

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

COUNTY OF SACRAMENTO

SACRAMENTO, CALIFORNIA

FINANCIAL STATEMENTS

WITH SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2007

AND

INDEPENDENT AUDITOR'S REPORT

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2007

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SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2007

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SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2007

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Sacramento City Unified School District
Sacramento, California

We have audited the accompanying financial statements of the governmental activities, the business-type 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, 2007, which collectively comprise Sacramento City Unified School District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Sacramento City Unified School District as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2007 on our consideration of Sacramento City Unified School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

INDEPENDENT AUDITOR'S REPORT

(Continued)

Our audit was conducted for the purposes of forming an opinion on the financial statements that collectively comprise Sacramento City Unified School District's basic financial statements. The accompanying financial and statistical information listed in the Table of Contents, including the Schedule of Expenditure of Federal Awards, which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements of Sacramento City Unified School District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Perry-Smith LLP

Sacramento, California
December 12, 2007

Management's Discussion and Analysis

The Management's Discussion and Analysis Section of the audit report is 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. Accounting rules require this discussion and analysis.

Sacramento City Unified School District (the "District"), located in Sacramento County is the eleventh largest school district in the State of California in terms of student enrollment. The District provides educational services to the residents in and around the City of 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.

During the period covered by this audit report, the District operated fifty-two elementary schools (grades K-6), six elementary/middle schools (grades K-8), eight middle schools (grades 7-8), seven high schools (grades 9-12), one independent study school, two continuation/alternative schools, five adult education centers, two special education centers and twenty-one children's centers which include preschools. Thirteen charter schools also operated in the District serving kindergarten through grade twelve, six of which were governed by the District Board of Education.

For the 2006-07 school year, the District's CBEDs enrollment was 49,355. Much like the rest of the state, the District has experienced declining enrollment for several years. Due to a large offering of educational options, high school enrollment overall has increased with the decline continuing at the elementary level.

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, beginning in 2008, board member elections will no longer be held District-wide, but will instead be held among voters who reside in each of seven newly created trust areas.

Vision and Mission

The District's Vision statement:

Create a world-class educational system, pre-kindergarten through adult, that enables all students to excel in the new millennium.

The District's Mission statement:

The Sacramento City Unified School District provides all students the knowledge, skills, and educational opportunities to achieve high academic standards and be successful in a changing global society.

The Board of Education and Superintendent developed eight policy priorities:

1. Equity, access, and achievement for every student by name
2. Student Engagement, Development and "Voice"
3. Standards-aligned system for teaching - & - learning
4. Safe environments for learning and work
5. Investing in our employees
6. Parent/Family engagement
7. Strong relationships with our partners
8. Mission-driven, empowering infrastructure

District Practices

In 2005, the District received an ISO 9001:2000 certification by ABS Quality Evaluations, Inc. with respect to certain District central office operations found to be in conformity with international standards, including accounting, budget and information services, risk management, internal audits and seven other areas of management controls. ISO 9001:2000 is an internationally recognized standard developed by ISO, the International Organization for Standardization that provides organizations guidance for establishing, improving and maintaining effective management systems. ISO is a nongovernmental network of the national standards institutes of 156 countries that develops standards for various industries and sectors through technical committees comprising experts from the relevant sector. The District is one of a very small number of school districts in the country to have received the certification, and is the first school district in California to have done so.

Financial Reports

The audit report consists of a series of financial reports. The Statement of Net Assets 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 10. The individual fund statements, which focus on reporting the District's operations in more detail, begin on page 12.

District-wide Financial Condition

The Statement of Net Assets is a district-wide financial statement that reports all that the District owns (assets) and owes (liabilities). Fiscal year 2001-2002 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. The table below summarizes the value of district assets for the year ended June 30, 2007.

Beginning Net Assets	\$194,472,574
Change	\$ 28,948,834
Ending Net Assets	\$223,421,408

Land is accounted for at purchase cost, not market value, and is not depreciated. Many of our school sites have low values for today's market because the district acquired the land many decades ago. School buildings are valued at their historical construction cost less depreciation.

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

	June 30, 2007	June 30, 2006
Capital Assets	\$474,496,653	\$442,906,891
Other Assets	\$236,595,458	\$248,050,117
Total Assets	\$711,092,111	\$690,957,008

	June 30, 2007	June 30, 2006
Current and Other Liabilities	\$ 67,155,218	\$ 65,189,273
Long-Term Liabilities	\$420,515,485	\$431,295,161
Total Liabilities	\$487,670,703	\$496,484,434
Net Assets Invested in Capital Assets (net of debt)	\$ 61,475,920	\$ 43,374,493
Restricted Net Assets	\$158,617,663	\$ 144,350,652
Unrestricted Net Assets	\$ 3,327,825	\$ 6,747,429
Total Net Assets	\$223,421,408	\$194,472,574

Total net assets increased due to an increase in capital assets for numerous capital improvements and large construction projects as well as a reduction in long term liabilities.

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

	June 30, 2007	June 30, 2006
Expenses		
Governmental Activities:		
Instruction	\$286,524,664	\$274,272,863
Instruction-Related Services	\$ 70,759,667	\$ 64,634,785
Pupil Services	\$ 35,453,847	\$ 33,002,960
General Administration	\$ 23,786,359	\$ 24,201,642
Plant Services	\$ 49,454,133	\$ 49,595,574
Interest on Long-Term Debt	\$ 19,240,037	\$ 6,279,136
All Other Expenses and Outgo	\$ 9,303,840	\$ 23,315,775
Total Governmental Activity Expenses	\$494,522,547	\$475,302,735
Business Type Activities:		
Food Services	\$ 15,261,151	\$ 15,104,149
All Other Business Type Activities	\$ 1,236,444	\$ 1,273,874
Total Business Type Activity Expenses	\$ 16,497,595	\$ 16,378,023
Revenues		
Charges For Services	\$ 3,314,056	\$ 3,387,566
Operating Grants and Contributions	\$178,430,639	\$169,736,646

Capital Grants and Contributions	\$ 22,932,267	\$ 57,855,756
Taxes Levied for General Purposes	\$ 66,114,632	\$ 61,371,969
Taxes Levied for Debt and Special Purposes	\$ 25,941,485	\$ 28,851,617
Unrestricted Federal and State Aid	\$220,774,513	\$209,849,022
Interest and Investment Earnings	\$ 10,328,834	\$ 15,858,557
Interagency Revenues	\$ 2,633,593	\$ 2,456,433
Miscellaneous	\$ 9,498,957	\$ 18,042,012
Total Revenues	\$539,968,976	\$567,409,578
Change in Net Assets	\$ 28,948,834	\$ 75,728,820

Sacramento City Unified School District continued to maintain its sound financial condition. District wide operations have been stable, with governmental activity expenses increasing primarily due to increases in employee costs, particularly health and welfare costs. General Administration and All Other Expenses and Outgo realized a reduction in expenses. Overall Revenues decreased with the largest decrease in Capital Grants and Contributions, Interest and Miscellaneous Revenue. Those decreases were partially offset by increases in Operating Grants and Contributions and Unrestricted Federal and State Aid.

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 carry over amounts. The budget may also be revised to reflect mid-year changes to the State budget which affect District funding. The following table summarizes general fund budget to actual information for the year ended June 30, 2007:

	Adopted Budget	Year End Budget	Actual
Total Revenues	\$375,378,277	\$417,267,490	\$408,859,696
Total Expenditures	\$348,809,062	\$444,122,013	\$405,897,172
Total Other Sources/(Uses)	\$ 5,013,492	\$ 4,703,825	\$ 4,326,105

The net increase to the total revenue budget was \$41,889,213 due to current year budgets for categorical funds, which are budgeted as grant award documents are received. Additionally, the budgets for prior year unspent restricted and unrestricted program funds (carry over) are appropriated mid-year.

The net increase to the total expenditure budget was \$95,312,951, due to revisions to set up expenditures related to categorical program funds which are budgeted after July 1 as grant award documents are received and school site plans are approved.

The net change to the total other financing sources/uses budget reduced by \$309,667. Actual revenues were \$8,407,794 or 2.1%, below year end budget due primarily to unspent and unearned categorical revenue. Actual expenditures were \$38,224,841, or 8.6%, below year end budget due to unspent categorical revenue and unspent school site program funds.

The following table summarizes the General Fund operational fund financial statements for the year ended June 30, 2007:

Total Revenue	\$ 408,859,696
Total Expenditures	\$(405,897,172)
Other Financing Sources & Uses	\$ 4,326,105
Net Change	\$ 7,288,629

The General Fund ending balance increased due to unspent categorical programs and one time carry over funds. Through the District's efforts of improving attendance rates, the district should realize additional revenue maximization. Future financial performance is dependent on management's ability to continue to control expenses and maintain revenue levels. As evidenced in previous year's budget reductions, the Board has been proactive in making any necessary budget adjustments to maintain District fiscal integrity.

Capital Projects

Modernization and construction projects are scheduled to continue as we update our existing facilities and complete construction on America's Choice High School as well as facilities for small learning community high schools.

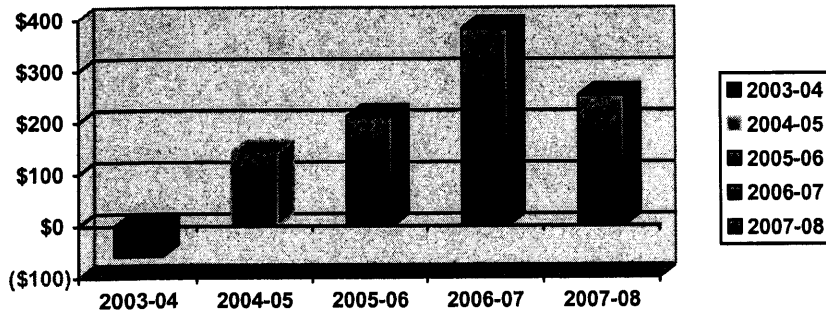
District Indebtedness

As of 6/30/07 the District has incurred \$420,515,485 of long-term liabilities. Of this amount, \$318,035,000 is General Obligation Bonds backed by property tax increases voted on by district residents in 1999 and 2002, and \$3,955,000 is a Special Tax Bond, also backed by property tax increases voted on by residents.

Financial Issues

Over the last several years the State of California has experienced severe budget crises, causing fluctuations in available revenues. However, there was a significant increase in funding for school districts for the 2006-07 fiscal year. The table below shows a five year trend in state school funding:

Change in Per Pupil Funding



Funding

The District's average daily attendance decreased by 854 over the prior year. This was primarily due to enrollment decline which is comparable to the enrollment decline being experienced state-wide. ADA for the district is projected to continue to decline in 07/08 although not as significantly as in previous years.

Health Care Costs

District-Wide Health Care costs have been growing dramatically and continue to do so in this budget year, although not as dramatically as in previous years. Rate increases continue to rise much faster than funding increases which negatively impacts the District's budget.

The District provides lifetime health benefits to all retired teachers and certain other employees who meet predetermined criteria. The annual actual payments for retiree benefits are included in the District-Wide health care costs. The District obtains an actuarial report every three years to determine the unfunded future liability for lifetime benefits. This liability has increased 66% from the last actuary report as follows:

July 2002 Liability	\$345.5 Million
July 2005 Liability	\$571.9 Million
Three Year Increase	\$226.4 Million

Through the negotiations process, changes were made in some retiree benefits that helped to reduce our unfunded liability. The District has taken preliminary steps to fund the liability and will continue its work to fund this liability.

Categorical Funding

As school revenues increased during the boom times of the late 1990's, much of the funds came to schools with strings attached. As we continue during constrained economic times, we found these many complex program requirements make it difficult to maintain our basic programs. With the additional state funding in 2006-07, categorical program funds and requirements have once again increased.

As health care costs rise and categorical programs take a larger share of state revenue, district management must continue to closely monitor the District's limited financial resources.

The District's Future

During many years of funding reductions and increasing costs, the District has had to significantly reduce expenditures. The Board of Education and Superintendent have made it a priority to limit reductions that affect the classroom. These decisions helped enable the District to bring its general fund expenditures in line with its revenue. While there is still a small amount of one time funding used to balance its budget, the District plans to eliminate that reliance over the next two to three years. The anticipation of a leveling off of enrollment decline will help the financial picture of the District. The District will continue to build its strategic plan that will allocate and align resources in support of the District's Vision and Mission. This planning will be more critical than ever, given the bleak financial condition of the State.

Contacting the District's Financial Management

If you have questions regarding this report or need additional financial information, contact the Deputy Superintendent/CFO at (916) 643-9055.

