38,256,954)
Ancillary services	1,961,604	974	205,382	-	(1,755,248)
Community services	451,959	-	254,219	-	(197,740)
Enterprise activities	13,590	-	-	-	(13,590)
Other outgo	1,378,126	151,795	3,069,213	-	1,842,882
Interest on long-term liabilities	24,449,958	-	-	-	(24,449,958)
Total governmental activities	\$ 566,120,667	\$ 2,157,473	\$ 146,997,448	\$ 996,507	\$ (415,969,239)
General revenues:					
Taxes and subventions:					
Taxes levied for general purposes					70,227,570
Taxes levied for debt service					34,877,379
Taxes levied for other specific purposes					2,076,034
Federal and state aid not restricted to specific purposes					271,035,836
Interest and investment earnings					1,021,920
Interagency revenues					3,403,398
Miscellaneous					10,939,876
Total general revenues					393,582,013
Change in net position					(22,387,226)
Net position, July 1, 2014					(20,561,611)
Cumulative effect of adoption of GASB 68					(339,024,402)
Net position, July 1, 2014, as restated					(359,586,013)
Net position, June 30, 2015					\$ (381,973,239)

See accompanying notes to the financial statements

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	<u>General Fund</u>	<u>Building Fund</u>	<u>Bond Interest and Redemption Funds</u>	<u>All Non-Major Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and investments:					
Cash in County Treasury	\$ 63,791,598	\$ 25,831,029	\$ 34,962,857	\$ 21,570,934	\$ 146,156,418
Cash on hand and in banks	584,514	-	-	5,599,722	6,184,236
Cash in revolving fund	225,000	-	-	2,000	227,000
Cash with Fiscal Agent	-	89,216,084	5,667,737	-	94,883,821
Local Agency Investment Fund (LAIF)	-	657,953	-	-	657,953
Receivables	28,381,376	107,797	52,378	6,864,513	35,406,064
Due from other funds	2,691,876	1,426,026	-	2,142,211	6,260,113
Prepaid expenditures	38,549	-	-	12,589	51,138
Stores inventory	126,019	-	-	366,327	492,346
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 95,838,932</u>	<u>\$ 117,238,889</u>	<u>\$ 40,682,972</u>	<u>\$ 36,558,296</u>	<u>\$ 290,319,089</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 26,960,108	\$ 5,060,788	\$ 12,338,119	\$ 3,093,083	\$ 47,452,098
Unearned revenue	20,620,188	-	2,605	121,851	20,744,644
Due to other funds	3,474,339	47,182	-	2,682,163	6,203,684
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>51,054,635</u>	<u>5,107,970</u>	<u>12,340,724</u>	<u>5,897,097</u>	<u>74,400,426</u>
Fund balances:					
Nonspendable	389,568	-	-	380,916	770,484
Restricted	4,456,029	112,130,919	28,342,248	30,280,283	175,209,479
Assigned	27,175,567	-	-	-	27,175,567
Unassigned	12,763,133	-	-	-	12,763,133
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>44,784,297</u>	<u>112,130,919</u>	<u>28,342,248</u>	<u>30,661,199</u>	<u>215,918,663</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 95,838,932</u>	<u>\$ 117,238,889</u>	<u>\$ 40,682,972</u>	<u>\$ 36,558,296</u>	<u>\$ 290,319,089</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, 2015

Total fund balances - Governmental Funds	\$	215,918,663
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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 \$962,109,498 and the accumulated depreciation is \$468,815,354 (Note 4).		493,294,144
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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, 2015 consisted of (Note 7):

General Obligation Bonds	\$	(427,737,966)	
Premium on issuance		(35,057,651)	
Capital Appreciation Bonds		(11,017,678)	
Lease Revenue Bonds		(72,380,000)	
Capitalized lease obligations		(171,675)	
Net pension liability (Notes 9 and 10)		(284,496,000)	
Net OPEB liability (Note 11)		(203,728,665)	
Compensated absences		(7,822,066)	
			(1,042,411,701)

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:		6,564,420
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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:		(2,679,439)
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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.		3,427,859
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In government funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported (Notes 9 and 10).

Deferred outflows of resources relating to pensions	\$	22,402,065	
Deferred inflows of resources relating to pensions		(78,489,250)	
			(56,087,185)

Total net position - governmental activities	\$	(381,973,239)
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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, 2015

	General Fund	Building Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total Governmental Funds
Revenues:					
Local control funding formula:					
State apportionment	\$ 253,388,065	\$ -	\$ -	\$ 14,549,147	\$ 267,937,212
Local sources	<u>62,151,276</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>62,151,276</u>
Total local control funding formula	<u>315,539,341</u>	<u>-</u>	<u>-</u>	<u>14,549,147</u>	<u>330,088,488</u>
Federal sources	43,153,693	-	-	34,799,181	77,952,874
Other state sources	62,827,008	20,157	416,632	9,391,113	72,654,910
Other local sources	<u>11,130,531</u>	<u>26,558</u>	<u>36,444,471</u>	<u>12,233,608</u>	<u>59,835,168</u>
Total revenues	<u>432,650,573</u>	<u>46,715</u>	<u>36,861,103</u>	<u>70,973,049</u>	<u>540,531,440</u>
Expenditures:					
Current:					
Certificated salaries	165,315,040	-	-	14,855,536	180,170,576
Classified salaries	51,468,603	1,436,287	-	12,874,335	65,779,225
Employee benefits	134,164,354	557,942	-	16,999,674	151,721,970
Books and supplies	14,881,152	183,130	-	12,808,029	27,872,311
Contract services and operating expenditures	57,364,014	1,602,898	-	4,960,400	63,927,312
Other outgo	240,854	-	2,569	-	243,423
Capital outlay	2,576,920	25,547,083	-	6,445,383	34,569,386
Debt service:					
Principal retirement	115,184	-	19,470,000	1,905,000	21,490,184
Interest	<u>2,706,011</u>	<u>1,870,133</u>	<u>15,589,224</u>	<u>500,000</u>	<u>20,665,368</u>
Total expenditures	<u>428,832,132</u>	<u>31,197,473</u>	<u>35,061,793</u>	<u>71,348,357</u>	<u>566,439,755</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,818,441</u>	<u>(31,150,758)</u>	<u>1,799,310</u>	<u>(375,308)</u>	<u>(25,908,315)</u>
Other financing sources (uses):					
Interfund transfers in	3,007,486	3,060,138	-	702,181	6,769,805
Interfund transfers out	(3,762,319)	-	-	(3,007,486)	(6,769,805)
Proceeds from the issuance of debt	226,249	122,740,000	-	-	122,966,249
Premium from issuance of debt	-	6,223,489	5,667,737	-	11,891,226
Payment to refunding escrow	<u>-</u>	<u>(36,740,000)</u>	<u>-</u>	<u>-</u>	<u>(36,740,000)</u>
Total other financing sources (uses)	<u>(528,584)</u>	<u>95,283,627</u>	<u>5,667,737</u>	<u>(2,305,305)</u>	<u>98,117,475</u>
Change in fund balances	3,289,857	64,132,869	7,467,047	(2,680,613)	72,209,160
Fund balances, July 1, 2014	<u>41,494,440</u>	<u>47,998,050</u>	<u>20,875,201</u>	<u>33,341,812</u>	<u>143,709,503</u>
Fund balances, June 30, 2015	<u>\$ 44,784,297</u>	<u>\$ 112,130,919</u>	<u>\$ 28,342,248</u>	<u>\$ 30,661,199</u>	<u>\$ 215,918,663</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, 2015

Net change in fund balances - Total Governmental Funds	\$ 72,209,160
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).	34,627,440
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(27,553,622)
The difference between the proceeds from disposal of capital assets and the resulting gain or loss is (Note 4):	(38,792)
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).	21,490,184
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).	(122,966,249)
Repayment of principal on long-term liabilities through refunding of debt is other financing uses in the governmental funds, but decreases the long-term liabilities in the statement of net position (Note 7).	36,740,000
Accreted interest is an expense that is not reported in the governmental funds (Note 7).	(1,673,576)
Premiums related to the issuance of long-term liabilities is recognized as an other financing source in the governmental funds, but decreases the liability in the statement of net position. The premiums added in the current year due to new debt issuance activity is \$11,891,226, the current year annual amortization is \$1,811,521, and the premium removed due to the defeased debt is \$2,031,665 (Note 7).	(8,048,040)
In governmental funds, deferred inflows and deferred outflows of resources are not recognized. In the government-wide statements, deferred inflows and deferred outflows of resources are amortized over the life of the debt. The net activity in the deferred outflow for the current year is:	(5,765,805)

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS -
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

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.	\$ 40,423
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:	2,422,281
In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was:	(1,558,783)
In the statement of activities, expenses related to net OPEB liability and compensated absences are measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used (Notes 7 and 11).	<u>(22,311,847)</u>
Change in net position of governmental activities	<u>\$ (22,387,226)</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, 2015

ASSETS

Current assets

Cash and investments:

Cash in County Treasury	\$ 7,512,036
Cash with Fiscal Agent	250,000
Cash on hand and in banks	75,794
Receivables	<u>188,668</u>

Total current assets	<u>8,026,498</u>
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LIABILITIES

Current liabilities:

Accounts payable	110,486
Due to other funds	5,173
Unpaid claims and claim adjustment expenses	<u>1,346,419</u>

Total current liabilities	<u>1,462,078</u>
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NET POSITION

Restricted	<u><u>\$ 6,564,420</u></u>
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See accompanying notes to the financial statements.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
STATEMENT OF CHANGE IN
NET POSITION - PROPRIETARY FUND
SELF-INSURANCE FUND
For the Year Ended June 30, 2015

Operating revenues:	
Self-insurance premiums	\$ 15,995,567
Other local revenue	<u>395</u>
Total operating revenue	<u>15,995,962</u>
Operating expenses:	
Classified salaries	224,706
Employee benefits	96,872
Books and supplies	7,910
Contract services	<u>13,222,623</u>
Total operating expenses	<u>13,552,111</u>
Operating income	2,443,851
Non-operating income:	
Interest income	<u>(21,570)</u>
Change in net position	2,422,281
Total net position, July 1, 2014	<u>4,142,139</u>
Total net position, June 30, 2015	<u><u>\$ 6,564,420</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, 2015

Cash flows from operating activities:	
Cash received from self-insurance premiums	\$ 17,984,332
Cash paid for employee benefits	(13,658,908)
Cash paid for other expenses	<u>(313,288)</u>
Net cash provided by operating activities	4,012,136
Cash flows used in investing activities:	
Interest income received	<u>(21,570)</u>
Change in cash and investments	3,990,566
Cash and investments, July 1, 2014	<u>3,847,264</u>
Cash and investments, June 30, 2015	<u><u>\$ 7,837,830</u></u>
Reconciliation of operating income to net cash used in operating activities:	
Operating income	\$ 2,443,851
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease in:	
Receivables	1,988,370
(Decrease) increase in:	
Unpaid claims and claim adjustment expenses	(439,031)
Accounts payable	13,773
Due to other funds	<u>5,173</u>
Total adjustments	<u>1,568,285</u>
Net cash provided by operating activities	<u><u>\$ 4,012,136</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, 2015

	Trust Funds		Agency Fund
	Retiree Benefits Trust	Scholarship Trust	Student Body Funds
ASSETS			
Cash and investments (Note 2):			
Cash in County Treasury	\$ 23,012,128	\$ -	\$ -
Cash on hand and in banks	61,142	516,338	1,375,029
Cash with fiscal agent	1,375,244	-	-
Investments	15,742,482	-	-
Receivables:			
Premiums receivable	144,393	-	-
Interest receivable	-	-	1,177
Stores inventory	-	-	4,884
Other assets	-	-	9,470
Total assets	<u>40,335,389</u>	<u>516,338</u>	<u>1,389,383</u>
LIABILITIES			
Accounts payable	8,849,982	-	31,507
Due to other funds (Note 3)	51,256	-	-
Due to student groups	-	-	1,359,053
Total liabilities	<u>8,901,238</u>	<u>-</u>	<u>1,390,560</u>
NET POSITION			
Restricted (Note 8)	-	516,338	-
Held in trust for retiree benefits (Note 8)	<u>31,434,151</u>	<u>-</u>	<u>-</u>
Total net position	<u>\$ 31,434,151</u>	<u>\$ 516,338</u>	<u>\$ -</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, 2015

	Retiree Benefits Trust	Scholarship Trust
Additions:		
In-district premiums/contributions	\$ 33,002,665	\$ -
Interest income	(49,856)	-
Other local sources	<u>145,441</u>	<u>365,143</u>
Total additions	<u>33,098,250</u>	<u>365,143</u>
Deductions:		
Contract services and operating expenditures	-	51,993
Benefits paid for members	<u>25,189,320</u>	<u>-</u>
Total deductions	<u>25,189,320</u>	<u>51,993</u>
Change in net position	7,908,930	313,150
Net position, July 1, 2014	<u>23,525,221</u>	<u>203,188</u>
Net position, June 30, 2015	<u><u>\$ 31,434,151</u></u>	<u><u>\$ 516,338</u></u>

See accompanying notes to the financial statements

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

A - Manifestations of Oversight

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

B - Accounting for Fiscal Matters

1. All major financing arrangements, contracts, and other transactions of the Corporation and the Authority must have the consent of the District.
2. Any deficits incurred by the Corporation and the Authority will be reflected in the lease payments of the District. Any surpluses of the Corporation and the Authority revert to the District at the end of the lease period.
3. It is anticipated that the District's lease payments will be the sole revenue source of the Corporation and the Authority.

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

C - Scope of Public Service and Financial Presentation

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

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

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

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

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

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

A - Major Funds:

1. General Fund:

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

2. Building Fund:

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

3. Bond Interest and Redemption Fund:

The Bond Interest and Redemption Fund is a debt service fund used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. All records relating to the Bond Interest and Redemption Fund are maintained by the Sacramento County Auditor-Controller. The revenue for this fund is raised by school district taxes which are levied, collected, and administered by County officials. The Education Code stipulates that the tax rate levied shall be sufficient to provide monies for the payment of principal and interest as they become due on outstanding school district bonds.

B - Other Funds:

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

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

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.

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

Receivables: Receivables are made up principally of amounts due from the State of California and Categorical programs. The District has determined that no allowance for doubtful accounts was required as of June 30, 2015.

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.

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources: In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District has recognized a deferred loss on refunding reported which is in the statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shortened life of the refunded or refunding debt. Amortization and removal for refundings for the year ended June 30, 2015 totaled \$5,765,805. Additionally, the District has recognized a deferred outflow of resources related to the recognition of the pension liability reported which is in the Statement of Net Position.

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

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

	<u>STRP</u>	<u>PERF B</u>	<u>Total</u>
Deferred outflows of resources	\$ 15,447,858	\$ 6,954,207	\$ 22,402,065
Deferred inflows of resources	\$ 54,927,000	\$ 23,562,250	\$ 78,489,250
Net pension liability	\$ 223,056,000	\$ 61,440,000	\$ 284,496,000
Pension expense	\$ 22,528,998	\$ 4,633,850	\$ 27,162,848

Compensated Absences: Compensated absences totaling \$7,822,066 are recorded as a long-term liability of the District. The liability is for the earned but unused benefits.