BASIC FINANCIAL STATEMENTS

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2007

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and investments (Note 2)	\$ 163,042,303	\$ 1,475,646	\$ 164,517,949
Accounts receivable	58,725,626	5,294,024	64,019,650
Prepaid expenditures	3,808,346		3,808,346
Due from other funds (Note 3)	3,726,599		3,726,599
Stores inventory	389,521	133,393	522,914
Capital assets, net of accumulated depreciation (Note 4)	<u>474,172,610</u>	<u>324,043</u>	<u>474,496,653</u>
Total assets	<u>703,865,005</u>	<u>7,227,106</u>	<u>711,092,111</u>
LIABILITIES			
Accounts payable	22,082,292	277,140	22,359,432
Unpaid claims and claim adjustment expenses (Note 5)	7,285,096		7,285,096
TRANS payable (Note 2)	24,475,000		24,475,000
Deferred compensation	6,349,710		6,349,710
Deferred revenue	2,959,381		2,959,381
Due to other funds (Note 3)		3,726,599	3,726,599
Long-term liabilities (Note 6):			
Due within one year	17,869,407	2,294	17,871,701
Due after one year	<u>402,643,784</u>		<u>402,643,784</u>
Total liabilities	<u>483,664,670</u>	<u>4,006,033</u>	<u>487,670,703</u>
NET ASSETS			
Invested in capital assets, net of related debt	61,154,171	321,749	61,475,920
Restricted (Note 7)	155,718,339	2,899,324	158,617,663
Unrestricted	<u>3,327,825</u>		<u>3,327,825</u>
Total net assets	<u>\$ 220,200,335</u>	<u>\$ 3,221,073</u>	<u>\$ 223,421,408</u>

The accompanying notes are an integral
part of these financial statements.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2007

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities (Note 4):						
Instruction	\$ 286,524,664	\$ 97,972,714	\$ 22,932,267	\$ (164,639,010)	\$	\$ (164,639,010)
Instruction-related services:						
Supervision of instruction	27,980,285	24,411,843		(3,339,171)		(3,339,171)
Instructional library, media and technology	3,497,723	1,676,223		(1,819,835)		(1,819,835)
School site administration	39,281,659	8,481,785		(30,708,518)		(30,708,518)
Pupil services:						
Home-to-school transportation	11,165,485	4,923,233		(6,242,252)		(6,242,252)
Food services	95,214	8,924		(86,290)		(86,290)
All other pupil services	24,193,148	15,087,104		(8,780,010)		(8,780,010)
General administration:						
Data processing	3,139,088			(3,139,088)		(3,139,088)
All other general administration	20,647,271	5,528,977		(15,047,184)		(15,047,184)
Plant services	49,454,133	4,977,424		(44,441,447)		(44,441,447)
Ancillary services	2,326,790	153,177		(2,173,489)		(2,173,489)
Community services	475,608	79,168		(396,440)		(396,440)
Enterprise activities	169,777			(169,777)		(169,777)
Other outgo	6,331,665	98,704		(6,232,903)		(6,232,903)
Interest on long-term liabilities	19,240,037			(19,240,037)		(19,240,037)
Business-type activities:						
Food services	15,261,151	14,056,726			\$ 109,641	109,641
Enterprise activities	193,060	21,513			1	1
General administration	1,039,134	950,222			2,659	2,659
Plant services	4,250	2,902			(30)	(30)
Total governmental and business-type activities	\$ 511,020,142	\$ 178,430,639	\$ 22,932,267	(306,455,451)	112,271	(306,343,180)
General revenues:						
Taxes and subventions:						
Taxes levied for general purposes				66,114,632		66,114,632
Taxes levied for debt service				23,209,572		23,209,572
Taxes levied for other specific purposes				2,731,913		2,731,913
Federal and state aid not restricted to specific purposes				220,774,513		220,774,513
Interest and investment earnings				10,328,834		10,328,834
Interagency revenues				2,633,593		2,633,593
Miscellaneous				9,498,957		9,498,957
Total general revenues				335,292,014		335,292,014
Change in net assets				28,836,563	112,271	28,948,834
Net assets, July 1, 2006				191,363,772	3,108,802	194,472,574
Net assets, June 30, 2007				220,200,335	3,221,073	223,421,408

The accompanying notes are an integral part of these financial statements.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2007

	<u>General Fund</u>	<u>Building Fund</u>	<u>All Non-Major Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and investments:				
Cash in County Treasury	\$ 4,372,138	\$ 83,881,355	\$ 22,088,641	\$ 110,342,134
Cash in County Treasury, restricted for repayment of Tax and Revenue Anticipation Notes (TRANS)	24,475,000			24,475,000
Cash on hand and in banks		3,307		3,307
Cash in revolving fund	225,000			225,000
Cash awaiting deposit	393,362		758,024	1,151,386
Cash with Fiscal Agent		8,683,909	2,319,452	11,003,361
Local Agency Investment Fund (LAIF)		820,951		820,951
Deferred compensation	6,349,710			6,349,710
Accounts receivable:				
Federal government	13,794,965		2,715,768	16,510,733
State government	10,184,378		2,046,101	12,230,479
Local government and other	20,146,989	2,028,661	4,495,213	26,670,863
Prepaid expenditures	146,185		251	146,436
Due from other funds	8,082,083		8,894,511	16,976,594
Stores inventory	<u>389,521</u>			<u>389,521</u>
 Total assets	 <u>\$ 88,559,331</u>	 <u>\$ 95,418,183</u>	 <u>\$ 43,317,961</u>	 <u>\$ 227,295,475</u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 12,258,001	\$ 6,534,128	\$ 2,361,143	\$ 21,153,272
TRANS payable	24,475,000			24,475,000
Deferred compensation	6,349,710			6,349,710
Deferred revenue	2,810,169		149,212	2,959,381
Due to other funds	<u>7,860,534</u>	<u>1,223,263</u>	<u>3,685,023</u>	<u>12,768,820</u>
 Total liabilities	 53,753,414	 7,757,391	 6,195,378	 67,706,183
 Fund balances	 <u>34,805,917</u>	 <u>87,660,792</u>	 <u>37,122,583</u>	 <u>159,589,292</u>
 Total liabilities and fund balances	 <u>\$ 88,559,331</u>	 <u>\$ 95,418,183</u>	 <u>\$ 43,317,961</u>	 <u>\$ 227,295,475</u>

The accompanying notes are an integral part of these financial statements.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET -
TO THE STATEMENT OF NET ASSETS**

June 30, 2007

Total fund balances - Governmental Funds		\$ 159,589,292
Amounts reported for governmental activities in the statement of net assets 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 \$753,924,649 and the accumulated depreciation is \$279,752,039 (Note 4).		474,172,610
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, 2007 consisted of (Note 6):		
Special Tax Bonds	\$ (3,955,000)	
General Obligation Bonds	(318,035,000)	
Certificates of Participation	(90,370,000)	
Capitalized lease obligations	(528,839)	
CDE Portables Loan	(129,600)	
Compensated absences	<u>(7,494,752)</u>	
		(420,513,191)
Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Net assets of the Self-Insurance Fund are:		3,913,970
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:		(624,256)
Costs associated with the issuance of long-term liabilities are not financial resources and, therefore, are not reported as assets in governmental funds.		<u>3,661,910</u>
Total net assets - governmental activities		<u><u>\$ 220,200,335</u></u>

The accompanying notes are an integral part of these financial statements.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES**

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2007

	<u>General Fund</u>	<u>Building Fund</u>	<u>All Non-Major Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Revenue limit sources:				
State apportionment	\$ 186,387,196		\$ 46,287,488	\$ 232,674,684
Local sources	<u>65,871,643</u>			<u>65,871,643</u>
Total revenue limit	<u>252,258,839</u>		<u>46,287,488</u>	<u>298,546,327</u>
Federal sources	46,638,028		12,843,703	59,481,731
Other state sources	98,284,330		10,924,749	109,209,079
Other local sources	<u>11,678,499</u>	<u>\$ 5,189,429</u>	<u>38,798,044</u>	<u>55,665,972</u>
Total revenues	<u>408,859,696</u>	<u>5,189,429</u>	<u>108,853,984</u>	<u>522,903,109</u>
Expenditures:				
Certificated salaries	181,460,059		20,593,717	202,053,776
Classified salaries	58,610,712	372,687	9,234,501	68,217,900
Employee benefits	88,742,684	101,269	12,611,686	101,455,639
Books and supplies	13,634,233	2,321,622	2,079,019	18,034,874
Contract services and operating expenditures	56,777,239	2,478,886	4,428,739	63,684,864
Capital outlay	299,517	46,696,038	2,765,919	49,761,474
Other outgo	6,169,791			6,169,791
Debt service:				
Principal retirement	176,967	2,280,000	9,554,400	12,011,367
Interest	<u>25,970</u>	<u>1,052,309</u>	<u>18,174,224</u>	<u>19,252,503</u>
Total expenditures	<u>405,897,172</u>	<u>55,302,811</u>	<u>79,442,205</u>	<u>540,642,188</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,962,524</u>	<u>(50,113,382)</u>	<u>29,411,779</u>	<u>(17,739,079)</u>
Other financing sources (uses):				
Operating transfers in	5,042,638	22,932,267	1,866,533	29,841,438
Operating transfers out	(716,533)	(1,150,000)	(26,335,771)	(28,202,304)
Proceeds from issuance of long-term liabilities			<u>144,000</u>	<u>144,000</u>
Total other financing sources (uses)	<u>4,326,105</u>	<u>21,782,267</u>	<u>(24,325,238)</u>	<u>1,783,134</u>
Change in fund balances	7,288,629	(28,331,115)	5,086,541	(15,955,945)
Fund balances, July 1, 2006	<u>27,517,288</u>	<u>115,991,907</u>	<u>32,036,042</u>	<u>175,545,237</u>
Fund balances, June 30, 2007	<u>\$ 34,805,917</u>	<u>\$ 87,660,792</u>	<u>\$ 37,122,583</u>	<u>\$ 159,589,292</u>

The accompanying notes are an integral
part of these 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, 2007

Net change in fund balances - Total Governmental Funds		\$ (15,955,945)
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 assets (Note 4).	\$ 49,759,141	
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(18,340,380)	
Issuance of long-term liabilities is an other financing source in the governmental funds, but increases the long-term liabilities in the statement of net assets (Note 6).	(144,000)	
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 assets (Note 6).	12,011,367	
Issuance costs and discounts related to the issuance of long-term liabilities is an expenditure in the governmental funds, but increases the assets in the statement of net assets.	(161,877)	
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.	12,466	
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 assets for the Self-Insurance Fund was:	2,749,605	
In the statement of activities, expenses related to compensated absences are measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used (Note 6).	(1,093,814)	44,792,508
Change in net assets of governmental activities		\$ 28,836,563

The accompanying notes are an integral part of these financial statements.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE - BUDGET (NON-GAAP) AND ACTUAL

MAJOR FUND - GENERAL FUND

For the Year Ended June 30, 2007

	<u>Budget</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Revenue limit sources:				
State apportionment	\$ 186,898,234	\$ 184,422,435	\$ 186,387,196	\$ 1,964,761
Local sources	<u>66,624,240</u>	<u>66,624,240</u>	<u>65,871,643</u>	<u>(752,597)</u>
Total revenue limit	<u>253,522,474</u>	<u>251,046,675</u>	<u>252,258,839</u>	<u>1,212,164</u>
Federal sources	41,426,183	56,950,385	46,638,028	(10,312,357)
Other state sources	74,481,918	99,898,068	98,284,330	(1,613,738)
Other local sources	<u>5,947,702</u>	<u>9,372,362</u>	<u>11,678,499</u>	<u>2,306,137</u>
Total revenues	<u>375,378,277</u>	<u>417,267,490</u>	<u>408,859,696</u>	<u>(8,407,794)</u>
Expenditures:				
Certificated salaries	156,436,188	182,017,137	181,460,059	557,078
Classified salaries	49,587,741	58,638,013	58,610,712	27,301
Employee benefits	86,728,499	89,865,600	88,742,684	1,122,916
Books and supplies	12,308,684	49,060,182	13,634,233	35,425,949
Contract services and operating expenditures	37,058,960	56,812,691	56,777,239	35,452
Capital outlay	238,634	482,070	299,517	182,553
Other outgo	6,450,356	7,246,320	6,169,791	1,076,529
Debt service:				
Principal retirement			176,967	(176,967)
Interest			<u>25,970</u>	<u>(25,970)</u>
Total expenditures	<u>348,809,062</u>	<u>444,122,013</u>	<u>405,897,172</u>	<u>38,224,841</u>
Excess (deficiency) of revenues over (under) expenditures	<u>26,569,215</u>	<u>(26,854,523)</u>	<u>2,962,524</u>	<u>29,817,047</u>
Other financing sources (uses):				
Operating transfers in	5,580,234	5,270,567	5,042,638	(227,929)
Operating transfers out	<u>(566,742)</u>	<u>(566,742)</u>	<u>(716,533)</u>	<u>(149,791)</u>
Total other financing sources	<u>5,013,492</u>	<u>4,703,825</u>	<u>4,326,105</u>	<u>(377,720)</u>
Change in fund balance	31,582,707	(22,150,698)	7,288,629	29,439,327
Fund balance, July 1, 2006	<u>27,517,288</u>	<u>27,517,288</u>	<u>27,517,288</u>	
Fund balance, June 30, 2007	<u>\$ 59,099,995</u>	<u>\$ 5,366,590</u>	<u>\$ 34,805,917</u>	<u>\$ 29,439,327</u>

The accompanying notes are an integral
part of these financial statements.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND
SELF-INSURANCE FUND

June 30, 2007

ASSETS

Cash and investments:	
Cash in County Treasury	\$ 8,171,357
Cash awaiting deposit	97
Revolving cash fund	500,000
Accounts receivable:	
Local government and other	3,313,551
Due from other funds	<u>965</u>
 Total assets	 <u>11,985,970</u>

LIABILITIES

Accounts payable	174,737
Due to other funds	612,167
Unpaid claims and claim adjustment expenses	<u>7,285,096</u>
 Total liabilities	 <u>8,072,000</u>

NET ASSETS

Restricted	<u><u>\$ 3,913,970</u></u>
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The accompanying notes are an integral
part of these financial statements.

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

SELF-INSURANCE FUND

For the Year Ended June 30, 2007

Operating revenues:	
Self-insurance premiums	\$ 10,391,220
Other local revenues	<u>1,902,668</u>
Total operating revenues	<u>12,293,888</u>
Operating expenses:	
Classified salaries	342,564
Employee benefits	158,427
Books and supplies	62,892
Contract services	<u>8,692,595</u>
Total operating expenses	<u>9,256,478</u>
Operating income	3,037,410
Non-operating income:	
Interest income	312,195
Non-operating expense:	
Transfers to other funds	<u>(600,000)</u>
Change in net assets	2,749,605
Total net assets, July 1, 2006	<u>1,164,365</u>
Total net assets, June 30, 2007	<u><u>\$ 3,913,970</u></u>

The accompanying notes are an integral
part of these financial statements.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
SELF-INSURANCE FUND

For the Year Ended June 30, 2007

Cash flows from operating activities:	
Cash received from self-insurance premiums	\$ 10,017,855
Cash paid for employee benefits	(13,329,594)
Cash paid for other expenses	<u>(119,389)</u>
Net cash provided by operating activities	<u>(3,431,128)</u>
Cash flows provided by investing activities:	
Interest income received	<u>155,885</u>
Decrease in cash and cash equivalents	(3,275,243)
Cash and cash equivalents, July 1, 2006	<u>11,946,697</u>
Cash and cash equivalents, June 30, 2007	<u><u>\$ 8,671,454</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	<u>\$ 3,037,410</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
(Increase) decrease in:	
Accounts receivable	(2,276,033)
Amount due from other funds	(564,056)
(Decrease) increase in:	
Unpaid claims and claim adjustment expenses	(4,636,999)
Accounts payable	906,512
Amount due to other funds	<u>102,038</u>
Total adjustments	<u>(6,468,538)</u>
Net cash provided by operating activities	<u><u>\$ (3,431,128)</u></u>

The accompanying notes are an integral part of these financial statements.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND
CAFETERIA FUND
June 30, 2007

ASSETS

Cash and investments:	
Cash on hand and in banks	\$ 1,472,914
Cash awaiting deposit	732
Cash in revolving fund	2,000
Accounts receivable:	
Federal government	4,890,914
State government	247,652
Local government and other	155,458
Due from other funds	199,204
Stores inventory	133,393
Capital assets, net of accumulated depreciation	<u>324,043</u>
Total assets	<u>7,426,310</u>

LIABILITIES

Accounts payable	277,140
Due to other funds	3,925,803
Long-term liabilities	<u>2,294</u>
Total liabilities	<u>4,205,237</u>

NET ASSETS

Invested in capital assets, net of related debt	321,749
Restricted	<u>2,899,324</u>
Total net assets	<u><u>\$ 3,221,073</u></u>

The accompanying notes are an integral part of these financial statements.