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

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

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position: Net position is displayed in three components:

1. Net Investment in Capital Assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent bond proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted Net Position - Restrictions of the ending net position indicate the portions of net position not 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.
3. Unrestricted Net Position – All other net position that do not meet the definitions of "restricted" or "net investment in capital assets".

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

A - Nonspendable Fund Balance:

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

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, 2015, the District had no committed fund balances.

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D - Assigned Fund Balance:

The assigned fund balance classification reflects amounts that the District's Board of Education has approved to be used for specific purposes, based on the District's intent related to those specific purposes. The Board of Education can designate personnel with the authority to assign fund balances, however, as of June 30, 2015, no such designation has occurred.

E - Unassigned Fund Balance:

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

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

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

While GASB Cod. Sec. 1300 and 1800 do not require Districts to establish a minimum fund balance policy or a stabilization arrangement, GASB Cod. Sec. 1300 and 1800 do require the disclosure of a minimum fund balance policy and stabilization arrangements, if they have been adopted by the Board of Education. At June 30, 2015, the District has not established a minimum fund balance policy nor has it established a stabilization arrangement.

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

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

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

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

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements: In June 2012, the GASB issued GASB Statement No. 68, Accounting and Financial Reporting for Pensions. This Statement replaces the requirements of GASB Statement No. 27, Accounting for Pensions by State and Local Governmental Employers and GASB 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. GASB 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 fiscal year ending June 30, 2015. Based on the implementation of GASB Statement No. 68, the District's July 1, 2014 governmental activities net position was restated by \$20,561,611 because of the recognition of the net pension liability and deferred outflows of resources.

In November 2013 GASB issued GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. The objective of this Statement is to address an issue regarding application of the transition provisions of GASB Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This Statement amends paragraph 137 of GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. GASB Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this Statement are required to be applied simultaneously with the provisions of GASB Statement No. 68 and are effective for the District's fiscal year ending June 30, 2015. Based on the implementation of GASB Statement No. 71, the District established a deferred outflow category to report the payments made subsequent to the measurement date of the pensions as well as deferred inflow category to report the net differences of the pensions in the Statement of Net Position.

In February 2015, the GASB has issued its final standard on accounting and financial reporting issues related to fair value measurements, applicable primarily to investments made by state and local governments. GASB Statement No. 72, Fair Value Measurement and Application, defines fair value and describes how fair value should be measured, what assets and liabilities should be measured at fair value, and what information about fair value should be disclosed in the notes to the financial statements. Under GASB Statement No. 72, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments, which generally are measured at fair value, are defined as a security or other asset that governments hold primarily for the purpose of income or profit and the present service capacity of which are based solely on their ability to generate cash or to be sold to generate cash. Before the issuance of GASB Statement No. 72, state and local governments have been required to disclose how they arrived at their measures of fair value if not based on quoted market prices. Under the new guidance, those disclosures have been expanded to categorize fair values according to their relative reliability and to describe positions held in many alternative investments. This statement is effective for the District's fiscal year ending June 30, 2016. Management has not determined what impact this statement will have on its financial statements.

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In June 2015, the GASB issued GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, completes the suite of pension standards. GASB Statement No. 73 establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria (in other words, those not covered by GASB Statements No. 67 and No. 68). The requirements in GASB Statement No. 73 for reporting pensions generally are the same as in GASB Statement No. 68. However, the lack of a pension plan that is administered through a trust that meets specified criteria is reflected in the measurements. The provisions in GASB Statement No. 73 are effective for fiscal years beginning after June 15, 2015, except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of GASB Statement No. 68, which are effective for fiscal years beginning after June 15, 2016. Management has not determined what impact this statement will have on its financial statements.

In June 2015, the GASB issued GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, which replaces GASB Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. GASB Statement No. 74 addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. The Statement follows the framework for financial reporting of defined benefit OPEB plans in GASB Statement No. 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. The Statement requires more extensive note disclosures and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. GASB Statement No. 74 also sets forth note disclosure requirements for defined contribution OPEB plans. This statement is effective for the District's fiscal year ending June 30, 2017. Management has not determined what impact this statement will have on its financial statements.

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In June 2015, the GASB has issued GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which replaces the requirements of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. GASB Statement No. 75 requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Governments that are responsible only for OPEB liabilities related to their own employees and that provide OPEB through a defined benefit OPEB plan administered through a trust that meets specified criteria will report a net OPEB liability, which is the difference between the total OPEB liability and assets accumulated in the trust and restricted to making benefit payments. Governments that participate in a cost-sharing OPEB plan that is administered through a trust that meets the specified criteria will report a liability equal to their proportionate share of the collective OPEB liability for all entities participating in the cost-sharing plan. Governments that do not provide OPEB through a trust that meets specified criteria will report the total OPEB liability related to their employees. GASB Statement No. 75 carries forward from GASB Statement No. 45 the option to use a specified alternative measurement method in place of an actuarial valuation for purposes of determining the total OPEB liability for benefits provided through OPEB plans in which there are fewer than 100 plan members (active and inactive). This option was retained in order to reduce costs for smaller governments. GASB Statement No. 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements. Some governments are legally responsible to make contributions directly to an OPEB plan or make benefit payments directly as OPEB comes due for employees of other governments. In certain circumstances (called special funding situations) Statement 75 requires these governments to recognize in their financial statements a share of the other government's net OPEB liability. The provisions in GASB Statement No. 75 are effective for the District's fiscal year ending June 30, 2018. Earlier application is encouraged. Management has not determined what impact this statement will have on its financial statements.

In June 2015, the GASB has issued GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, which reduces the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the AICPA that is cleared by the GASB. The Statement also addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. These changes are intended to improve financial reporting for governments by establishing a framework for the evaluation of accounting guidance that will result in governments applying that guidance with less variation. That will improve the usefulness of financial statement information for making decisions and assessing accountability and enhance the comparability of financial statement information among governments. The Statement also is intended to improve implementation guidance by elevating its authoritative status to a level that requires it be exposed for a period of broad public comment prior to issuance, as is done for other GASB pronouncements. In connection with GASB Statement No. 76, the GASB also recently cleared Implementation Guide No. 2015-1, which incorporates changes resulting from feedback received during the public exposure of all of implementation guidance previously issued. This statement is effective for the District's fiscal year ending June 30, 2016. Management has not determined what impact this statement will have on its financial statements.

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 2 – CASH AND INVESTMENTS

Cash and investments at June 30, 2015 are reported at fair value and consisted of the following:

	Governmental Activities			Fiduciary
	Governmental Funds	Proprietary Fund	Total	Activities
Pooled Funds:				
Cash in County Treasury	<u>\$146,156,418</u>	<u>\$ 7,512,036</u>	<u>\$153,668,454</u>	<u>\$ 23,012,128</u>
Deposits:				
Cash on hand and in banks	6,184,236	75,794	6,260,030	1,952,509
Cash in revolving fund	<u>227,000</u>	<u>-</u>	<u>227,000</u>	<u>-</u>
Total deposits	<u>6,411,236</u>	<u>75,794</u>	<u>6,487,030</u>	<u>1,952,509</u>
Investments:				
Cash with Fiscal Agent	94,883,821	250,000	95,133,821	1,375,244
Investments	-	-	-	15,742,482
Local Agency Investment Fund 657,953	<u>-</u>	<u>657,953</u>	<u>-</u>	
Total investments	<u>95,541,774</u>	<u>250,000</u>	<u>95,791,774</u>	<u>17,117,726</u>
Total cash and investments	<u>\$248,109,428</u>	<u>\$ 7,837,830</u>	<u>\$255,947,258</u>	<u>\$ 42,082,363</u>

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, 2015, the Sacramento County Treasurer has represented that the Treasurer's pooled investment fund contained no derivatives or other investments with similar risk profiles.

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, 2015, the carrying amount of the District's accounts was \$8,439,539 and the bank balance was \$4,920,097. \$1,492,037 of the bank balance was FDIC insured and \$3,428,060 remained uninsured.

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 2 – CASH AND INVESTMENTS (Continued)

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 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 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, 2015, 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, 2015, the District had no concentration of credit risk.

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 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.

Interfund Receivables/Payables: Individual interfund receivable and payable balances at June 30, 2015 were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Funds:		
General	\$ 2,691,876	\$ 3,474,339
Building	1,426,026	47,182
Non-Major Funds:		
Charter Schools	1,580,062	745,394
Adult Education	113,738	105,359
Child Development	421,377	863,515
Cafeteria	15,986	965,455
County School Facilities	11,048	-
Community Facilities	-	2,440
Proprietary Fund:		
Self-Insurance	-	5,173
Fiduciary Fund:		
Retiree Benefits	-	51,256
Totals	<u>\$ 6,260,113</u>	<u>\$ 6,260,113</u>

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 3 – INTERFUND TRANSACTIONS (Continued)

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

Interfund transfers for the 2014-2015 fiscal year were as follows:

Transfer from the General Fund to the Building Fund to reimburse prior year bond expenses with Emergency Repair Program funds.	\$ 1,970,978
Transfer from the Charter Fund to the General Fund for Charter Fees.	1,278,495
Transfer from the General Fund to the Building Fund to reimburse prior year bond expenses with Ed Tech K-12 Voucher Program funds.	1,089,160
Transfer from the Cafeteria Fund to the General Fund for indirect charges.	939,645
Transfer from the Child Development Fund to the General Fund for indirect charges.	738,621
Transfer from the General Fund to Child Development Fund for General Fund contribution to sustain Child Development programs.	420,791
Transfer from the General Fund to Cafeteria Fund to reimburse prior year Child Nutrition expenses with Emergency Repair Program funds.	134,235
Transfer from the General Fund to Deferred Maintenance Fund to reimburse prior year Deferred Maintenance expenses with Emergency Repair Program funds.	72,139
Transfer from the General Fund to Adult Education for General Fund contribution for parent education for preschool classes.	54,977
Transfer from the Adult Education Fund to General Fund for indirect charges.	37,708
Transfer from the General Fund to Adult Education Fund for General Fund contribution to clear accounts receivable that will not be received.	18,957
Transfer from the Charter Schools Fund to General Fund for indirect charges.	13,017
Transfer from the General Fund to Charter Schools Fund to transfer revenue from Test Fees and Civic Permits to the charter school that generated the revenue.	1,082
	<u>\$ 6,769,805</u>

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 4 – CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2015 is shown below:

	Balance July 1, <u>2014</u>	Transfers and <u>Additions</u>	Transfers and <u>Deductions</u>	Balance June 30, <u>2015</u>
<u>Governmental Activities</u>				
Non-depreciable:				
Land	\$ 19,873,250	\$ -	\$ -	\$ 19,873,250
Work-in-process	17,138,998	15,344,626	10,669,588	21,814,036
Depreciable:				
Buildings	726,396,120	17,325,832	-	743,721,952
Site improvements	123,109,389	4,966,395	-	128,075,784
Equipment	<u>41,028,955</u>	<u>7,660,175</u>	<u>64,654</u>	<u>48,624,476</u>
Totals, at cost	<u>927,546,712</u>	<u>45,297,028</u>	<u>10,734,242</u>	<u>962,109,498</u>
Less accumulated depreciation:				
Buildings	(342,554,214)	(19,074,851)	-	(361,629,065)
Site improvements	(67,422,547)	(5,478,691)	-	(72,901,238)
Equipment	<u>(31,310,833)</u>	<u>(3,000,080)</u>	<u>(25,862)</u>	<u>(34,285,051)</u>
Total accumulated depreciation	<u>(441,287,594)</u>	<u>(27,553,622)</u>	<u>(25,862)</u>	<u>(468,815,354)</u>
Capital assets, net	<u>\$ 486,259,118</u>	<u>\$ 17,743,406</u>	<u>\$ 10,708,380</u>	<u>\$ 493,294,144</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 24,387,673
Food services	291,277
All other pupil services	710,067
Community services	223,418
All other general administration	1,730,807
Plant services	<u>210,380</u>
Total depreciation expense	<u>\$ 27,553,622</u>

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 5 – SELF-INSURANCE CLAIMS

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

The liability for unpaid claims and claim adjustment expenses represents the ultimate cost of claims that have been reported but not settled and of claims that have been incurred but not reported. These claims will be paid in future years.

District management recomputes the liability annually using available updated claims data. Annually, the District obtains an actuarial study using a variety of statistical techniques to produce current estimates that consider claim frequency and other economic factors. The liability for workers compensation is based on an actuarial study dated May 11, 2015.

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

	June 30, <u>2015</u>	June 30, <u>2014</u>
Unpaid claim and claim adjustment expenses, beginning of year	\$ 1,785,450	\$ 1,905,550
Total incurred claims and claim adjustment expenses	13,219,877	12,290,368
Total payments	<u>(13,658,908)</u>	<u>(12,410,468)</u>
Total unpaid claims and claim adjustment expenses at end of year	<u>\$ 1,346,419</u>	<u>\$ 1,785,450</u>

NOTE 6 – TAX AND REVENUE ANTICIPATION NOTE

On May 22, 2014, the District issued \$26,000,000 of Tax and Revenue Anticipation Note (TRAN) maturing on September 30, 2014, 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 was paid from revenues and cash receipts generated by the District during the fiscal year ended June 30, 2014. On September 30, 2014 the TRAN was paid off.

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 7 – LONG-TERM LIABILITIES

General Obligation Bonds

A summary of General Obligation Bonds payable as of June 30, 2015 follows:

<u>Series</u>	<u>Interest Rate</u>	<u>Original Maturity</u>	<u>Balance July 1, 2014</u>	<u>Current Year Issuance</u>	<u>Current Year Refunded & Matured</u>	<u>Balance June 30, 2015</u>
2005	4.0 - 5.0%	2030	\$ 23,355,000	\$ -	\$ 23,355,000	\$ -
2007 - CI	3.5 - 5.0%	2015	21,415,000	-	17,035,000	4,380,000
2007 - CA	4.6 - 4.8%	2032	26,077,966	-	-	26,077,966
2011	0.5 - 5.5%	2029	68,370,000	-	3,965,000	64,405,000
2012	2.0 - 5.3%	2031	107,625,000	-	4,280,000	103,345,000
2013 - A	2.0 - 5.0%	2038	30,000,000	-	7,410,000	22,590,000
2013 - B	5.7%	2038	40,000,000	-	-	40,000,000
2014	2.0 - 5.0%	2027	44,365,000	-	-	44,365,000
2015	2.0 - 5.0%	2030	-	32,740,000	165,000	32,575,000
2015 C1	2.0 - 5.0%	2041	-	66,260,000	-	66,260,000
2015 C2	0.7 - 1.2%	2033	-	23,740,000	-	23,740,000
			<u>\$361,207,966</u>	<u>\$122,740,000</u>	<u>\$ 56,210,000</u>	<u>\$427,737,966</u>

The Series 2005, 2007, 2011, 2012, 2013, 2014 and 2015 Serial Bonds are authorized pursuant to the Election of 2002 and Election of 2012, and are payable from property taxes levied by the County of Sacramento.

The annual requirements to amortize the General Obligation Bonds payable and outstanding as of June 30, 2015 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 22,380,000	\$ 16,892,693	\$ 39,272,693
2017	26,510,000	17,293,091	43,803,091
2018	26,645,000	16,547,649	43,192,649
2019	18,265,000	15,791,676	34,056,676
2020	19,525,000	14,991,576	34,516,576
2021-2025	101,584,519	69,087,874	170,672,393
2026-2030	110,657,605	57,722,874	168,380,479
2031-2035	34,210,842	33,336,702	67,547,544
2036-2040	63,455,000	11,059,213	74,514,213
2041	4,505,000	90,100	4,595,100
	<u>\$ 427,737,966</u>	<u>\$ 252,813,448</u>	<u>\$ 680,551,414</u>

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 7 – LONG-TERM LIABILITIES (Continued)

On June 30, 2011, the District issued 2011 General Obligation Refunding Bonds totaling \$79,585,000. Bond proceeds were used to refund a portion of the District's 1999 Series B, 1999 Series C, and General Obligation Refunding Bonds, Series 2001. The refunded bonds were paid off as of June 30, 2015.

On June 14, 2012, the District issued 2012 General Obligation Refunding Bonds totaling \$113,245,000. Bond proceeds were used to advance refund all of the District's 1999 Series B, 1999 Series C, General Obligation Refunding Bonds, Series 2001, and the 2002 Series A. Proceeds were also used to advance refund a portion of the District's 1999 Series D Bonds. The refunded bonds were paid off as of June 30, 2015.

On January 15, 2014, the District issued 2014 General Obligation Refunding Bonds totaling \$44,535,000. Bond proceeds were used to refund a portion of the District's 2002 General Obligation Bonds, Series 2005. The refunded bonds were paid off as of June 30, 2015.

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

The issuance of the 2015 General Obligation Refunding Bonds resulted in the recognition of an accounting gain of \$161,532 for the year ended June 30, 2015, however, the District in effect reduced its aggregate debt service payments by \$6.0 million over the next fifteen years, and obtained an economic gain of \$4.7 million.

Calculation of difference in cash flow requirements and economic gain are as follows:

Old debt service cash flows	\$ 56,175,416
New debt service cash flows	<u>50,134,621</u>
Cash flow difference	<u>\$ 6,040,795</u>
Present value of old debt service cash flows	\$ 45,537,911
Present value of new debt service cash flows	<u>40,803,126</u>
Economic gain	<u>\$ 4,734,785</u>

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

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 7 – LONG-TERM LIABILITIES (Continued)

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

Year Ending June 30,	Principal	Interest	Total
2016	\$ 1,995,000	\$ 2,073,900	\$ 4,068,900
2017	2,065,000	2,014,050	4,079,050
2018	2,155,000	1,931,450	4,086,450
2019	2,245,000	1,845,250	4,090,250
2020	2,370,000	1,733,000	4,103,000
2021-2025	13,830,000	6,757,000	20,587,000
2026-2030	235,000	4,568,000	4,803,000
2031-2035	4,590,000	4,444,250	9,034,250
2036-2040	<u>13,635,000</u>	<u>2,111,500</u>	<u>15,746,500</u>
	<u>\$ 43,120,000</u>	<u>\$ 27,478,400</u>	<u>\$ 70,598,400</u>

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

Year Ending June 30,	Principal	Interest	Total
2016	\$ 200,000	\$ 1,196,734	\$ 1,396,734
2017	200,000	1,188,554	1,388,554
2018	200,000	1,180,374	1,380,374
2019	200,000	1,172,194	1,372,194
2020	200,000	1,164,014	1,364,014
2021-2025	1,040,000	5,697,370	6,737,370
2026-2030	18,670,000	4,123,947	22,793,947
2031-2034	<u>8,550,000</u>	<u>614,318</u>	<u>9,164,318</u>
	<u>\$ 29,260,000</u>	<u>\$ 16,337,505</u>	<u>\$ 45,597,505</u>

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 7 – LONG-TERM LIABILITIES (Continued)

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

Year Ending June 30,	Lease Payments
2016	\$ 50,263
2017	50,263
2018	50,263
2019	30,393
2020	<u>4,105</u>
Total payments	185,287
Less amount representing interest	<u>(13,612)</u>
Net minimum lease payments	<u><u>\$ 171,675</u></u>

Schedule of Changes in Long-Term Liabilities: A schedule of changes in long-term liabilities for the year ended June 30, 2015 is shown below:

	Balance July 1, 2014 as restated	Additions	Deductions	Balance June 30, 2015	Amounts Due Within One Year
Governmental activities:					
General Obligation Bonds	\$ 361,207,966	\$ 122,740,000	\$ 56,210,000	\$ 427,737,966	\$ 22,380,000
Capital Appreciation	9,344,102	1,673,576	-	11,017,678	-
Lease Revenue Bonds	74,285,000	-	1,905,000	72,380,000	2,195,000
Premium on issuance	27,009,611	11,891,226	3,843,186	35,057,651	2,261,306
Net Pension Liability (Notes 9 & 10)	359,551,000	-	75,055,000	284,496,000	-
Capitalized lease obligations	60,610	226,249	115,184	171,675	44,342
Net OPEB liability (Note 11)	181,523,823	50,035,815	27,830,973	203,728,665	-
Compensated absences	<u>7,715,061</u>	<u>107,005</u>	<u>-</u>	<u>7,822,066</u>	<u>7,822,066</u>
	<u><u>\$1,020,697,173</u></u>	<u><u>\$ 186,673,871</u></u>	<u><u>\$ 164,959,343</u></u>	<u><u>\$1,042,411,701</u></u>	<u><u>\$ 34,702,714</u></u>

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

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 8 – NET POSITION / FUND BALANCES

Restricted net position consisted of the following at June 30, 2015:

	Governmental Activities	Fiduciary Funds
Restricted for unspent categorical program revenues and state programs	\$ 4,846,363	\$ -
Restricted for special revenues	15,639,528	-
Restricted for capital projects	37,770,285	-
Restricted for debt service	28,508,469	-
Restricted for self insurance	6,564,420	-
Restricted for retiree benefits	-	31,434,151
Restricted for scholarships	-	516,338
	<u>93,329,065</u>	<u>31,950,489</u>
Total restricted net position	<u>\$ 93,329,065</u>	<u>\$ 31,950,489</u>

Fund balances, by category, at June 30, 2015 consisted of the following:

	General Fund	Building Fund	Bond Interest Redemption Fund	All Non-Major Funds	Total
Nonspendable:					
Revolving cash fund	\$ 225,000	\$ -	\$ -	\$ 2,000	\$ 227,000
Stores inventory	126,019	-	-	366,327	492,346
Prepaid expenditures	38,549	-	-	12,589	51,138
Subtotal nonspendable	<u>389,568</u>	<u>-</u>	<u>-</u>	<u>380,916</u>	<u>770,484</u>
Restricted:					
Special revenues	-	-	-	14,868,278	14,868,278
Capital projects	-	112,130,919	-	14,855,450	126,986,369
Debt service	-	-	28,342,248	166,221	28,508,469
Unspent categorical revenues	4,456,029	-	-	390,334	4,846,363
Subtotal restricted	<u>4,456,029</u>	<u>112,130,919</u>	<u>28,342,248</u>	<u>30,280,283</u>	<u>175,209,479</u>
Assigned:					
Future costs retirement/Prop 30	8,556,881	-	-	-	8,556,881
Increase fund balance	6,000,000	-	-	-	6,000,000
Common Core collaborative	2,409,869	-	-	-	2,409,869
District wide technology upgrades	2,000,000	-	-	-	2,000,000
Dedicated towards OPEB	2,000,000	-	-	-	2,000,000
Class size reduction	1,600,000	-	-	-	1,600,000
Purchase orders carryover	1,282,626	-	-	-	1,282,626
Donations - school sites	940,780	-	-	-	940,780
Additional school counselors	809,900	-	-	-	809,900
Regional occupational program	658,621	-	-	-	658,621
Vacation liability buy down	570,000	-	-	-	570,000
Other assignments	346,890	-	-	-	346,890
Subtotal assigned	<u>27,175,567</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,175,567</u>
Unassigned:					
Designated for economic uncertainty	12,763,133	-	-	-	12,763,133
Total fund balances	<u>\$ 44,784,297</u>	<u>\$112,130,919</u>	<u>28,342,248</u>	<u>\$ 30,661,199</u>	<u>\$215,918,663</u>

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 9 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN

General Information about the State Teachers' Retirement Plan

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

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

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

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

CalSTRS 2% at 60

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

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

CalSTRS 2% at 62

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

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

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 9 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

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

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

Members - Under CalSTRS 2% at 60, the member contribution rate was 8.15 percent of applicable member earnings for fiscal year 2014-15. Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 8.15 percent of applicable member earnings for fiscal year 2014-15.

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

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

Employers – 8.88 percent of applicable member earnings.

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

The CalSTRS employer contribution rate increases effective for fiscal year 2014-15 through fiscal year 2045-46 are summarized in the table below:

<u>Effective Date</u>	<u>Prior Rate</u>	<u>Increase</u>	<u>Total</u>
July 01, 2014	8.25%	0.63%	8.88%
July 01, 2015	8.25%	2.48%	10.73%
July 01, 2016	8.25%	4.33%	12.58%
July 01, 2017	8.25%	6.18%	14.43%
July 01, 2018	8.25%	8.03%	16.28%
July 01, 2019	8.25%	9.88%	18.13%
July 01, 2020	8.25%	10.85%	19.10%
July 01, 2046	8.25%	Increase from prior rate ceases in 2046-47	

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 9 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

The District contributed \$15,447,858 to the plan for the fiscal year ended June 30, 2015.

State - 5.954 percent of the members' creditable earnings from the fiscal year ending in the prior calendar year.

Additionally, beginning October 1, 1998, a statutory contribution rate of 0.524 percent, adjustable annually in 0.25 percent increments up to a maximum of 1.505 percent, of the creditable earnings from the fiscal year ending in the prior calendar year per Education Code Section 22955(b). This contribution is reduced to zero if there is no unfunded actuarial obligation and no normal cost deficit for benefits in place as of July 1, 1990. Based on the actuarial valuation, as of June 30, 2012 there was no normal cost deficit, but there was an unfunded obligation for benefits in place as of July 1, 1990. As a result, the state was required to make quarterly payments starting October 1, 2013, at an additional contribution rate of 1.024 percent. As of June 30, 2014, the state contributed \$200.7 million of the \$267.6 million total amount for fiscal year 2013-14. As a result of AB 1469, the fourth quarterly payment of \$66.9 million was included in an increased first quarter payment of \$94 million for the 2014-15 fiscal year, which was transferred on July 1, 2014.

In accordance with AB 1469, the portion of the state appropriation under Education Code Section 22955(b) that is in addition to the 2.017 percent has been replaced by section 22955.1(b) in order to fully fund the benefits in effect as of 1990 by 2046. The additional state contribution will increase from 1.437 percent in 2014-15 to 4.311 percent in 2016-17. The increased contributions end as of fiscal year 2046-2047.

The CalSTRS state contribution rates effective for fiscal year 2014-15 and beyond are summarized in the table below:

<u>Effective Date</u>	<u>Base Rate</u>	<u>AB 1469 Increase For 1990 Benefit Structure</u>	<u>SBMA Funding</u>	<u>Total State Appropriation to DB Program</u>
July 01, 2014	2.017%	1.437%	2.50%	5.954%
July 01, 2015	2.017%	2.874%	2.50%	7.391%
July 01, 2016	2.017%	4.311%	2.50%	8.828%
July 01, 2017 to June 30, 2046	2.017%	4.311%*	2.50%	8.828%*
July 01, 2046 and thereafter	2.017%	*	2.50%	4.571%*

* The new legislation also gives the board limited authority to adjust state contribution rates from July 1, 2017, through June 2046 in order to eliminate the remaining unfunded actuarial obligation associated with the 1990 benefit structure. The board cannot increase the rate by more than 0.50 percent in a fiscal year, and if there is no unfunded actuarial obligation, the contribution rate imposed to pay for the 1990 benefit structure shall be reduced to 0 percent. Rates in effect prior to July 1, 2014, are reinstated if necessary to address any remaining 1990 unfunded actuarial obligation from July 1, 2046, and thereafter.

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 9 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

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

At June 30, 2015, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ 223,056,000
State's proportionate share of the net pension liability associated with the District	<u>134,692,000</u>
Total	<u><u>\$ 357,748,000</u></u>

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school Districts and the State. At June 30, 2014, the District's proportion was 0.382 percent, which was an increase of zero from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$22,528,998 and revenue of \$9,688,971 for support provided by the State. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net differences between projected and actual earnings on investments	-	54,927,000
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
Contributions made subsequent to measurement date	<u>15,447,858</u>	<u>-</u>
Total	<u><u>\$ 15,447,858</u></u>	<u><u>\$ 54,927,000</u></u>

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 9 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

\$15,447,858 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended <u>June 30,</u>	
2016	\$ 13,731,750
2017	\$ 13,731,750
2018	\$ 13,731,750
2019	\$ 13,731,750

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of June 30, 2014. The STRP net pension liability as of June 30, 2013 and the STRP net pension liability as of June 30, 2014 are based on the June 30, 2013 actuarial valuation for the first year of implementation. As a result there are no differences between expected and actual experience or changes in assumptions subject to amortization. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

Actuarial Methods and Assumptions: The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2013
Experience Study	July 1, 2006, through June 30, 2010
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.60%
Consumer Price Inflation	3.00%
Wage Growth	3.75%
Post-retirement Benefit Increases	2.00% simple for DB Not applicable for DBS/CBB

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

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 9 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant as an input to the process. Based on the model from CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are log normally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term* Expected Real Rate of Return</u>
Global Equity	47%	4.50%
Private Equity	12	6.20
Real Estate	15	4.35
Inflation Sensitive	5	3.20
Fixed Income	20	0.20
Cash / Liquidity	1	0.00

* 10-year geometric average

Discount Rate: The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increase per Assembly Bill 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.60 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.60 percent) or 1-percentage-point higher (8.60 percent) than the current rate:

	<u>1% Decrease (6.60%)</u>	<u>Current Discount Rate (7.60%)</u>	<u>1% Increase (8.60%)</u>
District's proportionate share of the net pension liability	<u>\$347,687,000</u>	<u>\$223,056,000</u>	<u>\$119,138,000</u>

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

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 10 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B

General Information about the Public Employer’s Retirement Fund B

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

The Plan was established to provide retirement, death and disability benefits to non-teaching and noncertified employees in schools. The benefit provisions for Plan employees are established by statute. CalPERS issues a publicly available financial report that can be obtained at <https://www.calpers.ca.gov/docs/forms-publications/cafr-2014.pdf>.

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

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

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

Required contribution rates for active plan members and employers as a percentage of payroll for the year ended June 30, 2015 were as follows:

Members - The member contribution rate was 6.0 or 7.0 percent of applicable member earnings for fiscal year 2014-15.

Employers - The employer contribution rate was 11.771 percent of applicable member earnings.