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

CAFETERIA FUND

For the Year Ended June 30, 2007

Operating revenues:	
Food service sales	\$ 1,578,504
Other local revenues	272,464
Child Nutrition Programs:	
Federal	13,636,388
State	<u>1,082,608</u>
Total operating revenues	<u>16,569,964</u>
Operating expenses:	
Classified salaries	6,058,097
Employee benefits	2,953,380
Contract services and operating expenses	(86,797)
Food and supplies expenses	<u>6,533,781</u>
Total operating expenses	<u>15,458,461</u>
Operating income	1,111,503
Non-operating income:	
Interest income	39,902
Non-operating expense:	
Transfers to other funds	<u>(1,039,134)</u>
Change in net assets	112,271
Net assets, July 1, 2006	<u>3,108,802</u>
Net assets, June 30, 2007	<u><u>\$ 3,221,073</u></u>

The accompanying notes are an integral
part of these financial statements.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
CAFETERIA FUND

For the Year Ended June 30, 2007

Cash flows from operating activities:	
Cash received from food sales	\$ 1,767,413
Cash received from Child Nutrition Programs	13,453,297
Cash paid for operating expenses	<u>(15,441,559)</u>
Net cash used in operating activities	<u>(220,849)</u>
Cash flows from investing activities:	
Interest income received	<u>39,902</u>
Cash flows from financing activities:	
Cash paid for capital assets	<u>(213,483)</u>
Decrease in cash	(394,430)
Cash balance, July 1, 2006	<u>1,870,076</u>
Cash balance, June 30, 2007	<u>\$ 1,475,646</u>
Reconciliation of operating income to net cash used in operating activities:	
Operating income	<u>\$ 1,111,503</u>
Adjustments to reconcile operating income to net cash used in operating activities:	
Depreciation	42,482
Increase in:	
Accounts receivable	(1,349,254)
Due from other funds	(90,014)
Inventory	(53,597)
Accounts payable	21,316
Due to other funds	<u>96,715</u>
Total adjustments	<u>(1,332,352)</u>
Net cash used in operating activities	<u>\$ (220,849)</u>

The accompanying notes are an integral part of these financial statements.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS

TRUST AND AGENCY FUNDS

June 30, 2007

	Trust Funds		Agency Fund	
	Retiree Benefits Trust	Scholarship Trust	Student Body Funds	Total
ASSETS				
Cash and investments (Note 2):				
Cash in County Treasury	\$ 1,385,502			\$ 1,385,502
Cash on hand and in banks		\$ 345,536	\$ 1,669,954	2,015,490
Accounts receivable:				
Local government and other	2,959,462		101,397	3,060,859
Prepaid expenditures	400,000			400,000
Due from other funds (Note 3)	130,027			130,027
Stores inventory			165,303	165,303
Capital assets			9,470	9,470
Total assets	<u>4,874,991</u>	<u>345,536</u>	<u>1,946,124</u>	<u>7,166,651</u>
LIABILITIES				
Accounts payable	683,488		73,304	756,792
Due to student groups			<u>1,872,820</u>	<u>1,872,820</u>
Total liabilities	<u>683,488</u>		<u>1,946,124</u>	<u>2,629,612</u>
NET ASSETS				
Restricted (Note 7)	<u>\$ 4,191,503</u>	<u>\$ 345,536</u>	<u>\$ -</u>	<u>\$ 4,537,039</u>

The accompanying notes are an integral part of these financial statements.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
STATEMENT OF CHANGE IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For the Year Ended June 30, 2007

	<u>Retiree Benefits Trust</u>	<u>Scholarship Trust</u>	<u>Total</u>
Revenues:			
Other local sources	\$ 15,781,126	\$ 332,501	\$ 16,113,627
Expenditures:			
Contract services and operating expenditures	<u>14,300,608</u>	<u>360,364</u>	<u>14,660,972</u>
Change in net assets	1,480,518	(27,863)	1,452,655
Net assets, July 1, 2006	<u>2,710,985</u>	<u>373,399</u>	<u>3,084,384</u>
Net assets, June 30, 2007	<u>\$ 4,191,503</u>	<u>\$ 345,536</u>	<u>\$ 4,537,039</u>

The accompanying notes are an integral
part of these financial statements.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

The District and Sacramento County Schools Education Facilities Financing Corporation (the "Corporation") have a financial and operational relationship which meet the reporting entity definition criteria of the GASB Statement No. 14, *The Financial Reporting Entity*, for inclusion of the Corporation as a component unit of the District. Therefore, the financial activities of the Corporation have been included in the basic financial statements of the District.

The following are those aspects of the relationship between the District and the Corporation which satisfy GASB Statement No. 14 criteria:

A - Manifestations of Oversight

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

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting Entity (Continued)

B - Accounting for Fiscal Matters

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

C - Scope of Public Service and Financial Presentation

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

Basis of Presentation - Financial Statements

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*.

The basic financial statements include a Management's Discussion and Analysis (MD & A) section providing an analysis of the District's overall financial position and results of operations, financial statements prepared using full accrual accounting for all of the District's activities, including infrastructure, and a change in the fund financial statements to focus on the major funds.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Government-Wide Financial Statements

The Statement of Net Assets 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 Assets and the Statement of Change in Fiduciary Net Assets at the fund financial statement level.

The Statement of Net Assets 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 GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

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 each function. Interest on general long-term liabilities is considered an indirect expense and is reported separately on the Statement of Activities.

Basis of Presentation - Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized into three broad categories which, in aggregate, include eight fund types as follows:

A - Governmental Fund Types

1. General Fund:

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

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Fund Accounting (Continued)

A - Governmental Fund Types (Continued)

2. Special Revenue Funds:

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

3. Capital Projects Funds:

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

4. Debt Service Funds:

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

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 - Proprietary Funds

1. Self-Insurance Fund:

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

2. Cafeteria Fund:

The Cafeteria Fund is an enterprise fund which accounts for food service operations that are financed and operated in a manner similar to a private business enterprise with the objective of providing food services on a continuing basis with costs partially financed or recovered through user charges.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Fund Accounting (Continued)

C - Fiduciary Funds

1. Trust Funds:

Retiree Benefits Trust Fund:

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

Scholarship Trust Fund:

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

2. Agency Funds:

Student Body Funds:

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

Basis of Accounting

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

Accrual

Both governmental and business-type 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.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

The District employs budget control by major object code and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object code. The budgets are revised during the year by the Board of Education to provide for unanticipated revenues and expenditures. The originally adopted and final revised budgets for the General Fund are presented in the basic financial statements.

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.

Cafeteria Food Purchases

Cafeteria purchases include food purchased through the State of California Office of Surplus Property, for which the District is required to pay only a handling charge. The state does not require the Cafeteria Fund to record the fair market value of these commodities. The expenditures for these items would have been greater had the District paid fair market value for the government surplus food commodities.

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 4 - 30 years depending on asset types.

Compensated Absences

Compensated absences totaling \$7,494,752 are recorded as a 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 STRS and CalPERS employees, when the employee retires.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred 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 deferred revenue until earned.

Restricted Net Assets

Restrictions of the ending net assets indicate the portions of net assets not appropriate for expenditure or amounts legally segregated for a specific future use. The restrictions for revolving cash fund, prepaid expenditures and stores inventory reflect the portions of net assets represented by revolving cash fund, prepaid expenditures and stores inventory, respectively. These amounts are not available for appropriation and expenditure at the balance sheet date. 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 assets restricted for special purposes. The restriction for debt service repayments represents the portion of net assets which the District plans to expend on debt repayment in the ensuing year. The restriction for capital projects represents the portion of net assets restricted for capital projects. The restriction for self insurance represents the portion of net assets restricted for paying insurance premiums. The restriction for cafeteria operations represents the portion of net assets restricted for future cafeteria operations. The restriction for retiree benefits represents the portion of net assets which will be used for payment of health insurance premiums for current and future retirees. The restriction for scholarships represents the portion of net assets to be used to provide financial assistance to students of the District.

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. Encumbrances are liquidated when the commitments are paid.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Eliminations and Reclassifications

In the process of aggregating data for the Statement of Net Assets 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.

2. CASH AND INVESTMENTS

Cash and investments at June 30, 2007 are reported at fair value and consisted of the following:

	Governmental Activities			Business-Type Activities	Fiduciary Activities
	Governmental Funds	Proprietary Fund	Total		
Pooled Funds:					
Cash in County Treasury	\$ 110,342,134	\$ 8,171,357	\$ 118,513,491		\$ 1,385,502
Cash in County Treasury, restricted for taxes	24,475,000		24,475,000		
Cash awaiting deposit	1,151,386	97	1,151,483	\$ 732	
Local Agency Investment Fund	<u>820,951</u>		<u>820,951</u>		
Total pooled funds	<u>136,789,471</u>	<u>8,171,454</u>	<u>144,960,925</u>	<u>732</u>	<u>1,385,502</u>
Deposits:					
Cash on hand and in banks	3,307		3,307	1,472,914	2,015,490
Cash in revolving fund	<u>225,000</u>	<u>500,000</u>	<u>725,000</u>	<u>2,000</u>	
Total deposits	<u>228,307</u>	<u>500,000</u>	<u>728,307</u>	<u>1,474,914</u>	<u>2,015,490</u>
Investments:					
Cash with Fiscal Agent	11,003,361		11,003,361		
Deferred compensation	<u>6,349,710</u>		<u>6,349,710</u>		
Total investments	<u>17,353,071</u>		<u>17,353,071</u>		
Total cash and investments	<u>\$ 154,370,849</u>	<u>\$ 8,671,454</u>	<u>\$ 163,042,303</u>	<u>\$ 1,475,646</u>	<u>\$ 3,400,992</u>

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

2. CASH AND INVESTMENTS (Continued)

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, 2007, the Sacramento County Treasurer has represented that the Treasurer's pooled investment fund contained no derivatives or other investments with similar risk profiles.

On November 29, 2007, the District issued \$24,475,000 of TRANs, maturing on December 14, 2007 with interest at 4.0%, to provide for anticipated cash flow deficits from operations and to finance real property acquisitions. The TRANs are a general obligation of the District and are payable solely from tax revenues and cash receipts generated by the District during the year ended June 30, 2007. As of June 30, 2007, funds totaling \$24,475,000 held in the County Treasury were restricted for repayment of the TRANs.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

2. CASH AND INVESTMENTS (Continued)

Local Agency Investment Fund

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.

Deposits - Custodial Credit Risk - Deposits

Cash balances held in banks and revolving funds are insured up to \$100,000 by the Federal Depository Insurance Corporation (FDIC). As of June 30, 2007, the carrying amount of the District's accounts were \$4,218,711, and the bank balances were \$6,997,417. Of the bank balances, \$620,344 was covered by the FDIC insurance and \$6,377,073 was uninsured. Uninsured balances are fully collateralized by the banks in accordance with applicable law.

Investments

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

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

2. CASH AND INVESTMENTS (Continued)

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, 2007, 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, 2007, the District had no concentration of credit risk.

3. INTERFUND TRANSACTIONS

Interfund Activity

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

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

3. INTERFUND TRANSACTIONS (Continued)

Interfund Receivables/Payables

Individual interfund receivable and payable balances at June 30, 2007 were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Funds:		
General	\$ 8,082,083	\$ 7,860,534
Building		1,223,263
Non-Major Funds:		
Charter School	5,184,774	1,599,053
Adult Education	1,702,109	850,855
Child Development	240,195	1,132,163
Deferred Maintenance	1,716,742	
Developer Fees	50,683	102,944
Community Facilities	8	
South Pocket Facilities		8
Proprietary Funds:		
Self-Insurance	965	612,167
Enterprise Funds:		
Cafeteria	199,204	3,925,803
Fiduciary Funds:		
Retiree Benefits Trust	<u>130,027</u>	<u> </u>
Totals	<u>\$ 17,306,790</u>	<u>\$ 17,306,790</u>

Interfund Transfers

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

Interfund transfers for the 2006-2007 fiscal year were as follows:

Transfer from the Building Fund to the Deferred Maintenance Fund for deferred maintenance match.	\$ 1,150,000
Transfer from the County School Facilities Fund to the Building Fund for construction projects.	22,932,267
Transfer from the Cafeteria Fund to the General Fund for indirect support.	1,039,134
Transfer from the Self-Insurance Fund to the General Fund for indirect support.	600,000
Transfer from the Charter Schools Fund to the General Fund for charter school fees and indirect support.	1,656,431

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

3. INTERFUND TRANSACTIONS (Continued)

Interfund Transfers (Continued)

Transfer from the Adult Education Fund to the General Fund for indirect support.	\$ 694,307
Transfer from the Child Development Fund to the General Fund for indirect support.	1,052,766
Transfer from the General Fund to the Deferred Maintenance Fund for deferred maintenance match.	<u>716,533</u>
	<u><u>\$ 29,841,438</u></u>

4. CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2007 is shown below:

	<u>Balance July 1, 2006</u>	<u>Transfers and Additions</u>	<u>Transfers and Deductions</u>	<u>Balance June 30, 2007</u>
<u>Governmental Activities</u>				
Land	\$ 19,873,250			\$ 19,873,250
Buildings	487,366,214	\$ 55,030,587		542,396,801
Site improvements	91,462,127	9,646,276		101,108,403
Equipment	23,848,708	696,205		24,544,913
Work-in-process	<u>81,615,209</u>	<u>35,316,000</u>	<u>\$ 50,929,927</u>	<u>66,001,282</u>
Totals, at cost	<u>704,165,508</u>	<u>100,689,068</u>	<u>50,929,927</u>	<u>753,924,649</u>
Less accumulated depreciation:				
Buildings	(212,305,532)	(12,685,550)		(224,991,082)
Site improvements	(28,590,626)	(4,156,910)		(32,747,536)
Equipment	<u>(20,515,501)</u>	<u>(1,497,920)</u>		<u>(22,013,421)</u>
Total accumulated depreciation	<u>(261,411,659)</u>	<u>(18,340,380)</u>		<u>(279,752,039)</u>
Capital assets, net	<u>\$ 442,753,849</u>	<u>\$ 82,348,688</u>	<u>50,929,927</u>	<u>\$ 474,172,610</u>
<u>Business-Type Activities</u>				
Capital assets, net	<u>\$ 153,042</u>	<u>\$ 171,001</u>	<u>\$ -</u>	<u>\$ 324,043</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 16,133,589
Food services	7,995
All other pupil services	484,143
All other general administration	1,345,926
Plant services	135,814
Community services	<u>232,913</u>
Total depreciation expense	<u><u>\$ 18,340,380</u></u>

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

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. Every three years, the District contracts with an actuary who performs an actuarial study using a variety of statistical techniques to produce current estimates that consider claim frequency and other economic factors. The liability for workers compensation is based on an actuarial study dated June 30, 2006.