The District contributed \$6,954,207 to the plan for the fiscal year ended June 30, 2015.

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

At June 30, 2015, the District reported a liability of \$61,440,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as June 30, 2013. The District’s proportion of the net pension liability was based on the District’s share of contributions to the pension plan relative to the contributions of all participating school Districts. At June 30, 2014, the District’s proportion was 0.541 percent, which was a decrease of 0.021 percent from its proportion measured as of June 30, 2013.

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 10 – NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B (Continued)

For the year ended June 30, 2015, the District recognized pension expense of \$4,633,850. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net differences between projected and actual earnings on investments	-	21,112,000
Changes in proportion and differences between District contributions and proportionate share of contributions	-	2,450,250
Contributions made subsequent to measurement date	<u>6,954,207</u>	<u>-</u>
Total	<u>\$ 6,954,207</u>	<u>\$ 23,562,250</u>

\$6,954,207 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years Ended June 30,</u>	
2016	\$ 6,094,750
2017	\$ 6,094,750
2018	\$ 6,094,750
2019	\$ 5,278,000

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 4 years as of June 30, 2013. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

Actuarial Methods and Assumptions: The total pension liability for the Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2013
Experience Study	July 1, 2006, through June 30, 2010
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.50%
Consumer Price Inflation	2.75%
Wage Growth	Varies by entry age and service
Post-retirement Benefit Increases	Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.75% thereafter

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 10 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS’ website.

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

<u>Asset Class</u>	<u>Long-Term* Assumed Asset Allocation</u>	<u>Expected Real Rate of Return</u>
Global Equity	47%	5.25%
Global Fixed Income	19	0.99
Inflation Sensitive	6	0.45
Private Equity	12	6.83
Real Estate	11	4.50
Infrastructure & Forestland	3	4.50
Liquidity	2	(0.55)

* 10-year geometric average

Discount Rate: The discount rate used to measure the total pension liability was 7.50 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained at CalPERS’ website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in the actuarial valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the Plan and the District.

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

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 10 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected cash flows of the Plan. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the Plan’s asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District’s proportionate share of the net pension liability	<u>\$ 107,480,000</u>	<u>\$ 61,440,000</u>	<u>\$ 22,399,000</u>

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

NOTE 11 – 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 five years of consecutive service to the District, age 50 with 30 years of service (if a member prior to January 1, 2013), or approved disability retirement with 5 years of service. CalPERS employees qualify for benefits after attaining age 50 (age 52, if a new CalPERS member on or after January 1, 2013) with 5 years of State or public agency service or approved disability and meeting the requirements outlined in their respective bargaining agreements.

Funding Policy: The contribution requirements of the District are established and may be amended by the Board of Education. The required contribution is based on projected pay-as-you-go financing requirements, with an amount to fund the actuarial accrued liability as determined annually by the Board. For fiscal year ended June 30, 2015, the District contributed \$27,830,973 to the plan.

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 11 – 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	\$ 51,337,739
Interest on net OPEB obligation	7,962,059
Adjustment to annual required contribution	<u>(9,263,983)</u>
Annual OPEB cost (expense)	<u>50,035,815</u>
Contributions made	<u>(27,830,973)</u>
Increase in net OPEB obligation	22,204,842
Net OPEB obligation - beginning of year	<u>181,523,823</u>
Net OPEB obligation - end of year	<u><u>\$ 203,728,665</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, 2015 and preceding two years were as follows:

<u>Fiscal Year Ended</u>	<u>Percentage of Annual Annual OPEB Cost</u>	<u>OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2013	\$ 46,785,275	62.0%	\$ 151,760,155
June 30, 2014	\$ 49,074,045	39.3%	\$ 181,523,823
June 30, 2015	\$ 50,035,815	55.6%	\$ 203,728,665

Funded Status and Funding Progress: As of July 1, 2013, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$615.2 million, and the actuarial value of assets was \$3.8 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$611.4 million. For fiscal year ending June 30, 2015, the covered payroll (annual payroll of active employees covered by the plan) was \$218.4 million, and the ratio of the UAAL to the covered payroll was 36 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. The District signed an irrevocable trust agreement on October 18, 2012 and began accumulating funds in a Trust Fund, presented as the Retiree Benefits Trust Fund.

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 11 – OTHER POSTEMPLOYMENT HEALTHCARE PLAN (Continued)

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

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

In the July 1, 2013, 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 4.39 percent. The UAAL is being amortized as a level percentage of projected payroll. The remaining amortization period at June 30, 2015, was 23 years.

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

NOTE 12 – JOINT POWERS AGREEMENTS

Schools Insurance Authority: The District is a member with other school districts of a Joint Powers Authority, Schools Insurance Authority (SIA), for the operation of a common risk management and insurance program for property and liability coverage. The joint powers agency is to be self-sustaining through member premiums. SIA enters into insurance agreements for coverage above self-insured retention layers, whereby it cedes various amounts of risk to other insurance companies or joint power authorities. SIA's Property, Liability and Workers' Compensation Programs provide self-insured retention of \$100,000, \$750,000 and \$1,000,000 per incident, respectively. The District continues to carry commercial insurance for all other risks of loss, including employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from coverage in the prior year. The following is a summary of financial information for SIA at June 30, 2015:

Total assets	\$ 121,132,593
Deferred outflows	\$ 590,244
Total liabilities	\$ 58,450,882
Deferred inflows	\$ 1,112,114
Total net position	\$ 61,792,415
Total revenues	\$ 49,370,021
Total expenses	\$ 48,719,900
Change in net position	\$ 650,121

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

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 12 – JOINT POWERS AGREEMENTS (Continued)

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. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from coverage in the prior year. The following is a summary of financial information for SISC at September 30, 2014:

Total assets	\$ 304,614,232
Total liabilities	\$ 159,022,820
Total net position	\$ 145,591,412
Total revenues	\$ 1,519,341,871
Total expenses	\$ 1,541,013,235
Change in net position	\$ (21,671,364)

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.

NOTE 13 – CONTINGENCIES

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

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

At June 30, 2015 the District had approximately \$ 11,300,000 in outstanding construction contract commitments.

REQUIRED SUPPLEMENTARY INFORMATION

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2015

	<u>Budget</u>			<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>
Revenues:				
LCFF:				
State apportionment	\$ 259,918,708	\$ 254,373,609	\$ 253,388,065	\$ (985,544)
Local sources	<u>56,746,632</u>	<u>62,139,575</u>	<u>62,151,276</u>	<u>11,701</u>
Total LCFF	<u>316,665,340</u>	<u>316,513,184</u>	<u>315,539,341</u>	<u>(973,843)</u>
Federal sources	47,850,912	48,034,211	43,153,693	(4,880,518)
Other state sources	43,568,653	79,070,297	62,827,008	(16,243,289)
Other local sources	<u>6,550,559</u>	<u>10,595,831</u>	<u>11,130,531</u>	<u>534,700</u>
Total revenues	<u>414,635,464</u>	<u>454,213,523</u>	<u>432,650,573</u>	<u>(21,562,950)</u>
Expenditures:				
Current:				
Certificated salaries	171,535,936	167,973,410	165,315,040	2,658,370
Classified salaries	57,197,760	53,805,341	51,468,603	2,336,738
Employee benefits	122,455,834	135,771,975	134,164,354	1,607,621
Books and supplies	18,489,350	21,041,105	14,881,152	6,159,953
Contract services and operating expenditures	52,681,439	60,395,917	57,364,014	3,031,903
Other outgo	-	1,397	240,854	(239,457)
Capital outlay	748,868	20,928,399	2,576,920	18,351,479
Debt service:				
Principal retirement	5,283	117,688	115,184	2,504
Interest	<u>3,061,383</u>	<u>3,012,061</u>	<u>2,706,011</u>	<u>306,050</u>
Total expenditures	<u>426,175,853</u>	<u>463,047,293</u>	<u>428,832,132</u>	<u>34,215,161</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(11,540,389)</u>	<u>(8,833,770)</u>	<u>3,818,441</u>	<u>12,652,211</u>
Other financing sources (uses):				
Transfers in	2,500,643	2,705,816	3,007,486	301,670
Transfers out	(34,874)	(3,775,417)	(3,762,319)	13,098
Proceeds from the issuance of debt	-	226,249	226,249	-
Total other financing sources (uses)	<u>2,465,769</u>	<u>(843,352)</u>	<u>(528,584)</u>	<u>314,768</u>
Change in fund balance	(9,074,620)	(9,677,122)	3,289,857	12,966,979
Fund balance, July 1, 2014	<u>41,494,440</u>	<u>41,494,440</u>	<u>41,494,440</u>	<u>-</u>
Fund balance, June 30, 2015	<u>\$ 32,419,820</u>	<u>\$ 31,817,318</u>	<u>\$ 44,784,297</u>	<u>\$ 12,966,979</u>

See accompanying note to required supplementary information.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)
FUNDING PROGRESS
For the Year Ended June 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets	<u>Schedule of Funding Progress</u>		Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
		Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)			
December 1, 2010	\$ -	\$566,291,438	\$566,291,438	0%	\$227,500,000	248.9%
December 1, 2012	\$ -	\$632,679,806	\$632,679,806	0%	\$217,700,000	290.6%
July 1, 2013	\$ 3,760,628	\$615,169,050	\$611,408,422	1%	\$218,400,000	279.9%

See accompanying notes to required supplementary information.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
For the Year Ended June 30, 2015

State Teachers' Retirement Plan
Last 10 Fiscal Years

	<u>2015</u>
District's proportion of the net pension liability	0.382%
District's proportionate share of the net pension liability	\$ 233,056,000
State's proportionate share of the net pension liability associated with the District	<u>134,692,000</u>
Total net pension liability	<u>\$ 367,748,000</u>
District's covered-employee payroll	\$ 170,012,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	137.082%
Plan fiduciary net position as a percentage of the total pension liability	76.520%

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

All years prior to 2015 are not available.

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
For the Year Ended June 30, 2015

Public Employer's Retirement Fund B
Last 10 Fiscal Years

	<u>2015</u>
District's proportion of the net pension liability	0.541%
District's proportionate share of the net pension liability	\$ 61,440,000
District's covered-employee payroll	\$ 56,813,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	108.14%
Plan fiduciary net position as a percentage of the total pension liability	83.38%

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

All years prior to 2015 are not available.

See accompanying note to required supplementary information.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
For the Year Ended June 30, 2015

State Teachers' Retirement Plan
Last 10 Fiscal Years

	<u>2015</u>
Contractually required contribution	\$ 15,447,858
Contributions in relation to the contractually required contribution	<u>15,447,858</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered-employee payroll	\$ 173,962,000
Contributions as a percentage of covered-employee payroll	8.88%

All years prior to 2015 are not available.

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
For the Year Ended June 30, 2015

Public Employer's Retirement Fund B
Last 10 Fiscal Years

	<u>2015</u>
Contractually required contribution	\$ 6,954,207
Contributions in relation to the contractually required contribution	<u>6,954,207</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered-employee payroll	\$ 59,079,000
Contributions as a percentage of covered-employee payroll	11.77%

All years prior to 2015 are not available.

See accompanying note to required supplementary information.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

NOTE 1 - PURPOSE OF SCHEDULES

A - Budgetary Comparison Schedule

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

Excess of expenditures over appropriations for the year ended June 30, 2015 were as follows:

<u>Fund</u>	<u>Excess Expenditures</u>
General Fund:	
Capital outlay	\$ (18,351,479)

These excesses are not in accordance with education Code 42600.

B - Schedule of Other Postemployment Benefits Funding Progress

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

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

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

D - Schedule of the District's Contributions

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

E - Changes of Benefit Terms

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

F - Changes of Assumptions

There are no changes in assumptions reported in the Required Supplementary Information.

SUPPLEMENTARY INFORMATION

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NON-MAJOR FUNDS
June 30, 2015

	Charter Schools Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Developer Fees Fund	County School Facilities Fund	Community Facilities Fund	South Pocket Facilities Fund	Tax Override Fund	Total
ASSETS											
Cash in County Treasury	\$ 2,370,172	\$ (1,971,265)	\$ (1,429,540)	\$ 7,070,795	\$ 337,827	\$ 2,875,963	(11,048)	\$ 12,161,809	\$ 2,464	\$ 163,757	\$ 21,570,934
Cash on hand and in banks	1	1,280,076	1,110,044	2,936,914	-	272,687	-	-	-	-	5,599,722
Cash in revolving account	-	-	-	2,000	-	-	-	-	-	-	2,000
Receivables	373,877	982,425	1,693,439	3,738,020	683	43,372	1,764	30,933	-	-	6,864,513
Due from other funds	1,580,062	113,738	421,377	15,986	-	-	11,048	-	-	-	2,142,211
Stores inventory	-	-	-	366,327	-	-	-	-	-	-	366,327
Prepaid expenditures	12,589	-	-	-	-	-	-	-	-	-	12,589
Total assets	\$ 4,336,701	\$ 404,974	\$ 1,795,320	\$ 14,130,042	\$ 338,510	\$ 3,192,022	\$ 1,764	\$ 12,192,742	\$ 2,464	\$ 163,757	\$ 36,558,296
LIABILITIES AND FUND BALANCES											
Liabilities:											
Accounts payable	\$ 264,520	\$ 247,769	\$ 783,352	\$ 1,150,350	\$ 118,454	\$ 89,831	-	\$ 438,807	\$ -	\$ -	\$ 3,093,083
Unearned revenue	3,628	-	118,223	-	-	-	-	-	-	-	121,851
Due to other funds	745,394	105,359	863,515	965,455	-	-	-	2,440	-	-	2,682,163
Total liabilities	1,013,542	353,128	1,765,090	2,115,805	118,454	89,831	-	441,247	-	-	5,897,097
Fund balances:											
Nonspendable	12,589	-	-	368,327	-	-	-	-	-	-	380,916
Restricted	3,310,570	51,846	30,230	11,645,910	220,056	3,102,191	1,764	11,751,495	2,464	163,757	30,280,293
Total fund balances	3,323,159	51,846	30,230	12,014,237	220,056	3,102,191	1,764	11,751,495	2,464	163,757	30,661,199
Total liabilities and fund balances	\$ 4,336,701	\$ 404,974	\$ 1,795,320	\$ 14,130,042	\$ 338,510	\$ 3,192,022	\$ 1,764	\$ 12,192,742	\$ 2,464	\$ 163,757	\$ 36,558,296

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, 2015

	Charter Schools Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Developer Fees Fund	County Schools Facilities Fund	Community Facilities Fund	South Pocket Facilities Fund	Tax Override Fund	Total
Revenues:											
Local Control Funding Formula	\$ 14,549,147	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,549,147
Federal sources	273,813	2,918,764	10,950,053	20,656,551	-	-	-	-	-	-	34,799,181
Other state sources	941,069	390,557	5,689,916	1,373,064	-	-	996,507	-	-	-	9,391,113
Other local sources	59,396	4,362,275	2,039,492	1,053,820	(2,682)	3,211,866	1,764	1,506,217	1,460	-	12,233,608
Total revenues	15,823,425	7,671,596	18,679,461	23,083,435	(2,682)	3,211,866	998,271	1,506,217	1,460	-	70,973,049
Expenditures:											
Current:											
Certificated salaries	6,765,257	1,916,506	6,173,773	-	-	-	-	-	-	-	14,855,536
Classified salaries	918,821	1,381,401	4,489,096	6,085,017	-	-	-	-	-	-	12,874,335
Employee benefits	4,417,225	1,909,583	7,119,107	3,553,759	-	-	-	-	-	-	16,999,674
Books and supplies	707,328	255,892	318,738	11,007,433	181,530	1,237	-	335,871	-	-	12,808,029
Contract services and operating expenditures	1,449,284	2,764,407	409,792	193,229	5,250	1,006	-	137,432	-	-	4,960,400
Capital outlay	30,489	-	199,931	586,116	7,150	1,157,006	996,507	3,468,184	-	-	6,445,383
Debt service:											
Principal retirement	-	-	-	-	-	1,905,000	-	-	-	-	1,905,000
Interest	-	-	-	-	-	500,000	-	-	-	-	500,000
Total expenditures	14,288,404	8,227,789	18,710,437	21,425,554	193,930	3,564,249	996,507	3,941,487	-	-	71,348,357
Excess (deficiency) of revenues over (under) expenditures	1,535,021	(556,193)	(30,976)	1,657,881	(196,612)	(352,383)	1,764	(2,435,270)	1,460	-	(375,308)
Other financing sources (uses):											
Transfers in	1,082	73,934	420,791	134,235	72,139	-	-	-	-	-	702,181
Transfers out	(1,291,512)	(37,708)	(738,621)	(939,645)	-	-	-	-	-	-	(3,007,486)
Total other financing sources (uses)	(1,290,430)	36,226	(317,830)	(805,410)	72,139	-	-	-	-	-	(2,305,305)
Net change in fund balances	244,591	(519,967)	(348,806)	852,471	(124,473)	(352,383)	1,764	(2,435,270)	1,460	-	(2,680,613)
Fund balances, July 1, 2014	3,078,568	571,813	379,036	11,161,766	344,529	3,454,574	-	14,186,765	1,004	163,757	33,341,812
Fund balances, June 30, 2015	3,323,159	51,846	30,230	12,014,237	220,056	3,102,191	1,764	11,751,495	2,464	163,757	30,661,199

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES
IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
For the Year Ended June 30, 2015

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Student Body Funds				
<u>C.K. McClatchy High School</u>				
Assets:				
Cash on hand and in banks	\$ 248,604	\$ 359,576	\$ 406,063	\$ 202,117
Receivables	-	-	-	-
Stores inventory	-	-	-	-
Capital assets	-	-	-	-
Total assets	<u>\$ 248,604</u>	<u>\$ 359,576</u>	<u>\$ 406,063</u>	<u>\$ 202,117</u>
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to student groups	<u>248,604</u>	<u>359,576</u>	<u>406,063</u>	<u>202,117</u>
Total liabilities	<u>\$ 248,604</u>	<u>\$ 359,576</u>	<u>\$ 406,063</u>	<u>\$ 202,117</u>
<u>Hiram Johnson High School</u>				
Assets:				
Cash on hand and in banks	\$ 51,220	\$ 104,526	\$ 107,515	\$ 48,231
Receivables	-	-	-	-
Stores inventory	3,500	-	-	3,500
Capital assets	<u>9,470</u>	<u>-</u>	<u>-</u>	<u>9,470</u>
Total assets	<u>\$ 64,190</u>	<u>\$ 104,526</u>	<u>\$ 107,515</u>	<u>\$ 61,201</u>
Liabilities:				
Accounts payable	\$ 318	\$ 645	\$ 381	\$ 582
Due to student groups	<u>63,872</u>	<u>103,881</u>	<u>107,134</u>	<u>60,619</u>
Total liabilities	<u>\$ 64,190</u>	<u>\$ 104,526</u>	<u>\$ 107,515</u>	<u>\$ 61,201</u>

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES
 IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 For the Year Ended June 30, 2015

	Balance July 1, <u>2014</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2015</u>
<u>Luther Burbank High School</u>				
Assets:				
Cash on hand and in banks	\$ 103,499	\$ 181,324	\$ 163,844	\$ 120,979
Receivables	-	-	-	-
Stores inventory	1,041	343	-	1,384
Capital assets	-	-	-	-
Total assets	<u>\$ 104,540</u>	<u>\$ 181,667</u>	<u>\$ 163,844</u>	<u>\$ 122,363</u>
Liabilities:				
Accounts payable	\$ 8	\$ 561	\$ 32	\$ 537
Due to student groups	<u>104,532</u>	<u>181,106</u>	<u>163,812</u>	<u>121,826</u>
Total liabilities	<u>\$ 104,540</u>	<u>\$ 181,667</u>	<u>\$ 163,844</u>	<u>\$ 122,363</u>
<u>John F. Kennedy High School</u>				
Assets:				
Cash on hand and in banks	\$ 156,303	\$ 371,574	\$ 330,266	\$ 197,611
Receivables	-	1,177	-	1,177
Stores inventory	-	-	-	-
Capital assets	-	-	-	-
Total assets	<u>\$ 156,303</u>	<u>\$ 372,751</u>	<u>\$ 330,266</u>	<u>\$ 198,788</u>
Liabilities:				
Accounts payable	\$ 29,316	\$ 2,365	\$ 1,293	\$ 30,388
Due to student groups	<u>126,987</u>	<u>370,386</u>	<u>328,973</u>	<u>168,400</u>
Total liabilities	<u>\$ 156,303</u>	<u>\$ 372,751</u>	<u>\$ 330,266</u>	<u>\$ 198,788</u>

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES
 IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 For the Year Ended June 30, 2015

	Balance July 1, <u>2014</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2015</u>
<u>Rosemont High School</u>				
Assets:				
Cash on hand and in banks	\$ 49,904	\$ 203,532	\$ 194,046	\$ 59,390
Receivables	-	-	-	-
Stores inventory	-	-	-	-
Capital assets	-	-	-	-
Total assets	<u>\$ 49,904</u>	<u>\$ 203,532</u>	<u>\$ 194,046</u>	<u>\$ 59,390</u>
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to student groups	<u>49,904</u>	<u>203,532</u>	<u>194,046</u>	<u>59,390</u>
Total liabilities	<u>\$ 49,904</u>	<u>\$ 203,532</u>	<u>\$ 194,046</u>	<u>\$ 59,390</u>
<u>Hiram Johnson West Campus</u>				
Assets:				
Cash on hand and in banks	\$ 81,978	\$ 282,382	\$ 259,061	\$ 105,299
Receivables	-	-	-	-
Stores inventory	-	-	-	-
Capital assets	-	-	-	-
Total assets	<u>\$ 81,978</u>	<u>\$ 282,382</u>	<u>\$ 259,061</u>	<u>\$ 105,299</u>
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to student groups	<u>81,978</u>	<u>282,382</u>	<u>259,061</u>	<u>105,299</u>
Total liabilities	<u>\$ 81,978</u>	<u>\$ 282,382</u>	<u>\$ 259,061</u>	<u>\$ 105,299</u>

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES
IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
For the Year Ended June 30, 2015

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
<u>Charles A. Jones Skills and Education Center</u>				
Assets:				
Cash on hand and in banks	\$ 23,816	\$ 8,212	\$ 8,082	\$ 23,946
Receivables	-	-	-	-
Stores inventory	-	-	-	-
Capital assets	-	-	-	-
Total assets	<u>\$ 23,816</u>	<u>\$ 8,212</u>	<u>\$ 8,082</u>	<u>\$ 23,946</u>
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to student groups	<u>23,816</u>	<u>8,212</u>	<u>8,082</u>	<u>23,946</u>
Total liabilities	<u>\$ 23,816</u>	<u>\$ 8,212</u>	<u>\$ 8,082</u>	<u>\$ 23,946</u>
<u>A. Warren McClaskey Adult Center</u>				
Assets:				
Cash on hand and in banks	\$ 66,124	\$ 36,488	\$ 23,741	\$ 78,871
Receivables	-	-	-	-
Stores inventory	-	-	-	-
Capital assets	-	-	-	-
Total assets	<u>\$ 66,124</u>	<u>\$ 36,488</u>	<u>\$ 23,741</u>	<u>\$ 78,871</u>
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to student groups	<u>66,124</u>	<u>36,488</u>	<u>23,741</u>	<u>78,871</u>
Total liabilities	<u>\$ 66,124</u>	<u>\$ 36,488</u>	<u>\$ 23,741</u>	<u>\$ 78,871</u>

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES
 IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 For the Year Ended June 30, 2015

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
<u>Elementary and Middle Schools</u>				
Assets:				
Cash on hand and in banks	\$ 620,484	\$ 1,191,250	\$ 1,273,149	\$ 538,585
Receivables	-	-	-	-
Stores inventory	-	-	-	-
Capital assets	-	-	-	-
Total assets	<u>\$ 620,484</u>	<u>\$ 1,191,250</u>	<u>\$ 1,273,149</u>	<u>\$ 538,585</u>
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to student groups	<u>620,484</u>	<u>1,191,250</u>	<u>1,273,149</u>	<u>538,585</u>
Total liabilities	<u>\$ 620,484</u>	<u>\$ 1,191,250</u>	<u>\$ 1,273,149</u>	<u>\$ 538,585</u>
<u>Total Agency Funds</u>				
Assets:				
Cash on hand and in banks	\$ 1,401,932	\$ 2,738,864	\$ 2,765,767	\$ 1,375,029
Receivables	-	1,177	-	1,177
Stores inventory	4,541	343	-	4,884
Capital assets	<u>9,470</u>	<u>-</u>	<u>-</u>	<u>9,470</u>
Total assets	<u>\$ 1,415,943</u>	<u>\$ 2,740,384</u>	<u>\$ 2,765,767</u>	<u>\$ 1,390,560</u>
Liabilities:				
Accounts payable	\$ 29,642	\$ 3,571	\$ 1,706	\$ 31,507
Due to student groups	<u>1,386,301</u>	<u>2,736,813</u>	<u>2,764,061</u>	<u>1,359,053</u>
Total liabilities	<u>\$ 1,415,943</u>	<u>\$ 2,740,384</u>	<u>\$ 2,765,767</u>	<u>\$ 1,390,560</u>

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
ORGANIZATION
June 30, 2015

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 elementary schools (grades K-6), eight elementary/middle schools (grades K-8), six middle schools (grades 7-8), one middle school (grades 7-9) 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-four children's centers and preschools, serving infants through age 12. Fourteen charter schools also operated in the District serving kindergarten through grade twelve, five of which were governed by the District Board of Education.

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Darrel Woo	President	November 2018
Christina Pritchett	Vice President	November 2016
Jay Hansen	Second Vice President	November 2018
Gustavo Arroyo	Member	November 2016
Ellen Cochrane	Member	November 2018*
Diana Rodriguez	Member	November 2016
Jessie Ryan	Member	November 2016**
Asami Saito	Student Member	June 2015***

ADMINISTRATION

José L. Banda****
Superintendent

Lisa Allen
Interim Deputy Superintendent

Iris Taylor, Ed.D.
Interim Chief Academic Officer

Gerardo Castillo, CPA†
Chief Business Officer

Gabe Ross
Chief Communications Officer

Cancy McArn
Chief Human Resources Officer

Elliot Lopez
Chief Information Officer

Cathy Allen
Chief Operations Officer

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
ORGANIZATION
June 30, 2015

ADMINISTRATION
(Continued)

Al Rogers, Ed.D.††
Chief Strategy Officer

Doug Huscher
Interim Assistant Superintendent of Equity

*Jeff Cuneo – Term ended November 2014. Ellen Cochrane voted into office December 2014.

**Patrick Kennedy resigned effective August 8, 2014. Member Jessie Ryan voted into office December 2014.

***Elizabeth Barry voted into office as the student member in June 2015 for the 2015-16 fiscal year.

****Dr. Sara Noguchi – through July 17, 2014. José L. Banda – July 17, 2014 – present.

†Ken Forrest resigned effective August 31, 2014. Gerardo Castillo, CPA is Chief Business Officer.

††Al Rogers, effective on July 1, 2015.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
For the Year Ended June 30, 2015

<u>District</u>	<u>Second Period Report</u>	<u>Revised Second Period Report*</u>	<u>Annual Report</u>
Elementary:			
Transitional Kindergarten through Third	12,657		12,668
Fourth through Sixth	9,531		9,502
Seventh and Eighth	6,179		6,167
Special Education	220		221
Community Day School	<u>12</u>	<u> </u>	<u>16</u>
	<u>28,599</u>	<u> </u>	<u>28,574</u>
Secondary:			
Ninth through Twelfth	10,135		9,959
Special Education	157		152
Compulsory Continuation Education	<u>222</u>	<u> </u>	<u>208</u>
Total Secondary	<u>10,514</u>	<u> </u>	<u>10,319</u>
District ADA Totals	<u><u>39,113</u></u>	<u><u> </u></u>	<u><u>38,893</u></u>
<u>Charter Schools</u>			
Bowling Green Elementary - Classroom-Based:			
Transitional Kindergarten through Third	473	473	476
Fourth through Sixth	<u>344</u>	<u>344</u>	<u>344</u>
Total Bowling Green Elementary Charter	<u>817</u>	<u>817</u>	<u>820</u>
George Washington Carver School of Arts and Science - Classroom-Based:			
Ninth through Twelfth	<u>279</u>	<u>279</u>	<u>279</u>
New Joseph Bonnheim - Classroom-Based:			
Transitional Kindergarten through Third	154	154	154
Fourth through Sixth	<u>85</u>	<u>85</u>	<u>83</u>
Total New Joseph Bonnheim Charter	<u>239</u>	<u>239</u>	<u>237</u>
New Technology High - Classroom-Based:			
Ninth through Twelfth	<u>253</u>	<u>253</u>	<u>250</u>
The MET - Non-Classroom-Based:			
Ninth through Twelfth	<u>292</u>	<u>-</u>	<u> </u>
The MET - Classroom-Based:			
Ninth through Twelfth	<u>-</u>	<u>292</u>	<u>287</u>
Total Charter Schools	<u><u>1,880</u></u>	<u><u>1,880</u></u>	<u><u>1,873</u></u>

* Includes the effect of ADA adjustments identified in Finding 2014-003, as well as other adjustments from the District's internal inspection of attendance documents.