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

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Unpaid claim and claim adjustment expenses, beginning of year	\$ 11,131,535	\$ 17,075,153
Total incurred claims and claim adjustment expenses	8,692,595	5,914,955
Total payments	<u>(12,539,034)</u>	<u>(11,858,573)</u>
Total unpaid claims and claim adjustment expenses at end of year	<u>\$ 7,285,096</u>	<u>\$ 11,131,535</u>

6. LONG-TERM LIABILITIES

Special Tax Bonds

<u>Series</u>	<u>Interest Rate</u>	<u>Balance July 1, 2006</u>	<u>Current Year Proceeds</u>	<u>Current Year Maturities</u>	<u>Balance June 30, 2007</u>
1997 C	3.7% to 5.5%	<u>\$ 4,430,000</u>	<u>\$ -</u>	<u>\$ 475,000</u>	<u>\$ 3,955,000</u>

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

Special Tax Bonds (Continued)

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

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

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 490,000	\$ 197,525	\$ 687,525
2009	525,000	171,625	696,625
2010	540,000	143,800	683,800
2011	570,000	114,520	684,520
2012	600,000	83,215	683,215
2013-2014	<u>1,230,000</u>	<u>66,170</u>	<u>1,296,170</u>
	<u>\$ 3,955,000</u>	<u>\$ 776,855</u>	<u>\$ 4,731,855</u>

General Obligation Bonds

Refunding Bonds, Series 2001:

On October 12, 2001, the District issued General Obligation Refunding Bonds, Series 2001, totaling \$52,310,000. Bond proceeds were used to refund a portion of the District's 1999 Series A. Repayment of the Bonds is made from special parcel tax revenues levied in connection with this bond issue. The bonds bear interest at rates ranging from 2.2% to 5.0% and are scheduled to mature through 2029 as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 1,365,000	\$ 2,290,933	\$ 3,655,933
2009	1,420,000	2,245,888	3,665,888
2010	1,475,000	2,196,188	3,671,188
2011	1,540,000	2,143,088	3,683,088
2012	1,600,000	2,085,338	3,685,338
2013-2017	9,060,000	9,381,015	18,441,015
2018-2022	11,460,000	7,050,315	18,510,315
2023-2027	14,680,000	3,878,065	18,558,065
2028-2029	<u>6,925,000</u>	<u>497,326</u>	<u>7,422,326</u>
	<u>\$ 49,525,000</u>	<u>\$ 31,768,156</u>	<u>\$ 81,293,156</u>

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

Series B:

On March 27, 2001, the District issued 1999 General Obligation Bonds, Series B, totaling \$45,000,000. Bond proceeds are being spent to construct, repair and expand local schools. Repayment of the bonds will be made from property taxes levied by the County of Sacramento. The bonds bear interest at rates ranging from 4.0% to 5.0% and are scheduled to mature through 2031 as follows:

Year Ended June 30,	Principal	Interest	Total
2008	\$ 995,000	\$ 1,977,300	\$ 2,972,300
2009	1,040,000	1,932,525	2,972,525
2010	1,090,000	1,885,725	2,975,725
2011	1,135,000	1,836,675	2,971,675
2012	1,190,000	1,785,600	2,975,600
2013-2017	6,835,000	8,034,050	14,869,050
2018-2022	8,710,000	6,154,000	14,864,000
2023-2027	9,125,000	3,746,250	12,871,250
2028-2031	<u>10,095,000</u>	<u>901,000</u>	<u>10,996,000</u>
	<u>\$ 40,215,000</u>	<u>\$ 28,253,125</u>	<u>\$ 68,468,125</u>

Series C:

On May 7, 2002, the District issued 1999 General Obligation Bonds, Series C, totaling \$45,000,000. Bond proceeds are being spent to construct, repair and expand local schools. Repayment of the bonds will be made from property taxes levied by the County of Sacramento. The bonds bear interest at rates ranging from 4.0% to 5.0% and are scheduled to mature through 2031 as follows:

Year Ended June 30,	Principal	Interest	Total
2008	\$ 765,000	\$ 2,110,265	\$ 2,875,265
2009	800,000	2,056,715	2,856,715
2010	840,000	2,016,715	2,856,715
2011	865,000	1,983,115	2,848,115
2012	890,000	1,948,515	2,838,515
2013-2017	5,055,000	9,103,427	14,158,427
2018-2022	6,295,000	7,731,190	14,026,190
2023-2027	7,975,000	5,999,940	13,974,940
2028-2031	<u>18,600,000</u>	<u>3,033,026</u>	<u>21,633,026</u>
	<u>\$ 42,085,000</u>	<u>\$ 35,982,908</u>	<u>\$ 78,067,908</u>

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

Series D:

On August 1, 2004, the District issued 1999 General Obligation Bonds, Series D, totaling \$55,000,000. Bond proceeds are being spent to construct, repair and expand local schools. Repayment of the bonds will be made from property taxes levied by the County of Sacramento. The bonds bear interest at rates ranging from 2.5% to 5.125% and are scheduled to mature through 2029 as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 805,000	\$ 2,539,219	\$ 3,344,219
2009	900,000	2,511,044	3,411,044
2010	1,000,000	2,479,544	3,479,544
2011	1,110,000	2,439,544	3,549,544
2012	1,225,000	2,395,144	3,620,144
2013-2017	8,065,000	11,140,720	19,205,720
2018-2022	12,245,000	8,964,337	21,209,337
2023-2027	18,190,000	5,229,900	23,419,900
2028-2029	<u>9,315,000</u>	<u>718,800</u>	<u>10,033,800</u>
	<u>\$ 52,855,000</u>	<u>\$ 38,418,252</u>	<u>\$ 91,273,252</u>

Series A:

On March 1, 2003, the District issued 2002 General Obligation Bonds, Series A, totaling \$80,000,000. Bond proceeds are being spent to construct, repair and expand local schools. Repayment of the bonds will be made from property taxes levied by the County of Sacramento. The bonds bear interest at rates ranging from 4.0% to 5.0% and are scheduled to mature through 2027 as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 3,000,000	\$ 2,396,700	\$ 5,396,700
2009	4,300,000	2,276,700	6,576,700
2010	4,750,000	2,093,950	6,843,950
2011	400,000	1,903,950	2,303,950
2012	2,005,000	1,887,950	3,892,950
2013-2017	14,670,000	8,014,550	22,684,550
2018-2022	22,740,000	4,275,081	27,015,081
2023-2027	<u>5,090,000</u>	<u>618,800</u>	<u>5,708,800</u>
	<u>\$ 56,955,000</u>	<u>\$ 23,467,681</u>	<u>\$ 80,422,681</u>

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

Series 2005:

On July 1, 2005, the District issued 2002 General Obligation Bonds, Series 2005, totaling \$80,000,000. Bond proceeds are being spent to construct, repair and expand local schools. Repayment of the bonds will be made from property taxes levied by the County of Sacramento. The bonds bear interest at rates ranging from 4.0% to 5.0% and are scheduled to mature through 2030 as follows:

Year Ended June 30,	Principal	Interest	Total
2008	\$ 440,000	\$ 3,767,300	\$ 4,207,300
2009	110,000	3,749,700	3,859,700
2010	120,000	3,745,300	3,865,300
2011	2,300,000	3,740,500	6,040,500
2012	1,125,000	3,671,500	4,796,500
2013-2017	8,940,000	17,301,250	26,241,250
2018-2022	16,010,000	14,406,000	30,416,000
2023-2027	25,770,000	9,488,750	35,258,750
2028-2032	21,585,000	2,216,500	23,801,500
	\$ 76,400,000	\$ 62,086,800	\$138,486,800

Certificates of Participation (COPs)

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

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

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

Certificates of Participation (COPs) (Continued)

Scheduled payments for the COPs are as follows:

Year Ending June 30,	COPs Payments
2008	\$ 4,187,758
2009	4,288,870
2010	4,248,283
2011	4,390,995
2012	4,386,795
2013-2017	22,847,740
2018-2022	24,642,975
2023-2027	26,545,750
2028-2032	<u>22,996,250</u>
Total payments	118,535,416
Less amount representing interest	<u>(28,165,416)</u>
Net present value of minimum payments	<u>\$ 90,370,000</u>

Capitalized Lease Obligations

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

Year Ending June 30,	Lease Payments
2008	\$ 204,378
2009	200,052
2010	109,386
2011	<u>51,439</u>
Total payments	565,255
Less amount representing interest	<u>(36,416)</u>
Net minimum lease payments	<u>\$ 528,839</u>

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

CDE Portables Loan

The District received a loan of \$144,000 from the California Department of Education for the purchase of portable classrooms. The loan is interest free and payable over 10 years. Future minimum loan payments are as follows:

<u>Year Ending June 30,</u>	<u>Loan Payments</u>
2008	\$ 14,400
2009	14,400
2010	14,400
2011	14,400
2012	14,400
2013-2016	<u>57,600</u>
Total payments	<u>\$ 129,600</u>

Schedule of Changes in Long-Term Liabilities

A schedule of changes in long-term liabilities for the year ended June 30, 2007 is shown below:

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2007</u>	<u>Amounts Due Within One Year</u>
Governmental activities:					
Special Tax Bonds	\$ 4,430,000		\$ 475,000	\$ 3,955,000	\$ 490,000
General Obligation Bonds	327,100,000		9,065,000	318,035,000	7,370,000
Certificates of Participation	92,650,000		2,280,000	90,370,000	2,315,000
Capitalized lease obligations	705,806		176,967	528,839	185,255
CDE Portables Loan		\$ 144,000	14,400	129,600	14,400
Compensated absences	<u>6,400,938</u>	<u>3,807,470</u>	<u>2,713,656</u>	<u>7,494,752</u>	<u>7,494,752</u>
Subtotal	<u>431,286,744</u>	<u>3,951,470</u>	<u>14,725,023</u>	<u>420,513,191</u>	<u>17,869,407</u>
Business-type activities:					
Capitalized lease obligations	<u>8,417</u>		<u>6,123</u>	<u>2,294</u>	<u>2,294</u>
	<u>\$ 431,295,161</u>	<u>\$ 3,951,470</u>	<u>\$ 14,731,146</u>	<u>\$ 420,515,485</u>	<u>\$ 17,871,701</u>

Payments on the Special Tax Bonds are made from the South Pocket Facilities Fund. Payments on the General Obligation Bonds are made from the Bond Interest and Redemption Fund. Payments on the Certificates of Participation are made from the Building and Developer Fees Funds. Payments on the capitalized lease obligations are made from the General Fund. Payments on the CDE Portables Loan are made from the Child Development Fund. Payments on compensated absences are made from the fund for which the related employee worked.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

7. RESTRICTED NET ASSETS

Restricted net assets consisted of the following at June 30, 2007:

	Governmental Activities	Business- Type Activities	Fiduciary Funds
Restricted for revolving cash	\$ 225,000	\$ 2,000	
Restricted for prepaid expenditures	3,808,346		\$ 400,000
Restricted for stores inventory	389,521	133,393	
Restricted for unspent categorical program revenues and state programs	22,598,378		
Restricted for special revenues	9,802,936		
Restricted for debt service	10,988,233		
Restricted for capital projects	103,991,955		
Restricted for self insurance	3,913,970		
Restricted for cafeteria operations		2,763,931	
Restricted for retiree benefits			3,791,503
Restricted for scholarships			<u>345,536</u>
 Total restricted net assets	 <u>\$155,718,339</u>	 <u>\$ 2,899,324</u>	 <u>\$ 4,537,039</u>

8. EMPLOYEE RETIREMENT SYSTEMS

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

Plan Description and Provisions

California Public Employees' Retirement System (CalPERS)

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Sacramento, California 95814.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

8. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Plan Description and Provisions (Continued)

Funding Policy

Active plan members are required to contribute 7% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2006-2007 was 9.124% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2005, 2006 and 2007 were \$6,397,768, \$5,962,021 and \$6,101,556, respectively, and equal 100% of the required contributions for each year.

State Teachers' Retirement System (STRS)

Plan Description

The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from the STRS Executive Office, 7667 Folsom Boulevard, Sacramento, California 95826.

State Teachers' Retirement System (STRS) (Continued)

Funding Policy

Active plan members are required to contribute 8.0% of their salary. The required employer contribution rate for fiscal year 2006-2007 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal years ending June 30, 2005, 2006 and 2007 were \$15,132,390, \$13,964,156 and \$15,898,846, respectively, and equal 100% of the required contributions for each year.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

9. POST-EMPLOYMENT HEALTH CARE BENEFITS

In addition to the pension benefits described in Note 8, the District provides post-employment health care benefits. The benefits differ for retirees who retired before December 31, 1974 from those who retired after January 1, 1974. There are 22 pre-1974 retirees who receive post-employment health care benefits at a flat rate of \$121 per month or the amount of their health care premium whichever is less. There are 2,955 post-1974 retirees whose health care benefits are paid 100% by the District. District teachers qualify for these benefits after attaining age 55 with at least ten years of consecutive service to the District. Other District employees qualify for benefits after attaining age 50 and meeting the requirements outlined in their respective bargaining agreements. The District obtains an actuarial report every three years to determine the unfunded future liability for lifetime benefits. The District is currently in the process of having an actuarial study performed to determine the unfunded liability. During the year ended June 30, 2007, expenditures of \$14,300,608 were recognized for post-employment health care benefits.