See accompanying notes to supplementary information.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
For the Year Ended June 30, 2015

<u>Grade Level</u>	<u>Statutory Minutes Require- ment</u>	<u>Reduced Minutes Require- ment</u>	<u>2014-2015 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Number of Days Multitrack Calendar</u>	<u>Status</u>
<u>District</u>						
Kindergarten	36,000	35,000	35,600	178	N/A	In Compliance
Grade 1	50,400	49,000	49,540	178	N/A	In Compliance
Grade 2	50,400	49,000	49,540	178	N/A	In Compliance
Grade 3	50,400	49,000	49,540	178	N/A	In Compliance
Grade 4	54,000	52,500	52,560	178	N/A	In Compliance
Grade 5	54,000	52,500	52,560	178	N/A	In Compliance
Grade 6	54,000	52,500	52,560	178	N/A	In Compliance
Grade 7	54,000	52,500	55,680	178	N/A	In Compliance
Grade 8	54,000	52,500	55,680	178	N/A	In Compliance
Grade 9	64,800	63,000	63,416	178	N/A	In Compliance
Grade 10	64,800	63,000	63,416	178	N/A	In Compliance
Grade 11	64,800	63,000	63,416	178	N/A	In Compliance
Grade 12	64,800	63,000	63,416	178	N/A	In Compliance
<u>Bowling Green Charter School - Classroom Based</u>						
Kindergarten	36,000	34,971	35,600	178	N/A	In Compliance
Grade 1	50,400	48,960	50,030	178	N/A	In Compliance
Grade 2	50,400	48,960	50,030	178	N/A	In Compliance
Grade 3	50,400	48,960	50,030	178	N/A	In Compliance
Grade 4	54,000	52,457	53,380	178	N/A	In Compliance
Grade 5	54,000	52,457	53,380	178	N/A	In Compliance
Grade 6	54,000	52,457	53,380	178	N/A	In Compliance
<u>George Washington Carver School of Arts and Science - Classroom Based</u>						
Grade 9	64,800	62,949	63,601	178	N/A	In Compliance
Grade 10	64,800	62,949	63,601	178	N/A	In Compliance
Grade 11	64,800	62,949	63,601	178	N/A	In Compliance
Grade 12	64,800	62,949	63,601	178	N/A	In Compliance
<u>New Joseph Bonnheim Charter School - Classroom Based</u>						
Kindergarten	36,000	34,971	39,160	178	N/A	In Compliance
Grade 1	50,400	48,960	59,162	178	N/A	In Compliance
Grade 2	50,400	48,960	59,162	178	N/A	In Compliance
Grade 3	50,400	48,960	59,162	178	N/A	In Compliance
Grade 4	54,000	52,457	59,162	178	N/A	In Compliance
Grade 5	54,000	52,457	59,162	178	N/A	In Compliance
Grade 6	54,000	52,457	59,162	178	N/A	In Compliance
<u>New Technology High School - Classroom Based</u>						
Grade 9	64,800	62,949	65,971	175	N/A	In Compliance
Grade 10	64,800	62,949	65,971	175	N/A	In Compliance
Grade 11	64,800	62,949	65,971	175	N/A	In Compliance
Grade 12	64,800	62,949	65,971	175	N/A	In Compliance

See accompanying notes to supplementary information.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
For the Year Ended June 30, 2015

<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 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	\$ 8,391,977
84.173	Special Education: IDEA Preschool Grants, Part B, Section 619 (Age 3-5)	13430	253,641
84.027A	Special Education IDEA: Preschool Local Entitlement, Part B, Sec 611 (Age 3-5)	13682	396,246
84.173A	Special Education: Alternative Dispute Resolution, Part B, Sec 611	13007	30,274
84.027	Special Education: IDEA, Mental Health Services, Part B, Sec 611	14468	<u>477,510</u>
	Subtotal Special Education Cluster		<u>9,549,648</u>
	NCLB: Title I Program:		
84.010	NCLB: Title I, Part A, Basic Grants Low-Income and Neglected	14329	18,337,276
84.010	NCLB: Title I, Part D, Subpart 2, Local Delinquent Program	14357	313,752
84.010	NCLB: Title I, Part A, Basic Grants Low-Income and Neglected	14329	247,706
84.010	NCLB: Title I, Part D, Local Delinquent Programs	14357	<u>43,817</u>
	Subtotal NCLB: Title I Program		<u>18,942,551</u>
	Adult Education Program:		
84.002A	Adult Education: Adult Basic Education & ESL Section 231	14508	131,575
84.002	Adult Education: Adult Basic Secondary Education Section 231	13978	41,621
84.002A	Adult Education: English Literacy and Civics Education Local Grant	14109	<u>60,359</u>
	Subtotal Adult Education Program		<u>233,555</u>

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
For the Year Ended June 30, 2015

<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 Education - Passed through California Department of Education (Continued)</u>			
	Carl D. Perkins Program:		
84.048	Carl D. Perkins Career and Technical Education: Adult, Sec. 132 (Vocational Education)	14893	\$ 978,641
84.048	Carl D. Perkins Career and Technical Education: Secondary, Sec 131 (Vocational Education)	14894	<u>550,904</u>
	Subtotal Carl D. Perkins Program		<u>1,529,545</u>
84.215L	Smaller Learning Community	*	6,464
84.367	NCLB: Title II, Part A, Improving Teacher Quality Local Grants	14341	3,333,083
84.184	Safe and Supportive Schools Programmatic Intervention (S3)	15164	144,796
84.126	Department of Rehabilitation: Workability II, Transitions Partnership Program	10006	191,566
84.181	Special Education: Early Intervention Grants, Part C	23761	139,420
84.365	NCLB: Title III, Limited English Proficiency (LEP) Student Program	14346	976,680
84.060	Indian Education (From Federal Government)	10011	31,593
84.063	Pell Grants	*	1,513,725
84.196	NCLB: Title X, McKinney-Vento Homeless Children Assistance Grants	14332	113,179
84.287	NCLB: Title IV, Part B, 21st Century Community Learning Centers Program	14535, 14349	5,398,633
84.330	NCLB: Title I, Part G: Advanced Placement (AP) Test Fee Reimbursement Program	*	179,923
84.377	NCLB: Title I, School Improvement Grant (SIG) for QEIA Schools	14971	<u>1,026,527</u>
	Total U.S. Department of Education		<u>43,310,888</u>

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
For the Year Ended June 30, 2015

<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 Health and Human Services - Passed through California Department of Education</u>			
93.600	Head Start	10016	\$ 10,192,768
93.243	Good Behavior	*	86,318
93.576	Refugee Children Supplemental Assistance Program	24791	64,683
93.596	Child Development: Federal General (CCTR) and State Preschool (CSPP); Rs 5026, Family Child Care Home (CFCC)	13609	757,285
93.674	Chafee Foster Care Independent Living	*	113,746
93.778	Medi-Cal Billing Option	10013	<u>2,332,375</u>
Total U.S. Department Health and Human Services			<u>13,547,175</u>
<u>U.S. Department of Agriculture - Passed through California Department of Education</u>			
Child Nutrition Cluster:			
10.555	National School Lunch Program	13396	15,521,988
10.559	Child Nutrition: Summer Food Service Program Operations	13004	<u>589,559</u>
Subtotal Child Nutrition Cluster			16,111,547
10.558	Child Nutrition: Child Care Food Program	13666	<u>3,640,393</u>
Total U.S. Department of Agriculture			<u>19,751,940</u>
<u>U.S. Department of Defense</u>			
12.UKN	ROTC	*	<u>321,664</u>
<u>U.S. Department of Labor</u>			
17.259	A Title I Youth-Out-of-School Ind. Ser	*	<u>211,800</u>
Total Federal Programs			<u>\$ 77,143,467</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, 2015

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, 2015
(UNAUDITED)

	(Budget) <u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<u>General Fund</u>				
Revenues and other financing sources	\$ 469,223,723	\$ 435,658,059	\$ 409,365,428	\$ 382,236,274
Expenditures	470,327,796	428,832,132	386,209,029	383,940,424
Other uses and transfers out	<u>1,730,000</u>	<u>3,762,319</u>	<u>1,071,304</u>	<u>-</u>
Total outgo	<u>472,057,796</u>	<u>432,594,451</u>	<u>387,280,333</u>	<u>383,940,424</u>
Change in fund balance	\$ (2,834,073)	\$ 3,063,608	\$ 22,085,095	\$ (1,704,150)
Ending fund balance	\$ 41,723,975	\$ 44,558,048	\$ 41,494,440	\$ 19,409,345
Available reserves	\$ 20,204,020	\$ 12,763,133	\$ 17,876,795	\$ 8,007,454
Designated for economic uncertainties	\$ 18,763,133	\$ 12,763,133	\$ 13,976,133	\$ 8,007,454
Undesignated fund balance	\$ 1,440,887	\$ -	\$ 3,900,662	\$ -
Available reserves as percentages of total outgo	<u>4.3%</u>	<u>2.9%</u>	<u>4.6%</u>	<u>2.1%</u>
<u>All Funds</u>				
Total long-term liabilities	\$1,007,708,987	\$1,042,411,701	\$ 661,146,173	\$ 576,149,370
Average daily attendance at P-2, excluding Adult and Charter School	<u>38,173</u>	<u>39,113</u>	<u>39,985</u>	<u>40,449</u>

The General Fund fund balance has increased by \$23,444,553 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 2014-2015 fiscal year. The fiscal year 2015-2016 budget projects a decrease of \$2,834,073. 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, 2015, the District has met this requirement.

Total long-term liabilities have increased by \$466,262,331 over the past two years, due primarily to the issuance of General Obligation Bonds and Lease Revenue Bonds (Note 7 to the financial statements).

Average daily attendance has decreased by 1,336 over the past two years. The District anticipates a decrease of 940 ADA for the 2015-2016 fiscal year.

See accompanying notes to supplementary information.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
For the Year Ended June 30, 2015

<u>Charter Schools Chartered by District</u>	<u>Included in District Financial Statements, or Separate Report</u>
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 Joseph Bonnheim Charter 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 EXPENDITURES
For the Year Ended June 30, 2015

	Academic and Support Services*	Child Care*
Revenues		
Other local sources	\$ 238,010	\$ 741,626
Expenditures:		
Certificated salaries	118,394	150,712
Classified salaries	30,794	253,069
Employee benefits	41,934	259,108
Books and supplies	45,313	16,852
Contract services and operating expenditures	1,575	29,391
Indirect costs	<u> </u>	<u>32,494</u>
Total expenditures	<u>238,010</u>	<u>741,626</u>
Change in fund balance	-	-
Fund balance, July 1, 2014	<u>-</u>	<u>-</u>
Fund balance, June 30, 2015	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

* Revenues and expenditures for the First 5 Grant are reflected in the District's Child Development Fund. See page ____ 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

NOTE 1 - PURPOSE OF SCHEDULES

A - Schedule of Average Daily Attendance

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

B - Schedule of Instructional Time

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

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, 2015.

<u>Description</u>	<u>CFDA Number</u>	<u>Amount</u>
Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances		\$ 77,952,874
Plus: Vocational programs spent from prior year awards	84.048	19,007
Chafee Foster Care funds spent from prior year awards	93.674	106,454
Special Education funds spend from prior year awards	84.173	7,998
Less: Child Nutrition: Summer Food Service Program Operations Funds not spent	10.559	(904,611)
Medi-Cal Billing Option spent from prior year awards	93.778	<u>(38,255)</u>
Total Schedule of Expenditure of Federal Awards		<u>\$ 77,143,467</u>

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION

NOTE 1 - PURPOSE OF SCHEDULES (Continued)

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

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

E - Schedule of Financial Trends and Analysis - Unaudited

This schedule provides information on the District's financial condition over the past three years and its anticipated condition for the 2015-2016 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.

NOTE 2 - EARLY RETIREMENT INCENTIVE PROGRAM

Education Code Section 14502 requires certain disclosure in the financial statements of districts which adopt Early Retirement Incentive Programs pursuant to Education Code Sections 22714 and 44929. For the fiscal year ended June 30, 2015, 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 *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (the "Audit Guide") to the state laws and regulations listed below for the year ended June 30, 2015.

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

(Continued)

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

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

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

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance with state laws and regulations as listed above, 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 *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. 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 2015-002 in the accompanying Schedule of Audit Findings and Questioned Costs, Sacramento City Unified School District did not comply with the requirements regarding Regional Occupational Centers or Programs Maintenance of Effort. Compliance with such requirements is necessary, in our opinion, for Sacramento City Unified School District to comply with state laws and regulations applicable to Regional Occupational Centers or Programs Maintenance of Effort.

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, 2015. 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 response to the noncompliance finding identified in our audit is included in the accompanying Schedule of Audit Findings and Questioned Costs. Sacramento City Unified School District's response was not subjected to the auditing procedures applied in the audit of State Compliance and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the State of California's *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Crowe Horwath LLP
Crowe Horwath LLP

Sacramento, California
December 14, 2015

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, 2015, 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 14, 2015.

Internal Control Over Financial Reporting

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

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

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

We identified a deficiency involving internal control that we communicated to management as identified in the accompanying Schedule of Audit Findings and Questioned Costs as Finding 2015-001.

(Continued)

Compliance and Other Matters

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

Response to Finding

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

Purpose of this Report

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

Crowe Horwath LLP
Crowe Horwath LLP

Sacramento, California
December 14, 2015

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

Board of Education
Sacramento City Unified School District
Sacramento, California

Report on Compliance on First 5 Sacramento County Program

We have audited Sacramento City Unified School District's compliance with the types of compliance requirements described in the Program Guidelines for the First 5 Sacramento County Program that could have a direct and material effect on the First 5 Sacramento County Program for the year ended June 30, 2015.

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, 2015.

Purpose of this Report

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

Crowe Horwath LLP
Crowe Horwath LLP

Sacramento, California
December 14, 2015

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, 2015. 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, 2015.

(Continued)

Report on Internal Control Over Compliance

Management of Sacramento City Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Sacramento City Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 14, 2015

FINDINGS AND RECOMMENDATIONS

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? ☐ Yes ☒ No

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

Noncompliance material to financial statements noted? ☐ Yes ☒ No

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified? ☐ Yes ☒ No

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.555, 10.559	Child Nutrition Cluster
84.287	NCLB: Title IV, Part B, 21st Century Community Learning Centers Program
93.778	Medi-Cal Billing Option

Dollar threshold used to distinguish between Type A and Type B programs: \$ 2,314,304

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

STATE AWARDS

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

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

SECTION II - FINANCIAL STATEMENT FINDINGS

2015-001 DEFICIENCY - STUDENT BODY ACCOUNTING (30000)

Criteria

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

Condition

Bowling Green Charter Elementary School:

- No record of receipt books issued to teachers.
- Deposits are not supported by detailed schedules defining the number of items receipted and the unit price per item.
- Deposits are not performed on a timely basis.

C.K. McClatchy High School:

- No receipts are issued when funds are turned in to ASB coordinator.
- Deposits are not double-counted or properly approved.
- Student store inventories are not reviewed periodically to determine propriety as to character and quantities.
- Lack of proper approval for revenue-producing activities; no principal or district approval.

Camelia Basic Elementary School:

- No record of receipt books issued to student clubs.
- Deposits are not supported by detailed schedules defining the number of items receipted and the unit price per item.
- Receipts are not issued when funds are turned in to the ASB intermediate coordinator.
- ASB intermediate coordinator performs counts and deposits; improper segregation of duties.

Isador Cohen Elementary School:

- Deposits are not supported by detailed schedules defining the number of items receipted and the unit price per item.

Phoebe Hearst Elementary School:

- Deposits are not supported by detailed schedules defining the number of items receipted and the unit price per item.

Sam Brannan Middle School:

- No record of receipt books issued to student clubs.