10. JOINT POWERS AGREEMENT

Schools Insurance Authority

The District is a member with other school districts of a Joint Powers Authority, Schools Insurance Authority (SIA), for the operation of a common risk management and insurance program for property and liability coverage. The following is a summary of financial information for SIA at June 30, 2006 (the most current information available):

Total assets	\$ 50,495,401
Total liabilities	\$ 45,993,276
Total net assets	\$ 4,502,125
Total revenues	\$ 42,842,593
Total expenses	\$ 35,419,104
Change in net assets	\$ 7,423,489

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

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

11. CALIFORNIA ADMINISTRATIVE SERVICES AUTHORITY (CASA)

Formation of CASA and Pension System

In June 2000, the District entered into a joint exercise of powers agreement with the Yolo County Office of Education to form the California Administrative Services Authority (CASA), a California "joint powers authority", in order to provide administrative services to its members and to offer an alternative retirement system to replace CalPERS and Social Security for certain electing District classified personnel. In order to participate in the CASA retirement system, District employees took a leave of absence from the District to become employed by CASA, and were contracted back to the District to work in their old positions and functions. So long as a public employer offers an acceptable alternative to, and does not participate in, CalPERS and Social Security, neither the employer nor its employees are required to contribute to those systems. By recapturing the Social Security contributions, CASA expected to be able to afford enhanced retirement benefits compared to CalPERS, and thus to attract and retain highly qualified staff for the District.

On April 1, 2004, the Board of Trustees of the District (the "Board") notified CASA that it intended to terminate the District's Operating Agreement under which CASA provided staff services to the District, effectively returning those employees to District employment as of July 1, 2004. (The Yolo County Office of Education took similar action in April 2004). The District no longer has any employees working for or through CASA.

Investigation of CASA and Potential District Liability

On December 16, 2003, MGT issued its report regarding the District's potential exposure as a result of its participation in CASA. In addition to the amount requested by CalPERS, MGT identified that the District could owe up to \$2.5 million to the State Department of Education to refund unearned "PERS Reduction" income received on account of District employees transferred to CASA employment, and \$3.2 million to the Social Security Administration in unpaid employer and employee contributions.

Since July 1, 2004, the District has resumed making ordinary contributions to CalPERS and Social Security for its former CASA employees. In a settlement agreement with CalPERS reached in January 2007, the District has also agreed to retroactively enroll former CASA employees into CalPERS for the time they were employed by CASA, and CalPERS has agreed to accept the pension contributions, including interest, in the amount of \$4.1 million in the span of three years in quarterly installments.

Meanwhile, the District is also making full payments to the bonds trustee under the loan agreement to provide for current payment of the outstanding CASA bonds. Although the District has the right under the loan agreement to prepay its obligation in full at any time in the amount of the principal, accrued interest and a prepayment penalty, the District cannot be assured that by doing so it will be able to obtain the bond proceeds and other CASA assets. Those assets are now under the control of the Superior Court of the State of California, which has been asked to settle the various claims of CalPERS, the District, CASA, and its bondholders, including who is entitled to the pension contributions previously made on behalf of CASA employees. The court was also asked to determine proper disposition of the \$5 million in net bond proceeds that were to have been loaned to the District, but were instead invested by CASA in its pension fund.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

11. CALIFORNIA ADMINISTRATIVE SERVICES AUTHORITY (CASA) (Continued)

Investigation of CASA and Potential District Liability (Continued)

The administrative proceeding between the District and CalPERS was dismissed as part of the January 2007 settlement agreement; however, litigation before the Superior Court is ongoing. The District cannot definitively estimate the potential cost of any negative outcome in the litigation and any ongoing negotiations. The District's liability to pay enhanced retirement benefits to members of CASA will depend on legal determinations as to the validity of the CASA plan and the benefits promised thereunder. The District does not believe that the final outcome after all obligations are satisfied will impair the District's ability to repay the Bonds in a timely manner.

12. CONTINGENCIES

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

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

SUPPLEMENTARY INFORMATION

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET

ALL NON-MAJOR FUNDS

June 30, 2007

	<u>Charter School Fund</u>	<u>Adult Education Fund</u>	<u>Child Development Fund</u>	<u>Deferred Maintenance Fund</u>	<u>Developer Fees Fund</u>	<u>Subtotal</u>
ASSETS						
Cash in County Treasury	\$ (5,353,799)	\$ 2,155,020	\$ 1,848,874	\$ 15,428	\$ 7,740,332	\$ 6,405,855
Cash awaiting deposit	7,962	297,111	256,868		196,083	758,024
Cash with Fiscal Agent						
Accounts receivable:						
Federal government	243,194	596,198	1,876,376			2,715,768
State government	568,430	999,803	477,868			2,046,101
Local government and other	2,613,910	77,059	350,599	6,640	498,655	3,546,863
Prepaid expenditures		251				251
Due from other funds	<u>5,184,774</u>	<u>1,702,109</u>	<u>240,195</u>	<u>1,716,742</u>	<u>50,683</u>	<u>8,894,503</u>
Total assets	<u>\$ 3,264,471</u>	<u>\$ 5,827,551</u>	<u>\$ 5,050,780</u>	<u>\$ 1,738,810</u>	<u>\$ 8,485,753</u>	<u>\$ 24,367,365</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 704,627	\$ 869,674	\$ 604,507	\$ 175,553	\$ 300	\$ 2,354,661
Deferred revenue	131,567		10,426			141,993
Due to other funds	<u>1,599,053</u>	<u>850,855</u>	<u>1,132,163</u>		<u>102,944</u>	<u>3,685,015</u>
Total liabilities	2,435,247	1,720,529	1,747,096	175,553	103,244	6,181,669
Fund balances	<u>829,224</u>	<u>4,107,022</u>	<u>3,303,684</u>	<u>1,563,257</u>	<u>8,382,509</u>	<u>18,185,696</u>
Total liabilities and fund balances	<u>\$ 3,264,471</u>	<u>\$ 5,827,551</u>	<u>\$ 5,050,780</u>	<u>\$ 1,738,810</u>	<u>\$ 8,485,753</u>	<u>\$ 24,367,365</u>

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET

ALL NON-MAJOR FUNDS

(Continued)

June 30, 2007

	<u>County School Facilities Fund</u>	<u>Community Facilities Fund</u>	<u>South Pocket Facilities Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>Tax Override Fund</u>	<u>Total</u>
ASSETS						
Cash in County Treasury		\$ 5,494,624	\$ 8	\$ 10,024,397	\$ 163,757	\$ 22,088,641
Cash awaiting deposit						758,024
Cash with Fiscal Agent			2,319,452			2,319,452
Accounts receivable:						
Federal government						2,715,768
State government						2,046,101
Local government and other		134,570		813,780		4,495,213
Prepaid expenditures						251
Due from other funds		<u>8</u>				<u>8,894,511</u>
Total assets	<u>\$ -</u>	<u>\$ 5,629,202</u>	<u>\$ 2,319,460</u>	<u>\$ 10,838,177</u>	<u>\$ 163,757</u>	<u>\$ 43,317,961</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable				\$ 6,482		\$ 2,361,143
Deferred revenue				7,219		149,212
Due to other funds			<u>\$ 8</u>			<u>3,685,023</u>
Total liabilities			8	13,701		6,195,378
Fund balances		<u>\$ 5,629,202</u>	<u>2,319,452</u>	<u>10,824,476</u>	<u>\$ 163,757</u>	<u>37,122,583</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 5,629,202</u>	<u>\$ 2,319,460</u>	<u>\$ 10,838,177</u>	<u>\$ 163,757</u>	<u>\$ 43,317,961</u>

The accompanying notes are an integral
part of these financial statements.

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, 2007

	<u>Charter School Fund</u>	<u>Adult Education Fund</u>	<u>Child Development Fund</u>	<u>Deferred Maintenance Fund</u>	<u>Developer Fees Fund</u>	<u>Subtotal</u>
Revenues:						
Revenue limit sources:						
State apportionment	\$ 7,998,988	\$ 15,356,233				\$ 23,355,221
Federal sources	1,196,541	2,043,220	\$ 9,603,942			12,843,703
Other state sources	2,668,107	203,982	6,029,563	\$ 2,023,097		10,924,749
Other local sources	<u>5,210,597</u>	<u>723,374</u>	<u>2,798,936</u>	<u>25,513</u>	<u>\$ 3,695,577</u>	<u>12,453,997</u>
Total revenues	<u>17,074,233</u>	<u>18,326,809</u>	<u>18,432,441</u>	<u>2,048,610</u>	<u>3,695,577</u>	<u>59,577,670</u>
Expenditures:						
Certificated salaries	8,167,466	6,793,120	5,633,131			20,593,717
Classified salaries	1,739,812	2,533,041	4,792,683	168,965		9,234,501
Employee benefits	3,766,994	3,419,597	5,384,148	40,947		12,611,686
Books and supplies	227,226	996,518	481,229	302,127	71,919	2,079,019
Contract services and operating expenditures	1,027,254	1,429,023	893,127	1,038,783	40,552	4,428,739
Capital outlay	(32)	81,625	142,396	1,760,238	781,692	2,765,919
Debt service:						
Principal retirement			14,400			14,400
Interest					<u>2,500,000</u>	<u>2,500,000</u>
Total expenditures	<u>14,928,720</u>	<u>15,252,924</u>	<u>17,341,114</u>	<u>3,311,060</u>	<u>3,394,163</u>	<u>54,227,981</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,145,513</u>	<u>3,073,885</u>	<u>1,091,327</u>	<u>(1,262,450)</u>	<u>301,414</u>	<u>5,349,689</u>
Other financing sources (uses):						
Operating transfers in				1,866,533		1,866,533
Operating transfers out	(1,656,431)	(694,307)	(1,052,766)			(3,403,504)
Proceeds from the issuance of long-term liabilities			<u>144,000</u>			<u>144,000</u>
Total other financing sources (uses)	<u>(1,656,431)</u>	<u>(694,307)</u>	<u>(908,766)</u>	<u>1,866,533</u>		<u>(1,392,971)</u>
Net change in fund balances	489,082	2,379,578	182,561	604,083	301,414	3,956,718
Fund balances, July 1, 2006	<u>340,142</u>	<u>1,727,444</u>	<u>3,121,123</u>	<u>959,174</u>	<u>8,081,095</u>	<u>14,228,978</u>
Fund balances, June 30, 2007	<u>\$ 829,224</u>	<u>\$ 4,107,022</u>	<u>\$ 3,303,684</u>	<u>\$ 1,563,257</u>	<u>\$ 8,382,509</u>	<u>\$ 18,185,696</u>

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES

ALL NON-MAJOR FUNDS

(Continued)

For the Year Ended June 30, 2007

	<u>County School Facilities Fund</u>	<u>Community Facilities Fund</u>	<u>South Pocket Facilities Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>Tax Override Fund</u>	<u>Total</u>
Revenues:						
Revenue limit sources:						
State apportionment	\$ 22,932,267					\$ 46,287,488
Federal sources						12,843,703
Other state sources						10,924,749
Other local sources		\$ 1,320,220	\$ 933,996	\$ 24,089,831		<u>38,798,044</u>
Total revenues	<u>22,932,267</u>	<u>1,320,220</u>	<u>933,996</u>	<u>24,089,831</u>		<u>108,853,984</u>
Expenditures:						
Certificated salaries						20,593,717
Classified salaries						9,234,501
Employee benefits						12,611,686
Books and supplies						2,079,019
Contract services and operating expenditures						4,428,739
Capital outlay						2,765,919
Debt service:						
Principal retirement			475,000	9,065,000		9,554,400
Interest			221,650	15,452,574		<u>18,174,224</u>
Total expenditures			<u>696,650</u>	<u>24,517,574</u>		<u>79,442,205</u>
Excess (deficiency) of revenues over (under) expenditures	<u>22,932,267</u>	<u>1,320,220</u>	<u>237,346</u>	<u>(427,743)</u>		<u>29,411,779</u>
Other financing sources (uses):						
Operating transfers in						1,866,533
Operating transfers out	(22,932,267)					(26,335,771)
Proceeds from the issuance of long-term liabilities						<u>144,000</u>
Total other financing sources (uses)	<u>(22,932,267)</u>					<u>(24,325,238)</u>
Net change in fund balances		1,320,220	237,346	(427,743)		5,086,541
Fund balances, July 1, 2006		<u>4,308,982</u>	<u>2,082,106</u>	<u>11,252,219</u>	\$ <u>163,757</u>	<u>32,036,042</u>
Fund balances, June 30, 2007	\$ <u>-</u>	\$ <u>5,629,202</u>	\$ <u>2,319,452</u>	\$ <u>10,824,476</u>	\$ <u>163,757</u>	\$ <u>37,122,583</u>

The accompanying notes are an integral
part of these financial statements.

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

ALL AGENCY FUNDS

For the Year Ended June 30, 2007

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
Student Body Funds				
<u>C.K. McClatchy High School</u>				
Assets:				
Cash on hand and in banks	\$ 507,290	\$ 479,111	\$ 505,479	\$ 480,922
Accounts receivable:				
Local governments and other				
Stores inventory	8,664		705	7,959
Capital assets				
Total assets	\$ 515,954	\$ 479,111	\$ 506,184	\$ 488,881
Liabilities:				
Accounts payable	\$ 358		\$ 358	
Due to student groups	515,596	\$ 479,111	505,826	\$ 488,881
Total liabilities	\$ 515,954	\$ 479,111	\$ 506,184	\$ 488,881
<u>Hiram Johnson High School</u>				
Assets:				
Cash on hand and in banks	\$ 119,543	\$ 231,773	\$ 263,563	\$ 87,753
Accounts receivable:				
Local governments and other				
Stores inventory	3,500			3,500
Capital assets	9,470			9,470
Total assets	\$ 132,513	\$ 231,773	\$ 263,563	\$ 100,723
Liabilities:				
Accounts payable	\$ (2,565)	\$ 3,045		\$ 480
Due to student groups	135,078	228,728	\$ 263,563	100,243
Total liabilities	\$ 132,513	\$ 231,773	\$ 263,563	\$ 100,723

(Continued)

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

ALL AGENCY FUNDS

For the Year Ended June 30, 2007

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2007</u>
Student Body Funds				
<u>Luther Burbank High School</u>				
Assets:				
Cash on hand and in banks	\$ 135,046	\$ 307,300	\$ 304,350	\$ 137,996
Accounts receivable:				
Local governments and other				
Stores inventory	2,641		2,019	622
Capital assets	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 137,687</u>	<u>\$ 307,300</u>	<u>\$ 306,369</u>	<u>\$ 138,618</u>
Liabilities:				
Accounts payable	\$ 10,915	\$ 18,962	\$ 9,612	\$ 20,265
Due to student groups	<u>126,772</u>	<u>290,269</u>	<u>298,688</u>	<u>118,353</u>
Total liabilities	<u>\$ 137,687</u>	<u>\$ 309,231</u>	<u>\$ 308,300</u>	<u>\$ 138,618</u>
<u>John F. Kennedy High School</u>				
Assets:				
Cash on hand and in banks	\$ 323,223	\$ 424,994	\$ 530,734	\$ 217,483
Accounts receivable:				
Local governments and other				
Stores inventory				
Capital assets	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 323,223</u>	<u>\$ 424,994</u>	<u>\$ 530,734</u>	<u>\$ 217,483</u>
Liabilities:				
Accounts payable	\$ (11,689)	\$ 30,987	\$ 19,298	
Due to student groups	<u>334,912</u>	<u>375,340</u>	<u>492,769</u>	<u>\$ 217,483</u>
Total liabilities	<u>\$ 323,223</u>	<u>\$ 406,327</u>	<u>\$ 512,067</u>	<u>\$ 217,483</u>