West Campus High School:

- No record of receipt books issued to student clubs.
- Receipts are not issued when funds turned in to the ASB intermediate coordinator.
- Lack of proper approval for revenue-producing activities; no principal or district approval.
- Student store inventories are not reviewed periodically to determine propriety as to character and quantities.
- Profit and loss statements for the student store are not reviewed.

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

SECTION II - FINANCIAL STATEMENT FINDINGS

2015-001 DEFICIENCY - STUDENT BODY ACCOUNTING (30000) (Continued)

Effect

ASB funds could potentially be misappropriated.

Cause

Adequate internal control procedures surrounding ASB accounts have not been implemented and enforced.

Fiscal Impact

Not determinable.

Recommendation

The District should implement and enforce internal controls, including:

- Maintain a record of receipt books issued to student clubs and/or teachers for fundraiser's.
- Receipts should be issued and a dual count should be performed when funds are turned into the ASB secretary by the club advisors and teachers.
- Cash should be deposited on a timely basis.
- Revenue-producing activities should be approved by the Principal, student council/advisor, where applicable, and in accordance with District policy.
- Student store inventory counts and profit-loss and monthly activity summaries should be performed regularly and reviewed/approved by the Principal or other designated site personnel.

Corrective Action Plan

Management acknowledged the lack of controls documented above and noted that these controls will be implemented going forward.

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2015-002 DEFICIENCY - REGIONAL OCCUPATIONAL CENTERS OR PROGRAMS MAINTENANCE OF EFFORT (40000)

Criteria

The LEA is required to expend regional occupational centers or programs funds in the 2014-15 fiscal year of at least the amount expended or amount of revenue received for that purpose in 2012-13 if that is less.

Condition

In 2014-15 the District did not expend more than the amount expended or received in 2012-13. In 2014-15 the District expended \$1,652,104, however, in 2012-13 the District expended \$1,819,598 and received \$1,805,360 in funding.

Effect

Based on the finding we have determined that the District is out of compliance with the Regional Occupational Centers or Programs Maintenance of Effort requirement.

Cause

The District did not have a control in place to ensure that the maintenance of effort was met.

Fiscal Impact

There is no fiscal impact for this finding.

Recommendation

We recommend that the District implement procedures to ensure they meet the maintenance of effort requirement for ROC/P.

Corrective Action Plan

The District will review the maintenance of effort requirement during the year to ensure they are in compliance.

**STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS**

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2015

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
2014-001 At various school sites selected for testing the following issues were noted: Rosa Parks K-8 School: • There is no evidence of student store inventory counts being performed. • There is no evidence of student store profit and loss statements being prepared and reviewed. • Receipts are not issued when funds are turned into the Secretary. • Collections are not supported by detailed schedules defining the number of items receipted and the unit price per item. • There is no evidence of district approval of fundraising activities. • There is no evidence of approval for purchases in the ASB minutes. Hubert H. Bancroft Elementary School: • Receipts are not issued when funds are turned into the Secretary. • Collections are not supported by detailed schedules defining the number of items receipted and the unit price per item. • As there were no supporting deposit receipts, it could not be determined if deposits were being made on a timely basis. • There is no evidence of site and district approval of fundraising activities. • A monthly report of financial transactions of the various club accounts is not reviewed on timely basis. George Washington Carver School of Arts and Science: • Collections are not supported by detailed schedules defining the number of items receipted and the unit price per item. • There is no evidence of approval for purchases in the ASB minutes. • There is no evidence of site and district approval of fundraising activities.	Partially implemented	See current year finding 2015-001.

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2015

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
2014-001 (Continued)		
Albert Einstein Middle School:		
• There is no evidence of student store inventory counts being performed. • There is no evidence of student store profit and loss statements being prepared and reviewed. • Daily sales logs for the student store did not tie to the Daily Cash report. • There is no evidence of approval for purchases in the ASB minutes. • There is no evidence of site and district approval of fundraising activities.		
American Legion High School:		
• Deposits are not made in a timely manner. • There is no evidence of approval for purchases in the ASB minutes. • A monthly report of financial transactions of the various club accounts is not reviewed on timely basis.		
Elder Creek Elementary School:		
• Receipts are not issued when funds are turned into the Secretary. • Deposits are not supported by detailed schedules defining the number of items receipted and the unit price per item. • A monthly report of financial transactions of the various club accounts is not reviewed on timely basis.		
Hiram Johnson High School:		
• Cash receipts are not recorded into a separate log when issued for funds turned into the office. • The ASB secretary does not maintain a record of receipt books issued to the student clubs for the receipt of cash. • There is no evidence of site and district approval of fundraising activities. • There is no evidence of student store inventory counts being performed. • There is no evidence of student store profit and loss statements being reviewed.		

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2015

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
2014-001 (Continued)		
Caroline Wenzel Elementary School:		
• Receipts are not issued when funds are turned into the Secretary. • Supporting receipts are not maintained separately for each fundraiser. • There is no evidence of site and district approval of fundraising activities. Fundraising activities are approved verbally by the Principal.		
School of Engineering and Sciences:		
• Cash turned in from fundraising are not recorded for individual activities. • There is no evidence of district approval of fundraising activities. • There is no evidence of student store inventory counts being performed. • There is no evidence of student store profit and loss statements being prepared and reviewed. • There is no evidence of approval for purchases in the ASB minutes.		
John F. Kennedy High School:		
• Receipts are not issued when funds are turned into the Secretary. • There is no evidence of student store inventory counts being performed. • There is no evidence of student store profit and loss statements being prepared and reviewed. • A monthly report of financial transactions of the various club accounts is not prepared and reviewed. • There is no evidence of site and district approval of fundraising activities.		
Sutter Middle School:		
• There is no evidence of student store inventory counts being reviewed. • There is no evidence of student store profit and loss statements being prepared and reviewed.		
Matsuyama Elementary School:		
• Receipts are not issued when funds are turned into the Secretary. • There is no evidence of site and district approval of fundraising activities.		

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2015

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
2014-001 (Continued)		
Arthur A. Benjamin Health Professions High School:		
• Supporting receipts are not maintained separately for each fundraiser. • Cash turned in from fundraising are not recorded for individual activities. • There is no evidence of site and district approval of fundraising activities. • There is no evidence of student store inventory counts being performed. • There is no evidence of student store profit and loss statements being prepared and reviewed. • There is no evidence that student store tally sheets are reconciled to cash collected. • A monthly report of financial transactions of the various club accounts is not reviewed on timely basis.		
John Cabrillo Elementary School:		
• A monthly report of financial transactions of the various club accounts is not reviewed by the principal. • Receipts are not recorded when issued by the Secretary. • Student store inventory counts and profit-loss and monthly activity summaries should be performed regularly and reviewed/approved by the Principal or other designated site personnel. • Monthly report of financial transaction of the various club accounts should be prepared and reviewed by school site on timely basis. • Receipts should be issued and signed when funds are deposited into the ASB office. • Deposits should be supported by detailed schedules defining the number of items receipted and unit price per item.		

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2015

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
2014-001 (Continued)		
- Formal approval for fundraising activities by the Student council, Principal, and District should be performed as applicable. - Supporting receipts should be maintained separately for each fundraiser and should total to the cash collection from each fundraiser. - Cash turned in from fundraising should be recorded for individual activities. - Student Store tally sheets should be reconciled to cash collected. - ASB funds spent should be appropriately approved and documented in the ASB minutes.		
2014-002	Implemented	
Eight students were improperly included in the Free and Reduced Meal Program, at multiple school sites. The District was unable to provide any documentation that the students were approved in the current year for FRMP. The District should ensure that all appropriate documentation is retained and updated for all students receiving Free and Reduced lunches.		
2014-003	Implemented	
Caleb Greenwood Elementary School - Grades TK/KN-3: - One student was improperly counted as present for two days. Albert Einstein Middle School - Grades 7-8: - One student was improperly counted as present for one day. John F. Kennedy High School - Grades 9-12: - One student was improperly counted as present for one day.		

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2015

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
2014-003 (Continued)		
George Washington Carver School of Arts and Science:		
• One student was improperly counted as present for one day.		
We recommend that the attendance clerk reconciles attendance log with attendance records to ensure attendance is accurately recorded. The District should revise and resubmit the Second Period Report of Attendance, reflecting the disallowance of ADA.		
2014-004	Implemented	
At Nicholas Elementary School, we noted one student attended Kindergarten from 9/4/12-12/12/12 then he was dis-enrolled. The student re-enrolled in Kindergarten at the school for the 2013-14 school year; however, a continuation form was not signed for him to continue past 180 days. Total disallowed ADA was .09.		
At Susan B. Anthony Elementary School, we noted the student continuation form utilized was not approved by CDE. We noted the form did not include the anniversary date or the date to which the student would continue. It was further noted, this school site did not use the approved form for Kindergarten continuance for all students and as such, all ADA generated from students who are attending kindergarten for the second time during the 2013-14 school year is disallowed. Total disallowed ADA was 1.98.		
We recommend the school sites prepare the correct form for all students continuing in kindergarten for a second year. The form can be found at the CDE website. Additionally, the District should revise the Period Two Report of Attendance to properly reflect the disallowed ADA.		

Board of Education
Sacramento City Unified School District
Sacramento, California

Professional standards require that we communicate certain matters to keep you adequately informed about matters related to the financial statement audit that are, in our professional judgment, significant and relevant to your responsibilities in overseeing the financial reporting process. We communicate such matters in this report.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA

Our responsibility is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. The audit of the financial statements does not relieve you of your responsibilities and does not relieve management of their responsibilities. Refer to our engagement letter with the District for further information on the responsibilities of management and of Crowe Horwath LLP.

AUDITOR'S RESPONSIBILITY UNDER GOVERNMENT AUDITING STANDARDS

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of the District's 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 or disclosures. 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.

PLANNED SCOPE AND TIMING OF THE AUDIT

We are to communicate an overview of the planned scope and timing of the audit. Accordingly, the following matters will be discussed during our meeting with you.

- How we addressed the significant risks of material misstatement, whether due to fraud or error.
- Our approach to internal control relevant to the audit.
- The concept of materiality in planning and executing the audit, focusing on the factors considered rather than on specific thresholds or amounts.

- Your views and knowledge about matters you consider warrant our attention during the audit, as well as your views on:
 - The allocation of responsibilities between you and management.
 - The entity's objectives and strategies, and the related business risks that may result in material misstatements.
 - Significant communications with regulators.
 - Other matters you believe are relevant to the audit of the financial statements.

SIGNIFICANT ACCOUNTING POLICIES AND MANAGEMENT JUDGMENTS AND ACCOUNTING ESTIMATES

Significant Accounting Policies: The Board of Education should be informed of the initial selection of and changes in significant accounting policies or their application. Also, the Board of Education should be aware of methods used to account for significant unusual transactions and the effect of significant accounting policies in controversial or emerging areas where there is a lack of authoritative consensus. We believe management has the primary responsibility to inform the Board of Education about such matters. To assist the Board of Education in its oversight role, we also provide the following.

Accounting Standard	Impact of Adoption
GASB Statement No. 68, Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities.	The District has retroactively implemented this Statement for the year ended June 30, 2015 resulting in restated net position at July 1, 2014, as described in Note 1 to the Financial Statements. The District modified its presentation of pension liabilities in the footnotes to meet the new GASB requirements. In addition, required supplementary information was included in the financial statements in accordance with the new GASB requirements.
GASB Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees.	Adoption of this Statement did not have a material impact on the District's financial position or results of operations.
GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68. This standard requires a government to recognize a beginning deferred outflow of resources for its pension contributions made during the time between the measurement date of the beginning net pension liability and the beginning of the initial fiscal year of implementation of the new pension standards. Recognition of this amount will eliminate a potential source of understatement of restated beginning net position and expense in the first year of a government's implementation of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions."	The District has recorded deferred outflow of resources for its pension contributions made during the time between the measurement date of the beginning net position liability and the beginning of the initial fiscal year of implementation of the new pension standards.

Accounting Standard	Impact of Adoption
Significant Unusual Transactions.	No such matters noted.
Significant Accounting Policies in Controversial or Emerging Areas.	No such matters noted.

Management Judgments and Accounting Estimates: Further, accounting estimates are an integral part of the financial statements prepared by management and are based upon management's current judgments. These judgments are based upon knowledge and experience about past and current events and assumptions about future events. Certain estimates are particularly sensitive because of their significance and because of the possibility that future events affecting them may differ markedly from management's current judgments and may be subject to significant change in the near term.

The following describes the significant accounting estimates reflected in the District's year-end financial statements, the process used by management in formulating these particularly sensitive accounting estimates and the primary basis for our conclusions regarding the reasonableness of those estimates.

Significant Accounting Estimate	Process Used by Management	Basis for Our Conclusions
Local Control Funding Formula	Management calculates an LCFF Target and LCFF Floor to determine their funding amount. The LCFF Target is calculated using a Base Grant Funding, Supplemental Grant Funding, Concentration Grant Funding, and Add-On Funding. The LCFF Floor is calculated using a Floor Entitlement, Current Year Gap Funding, Economic Recovery Target, and Additional LCFF State Aid to Meet the Minimum. The LCFF calculation also assumes a cost-of-living adjustment.	We tested the propriety of information underlying management's estimates.
Useful Lives of Fixed Assets	Management has determined the economic useful lives of fixed assets based on past history of similar types of assets, future plans as to their use, and other factors that impact their economic value to the District.	We tested the propriety of information underlying management's estimates.
Claims Liability	The claims liability was determined by management by a process of applying third party actuarial studies and rolling forward their assumptions to the end of the fiscal year.	We tested this accounting estimate by evaluating, on a test basis, the information listed and by recalculating the factors applied by management.

Significant Accounting Estimate	Process Used by Management	Basis for Our Conclusions
Pension and Postretirement Obligations	Amounts reported for pension and postretirement obligations require management to use estimates that may be subject to significant change in the near term. These estimates are based on projection of the weighted average discount rate, rate of increase in future compensation levels, and weighted average expected long-term rate of return on pension assets.	We evaluated the reasonableness of these estimates and assumptions.

AUDITOR'S JUDGMENTS ABOUT QUALITATIVE ASPECTS OF SIGNIFICANT ACCOUNTING PRACTICES

We are to discuss with you our comments about the following matters related to the District's accounting policies and financial statement disclosures. Accordingly, these matters will be discussed during our meeting with you.

- The appropriateness of the accounting policies to the particular circumstances of the entity, considering the need to balance the cost of providing information with the likely benefit to users of the entity's financial statements.
- The overall neutrality, consistency, and clarity of the disclosures in the financial statements.
- The effect of the timing of transactions in relation to the period in which they are recorded.
- The potential effect on the financial statements of significant risks and exposures, and uncertainties that are disclosed in the financial statements.
- The extent to which the financial statements are affected by unusual transactions including nonrecurring amounts recognized during the period, and the extent to which such transactions are separately disclosed in the financial statements.
- The issues involved, and related judgments made, in formulating particularly sensitive financial statement disclosures.
- The factors affecting asset and liability carrying values, including the entity's basis for determining useful lives assigned to tangible and intangible assets.
- The selective correction of misstatements, for example, correcting misstatements with the effect of increasing reported earnings, but not those that have the effect of decreasing reported earnings.