(Continued)

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

ALL AGENCY FUNDS
(Continued)
For the Year Ended June 30, 2007

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2007</u>
Student Body Funds (Continued)				
<u>Rosemont High School</u>				
Assets:				
Cash on hand and in banks	\$ 77,390	\$ 424,239	\$ 393,661	\$ 107,968
Accounts receivable:				
Local governments and other				
Stores inventory				
Capital assets				
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 77,390</u>	<u>\$ 424,239</u>	<u>\$ 393,661</u>	<u>\$ 107,968</u>
Liabilities:				
Accounts payable	\$ 77,390	\$ 424,239	\$ 393,661	\$ 107,968
Due to student groups	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>\$ 77,390</u>	<u>\$ 424,239</u>	<u>\$ 393,661</u>	<u>\$ 107,968</u>
<u>Hiram Johnson West Campus</u>				
Assets:				
Cash on hand and in banks	\$ 86,780	\$ 341,922	\$ 329,598	\$ 99,104
Accounts receivable:				
Local governments and other				
Stores inventory				
Capital assets				
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 86,780</u>	<u>\$ 341,922</u>	<u>\$ 329,598</u>	<u>\$ 99,104</u>
Liabilities:				
Accounts payable	\$ 86,780	\$ 341,922	\$ 329,598	\$ 99,104
Due to student groups	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>\$ 86,780</u>	<u>\$ 341,922</u>	<u>\$ 329,598</u>	<u>\$ 99,104</u>

(Continued)

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

ALL AGENCY FUNDS
(Continued)
For the Year Ended June 30, 2007

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2007</u>
Student Body Funds (Continued)				
<u>Sacramento Skills Business Center</u>				
Assets:				
Cash on hand and in banks	\$ 55,060	\$ 623,694	\$ 619,163	\$ 59,591
Accounts receivable:				
Local governments and other	31,201	70,196		101,397
Stores inventory	107,679	53,316	7,773	153,222
Capital assets				
Total assets	<u>\$ 193,940</u>	<u>\$ 747,206</u>	<u>\$ 626,936</u>	<u>\$ 314,210</u>
Liabilities:				
Accounts payable	\$ 52,935	\$ 468	\$ 844	\$ 52,559
Due to student groups	<u>141,005</u>	<u>747,384</u>	<u>626,738</u>	<u>261,651</u>
Total liabilities	<u>\$ 193,940</u>	<u>\$ 747,852</u>	<u>\$ 627,582</u>	<u>\$ 314,210</u>
<u>Fremont School for Adults</u>				
Assets:				
Cash on hand and in banks	\$ 23,358	\$ 7,697	\$ 14,705	\$ 16,350
Accounts receivable:				
Local governments and other				
Stores inventory				
Capital assets				
Total assets	<u>\$ 23,358</u>	<u>\$ 7,697</u>	<u>\$ 14,705</u>	<u>\$ 16,350</u>
Liabilities:				
Accounts payable	\$ 23,358	\$ 7,697	\$ 14,705	\$ 16,350
Due to student groups	<u>23,358</u>	<u>7,697</u>	<u>14,705</u>	<u>16,350</u>
Total liabilities	<u>\$ 23,358</u>	<u>\$ 7,697</u>	<u>\$ 14,705</u>	<u>\$ 16,350</u>

(Continued)

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

ALL AGENCY FUNDS
(Continued)
For the Year Ended June 30, 2007

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
Student Body Funds (Continued)				
<u>A. Warren McClaskey Adult Center</u>				
Assets:				
Cash on hand and in banks	\$ 23,907	\$ 16,544	\$ 18,508	\$ 21,943
Accounts receivable:				
Local governments and other				
Stores inventory				
Capital assets	3,307		3,307	
Total assets	\$ 27,214	\$ 16,544	\$ 21,815	\$ 21,943
Liabilities:				
Accounts payable	\$ 27,214	\$ 16,544	\$ 21,815	\$ 21,943
Due to student groups	27,214	16,544	21,815	21,943
Total liabilities	\$ 27,214	\$ 16,544	\$ 21,815	\$ 21,943
<u>Old Marshall</u>				
Assets:				
Cash on hand and in banks	\$ 16,254	\$ 2,981	\$ 3,341	\$ 15,894
Accounts receivable:				
Local governments and other				
Stores inventory				
Capital assets				
Total assets	\$ 16,254	\$ 2,981	\$ 3,341	\$ 15,894
Liabilities:				
Accounts payable	\$ 16,254	\$ 2,981	\$ 3,341	\$ 15,894
Due to student groups	16,254	2,981	3,341	15,894
Total liabilities	\$ 16,254	\$ 2,981	\$ 3,341	\$ 15,894

(Continued)

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

ALL AGENCY FUNDS
(Continued)
For the Year Ended June 30, 2007

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2007</u>
Student Body Funds (Continued)				
<u>Elementary and Middle Schools</u>				
Assets:				
Cash on hand and in banks	\$ 479,323	\$ 1,355,399	\$ 1,409,772	\$ 424,950
Accounts receivable:				
Local governments and other				
Stores inventory				
Capital assets				
Total assets	<u>\$ 479,323</u>	<u>\$ 1,355,399</u>	<u>\$ 1,409,772</u>	<u>\$ 424,950</u>
Liabilities:				
Accounts payable	\$ 479,323	\$ 1,355,399	\$ 1,409,772	\$ 424,950
Due to student groups	<u>479,323</u>	<u>1,355,399</u>	<u>1,409,772</u>	<u>424,950</u>
Total liabilities	<u>\$ 479,323</u>	<u>\$ 1,355,399</u>	<u>\$ 1,409,772</u>	<u>\$ 424,950</u>
<u>Total Agency Funds</u>				
Assets:				
Cash on hand and in banks	\$ 1,847,174	\$ 4,215,654	\$ 4,392,874	\$ 1,669,954
Accounts receivable:				
Local governments and other	31,201	70,196		101,397
Stores inventory	122,484	53,316	10,497	165,303
Capital assets	<u>12,777</u>		<u>3,307</u>	<u>9,470</u>
Total assets	<u>\$ 2,013,636</u>	<u>\$ 4,339,166</u>	<u>\$ 4,406,678</u>	<u>\$ 1,946,124</u>
Liabilities:				
Accounts payable	\$ 49,954	\$ 53,462	\$ 30,112	\$ 73,304
Due to student groups	<u>1,963,682</u>	<u>4,269,614</u>	<u>4,360,476</u>	<u>1,872,820</u>
Total liabilities	<u>\$ 2,013,636</u>	<u>\$ 4,323,076</u>	<u>\$ 4,390,588</u>	<u>\$ 1,946,124</u>

The accompanying notes are an integral
part of these financial statements.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

ORGANIZATION

June 30, 2007

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 fifty-two elementary schools (grades K-6), six elementary/middle schools (grades K-8), eight middle schools (grades 7-8), seven high schools (grades 9-12), one independent study school, two continuation/alternative schools, five adult education centers, two special education centers and twenty-one children's centers which include preschools. Thirteen charter schools also operated in the District serving kindergarten through grade twelve, six of which were governed by the District Board of Education. There were no changes to District boundaries for the current year.

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Manny Hernandez	President	November 2008
Roy Grimes	Vice President	November 2010
Karen Young	Second Vice President	November 2008
Ellyne Bell	Member	November 2010
Jerry Houseman	Member	November 2010
Richard Jennings II	Member	November 2008
Miguel Navarrette	Member	November 2008
De Doan	Student Member	June 2007

ADMINISTRATION

M. Magdalena Carrillo Mejia, Ph.D.
Superintendent

Thomas S. Barentson
Deputy Superintendent/Chief Financial Officer

Arturo Flores
Associate Superintendent

Evan Lum
Associate Superintendent

Carol Mignone Stephen
Associate Superintendent

Susan Miller
Associate Superintendent

Philip Moore
Associate Superintendent

William T. West
Assistant Superintendent

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE

For the Year Ended June 30, 2007

	<u>Second Period Report</u>	<u>Annual Report</u>
Elementary:		
Kindergarten	3,241	3,249
First through Third	9,851	9,835
Fourth through Eighth	16,468	16,425
Home and Hospital	18	18
Special Education	1,364	1,344
Community Day School	26	33
Charter School	<u>1,020</u>	<u>1,019</u>
Total Elementary	<u>31,988</u>	<u>31,923</u>
Secondary:		
Regular Classes	10,479	10,254
Special Education	743	702
Compulsory Continuation Education	191	185
Home and Hospital	13	13
Charter School	<u>799</u>	<u>794</u>
Total Secondary	<u>12,225</u>	<u>11,948</u>
Classes for Adults:		
Concurrently Enrolled	111	119
Classes for Adults	<u>5,347</u>	<u>5,691</u>
Total for Adults	<u>5,458</u>	<u>5,810</u>
	<u>49,671</u>	<u>49,681</u>
	<u>Hours of Attendance</u>	
Summer School:		
Elementary	828,116	862,354
Secondary	<u>609,037</u>	<u>657,242</u>
	<u>1,437,153</u>	<u>1,519,596</u>

See accompanying notes to
supplementary information.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME

For the Year Ended June 30, 2007

<u>Grade Level</u>	<u>1986-87 Minutes Require- ment</u>	<u>1982-83 Actual Minutes</u>	<u>2006-07 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Number of Days Year-Round Calendar</u>	<u>Status</u>
DISTRICT						
Kindergarten	36,000	35,094	36,000	180	180	In Compliance
Grade 1	50,400	44,137	50,400	180	180	In Compliance
Grade 2	50,400	44,137	50,400	180	180	In Compliance
Grade 3	50,400	44,137	50,400	180	180	In Compliance
Grade 4	54,000	52,875	54,000	180	180	In Compliance
Grade 5	54,000	52,875	54,000	180	180	In Compliance
Grade 6	54,000	52,875	54,000	180	180	In Compliance
Grade 7	54,000	58,163	58,164	180	180	In Compliance
Grade 8	54,000	58,163	58,164	180	180	In Compliance
Grade 9	64,800	60,549	64,892	180	180	In Compliance
Grade 10	64,800	60,549	64,892	180	180	In Compliance
Grade 11	64,800	60,549	64,892	180	180	In Compliance
Grade 12	64,800	60,549	64,892	180	180	In Compliance
CHARTER SCHOOLS						
Kindergarten	36,000	N/A	36,000	180	N/A	In Compliance
Grade 1	50,400	N/A	50,600	180	N/A	In Compliance
Grade 2	50,400	N/A	50,600	180	N/A	In Compliance
Grade 3	50,400	N/A	50,600	180	N/A	In Compliance
Grade 4	54,000	N/A	54,004	180	N/A	In Compliance
Grade 5	54,000	N/A	54,004	180	N/A	In Compliance
Grade 6	54,000	N/A	54,004	180	N/A	In Compliance
Grade 7	54,000	N/A	N/A	180	N/A	In Compliance
Grade 8	54,000	N/A	N/A	180	N/A	In Compliance
Grade 9	64,800	N/A	67,680	180	N/A	In Compliance
Grade 10	64,800	N/A	67,680	180	N/A	In Compliance
Grade 11	64,800	N/A	67,680	180	N/A	In Compliance
Grade 12	64,800	N/A	67,680	180	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, 2007

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass- Through Entity Identifying Number	Federal Expend- itures
<u>U.S. Department of Education</u>			
	Special Education Cluster:		
84.027	Special Ed IDEA: Basic and Local Assistance Entitlement, Part B, Sec 611 (Formerly 94-142)	13379	\$ 8,645,416
84.173	Special Education Preschool Grants	13430	282,171
84.027A	Special Ed IDEA: Preschool Local Entitlement, Part B, Sec 611 (Age 3-5)	13682	418,821
84.173A	Special Ed: IDEA Preschool Staff Development, Part B, Sec 619	*	3,147
84.027	Special Ed - Alternative Dispute Resolution, Part B, Sec 611	13007	<u>11,468</u>
	Subtotal Special Education Cluster		<u>9,361,023</u>
	Title I Cluster:		
84.010	Comprehensive School Reform Demonstration Program	14039	246,894
84.010	NCLB: Title I Grants to Local Educational Agencies	14329	23,474,524
84.010	NCLB: Title I, Part A, School Improvement, School Assistance and Intervention Teams (SAIT)	14417	455,331
84.010A	NCLB: Title I, Part A, School Improvement SAIT Corrective Action Plans	14579	<u>37,963</u>
	Subtotal Title I Cluster		<u>24,214,712</u>
	Title III Cluster:		
84.365	Title III Limited English Proficiency	14346	1,308,896
84.365	Title III Immigrant Education Program	14346	<u>361,263</u>
	Subtotal Title III Cluster		<u>1,670,159</u>
	Safe & Drug Free Cluster:		
84.184B	Mentoring Program Grants	*	200,501
84.184E	Emergency Response & Safe School Plan	*	452,139
84.184L	Safe and Drug Free Schools / Community	14348	610,675
	Subtotal Safe & Drug Free Cluster		<u>1,263,315</u>
84.000	Bilingual Education - Discretionary Grants	10008	157,431
84.002A	Adult Education State Grant Program	13973	954,843
84.013	NCLB: Title I Local Delinquent Programs, Part D	13798	17,798
84.048	Vocational Education Basic Grants to States	13920	723,069
84.060	Indian Education Grants to Local Educational Agencies	10011	108,709
84.181	Special Education Grants for Infants and Families with Disabilities	23761	139,420
84.186	NCLB: Title IV, Safe and Drug Free Schools and Communities, Formula Grants	14347	492,036

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
(Continued)
For the Year Ended June 30, 2007