CORRECTED AND UNCORRECTED MISSTATEMENTS

Corrected Misstatements: We are to inform you of material corrected misstatements that were brought to the attention of management as a result of our audit procedures.

There were no such misstatements.

Uncorrected Misstatements: We are to inform you of uncorrected misstatements that were aggregated by us during the current engagement and pertaining to the latest and prior period(s) presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. For your consideration, we have distinguished misstatements between known misstatements and likely misstatements.

There was one uncorrected misstatement of \$5,856,000 related to decrease in net pension liability as a result of an incorrect discount rate used in determination of net pension liability.

OTHER COMMUNICATIONS

Communication Item	Results
Other Information In Documents Containing Audited Financial Statements Information may be prepared by management that accompanies the financial statements. To assist your consideration of this information, you should know that we are required by audit standards to read such information and consider whether such information, or the manner of its presentation, is materially inconsistent with information in the financial statements. If we consider the information materially inconsistent based on this reading, we are to seek a resolution of the matter.	We read the following items and noted no material inconsistencies or misstatement of facts in such information based on our reading thereof. Management's Discussion and Analysis of Financial Condition and Results of Operations
Significant Difficulties Encountered During the Audit We are to inform you of any significant difficulties encountered in dealing with management related to the performance of the audit.	There were no significant difficulties encountered in dealing with management related to the performance of the audit.
Disagreements With Management We are to discuss with you any disagreements with management, whether or not satisfactorily resolved, about matters that individually or in the aggregate could be significant to the District's financial statements or the auditor's report.	During our audit, there were no such disagreements with management.
Consultations With Other Accountants If management consulted with other accountants about auditing and accounting matters, we are to inform you of such consultation, if we are aware of it, and provide our views on the significant matters that were the subject of such consultation.	We are not aware of any instances where management consulted with other accountants about auditing or accounting matters since no other accountants contacted us, which they are required to do by Statement on Auditing Standards No. 50, before they provide written or oral advice.
Representations The Auditor Is Requesting From Management We are to provide you with a copy of management's requested written representations to us.	We direct your attention to a copy of the letter of management's representation to us provided separately.
Significant Issues Discussed, or Subject to Correspondence, With Management We are to communicate to you any significant issues that were discussed or were the subject of correspondence with management.	There were no such significant issues discussed, or subject to correspondence, with management.
Significant Related Party Findings and Issues We are to communicate to you significant findings and issues arising during the audit in connection with the District's related parties.	There were no such findings or issues that are, in our judgment, significant and relevant to you regarding your oversight of the financial reporting process.

Communication Item	Results
Other Findings or Issues We Find Relevant or Significant We are to communicate to you other findings or issues, if any, arising from the audit that are, in our professional judgment, significant and relevant to you regarding your oversight of the financial reporting process.	There were no such other findings or issues that are, in our judgment, significant and relevant to you regarding your oversight of the financial reporting process.

We are pleased to serve your District as its independent auditors and look forward to our continued relationship. We provide the above information to assist you in performing your oversight responsibilities, and would be pleased to discuss this letter or any matters further, should you desire. This letter is intended solely for the information and use of the Board of Education and, if appropriate, management, and is not intended to be and should not be used by anyone other than these specified parties.

Crowe Horwath LLP
Crowe Horwath LLP

Sacramento, California
December 14, 2015



OFFICE OF THE CHIEF BUSINESS OFFICER

5735 47th Avenue • Sacramento, CA 95824

(916) 643-9055

*Gerardo Castillo, CPA
Chief Business Officer*

December 14, 2015

BOARD OF EDUCATION

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*Elizabeth Barry Student
Board Member*

Crowe Horwath LLP
400 Capitol Mall, Suite 1400
Sacramento, California

Ladies and Gentlemen:

We are providing this letter in connection with your audit of the financial statements of Sacramento City Unified School District as of June 30, 2015 and for the year then ended for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Sacramento City Unified School District and the respective changes in financial position and cash flows, where applicable, in conformity with accounting principles generally accepted in the United States of America.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Except where otherwise stated below, immaterial matters less than \$2,381,000 for the government activities, \$940,000 for the General Fund, \$260,000 for the Building Fund, \$130,000 for the Bond Interest and Redemption Fund, \$350,000 for the aggregate remaining fund information collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. These amounts are not necessarily indicative of amounts that would require adjustment to or disclosure in the financial statements.

We confirm, to the best of our knowledge and belief, as of the date of this letter, the following representations made to you during your audit:

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated February 12, 2014 for the preparation and fair presentation of the previously mentioned financial statements in conformity with accounting principles generally accepted in the United States and we believe the financial statements are fairly presented and include all properly classified funds and other financial information of the primary government required by accounting principles generally accepted in the United States to be included in the financial reporting entity.
2. We are responsible for designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to error or fraud. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
3. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts, including legal and

contractual provisions for reporting specific activities in separate funds.

4. We have provided you --

- a. Access to all financial records, documentation and other information that is relevant to the preparation and fair presentation of the financial statements.
- b. Additional information that you have requested from us for the purpose of the audit.
- c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- d. All minutes of Board of Education or summaries of actions of recent meetings for which minutes have not yet been prepared.
- e. Audit or relevant monitoring reports, if any, received from funding sources.
- f. Results of the assessment of risk that the financial statements may be materially misstated as a result of fraud.

5. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

6. There are no transactions that have not been properly recorded in the accounting records underlying the financial statements or the schedule of expenditures of federal awards.

7. We have no plans or intentions that might materially affect the carrying value or classification of assets, deferred outflows, liabilities, and deferred inflows.

8. We have identified all accounting estimates that materially affect recorded amounts and disclosures in the financial statements, and the key factors and significant assumptions underlying those estimates. We believe the estimates are reasonable in the circumstances.

These estimates include:

- a. Valuation of long lived assets.
- b. Disclosure of pension plans or other post-retirement benefits.
- c. Local Control Funding Formula recorded revenue and association receivable.
- d. Useful life of capital assets.
- e. Claims liability.

9. Adequate consideration and provision has been made, when necessary, for any material losses likely to be sustained from:

- a. Sales commitments.
- b. Sale of inventory, including excess or obsolete inventories on hand.
- c. Purchase commitments for inventory quantities in excess of normal requirements or at a price in excess of market.
- d. Impairment of long-lived assets when the carrying amount may not be recoverable.
- e. Collection of receivables.
- f. Environmental remediation liabilities.

10. Except as disclosed in the financial statements, or directly to you, there are or have been no material:

- a. Arrangements, either written or oral, with financial institutions involving

compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements.

- b. Oral or written guarantees under which the entity is contingently liable.
 - c. Other financial instruments with significant "off-balance-sheet" risk of accounting loss to which the entity is a party.
 - d. Concentrations that make the entity vulnerable to the risk of a severe impact within one year from the balance sheet date (including, for example, individual or group concentrations of customers, suppliers, lenders, products, services, sources of labor or materials, licenses or other rights, operating areas or markets).
 - e. Significant accounting estimates that are susceptible to changing materially as a result of an event or change in conditions that is reasonably possible of occurrence within one year from the balance sheet date.
 - f. Liens, encumbrances or other title impairments, such as pledges as collateral, on entity assets at the balance sheet date.
 - g. Restrictions under borrowing agreements.
 - h. Unrecorded transactions.
 - i. Significant events that have occurred subsequent to the balance sheet date through the date of this letter that would require adjustment to, or disclosure in, the financial statements.
 - j. Declines in market value of investments that are not temporary.
11. We have disclosed to you all known actual or possible litigation, claims and assessments whose effects should be considered by management when preparing the financial statements. These matters have been accounted for and disclosed in conformity with accounting principles generally accepted in the United States and GASB 62.
12. Related parties and all related party relationships and transactions, and related amounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangements and guarantees, have been disclosed to you, and have been appropriately accounted for and disclosed in the financial statements in accordance with the requirements of accounting principles generally accepted in the United States.
13. Except as disclosed to you, we have no knowledge of any fraud or suspected fraud affecting the entity involving:
- a. Management, whether material or not.
 - b. Employees who have significant roles in internal control, whether material or not.
 - c. Others when the fraud could have a material effect on the financial statements.
14. Except as disclosed to you, we have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements received in communications from employees, former employees, analysts, regulators, or others.
15. Except as disclosed to you, there have been no:
- a. Instances of non-compliance or suspected non-compliance with budget ordinances, laws or regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered when preparing the financial statements.
 - b. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB 62.

- c. Communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices that could have a material effect on the financial statements.
 - d. Reservations or designations of fund equity that was not properly authorized and approved.
- 16. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 17. With respect to the audit in accordance with *Government Auditing Standards*:
 - a. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to the Entity.
 - b. We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of noncompliance with provisions of laws and regulations that have a material effect on the determination of financial statement amounts, and that warrant the attention of those charged with governance.
 - c. We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that have a material effect on the determination of financial statement amounts.
 - d. We have identified and disclosed to you all instances that have occurred or are likely to have occurred of abuse that could be quantitatively or qualitatively material to the financial statements.
 - e. We have taken timely and appropriate steps to remedy fraud, noncompliance with provisions of laws, regulations, and contracts, or abuse that the auditor reports.
 - f. We have a process to track the status of audit findings and recommendations.
 - g. If applicable, we have identified for you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
 - h. We have provided views on the reported findings, conclusions, and recommendations, as well as management's planned corrective actions, for the report.
 - i. In regards to the following non-audit services performed by you we acknowledge our as follows:
 - we assume all management responsibilities for these services;
 - we oversaw these services by designating an individual within senior management who possessed suitable skill, knowledge, or experience;
 - we have evaluated the adequacy and results of the services performed;
 - we accept responsibility for the results of these services
- 18. With respect to the requirements of the Office of Management and Budget Circular A-133 related to federal awards:
 - a. We are responsible for complying, and have complied, with the requirements of Circular A-133.
 - b. We are responsible for the presentation of the Schedule of Expenditures of Federal Awards (SEFA) in accordance with OMB Circular A-133 and believe the SEFA, including its form and content, is fairly presented in accordance with these criteria. The methods of measurement and presentation have not changed from those used in the prior period. All significant assumptions or interpretations underlying the measurement and presentation of the SEFA have been identified and disclosed to you. If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and the auditor's report thereon.
 - c. We are responsible for understanding complying with the requirements of laws,

regulations, and the provisions of contracts and grant agreements related to each of its federal programs.

- d. We are responsible for establishing and maintaining effective internal control over compliance for federal programs that provides reasonable assurance that the organization is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on its federal programs.
- e. We have identified and disclosed to you the requirements of laws, regulations and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major program.
- f. We have made available all contracts and grant agreements (including amendments, if any) and any other correspondences that have taken place with federal agencies or pass-through entities and are related to federal programs.
- g. We have complied, in all material respects, with the direct and material compliance requirements of federal award programs, except as disclosed to you.
- h. We have identified and disclosed to you all amounts questioned and any known noncompliance with the direct and material requirements of federal awards.
- i. We have made available to you all documentation related to the compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- j. If applicable, we have provided our interpretations of any compliance requirements that are subject to varying interpretations.
- k. If applicable, we have disclosed communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
- l. If applicable, we have disclosed the findings received and the related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including the findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
- m. We are responsible for taking corrective action on audit findings reported in connection with the compliance audit.
- n. If applicable, we have disclosed the nature of any subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period that affect noncompliance during the reporting period.
- o. We have disclosed any known noncompliance occurring subsequent to the period for which compliance is audited.
- p. We have disclosed whether any changes in internal control over compliance or other factors that might significantly affect internal control, including any corrective action taken by management with regard to deficiencies, significant deficiencies, and material weaknesses have occurred subsequent to the date as of which compliance is audited.
- q. We have complied with reporting requirements in connection with federal awards, and information presented in federal financial reports and claims for advances and reimbursements is supported by the accounting records from which the financial statements prepared.
- r. The copies of federal program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the federal agency or pass-through entity, as applicable.
- s. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by Circular A-133.
- t. We have accurately completed the appropriate sections of the data collection form, or have reviewed those sections as prepared by you.

- u. If applicable, we have disclosed all contracts or other agreements with the service organizations.
 - v. If applicable, we have disclosed to you all communications from the service organization relating to noncompliance at the service organization.
 - w. Costs charged to federal awards are in accordance with applicable cost principles.
19. We are responsible for the presentation of the supplementary information in accordance with the applicable criteria and believe the supplementary information, including its form and content, is fairly presented in accordance with these criteria. The methods of measurement and presentation have not changed from those used in the prior period. All significant assumptions or interpretations underlying the measurement and presentation of the supplementary information have been identified and disclosed to you. If the supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and the auditor's report thereon.
20. We are responsible for the required supplementary information, including that such information is measured and presented in accordance with prescribed guidelines. The methods of measurement or presentation have not changed from those used in the prior period. All significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information have been disclosed to you.
21. We understand that during the course of your audit, you have relied on work performed by the following specialists. We confirm that we have no relationships with those specialists that may bear on their objectivity, such as the ability through employment, ownership, contractual right, family relationship or otherwise to directly or indirectly control or significantly influence the specialist.
- a. AON Actuarial Services
 - b. Bickmore Risk Services
22. We agree with the findings of specialists in evaluating the CalSTRS and CalPERS pension liability, pension expense, and deferred items and have adequately considered the qualifications of the specialist in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of matters that have had an effect on the independence or objectivity of the specialists.
23. During the course of your audit, we have provided to you physical or electronic copies of various original documents. We understand that you are relying on such copies as audit evidence in your audit and represent that copies provided are an accurate and completed representation of the original documentation and that the copies have not been modified from their original version.
24. The financial statements include all component units that meet the criteria of financial accountability or which are otherwise considered misleading to exclude, the classification of these component units as discretely presented or blended is appropriate, and the relationships and criteria for inclusion are properly disclosed.
25. The financial statements properly classify all funds and activities.
26. All funds that meet the quantitative criteria in GASB Statements Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to the financial statement users.
27. Net position components (invested in capital assets, restricted, and unrestricted) are properly classified and fund balance types (including minimum fund balance policies and/or stabilization agreements, if applicable) are properly presented and disclosed pursuant to GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.
28. Expenses have been properly classified in or allocated to functions and programs in the

statement of activities, and allocations have been made on a reasonable basis.

29. Revenues are properly classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
30. Interfund, internal, and intra-entity activity and balances have been properly classified and reported.
31. Deposits and investment securities are properly classified in category of custodial credit risk.
32. Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
33. All suggested adjusting journal entries, as discussed and approved, will be recorded in the accounting records.
34. We believe that the effect of the uncorrected financial statement misstatement of \$5,856,000 related to decrease in the estimated net pension liability and resulting increase in net position as a result of an incorrect discount rate used in determination of net pension liability is immaterial to the financial statements taken as a whole.
35. We understand that you have assisted us with the preparation of our financial statements and footnotes and we have reviewed and approved the financial statements and footnotes and take full responsibility for them.



Gerardo Castillo, CPA
Chief Business Officer



Amari Watkins, CPA, Inactive
Director, Accounting Services



Michael Smith
Director, Budget Services