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education (Continued)</u>			
84.196	Education for Homeless Children and Youth	14332	\$ 109,631
84.215L	Fund for the Improvement of Education	*	277,151
84.215X	Teaching American History Grant	*	111,950
84.282	Charter Schools	13150	224,004
84.287	NCLB: Title IV 21st Century Community Centers Learning Program	14349	574,817
84.293B	Foreign Language Assistance	*	51,335
84.298	State Grants for Innovative Programs	14354	168,525
84.318	Education Technology Formula Grants / FF	14334	525,682
84.324M	Special Education Research and Innovation to Improve Services and Results for Children with Disabilities	*	46,332
84.330	Advanced Placement Program	13917	30,930
84.357	NCLB: Title I, Part B, Reading First Program - LEA Subgrant	14328	1,574,625
84.366	NCLB: Title II, Part B, CA Mathematics & Science Partnerships (CalMSP)	14512	383
84.367	NCLB: Title II, Part A, Improving Teacher Quality Local Grants	14341	3,561,974
84.369	California Alternative Performance Assessment (CAPA)	14488	1,640
84.UKN	American Institutes for Research: Regional Resource Center	*	<u>85,703</u>
	Total U.S. Department of Education		<u>46,447,197</u>
<u>U.S. Department of Health and Human Services</u>			
93.575	Child Care and Development Block Grant	13942	61,869
93.576	Refugee and Entrant Assistance Discretionary Grants	13981	132,597
93.584	Sacto Employment & Training Agency: Targeted Assistance Discretionary and ES Grants	*	273,552
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	13609	393,576
93.600	Head Start	10016	9,148,505
93.674	Chafee Foster Care Independent Living	*	111,961
93.778	Medical assistance Program	10013	<u>2,007,511</u>
	Total U.S. Department Health and Human Services		<u>12,129,571</u>
<u>U.S. Department of Agriculture</u>			
10.555	National School Lunch Program	13396	<u>13,636,388</u>

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
(Continued)
For the Year Ended June 30, 2007

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass- Through Entity Identifying Number</u>	<u>Federal Expend- itures</u>
<u>U.S. Department of Defense</u>			
12. UKN	ROTC	*	\$ <u>291,332</u>
<u>U.S. Department of Labor</u>			
17.259	Sacto Employment & Training Agency: Workforce Investment Act - WIA Title I	*	218,017
17.258	WIA / WtW Pre Vocational Training	*	<u>395,614</u>
	Total U.S. Department of Labor		<u>613,631</u>
	Total Federal Programs		<u>\$ 73,118,119</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, 2007

	Adult Education Fund
June 30, 2007 Unaudited Actual Financial Report Fund Balance	\$ 2,143,168
Adjustment for understatement of state apportionment	<u>1,963,854</u>
June 30, 2007 Audited Financial Statements Fund Balance	<u><u>\$ 4,107,022</u></u>

There were no audit adjustments proposed to any other funds of the District.

See accompanying notes to
supplementary information.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

For the Year Ended June 30, 2007

	(Budget) 2008	2007	2006	2005
<u>General Fund</u>				
Revenues and other financing sources	\$ 376,663,299	\$ 413,902,334	\$ 392,615,096	\$ 388,803,438
Expenditures	346,871,808	405,897,172	387,245,484	386,285,875
Other uses and transfers out	<u>848,170</u>	<u>716,533</u>	<u> </u>	<u>340,884</u>
Total outgo	<u>347,719,978</u>	<u>406,613,705</u>	<u>387,245,484</u>	<u>386,626,759</u>
Change in fund balance	<u>\$ 28,943,321</u>	<u>\$ 7,288,629</u>	<u>\$ 5,369,612</u>	<u>\$ 2,176,679</u>
Ending fund balance	<u>\$ 63,749,238</u>	<u>\$ 34,805,917</u>	<u>\$ 27,517,288</u>	<u>\$ 22,147,676</u>
Available reserves	<u>\$ 7,189,000</u>	<u>\$ 8,761,261</u>	<u>\$ 7,669,893</u>	<u>\$ 5,378,066</u>
Designated for economic uncertainties	<u>\$ 7,189,000</u>	<u>\$ 6,989,000</u>	<u>\$ 7,669,893</u>	<u>\$ 5,378,066</u>
Undesignated fund balance	<u>\$ -</u>	<u>\$ 1,772,261</u>	<u>\$ -</u>	<u>\$ -</u>
Available reserves as percentages of total outgo	<u>2.1%</u>	<u>2.2%</u>	<u>2.0%</u>	<u>1.4%</u>
<u>All Funds</u>				
Total long-term liabilities	<u>\$ 402,643,784</u>	<u>\$ 420,515,485</u>	<u>\$ 431,295,161</u>	<u>\$ 364,233,225</u>
Average daily attendance at P-2, excluding Adult and Charter School	<u>41,757</u>	<u>42,394</u>	<u>43,243</u>	<u>44,174</u>

The General Fund fund balance has increased by \$14,834,920 over the past three years. The District has incurred operating surpluses in two of the past three years, and anticipates incurring an operating surplus during the 2007-2008 fiscal year. The fiscal year 2007-2008 budget projects an increase of \$28,943,321. 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, 2007, the District has met this requirement. For the years ending June 30, 2005 and 2004 the state has allowed a District of this size to reduce their available reserves to 1.0%.

Total long-term liabilities have increased by \$56,282,260 over the past two years, due primarily to the issuance of General Obligation Bonds and Certificates of Participation (Note 6 to the financial statements).

Average daily attendance has decreased by 1,780 over the past two years. The District anticipates a decrease of 637 ADA for the 2007-2008 fiscal year.

See accompanying notes to
supplementary information.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS

For the Year Ended June 30, 2007

Charter Schools Chartered by District	Included in District Financial Statements, or Separate Report
America's Choice High School	Included as Charter School Fund
Bowling Green Charter Elementary	Included as Charter School Fund
California Montessori Project Capitol Campus	Separate Report
Capitol Heights Academy	Separate Report
Father Keith B. Kenny Charter Elementary	Included as Charter School Fund
Genesis High School	Included as Charter School Fund
Language Academy of Sacramento	Separate Report
New Technology High School	Included as Charter School Fund
Sacramento Charter High School	Separate Report
Sol Aureus College Preparatory	Separate Report
St. HOPE Public School 7	Separate Report
The MET Sacramento	Included as Charter School Fund
Visual & Performing Arts Charter	Separate Report

See accompanying notes to
supplementary information.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXCESS SICK LEAVE

For the Year Ended June 30, 2007

Contract or Bargaining Agreement	Title of Employee
Contract provides for 13 days of sick leave annually for the following:	Administrator, Academic Achievement Administrator, Curriculum and Professional Development Administrator, Special Education Services Assistant Principal, Elementary School Assistant Principal, Middle School Assistant Principal, High School Assistant Principal, Adult Education Associate Superintendent, Learning Support Unit Assistant Superintendent, Operations Support Services Coordinator I, Instructional Support Technology Coordinator II, School Improvement (Curriculum & Instruction) Coordinator III, Gifted and Talented Education and Extended Learning Opportunities Coordinator Child Development Programs Coordinator III, New Teacher Induction Services Coordinator II, Library and Media Services Coordinator II, Alternative Education and School-to-Work Coordinator III, At-Risk Students, High School Coordinator III, State and Federal Programs Director I, Youth Development Services Director II, Health Services Director II, Personnel Services Director III, Special Education & Intervention Director II, Career & Technical Preparation Director III, Curriculum & Staff Development Director III, Integrated Support Services Principal, Adult School Principal, Basic School Principal, Elementary/Charter School Principal, High School Principal, Continuation High School Principal, Independent Study Principal, K-8 School Principal, Middle School Principal, Innovative Small High School Program Coordinator, Homeless School Improvement Facilitator Site Instructional Coordinator, K-8 Specialist III, Integrated Support Services Specialist III, Youth Development

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXCESS SICK LEAVE

(Continued)

For the Year Ended June 30, 2007

Contract or Bargaining Agreement	Title of Employee
Contract provides for 13 days of sick leave annually for the following: (Continued)	Specialist III, ELL Research & Design Specialist III, Student Achievement, English Language Development (English Learners) Specialist, Research Specialist I, Manager, Serna Center Restaurant Operations Superintendent Supervisor, Special Education Teacher, Children's Center Teacher, High School

See accompanying notes to supplementary information.

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

For the Year Ended June 30, 2007

	<u>Academic and Support Services</u>	<u>Child Care</u>
Revenues		
Other local sources	\$ 205,449	\$ 179,582
Expenditures:		
Certificated salaries	109,492	54,771
Classified salaries	35,698	29,832
Employee benefits	47,228	85,328
Books and supplies	214	
Contract services and operating expenditures	586	
Indirect costs	<u>12,231</u>	<u>9,651</u>
	<u>205,449</u>	<u>179,582</u>
Net income	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to
supplementary information.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION

1. PURPOSE OF SCHEDULES

A - Schedule of Average Daily Attendance

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

B - Schedule of Instructional Time

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

C - Schedule of Expenditure of Federal Awards

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

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

This schedule provides information on the District's financial condition over the past three years and its anticipated condition for the 2007-2008 fiscal year, as required by the State Controller's Office.

F - Schedule of Charter Schools

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

G - Schedule of Excess Sick Leave

This schedule provides information to the California State Teachers' Retirement System to monitor the granting of excess sick leave by school districts.

H - Schedule of First 5 Revenues and Expenses

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

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION

(Continued)

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, 2007, 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

We have audited the compliance of Sacramento City Unified School District with the types of compliance requirements described in the State of California's *Standards and Procedures for Audits of California K-12 Local Educational Agencies* (the "Audit Guide") to the state laws and regulations listed below for the year ended June 30, 2007. Compliance with the requirements of state laws and regulations is the responsibility of Sacramento City Unified School District's management. Our responsibility is to express an opinion on Sacramento City Unified School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State of California's *Standards and Procedures for Audits of California K-12 Local Educational Agencies*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state laws and regulations listed below 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.

<u>Description</u>	<u>Audit Guide Procedures</u>	<u>Procedures Performed</u>
Regular and Special Day Classes	8	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	Yes
Continuation Education	10	Yes
Adult Education	9	Yes
Regional Occupational Center and Programs	6	No (see below)
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	No (see below)
Community Day Schools	9	No (see below)
Morgan-Hart Class Size Reduction	7	Yes
Instructional Materials:		
General requirements	12	Yes
Grades K-8	1	Yes
Grades 9-12	1	Yes
Ratio of Administrative Employees to Teachers	1	Yes
Early Retirement Incentive Program	4	No (see below)
Gann Limit Calculation	1	Yes
School Construction Funds:		
School District Bonds	3	No (see below)
State School Facilities Funds	1	Yes
Alternative Pension Plans	2	No (see below)
Excess Sick Leave	2	Yes

**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS**

(Continued)

<u>Description</u>	<u>Audit Guide Procedures</u>	<u>Procedures Performed</u>
Notification of Right to Elect California State Teachers Retirement System (CalSTRS) Membership	1	Yes
Proposition 20 Lottery Funds	2	Yes
State Lottery Funds	2	Yes
California School Age Families Education Program	3	Yes
School Accountability Report Card	3	No (see below)
Class Size Reduction Program:		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	Yes
Districts with only one school serving K-3	4	No (see below)
Contemporaneous Records of Attendance, for charter schools	1	Yes
Mode of Instruction, for charter schools	1	Yes
Nonclassroom-Based Instruction/Independent Study, for charter schools	15	Yes
Determination of Funding for Nonclassroom-Based Instruction, for charter schools	3	Yes
Annual Instructional Minutes - Classroom-Based, for charter schools	3	Yes

We did not perform any procedures related to Regional Occupational Center/Programs because the District does not offer this program.

We did not perform any procedures related to Instructional Time for County Offices of Education because the District is not a County Office of Education.

We did not perform any procedures related to Community Day School ADA because the ADA reported was below the level required for testing.

We did not perform any procedures related to Early Retirement Incentive Program and Alternative Pension Plans because the District did not offer these programs in the current year.

We did not perform any procedures related to School Construction Funds - School District Bonds because the District has only Proposition 39 Bonds in the current year.

The 2006-2007 School Accountability Report Cards specified by Education Code Section 33126 are not required to be completed, nor were they completed, prior to the completion of our audit procedures for the year ended June 30, 2007. Accordingly, we could not perform the portions of audit steps (a), (b) and (c) of Section 19837 of the 2006-2007 Audit Guide relating to the comparison of tested data from the 2006-2007 fiscal year to the 2006-2007 School Accountability Report Cards.

We did not perform any procedures related to Class Size Reduction Program - Districts with only one school serving K-3 because the District has more than one school serving K-3.

INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

(Continued)

In our opinion, Sacramento City Unified School District complied with the state laws and regulations referred to above for the year ended June 30, 2007, except as described in the Schedule of Audit Findings and Questioned Costs section of this report. 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.

This report is intended solely for the information of the Board of Education, management, the State Controller's Office, the California Department of Education and the California Department of Finance, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Perry-Smith LLP

Sacramento, California
December 12, 2007

**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 the financial statements of Sacramento City Unified School District as of and for the year ended June 30, 2007, and have issued our report thereon dated December 12, 2007. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Sacramento City Unified School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion 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 over financial reporting. Accordingly, we do not express an opinion of the effectiveness of Sacramento City Unified School District's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider deficiencies numbers 1 and 2, as described in the Schedule of Audit Findings and Questioned Costs, to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**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**

(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*.

This report is intended solely for the information of the Board of Education, management, the California Department of Education, the California State Controller's Office and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Perry-Smith LLP

Sacramento, California
December 12, 2007

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE FIRST 5 SACRAMENTO COUNTY PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH A
PROGRAM-SPECIFIC AUDIT**

Board of Education
Sacramento City Unified School District
Sacramento, California

Compliance

We have audited the compliance of Sacramento City Unified School District with the types of compliance requirements described in the Program Guidelines for the First 5 Sacramento County Program that are applicable to First 5 Sacramento County Program for the year ended June 30, 2007. Compliance with the requirements of laws, regulations, contracts and grants applicable to its First 5 Sacramento County Program is the responsibility of Sacramento City Unified School District's management. Our responsibility is to express an opinion on Sacramento City Unified School District's compliance based on our audit.

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.

In our opinion, Sacramento City Unified School District complied, in all material respects, with the requirements referred to above that are applicable to its First 5 Sacramento County Program for the year ended June 30, 2007.

Internal Control Over Compliance

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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE FIRST 5 SACRAMENTO COUNTY PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH A
PROGRAM-SPECIFIC AUDIT**

(Continued)

Internal Control Over Compliance (Continued)

A control deficiency in the District's internal control over compliance 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 noncompliance with a type of compliance requirement of the First 5 Sacramento County Program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer the First 5 Sacramento County Program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of the First 5 Sacramento County Program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of the First 5 Sacramento County Program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Education, management and First 5 Sacramento County and is not intended to be and should not be used by anyone other than these specified parties.

Perry-Smith LLP

Sacramento, California
December 12, 2007

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Education
Sacramento City Unified School District
Sacramento, California

Compliance

We have audited the compliance of Sacramento City Unified School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. Sacramento City Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Audit Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Sacramento City Unified School District's management. Our responsibility is to express an opinion on Sacramento City Unified School District's compliance based on our audit.

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. Our audit does not provide a legal determination on Sacramento City Unified School District's compliance with those requirements.

In our opinion, Sacramento City Unified School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. However, we did note an instance of noncompliance that was determined to be immaterial to the program that is included in the Schedule of Audit Findings and Questioned Costs section of this report.

Internal Control Over Compliance

The management of Sacramento City Unified School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Sacramento City Unified School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

(Continued)

Internal Control Over Compliance (Continued)

A control deficiency in the District's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information of the Board of Education, management, the California Department of Education, the California State Controller's Office and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Perry-Smith LLP

Sacramento, California
December 12, 2007

FINDINGS AND RECOMMENDATIONS

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2007

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unqualified

Internal control over financial reporting:
 Material weakness(es) identified? _____ Yes X No
 Significant deficiency(ies) identified not considered
 to be material weakness(es)? X Yes _____ None reported

Noncompliance material to financial statements
 noted? _____ Yes X No

FEDERAL AWARDS

Internal control over major programs:
 Material weakness(es) identified? _____ Yes X No
 Significant deficiency(ies) identified not considered
 to be material weakness(es)? _____ Yes X None reported

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

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010	NCLB: Title I

Dollar threshold used to distinguish between Type A
 and Type B programs: \$ 2,193,544

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

STATE AWARDS

Internal control over state programs:
 Material weakness(es) identified? _____ Yes X No
 Significant deficiency(ies) identified not considered
 to be material weaknesses? _____ Yes X None reported

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

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2007

SECTION II - FINANCIAL STATEMENT FINDINGS

**1. FINANCIAL REPORTING - ADULT EDUCATION (SIGNIFICANT DEFICIENCY)
(30000)**

Criteria

Internal Controls – Financial Reporting

Condition

The Adult Education state apportionment receivable was posted as an accounts payable during year-end closing of accounts for financial reporting.

The year-end journal entry to post the receivable was entered and posted by the same Fiscal analyst and did not show evidence of independent review.

Effect

Understatement of assets and an overstatement of liabilities resulting in the understatement of both net assets and revenue in the Financial Statements (Government wide and Non-Major Funds).

Cause

Lack of enforcement of internal controls over financial reporting.

Fiscal Impact

Liabilities were overstated \$981,927
Assets were understated \$981,927
Net assets were understated \$1,963,854
Revenue was understated \$1,963,854

Recommendation

The District should post an adjustment to correct the error. The District should develop and implement internal controls for independent review of significant journal entries.

Corrective Action Plan

The District posted an adjustment to correct the error. The District will strengthen existing processes to ensure that internal controls are effective, including ensuring that independent reviews are conducted for significant journal entries.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2007

SECTION II - FINANCIAL STATEMENT FINDINGS
(Continued)

2. FINANCIAL REPORTING (SIGNIFICANT DEFICIENCY) (30000)

Criteria

Internal Controls – Financial Reporting

Condition

The District did not accrue a liability for Special Education Excess Costs and Instructional Aide Salary and Benefit costs for students served in county programs in the General Fund.

The District overstated the accrual of construction costs in the Building Fund.

Effect

Understatement of liabilities and an overstatement of revenue in the Financial Statements for the General Fund.

Overstatement of liabilities and an understatement of revenue in the Financial Statements for the Building Fund.

Net understatement of liabilities and an overstatement of revenue on the Government wide Financial Statements.

Cause

Lack of enforcement of internal controls over financial reporting.

Fiscal Impact

The extrapolated error for the General Fund:
Liabilities were understated by \$661,242
Revenue was overstated by \$661,242

The extrapolated error for the Building Fund:
Liabilities were overstated by \$309,584
Revenue was understated by \$309,584

Recommendation

The District should strengthen the internal controls over financial reporting.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2007

SECTION II - FINANCIAL STATEMENT FINDINGS
(Continued)

2. FINANCIAL REPORTING (SIGNIFICANT DEFICIENCY) (30000) (Continued)

Corrective Action Plan

The District will strengthen existing internal controls to include an additional level of review to ensure that accruals are recorded in the appropriate period.

3. STUDENT BODY ACCOUNTING (30000)

Criteria

California Department of Education's "Accounting Procedures for Student Organizations Handbook".

Condition

The student body accounts at two of the seven sites visited for testing had the following conditions:

- The ASB Secretary does not issue or maintain a log of receipt books issued to student clubs.
- Receipt books are not maintained and issued to each student club.
- Deposit of cash receipts are not made in a timely manner.
- Expenditures are not properly approved.
- An inventory of equipment purchased for the school is not maintained.
- Bank accounts are not reconciled on a monthly basis and the reconciliations are not reviewed by the principal.
- There is no monthly report of financial transactions prepared or submitted to the appropriate official and the student council.

Effect

There exists the risk of possible misappropriation of student body funds.

Cause

The site personnel have not followed the District established internal control procedures.

Fiscal Impact

Not determinable.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2007

SECTION II - FINANCIAL STATEMENT FINDINGS
(Continued)

3. STUDENT BODY ACCOUNTING (30000) (Continued)

Recommendation

We recommend the District stress the importance of effective controls over student body accounts and that interim reviews are performed to ensure compliance with the requirements.

Corrective Action Plan

The District has a student body procedures manual that is provided to all school sites along with continuous student body training. The District will continue to conduct interim reviews to ensure compliance with the requirements. Site administration has been notified of the findings and provided with the corrective action plan. Site administration is committed to, and will be accountable for, implementing the necessary changes. District administration will monitor the process for resolution and corrective action implementation.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2007

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

(Continued)

Year Ended June 30, 2007

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

4. NONCLASSROOM-BASED INSTRUCTION (10000)

Criteria

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

Education Code Section 51747(c) requires Independent Study Agreements to be signed by the pupil, the pupil's parent or legal guardian, and the certificated employee designated as having responsibility for the general supervision of the pupil's independent study.

Condition

The Met Charter School's monthly summary for the sixth month's attendance did not agree with the summary used by the District for calculating the ADA reported on the charter school's P2.

At the Met Charter School, two of the nine independent study agreements reviewed were missing signatures. One was missing the pupil's signature and one was missing the certificated employee's signature.

Subsequently the internal audit department inspected all remaining contracts and determined the total overstatement to be 3.51 ADA. We have reviewed and agree with the conclusion reached by the District's internal auditor.

Effect

Overstatement of 3.51 ADA as of Period Two and 3.20 ADA as of Annual Reports of Attendance.

Cause

The attendance summary submitted to the District by the school site did not show any absences, and signatures were not obtained on all agreements.

Fiscal Impact

Overstatement of 3.51 ADA representing approximately \$22,721 in Revenue Limit funding.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2007

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

4. NONCLASSROOM-BASED INSTRUCTION (10000) (Continued)

Recommendation

The District should revise and resubmit the Period Two and Annual Reports of Attendance for the Met Charter School reflecting the removal of the disallowed ADA. Further, the District should put a process in place to review the Independent Study Agreements for completeness.

Corrective Action Plan

The District will revise and resubmit the Period Two and Annual Reports of Attendance for the Met Charter School to reflect the removal of the disallowed ADA. District staff is working with site administration to strengthen its process for reviewing the contracts for completeness prior to student attendance in the program.

5. REGULAR AND SPECIAL DAY CLASSES (10000)

Criteria

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

Condition

The monthly attendance summaries for four sites did not agree with summaries used by the District for calculation of ADA.

Effect

Overstatement of ADA.

Cause

The attendance summaries were amended at the school sites and the corrections were not submitted to the District.

Fiscal Impact

Extrapolated overstatement of 3.90 ADA representing approximately \$20,078 in Revenue Limit funding.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2007

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

5. REGULAR AND SPECIAL DAY CLASSES (10000) (Continued)

Recommendation

The District should revise and resubmit the Period Two and Annual Reports of Attendance. Further, the District should develop internal controls to ensure that school sites are reporting attendance correctly and submitting any changes in a timely manner.

Corrective Action Plan

The District has revised and resubmitted the Period Two Report of Attendance to reflect the reduction in ADA. The Annual Report of Attendance included the correction when filed. District staff is working to strengthen its processes to ensure that school sites are reporting any attendance changes in a timely manner.

6. ATTENDANCE (10000) – Cal-SAFE

Criteria

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

Condition

In calculating the ADA for the Cal-SAFE program, the District double counted continuing education students. The students were included in both the regular ADA and continuing education ADA on the Cal-SAFE attendance form.

Effect

Overstatement of ADA.

Cause

A correction on the supporting documentation was not recorded on the Cal-SAFE attendance form.

Fiscal Impact

Extrapolated overstatement of 5.09 ADA representing approximately \$13,641.

Recommendation

The District should revise and resubmit the Cal-SAFE claim for funding.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2007

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

6. ATTENDANCE (10000) – Cal-SAFE (Continued)

Corrective Action Plan

The District will revise and resubmit the Cal-SAFE claim for funding. District staff will review its processes to ensure that corrections are appropriately recorded.

7. REGULAR AND SPECIAL DAY CLASSES - TEACHER CREDENTIALS (10000)

Criteria

Any teacher assigned to teach a class in which more than 20 percent of the pupils are English learners must be authorized to instruct limited-English-proficient (LEP) pupils pursuant to the provisions of Education Code Sections 44253.3, 44253.4, or 44253.10.

Condition

At California Middle School, two teachers without the proper authorizations to instruct limited-English-proficient pupils were found to be teaching classes in which more than 20 percent of the pupils are English learners.

Effect

The District is not in compliance.

Cause

Internal control procedures were not followed to ensure teachers of LEP students have the proper credentials.

Fiscal Impact

Not applicable.

Recommendation

We recommend that the appropriate procedures be put in place to ensure teachers instructing classes in which more than 20 percent of the pupils are English learners are authorized to instruct limited-English-proficient (LEP) pupils pursuant to the provisions of Education Code Sections 44253.3, 44253.4, or 44253.10.

Corrective Action Plan

The District will review and strengthen its existing procedures to ensure that teachers have the appropriate authorizations when more than 20 percent of the pupils in a class are English learners.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

(Continued)

Year Ended June 30, 2007

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

(Continued)

8. INSTRUCTIONAL MATERIALS (70000)

Criteria

Title 5, California Code of Regulations, Section 19828 - For grades 9 through 12, instructional materials purchased by the District are required to be "reviewed and approved through a resolution adopted by the District's governing board as being aligned with State Board of Education-adopted content standards".

Condition

The District purchased a textbook for grades 9 – 12 that was not approved and adopted by the District's Board of Education.

Effect

The District is not in compliance.

Cause

The textbook was not on the District High School Core Textbooks approved list.

Fiscal Impact

Extrapolated overstatement of \$148,530.

Recommendation

The District should transfer the unapproved expenditures to the appropriate resource and verify all expenditures in the instructional material resource code for compliance with the Board adopted standards.

Corrective Action Plan

The District will transfer the unapproved expenditures to the appropriate resource code and submit a resolution to the Board of Education for approval of the identified text book. The District will also strengthen its processes for review of instructional materials purchases to include attaching the approved textbook list to its purchase requisitions, improving its documentation procedures, and ensuring that proposed purchases that are not on the list receive Board adoption prior to purchase.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

(Continued)

Year Ended June 30, 2007

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

(Continued)

9. NOTIFICATION OF RIGHT TO ELECT CALIFORNIA STATE TEACHERS RETIREMENT SYSTEM (CALSTRS) MEMBERSHIP (41000)

Criteria

Education Code Section 22455.5, subdivision (b) requires Districts to provide a CalSTRS membership election form to each newly hired substitute teacher or part-time employee who will render creditable service as defined in Education Code Section 22119.5.

Condition

CalSTRS election forms for 5 substitute/part-time certificated employees were not on file.

Effect

The District is not in compliance.

Cause

Lack of internal controls.

Fiscal Impact

Not applicable.

Recommendation

We recommend the District put controls in place to ensure the CalSTRS election forms are turned in by new employees to Human Resources and retained by Payroll.

Corrective Action Plan

The District has strengthened its processes to ensure that CalSTRS election forms are received and appropriately retained, including periodic review and monitoring of compliance.

**STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS**

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

Year Ended June 30, 2007

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
<p>2006-1</p> <p>The student body accounts at three of the six sites visited for testing had the following conditions:</p> <ul style="list-style-type: none"> • The ASB Secretary does not issue or maintain a log of receipt books issued to student clubs. • Receipt books are not maintained and issued to each student club. • Pre-numbered receipts are not given to individuals to acknowledge receipt of cash. • Cash turned in to the Controller is not counted in dual custody. • Inventory count is not reviewed by the district personnel in charge of student body accounting. • Cash is not recorded promptly as it is only recorded when deposits are made, which can be weekly or monthly. • Total cash receipts and receipts from individual activities are not supported by detail schedules defining number of items receipted. • Total deposit amounts are not supported by deposited receipts. • Purchase Order Request Forms are not consistently used for Cash Disbursements. • Profit and Loss statements are not prepared and reviewed periodically. • Financial statements are not submitted to the principal or other officials. • Income from the sale of PE Clothes in the student store is counted as income for the Athletic Department. <p>We recommend the District stress the importance of effective controls over student body accounts and that interim reviews are performed to ensure compliance with the requirements.</p>	<p>Partially implemented.</p>	<p>See current year finding #3.</p>

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
(Continued)
Year Ended June 30, 2007

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
<p>2006-2</p> <p>The Claim for Reimbursement forms did not properly reflect the daily summary from one site.</p> <p>We recommend the Claim for Reimbursement forms be reviewed and reconciled to the daily summaries.</p>	<p>Implemented.</p>	
<p>2006-3</p> <p>Two Parental Agreement forms required to retain kindergarten students for an additional year were not properly completed.</p> <p>We recommend the District revise the Period Two and Annual Reports of Attendance to remove the disallowed ADA.</p>	<p>Implemented.</p>	
<p>2006-4</p> <p>The MET Sacramento Charter School is currently operating a program where more than 20% of the ADA is generated through non-classroom based activities. The ADA generated through non-classroom based educational programs is required to be operated through the use of an independent study contract.</p> <p>If the Charter School operates programs with non-classroom based activities, then they should utilize independent study contracts for ADA generated.</p>	<p>Implemented.</p>	